



## BANK PROFILE

The Co-operative Movement in Cyprus, considered as one of the well organized and the strongest in the world, was introduced at the beginning of the 20<sup>th</sup> Century and the first Co-operative Society was founded in 1909.

In 1937 the Co-operative Central Bank was founded. Its purpose was to provide credit for those member societies that are in need, through self-financing within the Co-operative Movement.

According to the Constitution of Cyprus and the Treaty of Establishment enacted in 1959 when Cyprus acquired its independence, both the Cyprus Co-operative Central Bank and the Co-operative Movement on the island were split into two separate parts, as Turkish and Greek Cypriot.

Today, at the center of the Co-operative credit system of the Turkish Republic of Northern Cyprus is the Cyprus Turkish Co-operative Central Bank Ltd.(KOOPBANK), which was established in 1959 as a tertiary Co-operative Society. Members of the Bank are the Co-operative Societies, which are obliged by the Co-operative Law to deposit their liquid funds with the Bank.

KOOPBANK, in addition to its obligation to comply with the Co-operative Societies Law and Rules, is at the same time subject to the Banking Law of 2001.

Today, KOOPBANK provides the following services:

- It acts as the Central Banker to the local Co-operative Societies by giving loans to those Societies in need and accepting deposits from those with surplus funds.
- It is the lender of last resort for Co-operative Societies involved in banking activities.
- To assist the agricultural development, it provides government-subsidized loans directly to the farmers. These loans are usually long-term and at low rates of interest.
- Through its agricultural oriented subsidiaries, it provides a whole range of agricultural requisites including fertilizers, insecticides, machinery and equipment for farmers usually on credit basis until the ingathering of the crop.
- As part of its strategy to build an integrated financial services group, the Bank's wholly-owned subsidiary Şeker Insurance(Kıbrıs) Ltd. has been a major insurance company in the country providing insurance services to all sectors. Financing of farmers for land development and land leveling.
- Financing the local authorities and the State for several of their projects.

As well as the above specialized services, Koopbank offers a comprehensive range of retail, corporate and foreign banking services through its 19 branches and its numerous correspondents abroad. It is the major bank in the financial system of the country in terms of its size and the use of technology, such that at least one person from each household is a customer of the cooperative societies.



In its dedication to serve better for its customers and member societies, Koopbank has continuously been working towards improving its service quality and expanding the range of its products and services to meet the ever-changing demands.

## BOARD OF DIRECTORS AND SENIOR OFFICERS

### Board of Directors

**Üstün Turan**  
*Chairman*

**Harun Dimililer**  
*Member*

**Yaşar Artam**  
*Member*

**Mustafa Numan**  
*Member*

**Hüseyin Barbet**  
*Member*

**Metehan Erel**  
*Member*

**İsmet Baykur**  
*Member*

### Auditors

Erdal & Co  
Chartered Accountants

### Senior Officers

**Gülhan Alp**  
*General Manager*

**Akay Aktuğ**  
*Assistant General Manager*

**Kemal Ataman**  
*Assistant General Manager*

As of 19 April 2013

## **REPORT OF THE DIRECTORS**

1. The Board of Directors has pleased in submitting their Report for the year 2012 together with the Audited Balance Sheet and the Profit and Loss Account as of 31<sup>st</sup> December 2012.

### **2. Profit and Loss Account**

The Net Profit of the Bank for the year 2012 arising from its ordinary activities in the Banking, Commercial and Industrial fields, before making any transfers to Provision for Doubtful Accounts, was TRY 19,011,290 compared to TRY 28,625,102 for the year 2011, reflecting an decrease of 34% . In 2012, the Net Profit amounted to TRY 17,184,244 whereas corresponding amount for the previous year was TRY 25,372,553.

The Bank also had an extraordinary income of TRY 104,637, consisting of TRY 9,243 Entrance Fees from New Shareholders, TRY 92,394 from Rental Income and TRY 3,000 from others. The corresponding figure for the previous year was TRY 37,331 consisting of, TRY 13,297 from entrance fees, TRY 18,327 from rental income and TRY 5,707 from others.

### **3. Taxation**

In respect of 2012, a provision of TRY 1,931,684 was made for the taxation liability, leaving an overall Net Income of TRY 17,184,244 for the year, after taxation is deducted.

4. Under the Co-operative Societies Law, The Bank is subject to a levy, up to 15% of its annual Net Profit from ordinary activities as compulsory contribution to the statutory Co-operative Societies Audit and Supervision Fund. The exact amount of such contribution is determined by the Registrar of Turkish Co-operative Societies. In the accounts for 2012 no provision was made for this purpose following an understanding with the registrar to that effect.
5. As explained above, the remaining balances of TRY 17,184,244 are credited to the General Reserve Account in accordance with the statutory regulations in force. Under the regulations made pursuant to the Cooperative Societies Law and Bank's by-Law; the Bank Reserves are not available for distribution as a dividend or appropriation for any purpose; hence they are of the nature of additional permanent capital.

## **6. Activities of the Bank**

In the banking field, the Bank operating through nineteen banking branches in Northern Cyprus, provides a comprehensive range of domestic and foreign banking services. In the industrial and commercial fields, the Bank comprises mainly in agriculture-based production companies through its three Cooperative Subsidiaries. It makes a significant contribution to the economy of the Turkish Republic of Northern Cyprus.

7. The Bank also acts as a principal agent of the State, for financial support and other services provided for the agricultural sector through the network of rural Co-operative Societies, all of which are shareholder members of the Bank.

## **8. Deposits**

Time deposits as of 31.12.2012 are amounted to TRY 2,015,740,368 compared to TRY 1,874,288,739 of the previous year, showing a 7,55% increase. On the other hand, demand deposits as of 31.12.2012 are amounted to TRY 184,399,901 as compared to TRY 173,260,144 of the previous year, which shows a 6,43% increase.

## **9. Advances, Loans and other Accounts Receivable**

The outstanding advances and loans together with other accounts receivable less provision for doubtful accounts, was TRY 1,902,844,544 compared to TRY 1,767,282,253 at the end of previous year, showing an increase of 7,67%.

## **10. Capital and Reserves**

The Capital and Reserves of the Bank as of 31.12.2012 amounted to TRY 210,968,476 as compared to TRY 188,976,547 on 31.12.2011 showing an increase of 11,64%.

The reserves of the Bank increased to TRY 21,991,929 as compared with the previous year; this increase in reserves is due to the TRY 27,759,140 profit for 2012 and TRY 10,560 decrease from revaluation, in terms of Turkish Lira, of the foreign currency cost of the overseas investments held by the Bank.

11. We wish to take this opportunity to express our sincere appreciation to our general Manager and his immediate assistance as well as to the managers and staff for their hard work and devotion to their duty during 2012.

On behalf of the Board

**Üstün Turan**

*Chairman*

## **DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS**

**1. Rule 65 of the Rules, made under section 54 of the Cooperative Societies Law, Cap. 114.**

**Preparation of Annual Report and Accounts**

The Board of Directors shall within the period prescribed by the Turkish Cypriot Registrar of Co-operative Societies and as soon as possible;

- a) Ensure that the General Manager prepares the Bank's Balance Sheet as of 31st of December of the preceding year and its detailed Profit and Loss Account for the year then ended and submits it to the Turkish Cypriot Registrar of Co-operative Societies.
- b) Prepare a report concerning the activities of the Bank during the said year for submission to the Annual General Meeting.

**2. Rule 12 of the By-Law of the Cyprus Turkish Co-operative Central Bank Ltd. made under the Co-operative Societies Law.**

The Board of Directors shall manage the affairs of the Bank with prudence reserve and reason. They will otherwise be responsible for any loss arising from action contrary to the Co-operative Societies Law. The Rule made there under and these Rules.

**CYPRUS TURKISH COOPERATIVE CENTRAL BANK LIMITED****INDEPENDENT AUDITORS' REPORT FOR THE ACCOUNTING PERIOD  
1 JANUARY 2012 - 31 DECEMBER 2012**

We have audited the accounts on pages 8 to 43 which have been prepared under the historical cost convention and in accordance with the accounting policies set out on page 17. As described on page 5 the directors of the bank are responsible for the preparation of accounts. Our responsibility is to express an opinion based on our audit.

We have conducted our audit in accordance with applicable auditing principles. Those principles require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement taking into consideration the operation of the Bank's internal systems, effectiveness of the internal control system, sufficient use of internal systems and the appropriateness of the infrastructure and the systems in use to the Bank's structure. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessment of the accounting principles used, significant accounting estimates made by the board of directors and the overall presentation of the financial statements. We believe that our audit provides reasonable basis for our opinion.

**Report in accordance with Principles relating to the establishments authorized to carry out Independent Audits of the Banks Decree**

In our opinion, the said financial statements, with all material respects, have been examined on a test basis under Article 34 (3) of the Banking Law No:39/2001 and the following matter has been identified.

- The total of loans secured by State guarantee exceeded the limit as prescribed by the 39/2001 Banking Law by TRY 1,160,695,092 (One billion one hundred and sixty million, six hundred and ninety five thousand, ninety two Turkish Lira).

Except for the matter above the financial statements is in conformity with the uniform chart of accounts, uniform balance sheet and profit and loss statement, notes to the financial statements, accounting and valuation standards in accordance with Article 29 (3), the records of the bank in accordance with Article 30 of the above mentioned Law and as explained in note-1 (14). Internal systems and internal control procedures have been reviewed and found appropriate as stated in note IB-14.

**Opinion under Cooperative Companies Law Chapter 114**

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



In our opinion and to the best of information obtained and according to the explanations given to us, the accounts in all material respects, give the information required by Chapter 114, the Cooperative Companies Law in the manner so required and give a true and fair view of the Bank's financial position as at 31 December 2012 and of the profit for the year 2012.

Responsible Partner

Erdal & Co.

Hüseyin Erdal FCA

Firuz Fehmi BA (Hons) FCA

Eral Erdal Bsc (Hons) FCA

Nicosia, 26.04.2013

Independent Auditors Authorized by the Central Bank



## Financial Highlights

(TRY, US\$ in actual)

	2012		2011		Growth	
	US\$	TRY	US\$	TRY	US\$%	TRY%
<b>Total Assets</b>	1,470,648,675	2,588,341,667	1,270,530,469	2,382,244,629	15,75	8,65
<b>Loans, Net</b>	1,064,201,086	1,872,993,911	924,960,398	1,734,300,746	14,68	8,00
<b>Total Deposits</b>	1,250,079,698	2,200,140,269	1,092,026,071	2,047,548,883	14,47	7,45
<b>Shareholders Equity &amp; Reserves</b>	119,868,452	210,968,476	100,787,492	188,976,547	18,93	11,64
<b>Net Interest Income</b>	41,534,694	73,101,062	41,726,568	78,237,315	-0,46	-6,56
<b>Net Profit/Loss</b>	9,763,775	17,184,244	13,532,029	25,372,554	-27,85	-32,27

End Year Conversion Rates : 1 US \$ = 1.7600TRY for 2012

1 US \$ = 1.8750 TRY for 2011

**BALANCE SHEETS**  
(As at 31.12.2012 and 31.12.2011)

ASSETS		( 31/12/2012)			( 31/12/2011)		
	Note	LC	FC	TOTAL	LC	FC	TOTAL
CASH AND EQUIVALENTS		10.351.053	3.307.422	13.658.475	6.234.937	2.820.040	9.054.977
A. Cash balances -Turkish Lira		10.351.053	0	10.351.053	6.234.937	0	6.234.937
B. Cash balances -Foreign Currency		0	3.197.114	3.197.114	0	2.651.657	2.651.657
C. Others		0	110.308	110.308	168.383	168.383	168.383
BANKS	(1)	159.406.314	267.800.123	427.206.437	247.425.084	247.425.084	354.696.553
A. Due from the Central Bank		149.483.988	205.625.995	355.109.983	100.397.842	157.088.959	257.486.801
B. Due from banks		9.922.326	62.174.128	72.096.454	90.336.125	97.209.752	97.209.752
1) Domestic banks		1.667	0	1.667	505	0	505
2) Foreign banks		9.920.659	62.174.128	72.094.787	6.873.122	90.336.125	97.209.248
OTHER FINANCIAL INSTITUTIONS		0	0	0	0	0	0
MARKETABLE SECURITIES [ Net ]	(2)	41.972.068	2.924.276	44.896.344	61.666.110	3.104.952	64.771.062
A. Government bonds and treasury bills		0	0	0	0	0	0
B. Other bonds		0	0	0	0	0	0
C. Equity shares		0	0	0	0	0	0
D. Other marketable securities		41.972.068	2.924.276	44.896.344	61.666.110	3.104.952	64.771.062
LOANS	(3)	1.527.896.835	340.758.573	1.868.655.408	1.368.222.021	359.670.822	1.727.892.843
A. Short-term		1.499.055.914	239.195.050	1.738.250.964	1.344.305.487	253.930.745	1.598.236.232
B. Medium and Long term		28.840.921	101.563.523	130.404.444	23.916.534	105.740.077	129.656.611
LOANS IN ARREARS [ Net ]	(4)	2.073.809	2.264.694	4.338.503	2.058.745	4.349.158	6.407.903
A. Loans with limited recovery [ Net ]		898.171	1.508.930	2.407.101	837.964	1.810.625	2.648.589
1) Gross receivables		1.024.334	1.581.950	2.606.284	942.747	1.872.520	2.815.267
2) Provision for loan losses ( - )		126.123	73.020	199.183	104.783	61.895	166.678
B. Loans with doubtful recovery [ Net ]		1.175.638	755.764	1.931.402	1.220.781	2.538.533	3.759.314
1) Gross receivables		1.307.854	854.327	2.162.181	1.346.805	2.727.205	4.074.010
2) Provision for loan losses ( - )		132.216	98.563	230.779	126.024	188.672	314.696
C. Loans considered as loss [ Net ]		0	0	0	0	0	0
1) Gross receivables		8.069.144	58.292.192	66.361.336	7.769.821	56.307.677	64.077.498
2) Provision for loan losses ( - )		8.069.144	58.292.192	66.361.336	7.769.821	56.307.677	64.077.498
INTEREST&OTHER INCOME ACCRUALS		3.459.019	520.452	3.979.471	2.723.331	953.799	3.677.130
A. Loans		186.124	310.266	496.390	271.533	353.172	624.705
B. Marketable securities		3.223.980	1.443	3.225.423	2.438.622	1.511	2.440.133
C. Other		48.915	208.743	257.658	13.176	599.116	612.292
LEASING RECEIVABLES [ Net ]		0	0	0	0	0	0
A. Leasing receivables		0	0	0	0	0	0
B. Unearned income ( - )		0	0	0	0	0	0
RESERVE DEPOSITS AT THE CENTRAL BANK		126.274.818	43.159.524	169.434.342	119.391.433	42.250.770	161.642.203
MISCELLANEOUS RECEIVABLES	(5)	71.634	63.244	134.878	53.331	263.708	317.039
PARTICIPATIONS [ Net ]	(6)	0	0	0	3.178.136	0	3.178.136
A. Financial services		0	0	0	3.178.136	0	3.178.136
B. Others		0	0	0	0	0	0
SUBSIDIARIES [ Net ]	(6)	16.862.464	0	16.862.464	7.326.212	0	7.326.212
A. Financial services		7.570.498	0	7.570.498	0	0	0
B. Other		9.291.966	0	9.291.966	7.326.212	0	7.326.212
LONG-TERM SECURITIES [ Net ]	(7)	15.978.290	3.653.930	19.632.220	11.342.670	3.892.682	15.235.352
A. Equities		0	0	0	0	0	0
B. Other long-term securities		15.978.290	3.653.930	19.632.220	11.342.670	3.892.682	15.235.352
FIXED ASSETS [ Net ]	(8)	13.439.061	0	13.439.061	14.293.232	0	14.293.232
A. Book value		25.674.723	0	25.674.723	25.474.712	0	25.474.712
B. Accumulated depreciation ( - )		12.235.662	0	12.235.662	11.181.480	0	11.181.480
OTHER ASSETS	(9)	5.648.860	455.204	6.104.064	13.629.697	122.290	13.751.987
TOTAL ASSETS	(19)	1.923.434.224	664.907.443	2.588.341.667	1.717.391.324	664.853.305	2.382.244.629

LIABILITIES		Note	(31/12/2012)			(31/12/2011)		
			LC	FC	TOTAL	LC	FC	TOTAL
DEPOSITS		(10)	1.668.759.523	531.380.746	2.200.140.269	1.525.656.595	521.892.288	2.047.548.883
A.	Saving deposits		1.136.649.163	446.111.329	1.582.760.492	1.067.836.142	438.800.654	1.506.636.796
B.	Government deposits		247.505.229	14.103.732	261.608.961	182.585.251	17.015.701	199.600.952
C.	Commercial deposits		39.166.713	15.950.065	55.116.778	51.525.624	15.558.467	67.084.091
D.	Other deposits		211.872.020	49.971.187	261.843.207	216.505.427	42.507.506	259.012.933
E.	Bank deposits		33.566.398	5.244.433	38.810.831	7.204.151	8.009.960	15.214.111
F.	Gold deposit accounts		0	0	0	0	0	0
INTERBANK FUNDS BORROWED		(11)	300.000	3.653.930	3.953.930	835.490	3.892.682	4.728.172
FUNDS BORROWED		(12)	54.000.000	17.710.800	71.710.800	20.800.000	19.882.100	40.682.100
A.	The Central Bank funds borrowed		54.000.000	8.910.800	62.910.800	20.800.000	10.507.100	31.307.100
B.	Other funds borrowed		0	8.800.000	8.800.000	0	9.375.000	9.375.000
	1) Domestic banks and other institutions		0	0	0	0	0	0
	2) Foreign banks, institutions and funds		0	8.800.000	8.800.000	0	9.375.000	9.375.000
	3) Subordinated debts		0	0	0	0	0	0
FUNDS		(13)	1.960.170	0	1.960.170	3.022.332	0	3.022.332
SECURITIES ISSUED [ Net ] ( 12 )		(14)	0	0	0	0	0	0
A.	Bond		0	0	0	0	0	0
B.	Asset-backed securities		0	0	0	0	0	0
C.	Bills		0	0	0	0	0	0
INTEREST & OTHER EXPENSES ACCRUALS			7.314.658	5.861.059	13.175.717	6.642.616	6.021.797	12.664.413
A.	Deposits		7.001.262	3.741.644	10.742.907	6.642.616	6.021.797	12.664.413
B.	Funds borrowed		0	667.535	667.535	0	0	0
C.	Other		313.396	1.451.879	1.765.274	0	0	0
LEASING PAYABLES [ Net ]			0	0	0	0	0	0
A.	Leasing payables		0	0	0	0	0	0
B.	Deferred leasing expenses ( - )		0	0	0	0	0	0
TAXES, DUTIES AND FEES PAYABLE			4.615.079	148.665	4.763.744	10.369.287	155.799	10.525.086
IMPORT TRANSFER ORDERS			0	0	0	0	0	0
MISCELLANEOUS PAYABLES [ 13 ]		(15)	14.833.513	1.862.208	16.695.721	11.215.020	1.921.906	13.136.926
PROVISIONS			55.012.493	0	55.012.493	56.341.002	26.629	56.367.631
A.	Provision for end-of service benefits		30.871.309	0	30.871.309	30.848.214	0	30.848.214
B.	General provision for loan losses		4.073.751	0	4.073.751	4.519.884	0	4.519.884
C.	Provision for taxes		975.887	0	975.887	1.856.757	0	1.856.757
D.	Other provisions		19.091.546	0	19.091.546	19.116.147	26.629	19.142.776
OTHER LIABILITIES ( 10 )		(16)	9.453.659	506.688	9.960.347	3.936.243	656.296	4.592.539
SHAREHOLDERS' EQUITY ( 16 )		(17)	48.741.120	0	48.741.120	41.396.180	0	41.396.180
A.	Paid-in share capital ( 17 )		21.199.117	0	21.199.117	20.488.989	0	20.488.989
	1) Registered share capital		50.000.000	0	50.000.000	50.000.000	0	50.000.000
	2) Unpaid capital ( - )		28.800.883	0	28.800.883	29.511.011	0	29.511.011
B.	Legal reserves		16.940.496	0	16.940.496	14.403.240	0	14.403.240
	1) I. And II. legal reserves		16.940.496	0	16.940.496	14.403.240	0	14.403.240
	2) Share premiums		0	0	0	0	0	0
	3) Other legal reserves		0	0	0	0	0	0
C.	Optional reserves		0	0	0	0	0	0
D.	Revaluation surplus		941.393	0	941.393	951.953	0	951.953
E.	Revaluation differences ( 14 )	(18)	9.660.115	0	9.660.115	5.551.998	0	5.551.998
F.	Loss		0	0	0	0	0	0
	1) Current period loss		0	0	0	0	0	0
	2) Previous years' losses		0	0	0	0	0	0
PROFIT			162.227.356	0	162.227.356	147.580.367	0	147.580.367
A.	Current period profit		17.184.244	0	17.184.244	25.372.554	0	25.372.554
B.	Previous years' profit		145.043.112	0	145.043.112	122.207.813	0	122.207.813
TOTAL LIABILITIES and ( 15 )		(19)	2.027.217.571	561.124.096	2.588.341.667	1.827.795.132	554.449.497	2.382.244.629
CONTINGENCIES & COMMITMENTS		(2)	15.633.375	12.092.426	27.725.801	17.509.910	13.974.734	31.484.644
ENDORSEMENTS AND WARRANTIES			52.331.985	4.173.219	56.505.204	52.125.435	4.314.379	56.439.814
TOTAL			214.063.050	646.645.395	860.708.445	204.468.948	677.059.061	881.528.009

**PROFIT AND LOSS ACCOUNTS**

(For the years ended 31.12.2012 and 31.12.2011)

	Note	(31/12/2012)	(31/12/2011)
<b>INTEREST INCOME</b>	<b>(1)</b>	<b>234.334.309</b>	<b>221.758.865</b>
A. Interest income on loans		216.269.703	200.524.315
1) Interest income on loans-Turkish Lira		186.227.488	169.502.117
a - Short-term		181.618.583	166.436.459
b - Medium and long-term		4.608.905	3.065.658
2) Interest income on loans-foreign currency		28.117.146	29.511.716
a - Short-term		19.421.677	20.046.620
b - Medium and long-term		8.695.469	9.465.096
3) Interest income on loans in arrears		1.925.069	1.510.482
Interest income on reserve deposits at the			
B. Central Bank		6.199.796	6.031.798
C. Interest income received from banks		5.637.022	7.835.650
1) The Central Bank		3.307.383	4.043.404
2) Domestic banks		0	0
3) Foreign banks		2.329.639	3.792.246
D. Interest income on interbank operations		0	0
E. Interest income on marketable securities		5.433.127	5.806.546
1) Development Bank of the TRNC Bonds		1.949.748	2.262.026
2) Other marketable securities		3.483.379	3.544.520
F. Other interest income	(3)	794.661	1.560.556
<b>INTEREST EXPENSES</b>	<b>(1)</b>	<b>161.233.247</b>	<b>143.521.550</b>
A. Interest paid for deposits		136.030.213	120.321.720
1) Savings deposits		113.203.439	98.171.219
2) Government deposits		3.012.143	1.867.426
3) Commercial deposits		17.769.780	18.941.189
4) Other deposits		30.331	7.032
5) Bank deposits		2.014.520	1.334.854
B. Interest paid for foreign currency deposits		20.347.785	20.253.175
1) Savings deposits		17.332.574	17.437.194
2) Government deposits		613.429	656.877
3) Commercial deposits		1.676.693	1.359.959
4) Other deposits		498.193	521.550
5) Bank deposits		226.896	277.595
6) Gold deposit accounts		0	0
C. Interest paid for interbank operations		456.577	424.332
D. Interest paid for funds borrowed		4.233.858	2.374.943
1) To the Central Bank		8.484	1.662.918
2) To domestic banks		3.530.354	0
3) To foreign banks		695.020	712.025
4) Other		0	0
E. Interest paid for securities issued		0	0
F. Other interest expenses	(3)	164.814	147.380
<b>NET INTEREST INCOME</b>		<b>73.101.062</b>	<b>78.237.315</b>
<b>OPERATING INCOME</b>	<b>(1)</b>	<b>43.542.793</b>	<b>62.676.660</b>
A. Fees and commissions received		8.439.834	8.268.315
1) Loans		2.336.726	2.498.833
2) Contingent liabilities		263.642	290.227



3) Other	5.839.466	5.479.255
B. Income on capital market operations	0	0
C. Income on foreign exchange operations	23.538.184	48.532.930
D. Dividend from participations and subsidiaries	0	0
E. Extraordinary income	0	0
F. Other operating income	(3) 11.564.775	5.875.415
<b>OPERATING EXPENSES</b>	<b>(1) 97.527.927</b>	<b>112.251.543</b>
A. Fees and commissions paid	698.101	1.371.731
1) Loans	205.832	167.325
2) Contingent liabilities	0	0
3) Other	492.269	1.204.406
B. Loss on capital market operations	0	0
C. Loss on foreign exchange operations	30.058.269	25.809.366
D. Personnel expenses	29.643.543	29.577.979
E. Provision for end-of-service benefits	2.218.369	2.804.571
F. Rental expenses	295.798	270.214
G. Depreciation expenses	1.300.604	1.362.225
H. Taxes and duties	222.853	154.434
I. Extraordinary expenses	0	0
J. Provision for loans in arrears	(2) 8.941.738	25.224.828
K. Other provisions	(2) 841.140	5.214.751
L. Other operating expenses	(3) 23.297.512	20.461.443
<b>NET OPERATING INCOME</b>	<b>-53.985.134</b>	<b>-49.574.882</b>
<b>PROFIT/LOSS BEFORE TAX</b>	<b>19.115.928</b>	<b>28.662.432</b>
<b>PROVISION FOR TAX</b>	<b>1.931.684</b>	<b>3.289.879</b>
<b>NET PROFIT</b>	<b>17.184.244</b>	<b>25.372.553</b>

## Cash Flow Statements

For the years ended 31st December 2012 and 31st December 2011

	<b>31st December 2012 (TRY)</b>	<b>31st December 2011 (TRY)</b>
<b>I- Cash Flows from Banking Activities (Core Business)</b>		
Interest Income Received	234,334,308	221,758,865
Interest Expenses Paid	-161,233,247	-143,521,550
Dividend Received	0	0
Commissions and Fees Received	8,439,834	8,268,315
Other Income	11,564,775	5,875,415
Recoveries on Loans and other Receivables Written-Off	0	0
Payments to personnel and other service providers	-29,643,543	-29,577,979
Taxes Paid	-222,853	-154,434
Other Collections ( _____ )	0	0
Other Payments ( _____ )	-39,534,946	-59,999,641
<b>Cash Flows from Banking Activities before Changes in Operating Assets and Liabilities</b>	<b>23,704,328</b>	<b>2,648,991</b>
<b>Changes in Operating Assets and Liabilities</b>		
<u>Increase/Decrease in Operating Assets:</u>		
(Increase)/Decrease in Securities – Net	19,874,718	5,102,287
(Increase)/Decrease in Due from Banks – Net	-72,509,883	-52,984,989
(Increase)/Decrease in Loans – Net	-138,693,165	-170,052,839
(Increase)/Decrease in Other Assets	-11,019,382	-5,654,797
<u>(Increase/Decrease in Operating Liabilities:</u>		
Increase/(Decrease) in Deposits – Net	152,591,386	186,263,553
Increase/(Decrease) in Funds Borrowed – Net	31,028,700	1,251,094
Increase/(Decrease) in Securities Issued – Net	0	0
Increase/(Decrease) in Other Liabilities - Net	485,023	8,419,951
<b>Net Cash Inflows from Banking Activities</b>	<b>5,461,724</b>	<b>-25,006,749</b>
<b>II- Cash Flows from Investing Activities</b>		
Acquisition of Investments and Affiliated Companies	0	0
Sales of Investments and Affiliated Companies	0	0
Purchase of Bank Premises and Equipment	-456,992	-2,403,696
Sales of Bank Premises and Equipment	246,421	110,395
Purchases of Other Long-Term Investments	0	0
Sales of Other Long-Term Investments	0	0
Other Cash Inflows ( _____ )	1,054,182	1,295,483
Other Cash Outflows ( _____ )	0	0
<b>Net Cash Outflows used in Investing Activities</b>	<b>843,611</b>	<b>-997,818</b>

**Cash Flow Statements Continued:**
**II- Cash Flows from Capital Financing Activities**

Cash Inflows through Funds Borrowed and Securities Issued	0	0
Repayments for Funds Borrowed and Securities Issued	0	0
Cash Increase in Share Capital	710,128	810,365
Dividends Paid	0	0
Other Cash Inflows (_____)	4,108,117	1,406,941
Other Cash Outflows (_____)	0	0

<b>Net Cash Outflows used in Capital Financing Activities</b>	<b>4,818,245</b>	<b>2,217,306</b>
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Effect of Changes in Foreign Currency Exchange Rates on Cash and Cash Equivalents	-6,520,082	22,723,564
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Increase in Cash and Cash Equivalents	4,603,498	-1,063,700
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Cash and Cash Equivalents at the Beginning of the Period	9,054,977	10,118,677
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Cash and Cash Equivalents at the End of the Period	13,658,475	9,054,977
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**Statement Of Shareholders' Equity**  
**For The Years Ended December 31,2012 and 2011**  
**(TRY)**

	Share Capital	Legal Reserves	Other Legal Reserves (x)	General Reserves	Accumulated Retained Profit (Loss)	Current Retained (Loss)	Year Profit	Total
Balances, January 1, 2011	19,678,624	13,538,949	0	4,927,730	123,072,104	0	0	161,217,407
Transfers to Legal and General Reserves	0	864,291	0	0	-864,291	0	0	0
<b><u>Share Capital Increase</u></b>	0	0	0	0	0	0	0	0
-Cash	810,365	0	0	0	0	0	0	810,365
-Retained Earnings Emission Premium	0	0	0	0	0	0	0	0
Revaluation Surplus	0	0	0	1,576,221	0	0	0	1,576,221
Others	0	0	0	0	0	0	0	0
Current Year Net Profit	0	0	0	0	0	25,372,554	0	25,372,554
Balances, January 1,2012	20,488,989	14,403,240	0	6,503,951	147,580,367	0	0	188,976,547
Transfer to Legal and General Reserves	0	2,537,255	0	0	-2,537,255	0	0	0
<b><u>Share Capital Increase</u></b>	0	0	0	0	0	0	0	0
-Cash	710,128	0	0	0	0	0	0	710,128
-Retained Earnings Emission Premium	0	0	0	0	0	0	0	0
Revaluation Surplus	0	0	0	4,097,557	0	0	0	4,097,557
Others	0	0	0	0	0	0	0	0
Current Year Net Profit	0	0	0	0	0	17,184,244	0	17,184,244
<b>Balances, December 31,2012</b>	<b>21,199,117</b>	<b>16,940,495</b>	<b>0</b>	<b>10,601,508</b>	<b>145,043,112</b>	<b>17,184,244</b>	<b>0</b>	<b>210,968,476</b>



## I-NOTES, EXPLANATIONS AND INFORMATION REGARDING THE FINANCIAL STRUCTURE OF THE BANK:

### Explanatory Notes of the Current Period Financial Statements;

#### (1) Information of the date that balance sheet definitely approved

Balance Sheet was approved on the date 19/4/2013 by Board of the Directors

#### (2) General information about the Bank

Information to be provided under Rule 12 of the Rules made by the TRNC Central Bank pursuant to section 34(3) of Banking Law, No 39/2001:

##### A.

a) Legal structure of the Bank:

Cyprus Turkish Cooperative Central Bank Limited is registered under Chapter 114, Cooperative Societies Law and in regard of its banking activities it is subject to the Banking Law, Law No 39/2001.

b) Information concerning the capital structure of the Bank and the shareholders possessing 10% or more of its shares is given under Note 11(14).

c) The Board of Directors of the Bank and its top managers are made up of the following persons:

<u>Board of Directors</u>	<u>Senior Officers</u>	<u>Audit Committee</u>	<u>External Auditor</u>	<u>Internal Auditors</u>
Üstün Turan Harun Dimililer Yaşar Artam Mustafa Numan Metehan Erel Hüseyin Barbet İsmet Baykur	Gülhan Alp (General Manager) Akay Aktuğ Kemal Ataman		Erdal & Co.	Mustafa Atagül Nevzat Üstün Cem Hakseven Nebahat Menteş Hakan Akgün Halil Koççat

Within the period of 01/01/2012-31//12/2012, Mr. Asım Karaderi resigned from the directorship as from 7 May 2012, Mr. Ali Kandulu resigned from the directorship as from 3 October 2012 and Mr. İsmet Baykur and Mr. Harun Dimililer were appointed to the Board of Directors of the Bank

d) General Manager and four of the members of the Board possess the qualifications required under section 15 and 16 of Part 4 of the Banking Law, No 39/2001.

### **(3) Principal accounting policies and related financial effects**

#### **Principle Accounting Policies**

The principal accounting policies followed in the preparation of the accompanying financial statements are as follows:

#### **a) Effect of Hyperinflation**

International Accounting Standards No 29 and UITF abstract 9 “Accounting For Operations in Hyperinflationary Economies” recommend adjustments to financial statements using a relatively stable currency of measurement, where such financial statements are designated in the currency of an economy suffering from hyperinflation which is defined as cumulative inflation rate over three years approaching or exceeding 100%.

Law 66/99 enacted on 23 November 1999 provides for the revaluation of certain items in the balance sheets of companies namely, paid up capital and reserves, fixed assets accumulated depreciation provision thereon, stocks and unquoted investments according to a factor provided in the law. The law provides also that as from January 1999 the revaluation loss or profit would be taken directly to the profit and loss account to increase or decrease the operational profit as the case may be.

The purpose is explained in the law to be the marking up of the amounts expressed in Turkish Lira to offset the loss in the value of the Turkish Lira since the dates of acquisition of the said assets and introduction of the capital funds including retained profits. According to the law the net result of the adjustments would be credited to equity capital or deducted according to whether it is a credit or debit balance.

This recommendation has not been applied in the TRNC. Due to the Parliament cancelled the said law (66/99) as from 1.1.2007, the bank has not made any adjustment to financial statements for the revaluation of paid up capital and reserves, fixed assets, accumulated depreciation items.

The value of freehold Immovable Property in London owned by the bank in 1982 for the purpose of to open a branch is marked up annually on every balance sheet date on the basis of TRY value of the sterling value. The sterling value is also adjusted on the basis of independent qualified valuers’ report. The valuers’ report was obtained for 31 December 1999 and valued GBP 320,000. Surplus on revaluation of this transaction is taken directly to the reserves.

## **b) Accounting Principles**

- 1- Fixed Assets are the ending balance of the accounts, which are calculated as Revaluation Cost minus Revaluated Depreciation Provisions.
- 2- All income and expense items are recorded on accrual basis. Accrued interest and interest receivables that are classified as non-performing are cancelled and are not recorded as interest income until the actual date of the collection as per the relevant legislation.
- 3- Full specific provision has been made for group 5 without considering of their collateral.

## **c) Foreign Currency Transactions**

Foreign currency assets and liabilities at each year-end are converted into New Turkish Lira at the year-end foreign currency rates.

Reserve Deposits amounting Cyprus Pound (CY£) 326,198 blocked in the Central Bank of Southern Cyprus since 1974 have been converted into New Turkish Lira at the year-end foreign currency rate 2.84. Full provision has been made for this amount.

## **(4) Fundamental Accounting Concepts**

The accounts have been prepared in accordance with the Fundamental Accounting concepts.

## **(5) Valuation methods used, any change in the methodology during the current period and financial effects of such changes;**

No change has been made

## **(6) Information on investment securities (subsidiaries, equity participations, and marketable securities);**

### **Marketable Securities**

Marketable securities are those which management mainly intend to hold until maturity and are stated at cost as adjusted for the amortization of premiums or discounts on purchases over the period to maturity.

Marketable Securities as of December 31, 2012 and 2011 are comprised of the following.

	<b>2012</b>	<b>2011</b>
	<b>(TRY)</b>	<b>(TRY)</b>
Development Bank of the Turkish Republic of Northern Cyprus Bonds	40,828,961	39,004,938
Turkish Republic Government Bonds and Treasury Bills	4,067,383*	25,766,124*
<b>Total Securities Portfolio</b>	<b>44,896,344</b>	<b>64,771,062</b>

\* Blocked securities TRY 15,675,088 subject to collateral against to the loan obtained from foreign markets are excluded.

- Development Bank of the Turkish Republic of Northern Cyprus bonds are issued under State Guaranty are not quoted on any stock exchange and are convertible to cash on demand. The banks are obliged to invest 2% of their total deposits in Development Bank Bonds.
- Republic of Turkey Government Bonds and Treasury Bills are quoted on Istanbul Stock Exchange and are stated at cost or prices quoted in the Official Gazette by Turkish Central Bank whichever is lower. The cost of foreign currency denominated securities is translated at year-end exchange rates. Interest earned for holding securities are included in interest income.

#### **Equity Participations, Subsidiaries and Long-term Securities:**

Equity Participations and subsidiaries value have been revaluated under the law 66/1999 for the year 2006. Since the said law (66/1999) has been cancelled as from 1.1.2007 equity participations and subsidiaries are not revaluated for the year 2012.

#### **Depreciation method used, any change in the methodology during the current period and financial effects of such changes:**

Depreciation has been calculated on the “straight-line basis” and no change has been made in the depreciation method during the current period.

#### **(7) The composition of strategies for providing a hedge against the exchange rate risk resulting from other foreign currency transactions.**

Market fluctuations of exchange rates, interest rates and prices are monitored instantaneously, while positions are taken with strict adherence to legal limitations as well

as the Bank's own transaction and control limits, thus preventing any breaches of these limits. A long position exists of US Dollar.

**(8)** Foreign currency assets and liabilities at each year-end are translated into Turkish Lira at the year-end foreign currency rates. As at 31 December 2012 and 31 December 2011, foreign currency assets and liabilities of the Bank are mainly in GBPE and US\$.

The exchange rate used in revaluation of foreign currency items during the preparation of the balance sheet and the Bank's published US dollar and GB Pound currencies purchase rates for the last five working days of the period are as follows:

	Current Period	Previous Period
The Bank's "Exchange rate for the Evaluation of Foreign Currency Items" (1 US dollar \$=.....TRY)	1.7600 TRY	1.8750 TRY
US dollar purchase rates for the 5 working days before balance sheet date:		
Purchase Rate of the 1st day	1.7750 TRY	1.8800 TRY
Purchase Rate of the 2nd day	1.7750 TRY	1.8780 TRY
Purchase Rate of the 3rd day	1.7750 TRY	1.8780 TRY
Purchase Rate of the 4th day	1.7750 TRY	1.8750 TRY
Purchase Rate of the 5th day	1.7780 TRY	1.8650 TRY
	Current Period	Previous Period
The Bank's "Exchange rate for the Evaluation of Foreign Currency Items" (1 Sterling Stg=.....TRY)	2.8660 TRY	2.8990 TRY
Sterling purchase rates for the 5 working days before balance sheet date:		
Purchase Rate of the 1st day	2.8770 TRY	2.9380 TRY
Purchase Rate of the 2nd day	2.8770 TRY	2.9550 TRY
Purchase Rate of the 3rd day	2.8770 TRY	2.9500 TRY
Purchase Rate of the 4th day	2.8820 TRY	2.9420 TRY
Purchase Rate of the 5th day	2.8760 TRY	2.9450 TRY

**(9) Movable and Immovable Insured Values:**

The book value of the movables and immovable, their accumulated depreciation and total insured value are given below:

**Current Period: 31/12/2012**

	<b>Book Value</b>	<b>Accumulated Depreciation</b>	<b>Insurance Coverage</b>
Movables	11,692,652	8,414,962	2,692,737
Immovables	13,982,071	3,820,700	4,035,046
Immovables held for resale	2,387,876	0	689,279

**Previous Period: 31/12/2011**

	<b>Book Value</b>	<b>Accumulated Depreciation</b>	<b>Insurance Coverage</b>
Movables	11,482,081	7,836,835	2,883,136
Immovables	13,992,631	3,344,645	4,095,921
Immovables held for resale	2,430,264	0	899,104

**(10) Information on contingent losses and gains, which are significant but cannot be quantified:**

All significant contingent losses and gains are quantified and stated in the balance sheet as of 31 December 2012.

**(11)**

**a) Information on events occurring after the balance sheet date which effect the financial activities and/or financial structure significantly and therefore require explanation**

None

**b) Changes which occurred in exchange rates after the date of the balance sheet which are of mere importance to affect the use of and decisions based on the balance sheets and their impact on foreign currency transactions and items in the balance sheets as well as the effects on the Banks' foreign activities.**

No significant exchange rate changed occurred after the date of the balance sheet.

**(12) Other issues that significantly affect the balance sheet or require an explanation for the balance sheet to be clear and comprehensible:**

The financial statements give a true and fair view of the financial position of the Bank as of 31 December 2012.

**(13) INFORMATION REGARDING THE FINANCIAL STRUCTURE**
**a) Information related to capital adequacy standard ratio:**

	Risk Weights			
	0%	20%	50%	100%
<b>Risk Weighted Assets, Liabilities and Non-Cash Loans</b>				
Balance Sheet Items (Net)	0	0	0	0
Cash	13,548,167	110,308	0	0
Due from Central Bank	355,109,982	0	0	0
Interbank Money Market Placements	0	0	0	0
Due from Banks	0	44,879,775	0	27,216,679
Reserve Deposits	44,896,344	0	0	0
Marketable Securities	169,434,342	0	0	0
Loans	1,560,228,125	0	84,756,269	203,643,464
Loans under Follow-Up (Net)	0	0	0	4,338,503
Interest and Income Accruals	3,646,683	59,220	75,178	198,390
Miscellaneous Receivables	0	0	0	9,291,966
Long-Term Securities	3,953,930	0	0	15,678,290
Immovables held for resale	0	0	0	2,387,876
Fixed Assets	0	0	0	12,495,097
Other Assets	1,477,014	0	0	2,211,592
Off Balance Sheet Items	0	0	0	0
Guarantees and Pledges	4,622,777	2,865,698	19,962,832	274,494
Commitments	2,269,340	0	690,737	11,168,855
Not Risk Weighted Accounts	0	0	0	12
<b>Total Risk Weighted Assets</b>	<b>2,159,186,704</b>	<b>47,915,001</b>	<b>105,485,016</b>	<b>288,905,218</b>
Currency Risk	0	0	0	316,988,000
<b>Total</b>	<b>0</b>	<b>9,583,000</b>	<b>52,742,508</b>	<b>605,893,218</b>

**b) Information about the shareholders' equity items:**

	Current Period	Previous Period
<b>CORE CAPITAL</b>	199,260,545	181,170,745
Paid-In Capital	21,199,117	20,488,989
Legal Reserves	16,940,496	14,403,240
Statutory and Extraordinary Reserves	0	0
Accumulated Retained Profit After Tax Provision and Current Retained Profit	162,227,356	147,580,367
Current Retained Loss and Accumulated Retained Loss	0	0
<b>TOTAL SUPPLEMENTARY CAPITAL</b>	<b>24,314,687</b>	<b>20,663,263</b>
General Provisions	4,073,751	4,519,884
Fixed Assets Revaluation Fund	941,393	951,953
Marketable Securities and Investment Securities Value Increased Fund	0	0
Provision For Possible Losses	9,639,428	9,639,428
Marketable Securities Revaluation Fund	9,660,115	5,551,998

<b>TOTAL CAPITAL</b>	223,575,232	201,834,008
Total Capital For The Ratio	215,955,407	193,847,086
<b>DEDUCTIONS FROM THE CAPITAL</b>	28,704,472	36,206,732
Investments in unconsolidated Financial Companies Whose main Activities are Money and Capital Markets, and that Operate with Licenses Provided in accordance with Special Laws	7,570,498	3,178,136
Special Cost Expenses	943,964	1,154,798
Prepaid Expenses	162,460	147,053
The Negative Difference Between the Market Values and the Carrying Amounts for Unconsolidated Investments, Subsidiaries, Other Investments, and Fixed Assets	0	0
Subordinated Loans given to Other Banks Which Operate in TRNC	0	0
Goodwill	0	0
Capitalized Expenses	20,027,550	31,726,745
<b>Total Shareholders' Equity</b>	188,357,359	158,942,205

**c) Summary information about the capital adequacy ratio:**

	Current Period	Previous Period
Total Risk-Weighted Assets	668,218,726	670,091,202
Shareholders' Equity	188,357,359	158,942,205
Shareholders' Equity / RWA (%) (*)	%28,19	%23,72

(\*)RWA: Total Risk – Weighted Assets

**(14) An opinion of the Independent Auditing Firm that audits the financial statements should be given (in line with the regulation).**

- Cyprus Turkish Cooperative Central Bank Limited is registered under Chapter 114 Cooperative Societies Law and in regard of its banking activities it is subject to the Banking Law, No. 39/2001.
- Information concerning the capital structure of the Bank and the shareholders possessing 10% or more of its shares is given under note III (17)(e).
- The declaration of Bank's management on the reliability of its internal control system is satisfactory.
- The Board of Directors, senior officers and internal auditors are specified on the first page of the report. Changes in senior officers and auditors;
  - İsmet Baykur, has been appointed as member of Board of Directors on 07.05.2012.
  - Harun Dimililer, has been appointed as member of Board of Directors on 03.10.2012.
- Bank managers and auditors possess the qualifications required by the Banking Law No.39/2001
- Compared to previous year, there has been no change on the accounting policy of the Bank.
- After the balance sheet period, to the best of our knowledge, there has not been any major changes and course of events that may affect the position of the Bank.



- h) The independent audit reports on the financial statement of the subsidiaries which were evaluated by the Equity Method have not been seen.
- i) The doubtful debts in foreign currencies had been entered into accounts at exchange rates on the days they were transferred to these doubtful accounts, however, the exchange differences incurred as a result of using the period exchange rates are represented in the profit and loss accounts of foreign exchange operations.
- j) The Bank has exceeded its credit limits that can be provided to a public corporation according to the Banking Law No.39/2001.

k)

i) Establishment of the Internal Systems.

A Board members who does not have an executive duty, has been appointed as the member responsible for Internal Systems. The qualifications, duties and authority of this member are in accordance with the Internal Auditing, Risk Management, Internal Control and Management Systems Regulation prepared under the Banking Law 39/2001 clause 15(3).

The Bank currently carries out the Internal Systems under Internal Audit, Risk Management, Internal Control and Compliance Units. The qualifications of the employees in these units comply with the relevant regulations.

ii) Internal Audit

Work is being carried out towards structuring the Internal Audit Unit and making it function in line with the regulations. Internal Audit planning and reporting have been fulfilled in accordance with the regulations.

The assessment on the loans made available by the Bank and their separation into risk categories have been reported to the Central Bank of TRNC.

The Bank has followed its risk compositions in the appropriate matrix approved by the regulations and assessed them accordingly.

iii) Compliance

The bank has established the required structure and implemented the appropriate procedures to ensure compatibility with the rules and regulations.

iv) Internal Control

The Internal Control Unit has fulfilled the requirements of the regulations.

- Internal System Units have been established, strategies and policies on the Bank's activities and their implementation methods have been documented and active control of the process has been achieved in accordance with the Bank's structure.
- Work is underway towards making the information systems compatible with scale of the Bank and also characteristics and complexity of the products and services offered by the Bank.
- Work is underway to activate the emergency and contingency plan.

v) Risk Management

Work is underway to fulfill the requirements of the regulations regarding the activities, responsibilities and report of the Risk Management Unit. The bank has carried out stress testing and scenario analysis.

## II- FOOTNOTES AND EXPLANATIONS ON INTERNAL SYSTEMS:

Internal systems which embody Internal Audit, Risk Management, Internal Control and Compliance Units were established according to the “Internal Audit, Risk Management, Internal Control and Management Systems regulations dated 12 August 2008 under the Banking Law No 39/2001, are compatible with the diversity of the Bank’s activities and structured in a manner to respond to changing circumstances.

The goal of this structuring is to ensure the compatibility of the banking activities with the strategies defined by the senior officers, implementation of reliable financial and managerial reporting, and to minimize, monitor and control the unexpected risks that could affect the Bank’s reputation.

Under the 2<sup>nd</sup> paragraph of the 4<sup>th</sup> clause of the aforementioned regulations, the Bank’s Board of Directors appointed Yaşar Artam as the Member of Board of Directors responsible for Internal Systems.

Following the appointment of Yaşar Artam, member of the Board of Directors responsible for internal systems, the instructions for Internal Audit Unit, Risk Management Unit, Internal Control Unit and Compliance Unit have been prepared and unit supervisors have been appointed by the Board of Directors.

Chief Auditor	: Mustafa Atagül
Risk Management Department Manager	: Hasan Uysal
Internal Control Department Manager	: Canan Özkıran
Compliance Officer	: Özlem Alemdar Aksu

The unit supervisors meet the necessary qualifications specified by the regulations. The reports on the activities that have been carried out, currently being carried out and planned to be carried out in the future by the unit supervisors, are presented to the Board of Directors by the Internal System Supervisor at times specified by the regulations.

### **Operation of the Internal Audit System**

The Internal Audit Unit of the Bank reports to the Board of Directors and operates in accordance with the “Internal Audit, Risk Management, Internal Control and Management Systems” regulations issued under the Banking Law No.39/2001 clause 15(3).

In addition to the audits made in the domestic branches and head office, commercial, agricultural and personal loans and payment system audits are also have been made. The findings from these audits are being reported to the senior officers and necessary alterations are requested. Except the periodic routine inspections, complaints from customers are also assessed and required measures are taken. In the inspections held during 2012, no findings of importance that could affect the bank capital or income negatively have been found.

Our auditors that monitor the changes in the risk composition and inform the Board of Directors on the measures to be taken with their reports also contribute to the marketing vision of our Bank with their periodic findings and suggestions.

Our auditors will be working with a sense of responsibility and duty in the forthcoming period to help our Bank achieve its identified goals and to increase the added value of our Bank by benefiting from technological opportunities as well.

### **Operation of Internal Control System**

The Internal Control activities of our bank are structured within the framework provided by the Banking Law No. 39/2001 Internal Systems regulations with a vision to cover all domestic branches and head office units.

The control programs for the branches are prepared to make all branches subject to periodic control and systematic and other deficiencies are found and suggestions are made to amend them.

The controls held in the branches and head office units are continuously reviewed and renewed parallel to the advances in technology, in order to keep them compatible with the Bank's objectives in every aspect, fast and up to date.

With the work and suggestions towards making Internal Control activities more effective, a healthier functioning of banking activities and an increased level of service quality are targeted.

### **Operation of Risk Management System**

The basic approach of our bank in its risk management activities is to place the risk culture in the organization, identify, measure, monitor and control the risks that the bank is being or may be exposed to.

The risk management activities of our bank include balance sheet risks such as credit risk, market risk, operational risk, and liquidity risk. These risks have been identified and taken under control by constructing risk matrices.

The banks exchange rate and liquidity risks are held under control by the developed scenario analysis and stress tests.

Activities of the risk management unit are reported to the Board of Directors semi-annually along with the risk analysis test results and risk parameters.

Risk management activity results;

- Deposits have reached TRY 2,200,140,269 by 2012. In the same year, loans made available for individuals and legal entities have equaled TRY 1,939,785,209. The ratio of this amount to the total of bank deposits is 88%. According to the data in 2012, the

ratio of loans in arrears (TRY 71,129,801) to total loans excluding government guaranteed loans has been 17.7%.

- The senior officers of the bank have been sensitive to comply with both the internal and external regulations. As a result of this, in line with the TRNC Central Bank criteria, capital adequacy ratio has been 28.19% and cash ratio has been 16.66%.
- Activities for the collection of government guaranteed loans have continued in 2012. It is of high importance that these loans are collected within the scope of a predetermined plan for the benefits of the bank and the sector.
- From the exchange rate risk point of view, we are working to minimize Bank's long-term position in US Dollar by balance sheet or off balance sheet transactions.

As a conclusion, our units that have been constituted under the Internal Systems regulations have not only been compatible with the internal and external regulations but at the same time they have continued to manage the risks arising from the banks activities with an increasing sensitivity. By this means, the increase in the trust and reputation of the bank have affected the deposits and size of assets in the Bank's balance sheet positively.

### **Operation of the Compliance Unit**

Within the framework of the Internal Systems regulations, the control of the compatibility of Bank's internal policies and regulations with the activities of the Bank and the goods and services that Bank offers and will be planning to offer are held by the Compliance Unit.

Pursuant to the 4/2008 Prevention of Laundering Proceeds of Crime Law, Suspicious Transaction Notifications and Notifications for Cash Transactions that equal to €10,000 and above have been made. In order to raise awareness of the personnel on this matter, trainings that are part of the Compliance Program have been held. The personnel will be kept updated about this matter by ongoing trainings.

### III- NOTES AND EXPLANATIONS ON THE BALANCE SHEET AND MEMORANDUM ACCOUNTS

#### i) INFORMATION AND DISCLOSURES RELATED TO ASSETS ITEMS

##### (1) Information about bank accounts

##### a) Information related to the account of the Central Bank of TRNC

	Current Period		Previous Period	
	LC	FC	LC	FC
Demand Unrestricted Amount	149,483,988	171,678,225	100,397,842	157,088,959
Time Unrestricted Amount	0	33,947,770	0	0
<b>Total</b>	<b>149,483,988</b>	<b>205,625,995</b>	<b>100,397,842</b>	<b>157,088,959</b>

##### b) Information of foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Previous Period	Current Period	Previous Period
Turkey	40,008,725	63,482,408	27,216,679	29,334,816
European Union Countries	4,869,383	4,385,339	0	0
USA, Canada	0	6,685	0	0
OECD Countries	0	0	0	0
Off-Shore Banking Regions	0	0	0	0
Other	0	0	0	0
<b>Total</b>	<b>44,878,108</b>	<b>67,874,432</b>	<b>27,216,679</b>	<b>29,334,816</b>

##### c) Information on receivables from reverse repo transactions;

	Current Period		Previous Period	
	LC	FC	LC	FC
From local transactions				
Central Bank of TRNC	0	0	0	0
Banks	0	0	0	0
Other Financial Institutions and Organizations	0	0	0	0
Other Institutions and Organizations	0	0	0	0
Real Persons	0	0	0	0
From International Transactions				
Central Banks	0	0	0	0
Banks	0	0	0	0
Other Financial Institutions and Organizations	0	0	0	0
Other Institutions and Organizations	0	0	0	0
Real Persons	0	0	0	0

**(2) Information about Marketing Securities**

(a)i- Surplus on revaluation of marketable securities is -0-

ii- The Banks' marketable securities portfolio is stated at initial acquisition cost.

iii- Securities held to meet legal requirements.

Total of TRY 40,828,960 is held to meet legal requirements.

**(b) Information on investment securities available for sale subject to repurchase agreements:**

	Current Period		Previous Period	
	LC	FC	LC	FC
Development Bank of the TRNC Bonds	38,148,357	2,680,603	36,159,580	2,845,358
TR Government Bonds and Treasury Bills	3,823,711	243,673	25,506,530	259,594
<b>Total</b>	<b>41,972,068</b>	<b>2,924,276</b>	<b>61,666,110</b>	<b>3,104,952</b>

**(3) Information related to loans:**
**(a) Information on all types of loans and advances given to shareholders and employees of the Bank:**

	Current Period		Previous Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders				
Corporate Shareholders	23,929,527	12,510,510	21,544,091	11,294,018
Real Person Shareholders	0	0	0	0
Indirect Loans Granted to Shareholders	0	0	0	0
Loans Granted to Employees	11,576,093	0	11,094,148	0

**(b) Information about the first and second group loans and other receivables including loans that have been restructured or rescheduled**

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Discount Notes	2,843,709	0	0	0
Export Loans	0	0	0	0
Import Loans	17,200,367	0	0	0
Loans Given to Financial Sector	118,544,666	0	1,539,632,727	0
Specialized Loans	6,874,002	0	0	0
Consumer Loans	118,925,305	0	6,846,651	0
Credit Cards	36,136,724	0	788,738	0
Fund Purpose Loans	768,873	0	0	0
Central Bank Based Loans	0	0	0	0
Other	20,093,646	0	0	0
<b>Total</b>	<b>321,387,292</b>	<b>0</b>	<b>1,547,268,116</b>	<b>0</b>

**(c) Loans according to type of borrowers:**

	Current Period	Previous Period
Public Sector	1,557,648,455	1,404,737,349
Private Sector	311,006,953	323,155,494
<b>Total</b>	<b>1,868,655,408</b>	<b>1,727,892,843</b>

**(d) International and domestic loans:**

	Current Period	Previous Period
Domestic Loans	1,868,655,408	1,727,892,843
International Loans	0	0
<b>Total</b>	<b>1,868,655,408</b>	<b>1,727,892,843</b>

**(e) Loans granted to subsidiaries and participations;**

	Current Period	Previous Period
Direct Loans Granted to Subsidiaries and Participations	17,315,277	14,060,535
Indirect Loans Granted to Subsidiaries and Participations	0	0
<b>TOTAL</b>	<b>17,315,277</b>	<b>14,060,535</b>

(f) The share of the Bank's receivables from the top 100 cash borrowers in the overall cash loan portfolio stands at 89,59% and this figure represents 1 borrowers.

(g) The share of Bank's receivables from the top 100 non-cash borrowers in the overall non-cash portfolio stands at 88,95% and this figure represents 4 borrowers.

(h) The share of Bank's cash and non-cash receivables from the top 100 borrowers under balance-sheet and non-balance sheet assets portfolio stands at 64,94% and this figure represents 1 borrowers.

**(4) The changes in total loans under follow-up:**
**(a)**

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectibility	Doubtful Loans and Receivables	Loans and Receivables Qualified as Loss
<b>Previous Period End Balance</b>	2,815,267	4,074,010	64,077,498
Additions (+)	7,621,973	0	0
Transfers from Other categories of Loans Under Follow-Up(+)	0	7,215,815	8,651,957
Transfers from Other categories of Loans Under Follow-Up(-)	-7,215,815	-8,651,957	0
Collections (-)	-615,141	-475,687	-6,368,119
Write-Offs(-)	0	0	0
Current Period End Balance	2,606,284	2,162,181	66,361,336
Specific Provisions (-)	-199,183	-230,779	-66,361,336
Net Balance on Balance Sheet	2,407,101	1,931,402	0

**(b) Information on foreign currency loans and other receivables under follow-up:**

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectibility	Doubtful Loans and Receivables	Loans and Receivables Qualified as Loss
<b>Current Period:</b>			
Period End Balance	1,581,950	854,327	58,292,192
Specific Provisions (-)	73,020	98,563	58,292,192
Net Balance on Balance Sheet	1,508,930	755,764	0
<b>Previous Period:</b>			
Period End Balance	1,872,520	2,727,205	56,307,677
Specific Provisions (-)	61,895	188,672	56,307,677
Net Balance on Balance Sheet	1,810,625	2,538,533	0

**(c) Breakdown of Uncollectible Loans and Receivables and Specific Provisions provided;**

Collateral Group	Loan	Specific Provision
Without Collateral	5,128,830	5,128,830
Group I	0	0
Group II	55,410,227	55,410,227
Group III	5,636,553	5,636,553
Group IV	185,726	185,726

\*Full specific provision has been made for group 5 without considering of their collateral.

**(d) Main Features of uncollectible loans and other receivables liquidation policy.**

In order to ensure liquidation of non-performing loans, all possible alternatives within the existing legislation are evaluated in a way that repayments are maximized. First administrative initiatives are taken to reach an agreement with the borrower and his guarantors; in case the negotiations for collection, liquidation or fail restructuring of receivables action is taken for collection.

**(5) Information on receivables arising from term of sales of assets included in miscellaneous receivables;**

	Current Period	Previous Period
From sale of equity participations and subsidiaries	0	0
From sale of immovables	0	172,558
From sale of other assets	0	0

**(6) Information on subsidiaries and equity participations;**

**(a) Surplus on revaluation of subsidiaries and equity participations stock exchange value is -0-.**



**(b) Sectoral information on financial participations and the related carrying amounts:**

Participations	Participations		Subsidiaries	
	Current Period	Previous Period	Current Period	Previous Period
Banks	0	0	0	0
Insurance Companies	0	3,178,136	7,570,498	0
Finance Companies	0	0	0	0
Other Non Financial Participations and Subsidiaries	0	0	9,291,966	7,326,212

**(c) Bank's share percentage on equity participations and subsidiaries;**

Title	Address (City/Country)	Bank's Share Percentage- If Different, Voting Percentage (%)	Bank's Risk Group Share Percentage (%)	Current Period Net Profit / Loss	Fair Value
Şeker Sigorta (Kıbrıs) Ltd	Lefkoşa	%100	%100	1,481,557	7,570,498
Süt Koop	Lefkoşa	%97,78	%100	6,742,781	0
Yem Koop	Gönyeli	%97.78	%100	2,372,270	8,294,791
Zirai Makine Koop	Lefkoşa	%97.78	%100	69,234	997,175
Vaka Ltd	Lefkoşa	%40	%40	0	0
Ada Havacılık ve Taşımacılık	Lefkoşa	%15	%15	0	0

**(d) Equity Participations quoted to a stock exchange;**

	Current Period	Previous Period
Quoted to domestic stock exchanges	0	0
Quoted to international stock exchanges	0	0

**(e) Subsidiaries quoted to a stock exchange ;**

	Current Period	Previous Period
Quoted to domestic stock exchanges	0	0
Quoted to international stock exchanges	0	0

**(f) Bonus Shares obtained by using internal funds from subsidiaries and equity participations;**

Bonus Share obtained	Current Period	Previous Period
Equity Participations	0	0
Subsidiaries	4,108,117	1,892,472

(g) The below table summarizes the amount of assets and liabilities of the Banks' participations and subsidiaries:

	The Participation and Subsidiaries of Financial Services	The Other Participations and Subsidiaries
<b>RECEIVABLES</b>		
I- The Banks and other financial institutions	0	0
• The Bonds and similar securities	0	0
• Loans (including the loans in arrears)	0	17,315,277
• Interest & Income Accruals	0	0
• Leasing Receivables (Net)	0	0
• Other Assets	0	0
<b>PAYABLES</b>		
• Deposits	4,869,917	8,162,933
• Funds Borrowed	0	0
• Securities Issued	0	0
• Interest & Expense Accruals	0	33,464
• Leasing Payables	0	0
• Other Liabilities	0	0
<b>NON-CASH LOANS</b>		
• Letter of Credit Commitments	0	0

**(7) Information on investment securities held-to-maturity:**

	Current Period	Previous Period
Debt Securities	0	0
Quoted in a Stock Exchange	3,953,930	4,728,172
Not Quoted	15,678,290	10,507,179
Impairment Provision (-)	0	0
<b>Total</b>	19,632,220	15,235,351

**(8)**

**(a) Information on tangible fixed assets (TFA):**

	Immovables	Vehicles	Other Fixed Asset	Total
End of Previous Period:				
Cost of Acquisition	13,992,631	892,078	10,590,003	25,474,712
Accumulated Depreciation (-)	3,344,645	738,346	7,098,489	11,181,480
Net Book Value	10,647,986	153,732	3,491,514	14,293,232
End of Current Period	0	0	0	0
Net Book Value at the Beginning of the Period	10,647,986	153,732	3,491,514	14,293,232
Additions	0	0	456,992	456,992
Disposals (-)	0	0	246,421	246,421
Impairment	0	0	0	0
Depreciation (-)	476,054	39,350	538,778	1,054,182
Currency Translation Differences Resulting from Foreign Investments(+)	10,560	0	0	10,560
Closing Net Book value	10,161,372	114,382	3,163,307	13,439,061

**(b) Movable and immovable assets that were acquired in return for receivables and were held for resale in accordance with the TRNC Banking Law (Law No 39/2001) amounted to TRY 2,387,876.**

**(9)**

**(a) Information on other assets;**

The "other assets" item of the balance sheet does not exist 10% of total assets.

**(b) Information on withholding tax and prepayments.**

All co-operative institutions including the Bank were wholly exempt from Corporation and Income Tax until 1.1.1987 Amendments to the Corporation and Income Tax Laws in 1987 made effective from 1st January . In 1987 the tax exemption privilege enjoyed by all cooperatives was removed, except for those in rural areas. However the Banks' Tax Liability for 2012 was calculated in accordance with the relevant laws. On this basis the total taxation provision made for 2012 is TRY 1,154,449. Withholding tax paid in TRNC and in Turkey TRY 267,219 has been discharged by set off against the taxation liabilities.

**ii) INFORMATION AND DISCLOSURES RELATED TO LIABILITIES**
**(10) Information on deposit:**
**a) The maturity structure of deposits (Current period):**

	Demand	With 7 Days Maturity	Up to 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year
<b>Residents in TRNC</b>						
Saving Deposits	57,149,816	0	1,060,816,873	8,200,485	267,364	10,214,625
Deposit of Public Institutions and other	100,434,545	0	386,020,036	8,361,461	337,862	3,390,058
Foreign Currency Savings Deposits	14,664,121	0	286,557,996	13,070,236	9,613,904	122,205,072
Foreign Currency Deposit of Public Institutions and other	10,901,143	0	50,859,506	3,770,958	2,513,473	11,979,904
<b>Residents in Abroad</b>						
Saving Deposits	0	0	0	0	0	0
Deposit of Public Institutions and other	0	0	0	0	0	0
Foreign Currency Saving Deposits	0	0	0	0	0	0
Foreign Currency Deposit of Public Institutions and other	0	0	0	0	0	0
<b>Bank Deposits</b>						
Domestic Banks	1,250,276	0	37,560,555	0	0	0
Foreign Banks	0	0	0	0	0	0
Off-Shore Banks	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Total</b>	<b>184,399,901</b>		<b>1,821,814,966</b>	<b>33,403,140</b>	<b>12,732,603</b>	<b>147,789,659</b>

**Maturity structure of deposits (Previous Period):**

	Demand	With 7 Days Maturity	Up to 1 Month	1-3 Months	3-6 Months	6 Months to 1 Year
<b>Residents in TRNC</b>						
Saving Deposits	57,607,046	0	988,039,606	9,883,584	390,765	11,915,141
Deposit of Public Institutions and other	86,983,502	0	352,882,602	7,884,413	470,004	2,395,781
Foreign Currency Savings Deposits	16,593,853	0	281,528,164	14,010,053	9,964,990	116,703,593
Foreign Currency Deposit of Public Institutions and other	11,105,705	0	42,770,411	3,429,982	2,179,883	15,595,694
<b>Residents in Abroad</b>						
Saving Deposits	0	0	0	0	0	0
Deposit of Public Institutions and other	0	0	0	0	0	0
Foreign Currency Saving Deposits	0	0	0	0	0	0
Foreign Currency Deposit of Public Institutions and other	0	0	0	0	0	0
<b>Bank Deposits</b>						
Domestic Banks	970,038	0	14,244,073	0	0	0
Foreign Banks	0	0	0	0	0	0
Off-Shore Banks	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Total</b>	<b>173,260,144</b>	<b>0</b>	<b>1,679,464,856</b>	<b>35,208,032</b>	<b>13,005,642</b>	<b>146,610,209</b>

**b) Saving deposits under the guarantee of Saving Deposits Insurance Fund**

Saving Deposits	Current Period		Previous Period	
	LC	FC	LC	FC
Saving Deposits	1,136,246,045	446,111,286	1,067,655,140	438,778,534
Other Deposits in the Form of Saving Deposits	182,422,158	10,831,074	149,545,703	13,766,029
<b>Total</b>	<b>1,318,668,203</b>	<b>456,942,360</b>	<b>1,217,200,843</b>	<b>452,544,563</b>

**(11) Information on funds provided from repurchase agreement transactions:**

	Current Period		Previous Period	
	LC	FC	LC	FC
From Domestic Transactions	0	0	0	0
Financial Institutions and Organizations	0	0	0	0
Other Institutions and Organizations	0	0	0	0
Real Persons	300,000	3,653,930	835,490	3,892,681
From Foreign Transactions	0	0	0	0
Financial Institutions and Organizations	0	0	0	0
Other Institutions and Organizations	0	0	0	0
Real Persons	0	0	0	0

**(12)**
**a) Information on funds borrowed;**

	Current Period		Previous Period	
	LC	FC	LC	FC
Short-term	54,000,000	8,910,800	20,800,000	10,507,100
Medium and long-term	0	8,800,000	0	9,375,000

**b) Concentration of deposits by sectoral groups .**

	TRY Deposits	Foreign Currency Deposits	Total Deposits
<b>Real Persons and others</b>	<b>1,187,218,670</b>	<b>474,625,931</b>	<b>1,661,844,601</b>
<b>Cooperative Institutions</b>	<b>200,469,226</b>	<b>37,406,650</b>	<b>237,875,876</b>
<b>Government Corporations</b>	<b>247,505,229</b>	<b>14,103,732</b>	<b>261,608,961</b>
<b>Banks</b>	<b>33,566,398</b>	<b>5,244,433</b>	<b>38,810,831</b>

**(13) Explanation on funds**
**a) Current Period**

Maturity Structure		Interest Structure		Type of Currency			
Short	Medium or Long	Fixed	Variable	EURO	USD	TRY	Other
0	1,496,658	%5	0	0	0	1,496,658	0
0	463,512	%12	0	0	0	463,512	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0

**b) Previous Period**

Maturity Structure		Interest Structure		Type of Currency			
Short	Medium or Long	Fixed	Variable	EURO	USD	TRY	Other
0	2,364,755	%5	0	0	0	2,364,755	0
0	657,577	%12	0	0	0	657,577	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0

**(14) Information on Securities issued by the Bank by maturity, interest rate structure and currency.**
**a) Current Period**

Maturity Structure		Interest Structure		Type of Currency			
Short	Medium or Long	Fixed	Variable	EURO	USD	TRY	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**

Maturity Structure		Interest Structure		Type of Currency			
Short	Medium or Long	Fixed	Variable	EURO	USD	TRY	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) Explanations on miscellaneous payables**

	Current Period	Previous Period
Total amount of cash collateral obtained	0	0

**b) Information on cash collateral obtained.**

None

**(16) Other External Sources;**

Items constituting at least 20% thereof, in the event that they exceed 10% of the balance sheet total:  
Other external sources do not exceed 10% of the balance sheet total.

**(17) Information on shareholders' equity:**

**a) Presentation of paid-in capital:**

	Current Period	Previous Period
Common Stock	21,199,117	20,488,989
Preferred Stock	0	0

**b) Explanation as to whether the registered share capital system ceiling applicable at bank, if so amount of registered share capital:**

Capital System	Paid-in Capital	Ceiling
Registered Variable Capital System	21,199,117	50,000,000

**c) Information on share capital increases and their sources; other information on increased capital share in current period:**

Date of Increase	Amount Increased	Cash	Reserves	Increase in the Value of Revaluation Fund
1/1/2012-31/12/2012	710,128	710,128	0	0

The Cyprus Turkish Cooperative Central Bank is a cooperative bank formed under cap 114 of the Laws of Cyprus owned by registered Cooperative Societies. Each member society is entitled to representation at the general meeting of the Cyprus Turkish Cooperative Central Bank. Without

exception each member society has only one vote. Real and legal persons may also become members which is prerequisite for obtaining credit but do not have voting power at the general meeting. The new shares sold to new real and legal persons during the period 1.1.2012 – 31.12.2012 transferred to paid in capital.

**d) Information on share capital increases from revaluation fund;**

Fixed Assets Value increase	Participations Value increase	Real estates sales profit	Participations sales profit	Revaluation fund of leasehold improvement
0	0	0	0	0

**e) Real persons and institutions with an equity participation and/or voting right of 10% or more;**

Name/ Commercial Title	Share	Shareholding (%)	Paid-in Capital	Unpaid Capital
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0

**f) Information on commitments of capital commitments and resources. None**

**g) Information on shareholders equity and preferred stock.**

There is no preferred stock holder in accordance with Cooperative Societies Law (Law No 114).

**(18) Explanations on marketable securities value increase fund;**

	Current Period		Previous Period	
	LC	FC	LC	FC
From participants and subsidiaries	9,660,115	0	5,551,998	0
From investment Securities Available for sale	0	0	0	0

**(19)**

**a) In order to meet the liquidity requirements that may emerge from market fluctuations great care is taken to preserve liquid values.**

**b) In order to preserve the impacts of interest rate increases and decreases that can arise in the value of interest sensitive assets and liabilities great care is taken by Bank's internal audit and assets and liabilities management**

**c)The Bank's principal source funding is the internal deposits.**



**(d) Presentation of assets and liabilities according to their remaining maturities**

<b>Current Period</b>	<b>Demand</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6-12 Months</b>	<b>1 Year and Longer</b>	<b>Total</b>
<b>Assets</b>						
Cash (Cash in Vault, Foreign Currency, Money in Transit, Cheques Purchased) and Balances with the Central Bank of TRNC	368,768,458	0	0	0	0	368,768,458
Due from Banks	42,159,177	29,937,277	0	0	0	72,096,454
Investment Securities	41,072,634	1,000,000	0	2,823,710	0	44,896,344
Loans	1,727,595,397	4,302,137	13,947,946	8,615,994	114,193,934	1,868,655,408
Investment Securities Held to Maturity	3,202	0	0	300,000	19,329,018	19,632,220
Other Assets	3,851,066	0	0	0	0	214,292,783
<b>Total Assets</b>	<b>2,183,449,934</b>	<b>35,239,414</b>	<b>13,947,946</b>	<b>11,739,704</b>	<b>133,522,952</b>	<b>2,588,341,667</b>
<b>Liabilities</b>						
Banks Deposits	1,250,276	37,560,555	0	0	0	38,810,831
Other Deposits	604,681,013	1,411,136,338	44,080,484	84,624,503	16,807,100	2,161,329,438
Funds Provided from Other Financial Institutions	54,000,000	8,910,800	0	8,800,000	0	71,710,800
Marketable Securities Issued	0	0	0	0	0	0
Miscellaneous Payables	0	0	0	0	0	0
Other Liabilities	101,568,192	0	0	300,000	3,653,930	316,490,598
<b>Total Liabilities</b>	<b>761,499,481</b>	<b>1,457,607,693</b>	<b>44,080,484</b>	<b>93,724,503</b>	<b>20,461,030</b>	<b>2,588,341,667</b>
<b>Net Liquidity Gap</b>	<b>1,421,950,453</b>	<b>-1,422,368,279</b>	<b>-30,132,538</b>	<b>-81,984,799</b>	<b>113,061,922</b>	<b>0</b>
<b>Previous Period</b>						
<b>Total Assets</b>	<b>1,949,459,004</b>	<b>50,309,933</b>	<b>32,283,670</b>	<b>22,915,889</b>	<b>128,321,051</b>	<b>2,382,244,629</b>
<b>Total Liabilities</b>	<b>772,054,102</b>	<b>1,260,980,868</b>	<b>43,972,500</b>	<b>95,219,033</b>	<b>21,041,760</b>	<b>2,382,244,629</b>
<b>Net Liquidity Gap</b>	<b>1,177,404,902</b>	<b>-1,210,670,753</b>	<b>-11,688,830</b>	<b>-72,303,144</b>	<b>107,279,291</b>	<b>0</b>

**e) Other disclosures on Bank's activities.**

### iii) INFORMATION AND DISCLOSURES RELATED TO OFF- BALANCE SHEET ITEMS

#### (1) Concentration of off-balance sheet liabilities.

Off – balance sheet Liabilities are concentrated on Letters of Guarantee in parallel with the improvement of the business volume in the country.

#### (2)

##### a) Total amount of non-cash loans:

	Current Period	Previous Period
Guarantees given against cash loans	0	0
With maturity of 1 year or less than 1 year	0	0
With maturity of more than 1 year	0	0
Other non-cash loans	27,725,801	31,484,644
<b>Total</b>	<b>27,725,801</b>	<b>31,484,644</b>

##### b) Information about non-cash loans:

	Current Period		Previous Period	
	LC	FC	LC	FC
Non-Cash Loans				
Letters of Guarantee	15,479,089	9,401,986	17,376,282	11,552,682
Bank Acceptances	154,286	310,424	98,634	563,876
Letters of Credit	0	2,380,016	34,994	1,858,176
Endorsements	0	0	0	0
Underwriting Commitments	0	0	0	0
Factoring Guarantees	0	0	0	0
Other Guarantees and Warranties	0	0	0	0
<b>Total</b>	<b>15,633,375</b>	<b>12,092,426</b>	<b>17,509,910</b>	<b>13,974,734</b>

#### (3) Information on commitments;

	Current Period	Previous Period
Irrecoverable Commitments	56,505,204	56,439,814
Recoverable Commitments	0	0
<b>Total</b>	<b>56,505,204</b>	<b>56,439,814</b>

#### (4) Information related to financial derivative instruments;

	Current Period	Previous Period
Forward FC Transactions	0	0
FC and Interest Swap Transactions	0	0
FC and Interest Option Transactions	0	0
FC Future Transactions	0	0
Future Interest Rate Transactions	0	0
Other	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

#### IV. INFORMATION AND DISCLOSURES RELATED TO INCOME STATEMENT

(1)

a) Information on interest and commissions received from participations and subsidiaries:

	Current Period	Previous Period
Interest received from participations and subsidiaries	2,194,722	1,849,760
Commissions and fees received from participations and subsidiaries	5,301	7,114

b) Information on interest and commissions paid to participations and subsidiaries:

	Current Period	Previous Period
Interest paid to participations and subsidiaries	751,793	560,404
Commissions and fees paid to participations and subsidiaries	0	0

c) Interest received from reverse repurchase agreement transactions;

	Current Period		Previous Period	
	LC	FC	LC	FC
Interest received from reverse repurchase agreement transactions	0	0	0	0

d) Interest paid to repurchase agreement transactions:

	Current Period		Previous Period	
	LC	FC	LC	FC
Interest paid to repurchase agreement transactions	116,283	340,294	61,635	362,697

(2) Provisions expenses due to Bank's loans and other receivables:

	Current Period	Previous Period
Specific Provisions for Loans and Other Receivables	8,941,738	25,224,828
General Provision Expenses	851,140	1,645,277
Marketable Securities Impairment Expense	0	0
Impairment Provision Expense *	0	113,535
Other	0	3,455,939

\* Full provision has been made for loss of subsidiaries for the year 2012.

**(3) Description of individual items, which makes up 50% of the category, and “Other” categories in the income end expense groups II, IV, V, and I comprises to 10% or more of the total within these groups.**

### **3.1 Other Incomes**

	<b>2012</b>	<b>2011</b>
	<b>(TRY)</b>	<b>(TRY)</b>
Income on provision for loans	1,413,202	1,326,973
Income on general provision for loans	1,265,678	208,717
Rental Income	0	94,061

### **3.2 Other Expenses**

	<b>2012</b>	<b>2011</b>
	<b>(TRY)</b>	<b>(TRY)</b>
Saving Deposits Insurance Fund	14,991,830	14,434,256

## **4. Notes on Other Significant Matters**

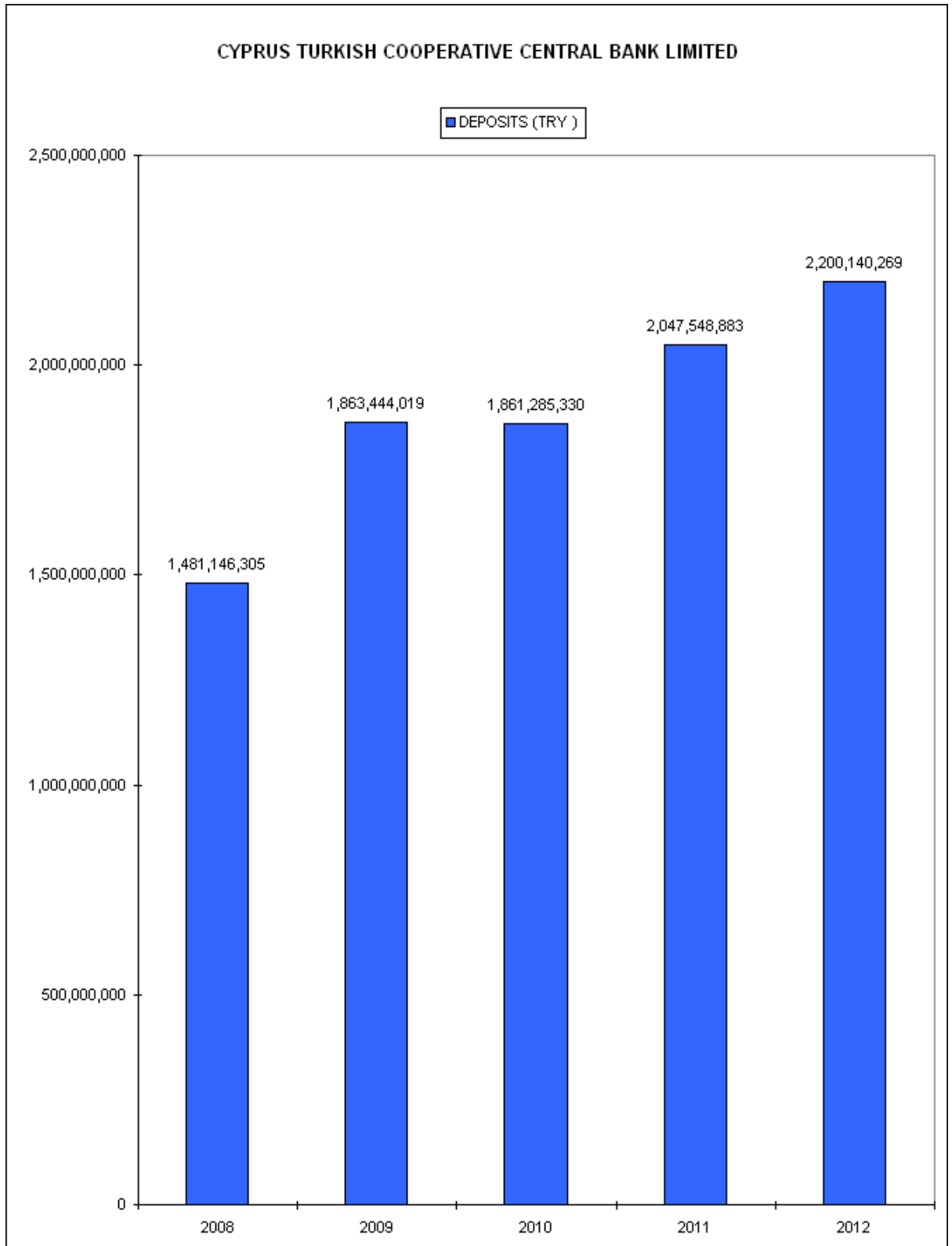
### **4.1 Net Profit / Loss Before Taxation**

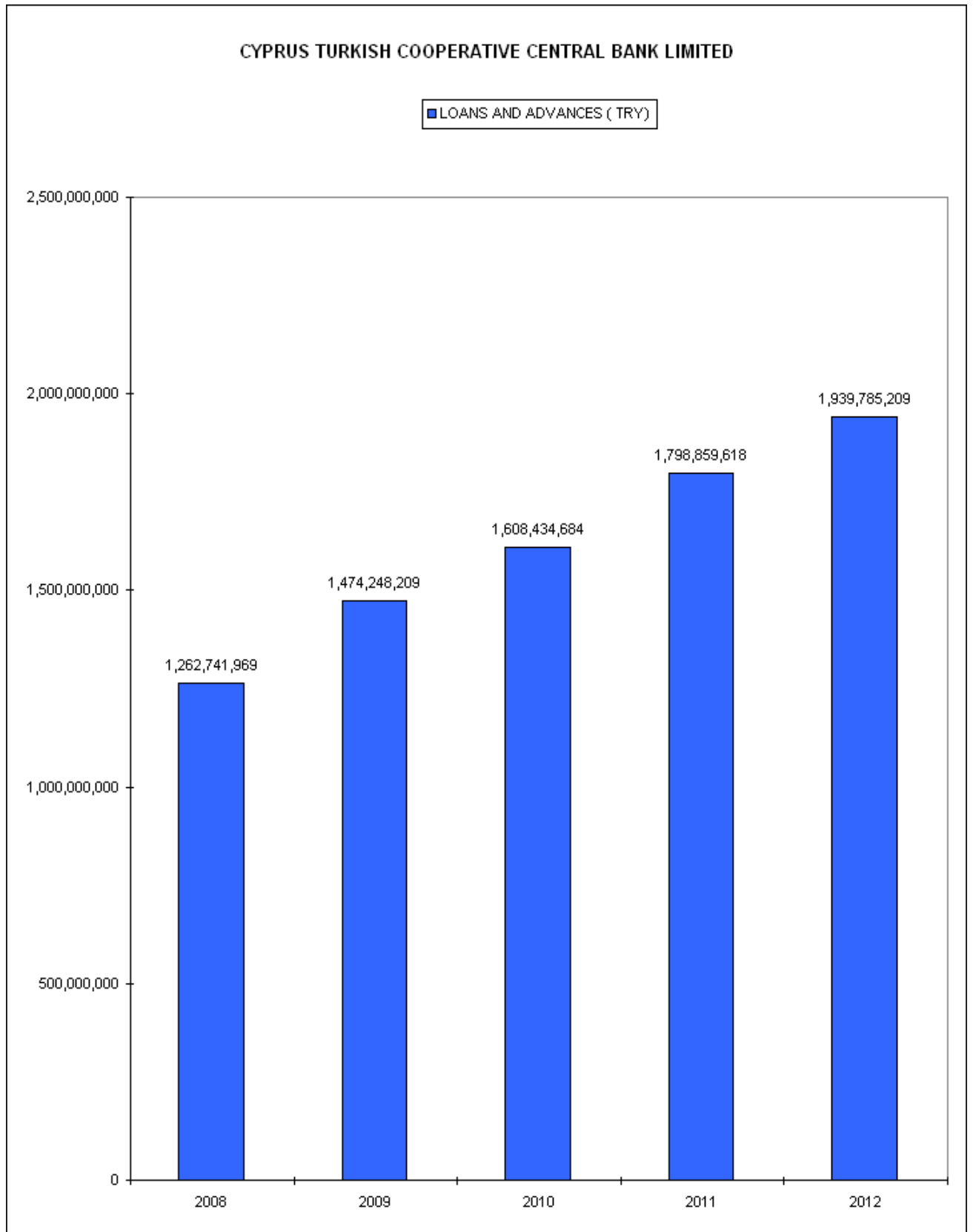
Net profit/ (loss) before taxation was shown after reduction of provision for doubtful debts, depreciation, personnel expenses, rental expenses and the expenses in the following table.

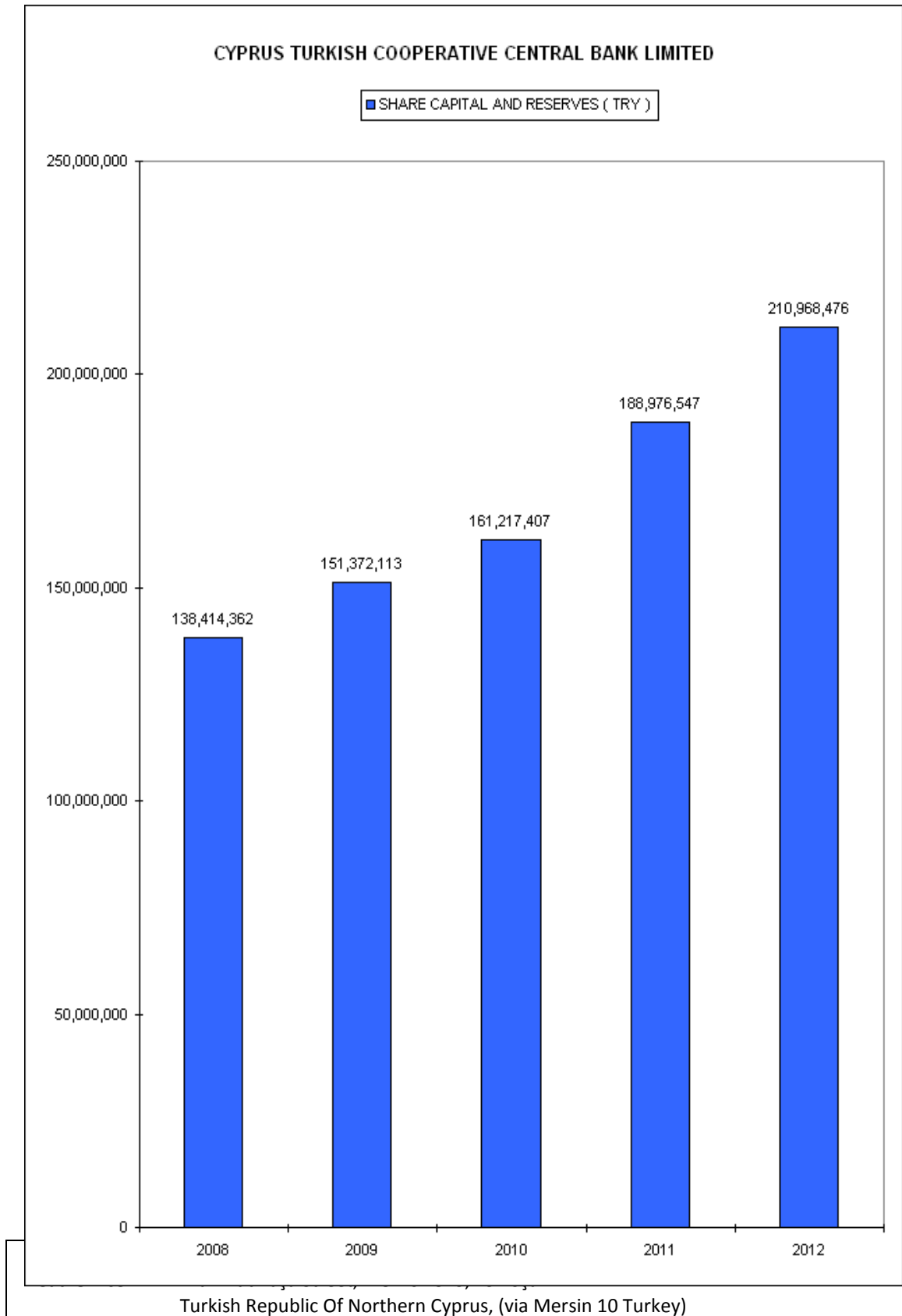
	<b>2012</b>	<b>2011</b>
	<b>(TRY)</b>	<b>(TRY)</b>
Directors’ Fees	0	0
Auditors’ Fees	52,200	52,200
Legal Advisor	60,568	49,764
<b>Total</b>	<b>112,768</b>	<b>101,964</b>

**4.2** As of the Balance Sheet date, Total debt amounts to TRY 1,939,785,209. The amount of TRY 1,537,409,810 is guaranteed by the government. From the remaining amount of TRY 402,375,399 the amount of TRY 71,129,801 provisions were made in accordance with the communique made by the Central Bank. This provision was made in respect of non-performing loans which amounts to TRY 66,791,298 and is 93,90% of the total provision.

**4.3** The Banks’ Net Profit before taxation is TRY 19,115,928.







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Şeker Sigorta (Kıbrıs) Ltd.	+90 392 4440404	+90 392 227 4074