

ANNUAL REPORT 2016



KOOPBANK

CYPRUS TURKISH COOPERATIVE CENTRAL BANK LTD.



KOOPBANK

ANNUAL REPORT & ACCOUNTS 2016



Cyprus Turkish Cooperative Central Bank is a member of the
International Co-operative Alliance (ICA)

Cyprus Turkish Co-operative Central Bank Ltd

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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 20th 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 20 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

Hasan Tosunoğlu
Chairman

Muhammet Aygün
Member

Fatma Kınış
Member

Başak Tekerek
Member

Tuna Arıhan
Member

Sinan Candar
Member

Senior Officers

Kemal Ataman
General Manager

Orhan Bürüncük
Assistant General Manager

Mehmet Öksüzoğluları
Assistant General Manager

Nevzat Üstün
Assistant General Manager

Auditors

M.A.T.K. A PLUS AUDIT

As of 21 April 2017



REPORT OF THE DIRECTORS

1. The Board of Directors has pleased in submitting their Report for the year 2016 together with the Audited Balance Sheet and the Profit and Loss Account as of 31st December 2016.

2. Profit and Loss Account

The Net Profit of the Bank for the year 2016 arising from its ordinary activities in the Banking, Commercial and Industrial fields, before making any transfers to Provision for Doubtful Accounts, was TRY 59,606,565 compared to TRY 24,313,376 for the year 2015, reflecting an increase of 145,16% . In 2016, the Net Profit amounted to TRY 56,933,858 whereas corresponding amount for the previous year was TRY 24,198,875

The Bank also had an extraordinary income of TRY 11,959 consisting of TRY 7,394 Entrance Fees from New Shareholders, TRY 4,565 from Rental Income. The corresponding figure for the previous year was TRY 49,821 consisting of, TRY 3,936 from entrance fees, TRY 45,885 from rental income.

3. Taxation

In respect of 2016, a provision of TRY 2,684,666 was made for the taxation liability, leaving an overall Net Income of TRY 56,933,858 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 2016 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 56,933,858 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 31.12.2016 are amounted to TRY 3,845,230,693 compared to TRY 3,316,790,065 of the previous year, showing a 15,93% increase. On the other hand, demand deposits as of 31.12.2016 are amounted to 257,426,536 TRY as compared to TRY 189,043,241 of the previous year, which shows a 36,17% 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 2,986,162,459 compared to TRY 2,533,645,147 at the end of previous year, showing an increase of 17,86%.

10. Capital and Reserves

The Capital and Reserves of the Bank as of 31.12.2016 amounted to TRY 334,925,146 as compared to TRY 275,097,813 on 31.12.2015 showing an increase of 21,75%.

The reserves of the Bank increased to TRY 59,827,333 as compared with the previous year; this increase in reserves is due to the TRY 59,618,524 profit for 2016.

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 2016.

On behalf of the Board
Hasan Tosunoğlu
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 2016 – 31 DECEMBER 2016

We have audited the comparative balance sheet with year 2015 of Cyprus Turkish Cooperative Central Bank Limited as of 31 December 2016 and the related statements of profit and loss, cash flow, changes in shareholders' equity for the year then ended and the summary of significant accounting policies and other explanatory notes. The financial statements have been prepared on historical cost convention and in uniform balance sheet profit and loss account, explanatory notes and other matters as required by Article 29 (3) of TRNC Banking Law No. 39/2001.

DISCLOSURE RELATING TO THE RESPONSIBILITIES OF THE BANK'S BOARD OF DIRECTORS

The Board of Directors is responsible for the preparation and fair presentation of the financial statements that are free of material misstatement, whether due to fraud or error, in accordance with Article 29 (3) of Banking Law No. 39/2001 as published in the Official Gazette number 122 dated 23 November 2001, and, the accounting principles and standards as determined in the current regulations and other regulations, communiqués and circulars as published by the TRNC Central Bank regarding accounting and financial reporting principles and in establishing an internal control system as well as selection and application of appropriate accounting policies.

DISCLOSURE RELATING TO THE RESPONSIBILITIES OF THE BANK'S INDEPENDENT AUDITOR

Our responsibility as independent auditor is to express an opinion on these financial statements based on our audit. Our audit is in accordance with "Communiqué on the Principles Relating to Independent Audit Firms for Banks", "Communiqué on the Principles Relating to Independent Audit Firms for Banks (Revised)" as published in the Official Gazette dated 20 May 2009 and International Standards on Auditing. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



OBSERVATIONS

1. As disclosed in the financial statements, of the 3,048,269,505 TL total loans and advances to customers, 2,603,038,588 TL has been lent to Government Entities secured by the State. However, the State Guarantee Letters duration ended on 31 December 2016, and as of the date of this report, they have not been renewed by the Ministry of Finance for the subsequent period. Of the remaining 445,230,917 TL of loans and advances to customers, 83,547,420 TL are non-performing loans and a specific provision of 80,773,787 TL or 96.68% has been made on these non-performing loans in accordance with “Communiqué on Provisions” as published by the Central Bank in the Official Gazette on 28/01/2002 under Article 23(6) of Banking Law No. 39/2001.
2. The total loans and advances to customers as of 31.12.2016 secured by the State guarantee exceed the maximum allowed limit of 200% of shareholders’ equity by 1,951,374,494 TL under Article 23(2)© and Temporary Article 7 of Banking Law No. 39/2001.

REPORT IN ACCORDANCE WITH PRINCIPLES RELATING TO THE ESTABLISHMENTS AUTHORISED TO CARRY OUT INDEPENDENT AUDITS OF THE BANKS COMMUNIQUE

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 except for observations noted above, 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), of the above mentioned Law.

As part of our audit and as required by the communiqué issued by the Central Bank we have observed that the bank’s internal audit, risk management, internal control and management systems operate in accordance with guidelines set out in the above communiqué except for matters we highlight in the notes to the financial statements.

OPINION IN ACCORDANCE WITH 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, 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 114 of the Cooperative Companies Law in the manner so required and, with all material respects, except for observations noted above, 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 2016 and in the case of the Profit and Loss account, of the profit for the year 2016.

Responsible Partner

M.A.T.K. A Plus Audit

Hilmi Konde
Certified Public Accountant (USA)

Niyazi Akman BA Acc. (Hons)

Nicosia, 14.04.2017

Independent Auditors Authorised by the Central Bank



Financial Highlights

(TRY, US\$ in actual)

	2016		2015		Growth	
	US\$	TRY	US\$	TRY	US\$%	TRY%
Total Assets	1,305,519,506	4,562,790,675	1,358,706,654	3,940,249,298	-3,91	15,80
Loans, Net	849,068,875	2,967,495,718	869,561,682	2,521,728,877	-2,36	17,68
Total Deposits	1,173,864,729	4,102,657,229	1,208,908,037	3,505,833,306	-2,90	17,02
Shareholders Equity & Reserves	95,829,799	334,925,146	94,861,315	275,097,813	1,02	21,75
Net Interest Income	17,946,243	62,722,120	17,682,006	51,277,817	1,49	22,32
Net Profit/Loss	16,290,088	56,933,858	8,344,440	24,198,875	95,22	135,27

End Year Conversion Rates : 1 US \$ = 3,4950 TRY for 2016

1 US \$ = 2,9000 TRY for 2015

BALANCE SHEETS

(As at 31.12.2016 and 31.12.2015)

ASSETS		(31/12/2016)			(31/12/2015)		
	Note	LC	FC	TOTAL	LC	FC	TOTAL
CASH AND EQUIVALENTS		15,755,556	7,168,325	22,923,881	13,675,312	7,363,716	21,039,028
A. Cash balances -Turkish Lira		15,755,556	0	15,755,556	13,675,312	0	13,675,312
B. Cash balances -Foreign Currency		0	7,003,492	7,003,492	0	6,854,191	6,854,191
C. Others		0	164,833	164,833	0	509,525	509,525
BANKS	(1)	107,070,190	802,803,633	909,873,823	109,658,103	733,438,240	843,096,343
A. Due from the Central Bank		97,315,374	420,875,759	518,191,133	32,594,550	186,122,679	218,717,229
B. Due from banks		9,754,816	381,927,874	391,682,690	77,063,553	547,315,561	624,379,114
1) Domestic banks		8	0	8	64,000,084	199,332,500	263,332,584
2) Foreign banks		9,754,808	381,927,874	391,682,682	13,063,469	347,983,061	361,046,530
OTHER FINANCIAL INSTITUTIONS		0	0	0	0	0	0
MARKETABLE SECURITIES [Net]	(2)	50,388,987	256,086,033	306,475,020	46,823,427	202,947,565	249,770,992
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		50,388,987	256,086,033	306,475,020	46,823,427	202,947,565	249,770,992
LOANS	(3)	2,294,263,776	670,458,309	2,964,722,085	2,047,618,342	459,839,477	2,507,457,819
A. Short-term		2,227,245,930	66,881,973	2,294,127,903	1,997,793,557	406,698,951	2,404,492,508
B. Medium and Long term		67,017,846	603,576,336	670,594,182	49,824,785	53,140,526	102,965,311
LOANS IN ARREARS [Net]	(4)	940,372	1,833,261	2,773,633	5,762,540	8,508,518	14,271,058
A. Loans with limited recovery [Net]		258,864	468,227	727,091	3,264,184	5,417,192	8,681,376
1) Gross receivables		304,765	483,031	787,796	3,675,575	5,574,023	9,249,598
2) Provision for loan losses (-)		45,901	14,804	60,705	411,391	156,831	568,222
B. Loans with doubtful recovery [Net]		681,508	1,365,034	2,046,542	2,498,356	3,091,326	5,589,682
1) Gross receivables		794,620	1,432,866	2,227,486	3,771,150	3,364,417	7,135,567
2) Provision for loan losses (-)		113,112	67,832	180,944	1,272,794	273,091	1,545,885
C. Loans considered as loss [Net]		0	0	0	0	0	0
1) Gross receivables		13,292,557	67,239,581	80,532,138	9,886,440	66,145,690	76,032,130
2) Provision for loan losses (-)		13,292,557	67,239,581	80,532,138	9,886,440	66,145,690	76,032,130
INTEREST&OTHER INCOME ACCRUALS		2,205,407	823,640	3,029,047	2,779,897	672,716	3,452,613
A. Loans		578,036	25,886	603,922	1,251,613	23,906	1,275,519
B. Marketable securities		1,612,267	506,650	2,118,917	1,511,990	428,049	1,940,039
C. Other		15,104	291,104	306,208	16,294	220,761	237,055
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		192,572,655	108,263,122	300,835,777	171,829,143	87,728,110	259,557,253
MISCELLANEOUS RECEIVABLES	(5)	42,255	108,559	150,814	42,247	53,764	96,011
PARTICIPATIONS [Net]	(6)	0	0	0	0	0	0
A. Financial services		0	0	0	0	0	0
B. Others		0	0	0	0	0	0
SUBSIDIARIES [Net]	(6)	26,404,060	0	26,404,060	22,000,549	0	22,000,549
A. Financial services		10,635,760	0	10,635,760	8,426,507	0	8,426,507
B. Other		15,768,300	0	15,768,300	13,574,042	0	13,574,042
LONG-TERM SECURITIES [Net]	(7)	70,427	0	70,427	3,202	0	3,202
A. Equities		0	0	0	0	0	0
B. Other long-term securities		70,427	0	70,427	3,202	0	3,202
FIXED ASSETS [Net]	(8)	10,115,655	0	10,115,655	11,139,987	0	11,139,987
A. Book value		28,424,107	0	28,424,107	27,875,010	0	27,875,010
B. Accumulated depreciation (-)		18,308,452	0	18,308,452	16,735,023	0	16,735,023
OTHER ASSETS	(9)	7,337,381	8,079,072	15,416,453	8,284,649	79,794	8,364,443
TOTAL ASSETS	(19)	2,707,166,721	1,855,623,954	4,562,790,675	2,439,617,398	1,500,631,900	3,940,249,298



LIABILITIES			Note	(31/12/2016)			(31/12/2015)		
			(10)	LC	FC	TOTAL	LC	FC	TOTAL
DEPOSITS			(10)	2,515,608,325	1,587,048,904	4,102,657,229	2,208,252,514	1,297,580,792	3,505,833,306
A.	Saving deposits			1,676,787,506	1,121,667,593	2,798,455,099	1,513,358,597	943,743,750	2,457,102,347
B.	Government deposits			384,583,906	42,496,233	427,080,139	321,713,486	30,554,789	352,268,275
C.	Commercial deposits			369,649,724	259,673,854	629,323,578	58,903,888	23,254,367	82,158,255
D.	Other deposits			31,392,922	43,526,647	74,919,569	273,363,619	182,639,235	456,002,854
E.	Bank deposits			53,194,267	119,684,577	172,878,844	40,912,924	117,388,651	158,301,575
F.	Gold deposit accounts			0	0	0	0	0	0
INTERBANK FUNDS BORROWED			(11)	0	0	0	0	0	0
FUNDS BORROWED			(12)	35,000,000	0	35,000,000	76,000,000	0	76,000,000
A.	The Central Bank funds borrowed			35,000,000	0	35,000,000	76,000,000	0	76,000,000
B.	Other funds borrowed			0	0	0	0	0	0
	1) Domestic banks and other institutions			0	0	0	0	0	0
	2) Foreign banks, institutions and funds			0	0	0	0	0	0
	3) Subordinated debts			0	0	0	0	0	0
FUNDS			(13)	496,557	0	496,557	578,027	0	578,027
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				11,356,077	8,774,636	20,130,713	10,197,210	8,421,524	18,618,734
A.	Deposits			11,188,006	8,774,636	19,962,642	10,197,210	8,421,524	18,618,734
B.	Funds borrowed			0	0	0	0	0	0
C.	Other			168,071	0	168,071	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				7,744,323	337,755	8,082,078	8,457,903	307,626	8,765,529
IMPORT TRANSFER ORDERS				0	0	0	0	0	0
MISCELLANEOUS PAYABLES [13]			(15)	21,924,960	4,747,113	26,672,073	21,683,614	3,736,867	25,420,481
PROVISIONS				19,067,343	0	19,067,343	16,342,876	0	16,342,876
A.	Provision for end-of service benefits			0	0	0	0	0	0
B.	General provision for loan losses			4,624,312	0	4,624,312	2,771,888	0	2,771,888
C.	Provision for taxes			183,345	0	183,345	165,813	0	165,813
D.	Other provisions			14,259,686	0	14,259,686	13,405,175	0	13,405,175
OTHER LIABILITIES (10)			(16)	9,302,858	6,456,678	15,759,536	12,607,900	984,632	13,592,532
SHAREHOLDERS' EQUITY (16)			(17)	66,604,213	0	66,604,213	61,290,850	0	61,290,850
A.	Paid-in share capital (17)			24,446,049	0	24,446,049	22,108,408	0	22,108,408
	1) Registered share capital			50,000,000	0	50,000,000	50,000,000	0	50,000,000
	2) Unpaid capital (-)			25,553,951	0	25,553,951	27,891,592	0	27,891,592
B.	Legal reserves			24,312,048	0	24,312,048	21,892,160	0	21,892,160
	1) I. And II. legal reserves			24,312,048	0	24,312,048	21,892,160	0	21,892,160
	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			7,718	0	7,718	7,718	0	7,718
E.	Revaluation differences (14)		(18)	17,838,398	0	17,838,398	17,282,564	0	17,282,564
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				268,320,933	0	268,320,933	213,806,963	0	213,806,963
A.	Current period profit			56,933,858	0	56,933,858	24,198,875	0	24,198,875
B.	Previous years' profit			211,387,075	0	211,387,075	189,608,088	0	189,608,088
TOTAL LIABILITIES and (15)			(19)	2,955,425,589	1,607,365,086	4,562,790,675	2,629,217,857	1,311,031,441	3,940,249,298
CONTINGENCIES&COMMITMENTS			(2)	9,075,120	7,734,084	16,809,204	7,238,932	6,188,476	13,427,408
			(3)	135,295,972	5,586,539	140,882,511	131,075,001	5,335,174	136,410,175
			(4)	18,074,000	17,308,000	35,382,000	33,913,540	32,680,000	66,593,540
ENDORSEMENTS AND WARRANTIES				196,341,612	813,065,647	1,009,407,259	187,169,734	706,053,211	893,222,945
TOTAL				358,786,704	843,694,270	1,202,480,974	359,397,207	750,256,861	1,109,654,068

PROFIT AND LOSS ACCOUNTS
(For the years ended 31.12.2016 and 31.12.2015)

	Note	(31/12/2016)	(31/12/2015)
INTEREST INCOME	(1)	326,521,730	293,066,825
A. Interest income on loans		302,880,137	268,541,086
1) Interest income on loans-Turkish Lira		254,897,179	228,666,631
a - Short-term		247,447,663	222,292,796
b - Medium and long-term		7,449,516	6,373,835
2) Interest income on loans-foreign currency		44,866,537	35,943,537
a - Short-term		39,502,569	30,735,421
b - Medium and long-term		5,363,968	5,208,116
3) Interest income on loans in arrears		3,116,421	3,930,918
B. Interest income on reserve deposits at the Central Bank		6,414,820	5,786,340
C. Interest income received from banks		11,883,835	13,279,597
1) The Central Bank		7,012,519	5,458,766
2) Domestic banks		0	2,780,547
3) Foreign banks		4,871,316	5,040,284
D. Interest income on interbank operations		0	0
E. Interest income on marketable securities		5,342,938	5,006,587
1) Development Bank of the TRNC Bonds		5,258,553	4,583,764
2) Other marketable securities		84,385	422,823
F. Other interest income	(3)	0	453,215
INTEREST EXPENSES	(1)	263,799,610	241,789,008
A. Interest paid for deposits		215,781,255	196,539,648
1) Savings deposits		162,757,230	147,568,718
2) Government deposits		22,317,749	18,427,374
3) Commercial deposits		25,965,019	26,285,571
4) Other deposits		103,177	116,853
5) Bank deposits		4,638,080	4,141,132
B. Interest paid for foreign currency deposits		41,583,364	39,711,423
1) Savings deposits		29,944,765	29,528,035
2) Government deposits		1,027,391	931,727
3) Commercial deposits		5,740,286	4,193,139
4) Other deposits		1,184,289	1,182,417
5) Bank deposits		3,686,633	3,876,105
6) Gold deposit accounts		0	0
C. Interest paid for interbank operations		0	0
D. Interest paid for funds borrowed		6,434,991	5,306,413
1) To the Central Bank		6,375,174	5,306,413
2) To domestic banks		0	0
3) To foreign banks		0	0
4) Other		59,817	0
E. Interest paid for securities issued		0	0
F. Other interest expenses	(3)	0	231,524
NET INTEREST INCOME		62,722,120	51,277,817
OPERATING INCOME	(1)	204,611,029	157,997,317
A. Fees and commissions received		10,130,083	8,751,451
1) Loans		2,519,141	2,347,212
2) Contingent liabilities		272,823	230,961
3) Other		7,338,119	6,173,278
B. Income on capital market operations		0	0
C. Income on foreign exchange operations		171,379,152	130,081,641



D.	Dividend from participations and subsidiaries		19,882	9,941
E.	Extraordinary income		0	0
F.	Other operating income	(3)	23,081,912	19,154,284
OPERATING EXPENSES		(1)	207,714,625	184,910,446
A.	Fees and commissions paid		919,729	1,049,184
	1) Loans		145,177	97,861
	2) Contingent liabilities		0	0
	3) Other		774,552	951,323
B.	Loss on capital market operations		0	0
C.	Loss on foreign exchange operations		114,795,908	82,952,362
D.	Personnel expenses		38,520,782	36,632,989
E.	Provision for end-of-service benefits		0	95,830
F.	Rental expenses		594,901	590,548
G.	Depreciation expenses		1,585,916	1,635,994
H.	Taxes and duties		598,127	564,226
I.	Extraordinary expenses		0	0
J.	Provision for loans in arrears	(2)	13,704,284	24,746,625
K.	Other provisions	(2)	6,242,950	3,814,748
L.	Other operating expenses	(3)	30,752,028	32,827,940
NET OPERATING INCOME			-3,103,596	-26,913,129
PROFIT/LOSS BEFORE TAX			59,618,524	24,364,688
PROVISION FOR TAX			2,684,666	165,813
NET PROFIT			56,933,858	24,198,875

Cash Flow Statements

For the years ended 31st December 2016 and 31st December 2015

	31st December 2016 (TRY)	31st December 2015 (TRY)
I- Cash Flows from Banking Activities (Core Business)		
Interest Income Received	326,521,730	293,066,825
Interest Expenses Paid	-263,799,610	-241,789,008
Dividend Received	19,882	9,941
Commissions and Fees Received	10,130,083	8,751,451
Other Income	23,081,912	19,154,284
Recoveries on Loans and other Receivables Written-Off	0	0
Payments to personnel and other service providers	-38,520,782	-36,632,989
Taxes Paid	-598,127	-564,226
Other Collections (_____)	0	0
Other Payments (_____)	-56,484,474	-64,926,682
Cash Flows from Banking Activities before Changes in Operating Assets and Liabilities	350,614	-22,930,404
Changes in Operating Assets and Liabilities		
<u>Increase/Decrease in Operating Assets:</u>		
(Increase)/Decrease in Securities – Net	-56,704,028	-125,519,721
(Increase)/Decrease in Due from Banks – Net	-66,777,480	-166,527,099
(Increase)/Decrease in Loans – Net	-445,766,842	-244,752,316
(Increase)/Decrease in Other Assets	-52,432,507	-42,787,289
<u>(Increase)/Decrease in Operating Liabilities:</u>	0	0
Increase/(Decrease) in Deposits – Net	596,823,922	582,350,689
Increase/(Decrease) in Funds Borrowed – Net	-41,000,000	11,000,000
Increase/(Decrease) in Securities Issued – Net	0	0
Increase/(Decrease) in Other Liabilities - Net	6,890,123	-37,743,429
Net Cash Inflows from Banking Activities	-58,616,198	-46,909,569
II- Cash Flows from Investing Activities		
Acquisition of Investments and Affiliated Companies	0	0
Sales of Investments and Affiliated Companies	0	0
Purchase of Bank Premises and Equipment	-562,616	-536,103
Sales of Bank Premises and Equipment	13,519	1,285,499
Purchases of Other Long-Term Investments	0	0
Sales of Other Long-Term Investments	0	0
Other Cash Inflows (_____)	0	0
Other Cash Outflows (_____)	1,573,429	1,602,899
Net Cash Outflows used in Investing Activities	1,024,332	2,352,295



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	2,337,641	186,917
Dividends Paid	0	0
Other Cash Inflows ()	555,834	4,778,569
Other Cash Outflows ()	0	-1,171,755

Net Cash Outflows used in Capital Financing Activities	2,893,475	3,793,731
Effect of Changes in Foreign Currency Exchange Rates on Cash and Cash Equivalents	56,583,244	47,129,279
Increase in Cash and Cash Equivalents	1,884,853	6,365,736
Cash and Cash Equivalents at the Beginning of the Period	21,039,028	14,673,292
Cash and Cash Equivalents at the End of the Period	22,923,881	21,039,028

Statement Of Shareholders' Equity
For The Years Ended December 31, 2016 and 2015
(TRY)

	Share Capital	Legal Reserves	Other Legal Reserves (x)	General Reserves	Accumulated		Current	
					Retained Profit (Loss)	Retained (Loss)	Year Profit	Total
Balances, January 1, 2015								
Transfers to Legal and General Reserves	21,921,491	20,822,318	0	13,683,468	179,979,526	10,698,404	0	247,105,207
Share Capital Increase								
-Cash	0	1,069,840	0	0	9,628,564	-10,698,404	0	0
	186,917	0	0	0	0	0	0	0
-Retained Earnings Emission Premium	0	0	0	-1,171,755	0	0	0	186,917
								-1,171,755
Revaluation Surplus	0	0	0	4,778,569	0	0	0	4,778,569
Others	0	0	0	0	0	0	0	0
Current Year Net Profit	0	0	0	0	0	24,198,875	0	24,198,875
Balances, January 1, 2016								
Transfer to Legal and General Reserves	22,108,408	21,892,158	0	17,290,282	189,608,090	24,198,875	0	275,097,813
	0	2,419,890	0	0	21,778,985	-24,198,875	0	0
Share Capital Increase								
-Cash	2,337,641	0	0	0	0	0	0	2,337,641
-Retained Earnings Emission Premium	0	0	0	0	0	0	0	0
Revaluation Surplus	0	0	0	555,834	0	0	0	555,834
Others	0	0	0	0	0	0	0	0
Current Year Net Profit	0	0	0	0	0	56,933,858	0	56,933,858
Balances, December 31, 2016								
	24,446,049	24,312,048	0	17,846,116	211,387,075	56,933,858	0	334,925,146

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 21/04/2017 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>
Hasan Tosunoğlu Muhammet Aygün Fatma Kınış Başak Tekerek Tuna Arıhan Sinan Candar	Kemal Ataman (General Manager) Orhan Bürüncük Mehmet Öksüzoğluları Nevzat Üstün		M.A.T.K. A Plus Audit	Mustafa Atagül Cem Hakseven Nebahat Menteş Hakan Akgün Halil Koççat Serhan Yorucu Fırat Göken

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 cancelling 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.



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, 2016 and 2015 are comprised of the following.

	2016	2015
	(TRY)	(TRY)
Development Bank of the Turkish Republic of Northern Cyprus Bonds*	71,098,195	61,945,992
Turkish Republic Treasury Bonds	521,825	
Central Bank of the Turkish Republic of Northern Cyprus Notes	234,855,000	187,825,000
Total Securities Portfolio	306,475,020	249,770,992

*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.

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 2016.

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 2016 and 31 December 2015, foreign currency assets and liabilities of the Bank are mainly in GBP£ 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)	3,4950 TRY	2,9000 TRY
US dollar purchase rates for the 5 working days before balance sheet date:		
Purchase Rate of the 1st day	3,5140 TRY	2,8900 TRY
Purchase Rate of the 2nd day	3,5150 TRY	2,8900 TRY
Purchase Rate of the 3rd day	3,4990 TRY	2,8900 TRY
Purchase Rate of the 4th day	3,4880 TRY	2,9000 TRY
Purchase Rate of the 5th day	3,4860 TRY	2,9000 TRY
	Current Period	Previous Period
The Bank's "Exchange rate for the Evaluation of Foreign Currency Items" (1 Sterling Stg=.....TRY)	4,3270 TRY	4,3000 TRY
Sterling purchase rates for the 5 working days before balance sheet date:		
Purchase Rate of the 1st day	4,3100 TRY	4,2900 TRY
Purchase Rate of the 2nd day	4,3060 TRY	4,2900 TRY
Purchase Rate of the 3rd day	4,2920 TRY	4,3200 TRY
Purchase Rate of the 4th day	4,2880 TRY	4,3300 TRY
Purchase Rate of the 5th day	4,2770 TRY	4,3400 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: 31/12/2016

	Book Value	Accumulated Depreciation	Insurance Coverage
Movables	14,290,065	11,970,891	3,273,168
Immovables	14,134,042	6,337,561	3,299,084
Immovables held for resale	493,791	0	197,516

Previous Period: 31/12/2015

	Book Value	Accumulated Depreciation	Insurance Coverage
Movables	13,740,968	11,019,332	3,191,792
Immovables	14,134,042	5,715,691	3,386,684
Immovables held for resale	493,791	0	197,516

(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 2016.

(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 more 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 2016.



(13) INFORMATION REGARDING THE FINANCIAL STRUCTURE

a) Information related to capital adequacy standard ratio : % 30.32

	Risk Weights			
	0%	20%	50%	100%
Risk Weighted Assets, Liabilities and Non-Cash Loans				
Balance Sheet Items (Net)	3,787,413,697	378,505,102	116,830,598	265,339,028
Cash	22,759,048	164,833	0	0
Due from Central Bank	270,111,133	0	0	0
Interbank Money Market Placements	248,080,000	0	0	0
Due from Banks	0	377,555,982	0	14,126,708
Reserve Deposits	300,835,777	0	0	0
Marketable Securities	305,953,195	521,825	0	0
Loans	2,637,158,056	0	116,741,466	210,822,563
Loans under Follow-Up (Net)	0	0	0	2,773,633
Interest and Income Accruals	2,516,488	262,462	89,132	160,965
Miscellaneous Receivables	0	0	0	15,838,727
Long-Term Securities	0	0	0	0
Immovables held for resale	0	0	0	0
Fixed Assets	0	0	0	9,519,392
Other Assets	0	0	0	12,097,040
Off Balance Sheet Items	14,696,681	303,139	6,032,494	46,198,853
Guarantees and Pledges	10,788,366	303,139	5,272,943	444,756
Commitments	3,908,315	0	759,551	45,407,925
Financial Derivative Instruments	0	0	0	346,160
Not Risk Weighted Accounts	0	0	0	12
Total Risk Weighted Assets	3,802,110,378	378,808,241	122,863,092	311,537,881
Currency Risk	0	0	0	626,038,000
Total	0	75,761,648	61,431,546	937,575,881

b) Information about the shareholders' equity items:

	Current Period	Previous Period
CORE CAPITAL	313,506,343	253,627,172
Paid-In Capital	24,446,049	22,108,408
Legal Reserves	24,312,048	21,892,160
Statutory and Extraordinary Reserves	0	0
Accumulated Retained Profit After Tax Provision and Current Retained Profit	268,320,933	213,806,963
Current Retained Loss and Accumulated Retained Loss	0	0
TOTAL SUPPLEMENTARY CAPITAL	33,708,103	29,701,598
General Provisions	4,624,312	2,771,888
Fixed Assets Revaluation Fund	7,718	7,718
Marketable Securities and Investment Securities Value Increased Fund	0	0
Provision For Possible Losses	11,237,675	9,639,428
Marketable Securities Revaluation Fund	17,838,398	17,282,564

TOTAL CAPITAL	347,214,446	283,328,770
Total Capital For The Ratio	336,961,597	275,452,724
DEDUCTIONS FROM THE CAPITAL	14,702,238	13,100,657
Investments in unconsolidated Financial Companies Whose main Activities are Money and Capital Markets, and that Operate with Licenses Provided in accordance with Special Laws	10,635,760	8,426,507
Special Cost Expenses	596,263	972,220
Prepaid Expenses	2,976,424	3,208,139
The Negative Difference Between the Market Values and the Carrying Amounts for Unconsolidated Investments, Subsidiaries, Other Investments, and Fixed Assets	493,791	493,791
Subordinated Loans given to Other Banks Which Operate in TRNC	0	0
Goodwill	0	0
Capitalized Expenses	0	0
Total Shareholders' Equity	325,832,047	266,532,426

c) Summary information about the capital adequacy ratio:

	Current Period	Previous Period
Total Risk-Weighted Assets	1,074,769,075	862,572,578
Shareholders' Equity	325,832,047	266,532,426
Shareholders' Equity / RWA (%) (*)	%30,32	%30,90

(*)RWA: Total Risk – Weighted Assets

(14) Opinion of the Independent Auditor Firm auditing the financial statements should be given (in accordance with the regulation).

- Cyprus Turkish Cooperative Central Bank Limited is registered under Chapter 114 Cooperative Societies Law and is subject to the Banking Law, No. 39/2001.
- Information concerning the capital structure of the Bank and the shareholders with shareholding of 10% and above is disclosed in note III (17)(e).
- The representation of the Bank's management on the reliability of its internal control systems is satisfactory.
- The Board of Directors, senior management and internal auditors are stated on the first page of the report. The changes are stated in Note I (2) B (c).
- Bank managers and auditors possess the qualifications as required by the Banking Law No.39/2001
- There has been no change made to the accounting policies since last year.
- After the balance sheet date, to the best of our knowledge, there have not been any
- Loans totaling 31,125 TL should be accounted for in Non-Performing Loans accounts as required by the Provision Decree.
- Audit Reports of the Annual Accounts of the 3 out of 4 subsidiaries, that have been valued according to the Equity Method, were not available.
The Subsidiary that has been audited was not audited by our firm.
- The period of assets held for resale of 493,791 TL as required by the Banking Law Article 28 have been exceeded.



k) The Bank has long position in US Dollar.

l) Establishment of the Internal Systems.

The non-executive Board Member responsible for Internal Systems has appointed the successor on 11/02/2016.

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 regulations, in the Decree.

ii. Internal Audit

The structuring of the Internal Audit Unit and making it function in line with the regulations is underway. Internal Audit planning, reporting and execution have been performed in accordance with the Decree.

The assessment on the loans provided by the Bank and their analysis into risk categories have been reported to the Central Bank.

The Bank has followed and evaluated its risk compositions in the matrix as prescribed by Decree.

iii. Compliance

The operations and the reports have been executed in accordance with the Decree. The Bank has established the required structure and implemented the appropriate procedures to ensure compatibility with the rules and regulations.

The work is underway to meet the condition of minimum 2 personnel as prescribed by the Decree.

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.
- The Bank monitors its Non-Performing Loans by its branches.

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.

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 2016, 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 bank's 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;

- 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 30.32% and cash ratio has been 13.01%.
- Activities for the collection of government guaranteed loans have continued in 2016. 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	97,315,374	346,970,599	32,594,550	156,366,679
Time Unrestricted Amount	0	0	0	0
Restricted Amount	0	73,905,160	0	29,756,000
Total	97,315,374	420,875,759	32,594,550	186,122,679

b) Information of foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Previous Period	Current Period	Previous Period
Turkey	374,442,463	347,445,517	14,126,706	11,204,244
European Union Countries	3,113,513	2,396,769	0	0
USA, Canada	0	0	0	0
OECD Countries	0	0	0	0
Off-Shore Banking Regions	0	0	0	0
Other	0	0	0	0
Total	377,555,976	349,842,286	14,126,706	11,204,244

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 71,098,195 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	49,867,162	21,231,033	46,823,427	15,122,565
TR Government Bonds and Treasury Bills	521,825	0	0	0
TRNC Central Bank Notes	0	234,855,000	0	187,825,000
Total	50,388,987	256,086,033	46,823,427	202,947,565

(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	25,389,179	4,378,208	26,001,090	2,057,324
Real Person Shareholders	0	0	0	0
Indirect Loans Granted to Shareholders	0	0	0	0
Loans Granted to Employees	10,681,946	0	11,358,032	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	2,271,636	0	0	0
Export Loans	0	0	0	0
Import Loans	2,631,729	0	0	0
Loans Given to Financial Sector	168,424,975	0	2,633,114,899	0
Specialized Loans	3,354,452	0	0	0
Consumer Loans	91,601,933	0	3,069,202	0
Credit Cards	42,977,780	0	75,082	0
Fund Purpose Loans	0	0	0	0
Central Bank Based Loans	0	0	0	0
Other	13,530,060	0	3,670,337	0
Total	324,792,565	0	2,639,929,520	0



(c) Loans according to type of borrowers:

	Current Period	Previous Period
Public Sector	2,604,368,244	2,258,832,553
Private Sector	360,353,841	248,625,266
Total	2,964,722,085	2,507,457,819

(d) International and domestic loans:

	Current Period	Previous Period
Domestic Loans	2,964,722,085	2,507,457,819
International Loans	0	0
Total	2,964,722,085	2,507,457,819

(e) Loans granted to subsidiaries and participations;

	Current Period	Previous Period
Direct Loans Granted to Subsidiaries and Participations	30,964,392	28,751,732
Indirect Loans Granted to Subsidiaries and Participations	0	0
TOTAL	30,964,392	28,751,732

(f) The share of the Bank's receivables from the top 100 cash borrowers in the overall cash loan portfolio stands at 92,44% 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 63,49% and this figure represents 41 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 62,16% and this figure represents 1 borrowers.

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

(a)

	Group III Loans and Receivables with Limited Collectibility	Group IV Doubtful Loans and Receivables	Group V Loans and Receivables Qualified as Loss
Previous Period End Balance	9,249,598	7,135,567	76,032,130
Additions (+)	3,624,746	0	0
Transfers from Other categories of Loans Under Follow-Up(+)	0	9,574,456	13,008,268
Transfers from Other categories of Loans Under Follow-Up(-)	-9,574,456	-13,008,268	0
Collections (-)	-2,512,092	-1,474,268	-8,508,260
Write-Offs(-)	0	0	0
Current Period End Balance	787,796	2,227,486	80,532,138
Specific Provisions (-)	-60,705	-180,944	-80,532,138
Net Balance on Balance Sheet	727,091	2,046,542	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
Current Period:			
Period End Balance	483,031	1,432,866	67,239,581
Specific Provisions (-)	14,804	67,832	67,239,581
Net Balance on Balance Sheet	468,227	1,365,034	0
Previous Period:			
Period End Balance	5,574,023	3,364,417	66,145,690
Specific Provisions (-)	156,831	273,091	66,145,690
Net Balance on Balance Sheet	5,417,192	3,091,326	0

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

Collateral Group	Loan	Specific Provision
Without Collateral	17,285,344	17,285,344
Group I	69,788	69,788
Group II	56,476,771	56,476,771
Group III	6,699,694	6,699,694
Group IV	541	541

*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	0
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		Subsidiaries	
	Current Period	Previous Period	Current Period	Previous Period
Participations				
Banks	0	0	0	0
Insurance Companies	0	0	10,635,760	8,426,507
Finance Companies	0	0	0	0
Other Non Financial Participations and Subsidiaries	0	0	15,768,300	13,574,042

(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	2,209,253	10,635,760
Süt Koop	Lefkoşa	%79,41	%100	3,393,520	4,155,684
Yem Koop	Gönyeli	%97.78	%100	-230,835	11,612,616
Zirai Makine Koop	Lefkoşa	%97.78	%100	-1,915,627	0
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	2,209,253	1,504,955

(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
RECEIVABLES		
I- The Banks and other financial institutions	0	0
• The Bonds and similar securities	0	0
• Loans (including the loans in arrears)	0	30,964,392
• Interest & Income Accruals	0	0
• Leasing Receivables (Net)	0	0
• Other Assets	0	0
PAYABLES		
• Deposits	6,748,323	12,711,035
• Funds Borrowed	0	0
• Securities Issued	0	0
• Interest & Expense Accruals	21,930	12,577
• Leasing Payables	0	0
• Other Liabilities	0	0
NON-CASH LOANS		
• 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	0	0
Not Quoted	70,427	3,202
Impairment Provision (-)	0	0
Total	70,427	3,202



(8)

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

	Immovables	Vehicles	Other Fixed Asset	Total
End of Previous Period:				
Cost of Acquisition	14,134,042	986,099	12,754,869	27,875,010
Accumulated Depreciation (-)	5,715,691	785,764	10,233,568	16,735,023
Net Book Value	8,418,351	200,335	2,521,301	11,139,987
End of Current Period				
Net Book Value at the Beginning of the Period	8,418,351	200,335	2,521,301	11,139,987
Additions	0	0	562,616	562,616
Disposals (-)	0	0	13,519	13,519
Impairment				
Depreciation (-)	621,871	57,321	894,237	1,573,429
Currency Translation Differences Resulting from Foreign Investments(+)				
Closing Net Book value	7,796,480	143,014	2,176,161	10,115,655

(b) Movables and immovables 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 493,791.

(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 2016 was calculated in accordance with the relevant laws. On this basis the total taxation provision made for 2016 is TRY 1,043,825. Withholding tax paid in TRNC and in Turkey TRY 476,741 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
Residents in TRNC						
Saving Deposits	80,923,041	0	1,553,100,034	6,921,379	226,690	31,182,739
Deposit of Public Institutions and other	128,006,768	0	646,751,497	8,514,653	335,827	2,017,807
Foreign Currency Savings Deposits	22,343,449	0	778,149,136	28,776,488	17,548,150	257,991,726
Foreign Currency Deposit of Public Institutions and other	24,953,616	0	199,966,313	8,416,434	20,225,288	92,135,082
Residents in Abroad						
Saving Deposits	246,885	0	4,157,722	13,516	8,540	6,960
Deposit of Public Institutions and other	0	0	0	0	0	0
Foreign Currency Saving Deposits	85,146	0	7,699,905	244,555	52,481	8,776,558
Foreign Currency Deposit of Public Institutions and other	0	0	0	0	0	0
Bank Deposits	0	0	0	0	0	0
Domestic Banks	867,631	0	172,011,213	0	0	0
Foreign Banks	0	0	0	0	0	0
Off-Shore Banks	0	0	0	0	0	0
Other						
Total	257,426,536	0	3,361,835,820	52,887,025	38,396,976	392,110,872

The 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
Residents in TRNC						
Saving Deposits	56,092,233	0	1,405,942,970	7,172,554	241,650	39,455,316
Deposit of Public Institutions and other	93,825,988	0	549,839,258	8,059,314	312,582	1,943,852
Foreign Currency Savings Deposits	18,613,455	0	633,481,763	17,957,954	14,692,799	243,202,811
Foreign Currency Deposit of Public Institutions and other	18,913,505	0	158,546,187	4,762,352	15,291,175	38,935,172
Residents in Abroad						
Saving Deposits	209,684	0	4,216,852	12,697	8,009	6,632
Deposit of Public Institutions and other	0	0	0	0	0	0
Foreign Currency Saving Deposits	98,147	0	8,054,897	229,063	67,130	7,345,730
Foreign Currency Deposit of Public Institutions and other	0	0	0	0	0	0
Bank Deposits	0	0	0	0	0	0
Domestic Banks	1,290,229	0	157,011,346	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
Total	189,043,241	0	2,917,093,273	38,193,934	30,613,345	330,889,513



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

Saving Deposits	Current Period		Previous Period	
	LC	FC	LC	FC
Saving Deposits	1,675,485,105	1,121,233,558	1,512,104,262	943,587,964
Other Deposits in the Form of Saving Deposits	124,950,023	32,566,794	101,607,304	26,351,981
Total	1,800,435,128	1,153,800,352	1,613,711,566	969,939,945

(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	0	0	0	0
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	35,000,000	0	76,000,000	0
Medium and long-term	0	0	0	0

(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	97,609	%5	0	0	0	97,609	0
0	398,948	%12	0	0	0	398,948	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	131,274	%5	0	0	0	131,274	0
0	446,753	%12	0	0	0	446,753	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

(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	24,446,049	22,108,408
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	24,446,049	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
1/1/2016-31/12/2016	2,337,641	2,337,641	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 1.1.2016 – 31.12.2016 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	17,838,398	0	17,282,564	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

Current Period	Demand	1-3 Months	3-6 Months	6-12 Months	1 Year and Longer	Total
Assets						
Cash (Cash in Vault, Foreign Currency, Money in Transit, Cheques Purchased) and Balances with the Central Bank of TRNC	541,115,014	0	0	0	0	541,115,014
Due from Banks	140,090,101	251,592,589	0	0	0	391,682,690
Investment Securities	2,172,070	241,813,339	42,092,453	20,351,808	45,350	306,475,020
Loans	621,066,465	44,178,240	1,052,623	6,642,255	2,291,782,502	2,964,722,085
Investment Securities Held to Maturity	70,427	0	0	0	0	70,427
Other Assets	15,073,476	0	0	0	0	358,725,439
Total Assets	1,319,587,553	537,584,168	43,145,076	26,994,063	2,291,827,852	4,562,790,675
Liabilities						
Banks Deposits	40,477,217	96,501,494	4,340,249	31,559,884	0	172,878,844
Other Deposits	2,586,892,009	1,029,167,432	84,207,940	223,030,528	6,480,476	3,929,778,385
Funds Provided from Other Financial Institutions	35,000,000	0	0	0	0	35,000,000
Marketable Securities Issued	0	0	0	0	0	0
Miscellaneous Payables	26,672,073	0	0	0	0	26,672,073
Other Liabilities	62,391,682	5,395	29,487	78,536	1,031,127	398,461,373
Total Liabilities	2,751,432,981	1,125,674,321	88,577,676	254,668,948	7,511,603	4,562,790,675
Net Liquidity Gap	-1,431,845,429	-588,090,153	-45,432,600	-227,674,885	2,284,316,249	0
Previous Period						
Total Assets	938,920,451	291,914,516	48,009,228	5,948,585	2,344,541,267	3,940,249,298
Total Liabilities	1,153,292,308	2,129,825,810	121,449,223	202,555,722	58,028,424	3,940,249,298
Net Liquidity Gap	-214,371,857	-1,837,911,294	-73,439,995	-196,607,137	2,286,512,843	0

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	16,809,204	13,427,408
Total	16,809,204	13,427,408

b) Information about non-cash loans:

	Current Period		Previous Period	
	LC	FC	LC	FC
Non-Cash Loans				
Letters of Guarantee	9,075,120	7,447,935	7,193,043	5,837,251
Bank Acceptances	0	0	45,889	0
Letters of Credit	0	286,149	0	351,225
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
Total	9,075,120	7,734,084	7,238,932	6,188,476

(3) Information on commitments;

	Current Period	Previous Period
Irrecoverable Commitments	140,882,511	136,410,175
Recoverable Commitments	0	0
Total	140,882,511	136,410,175

(4) Information related to financial derivative instruments;

	Current Period	Previous Period
Forward FC Transactions	35,382,000	66,593,540
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
Total	35,382,000	66,593,540

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	2,702,738	2,669,678
Commissions and fees received from participations and subsidiaries	5,671	0

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

	Current Period	Previous Period
Interest paid to participations and subsidiaries	1,198,881	1,103,378
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	0	0	0	0

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

	Current Period	Previous Period
Specific Provisions for Loans and Other Receivables	13,704,284	24,746,625
General Provision Expenses	4,344,850	2,040,183
Marketable Securities Impairment Expense	0	0
Impairment Provision Expense	1,873,100	1,774,565
Other	25,000	0

(3) Description of individual items, which makes up 10% of the category, and "Other" categories in the income end expense groups II, IV, V, and I comprises to 20% or more of the total within these groups.



3.1 Other Incomes

	2016	2015
	(TRY)	(TRY)
Income on special provision for loans	13,260,880	10,462,939
Income on general provision for loans	2,492,426	2,586,808

3.2 Other Expenses

	2016	2015
	(TRY)	(TRY)
Saving Deposits Insurance Fund	16,150,577	21,423,264

4. **Notes on Other Significant Matters**

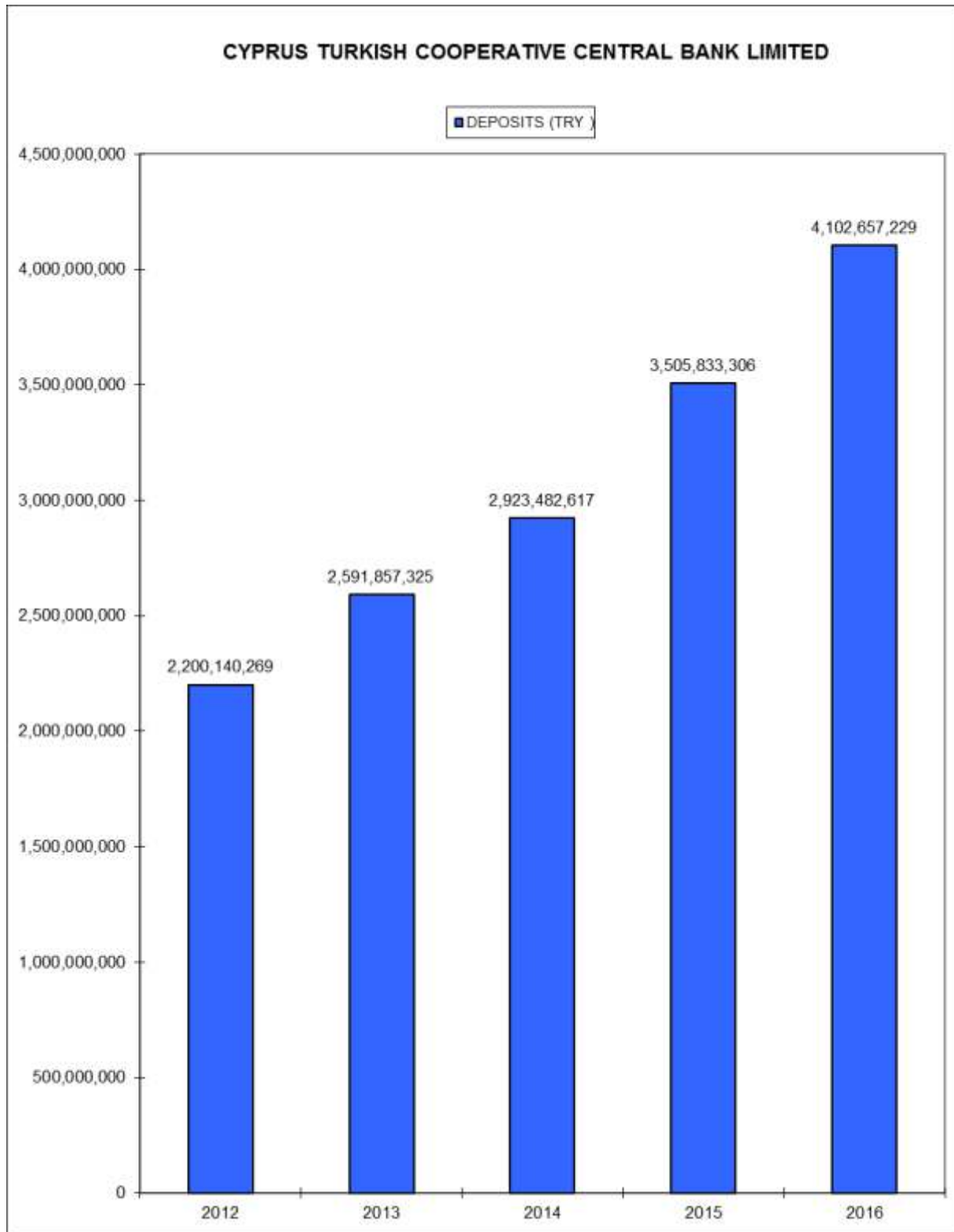
4.1 **Net Profit / Loss Before Taxation**

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.

	2016	2015
	(TRY)	(TRY)
Directors' Fees	41,988	11,061
Auditors' Fees	63,800	63,829
Legal Advisor	140,953	164,807
Total	246,741	239,697

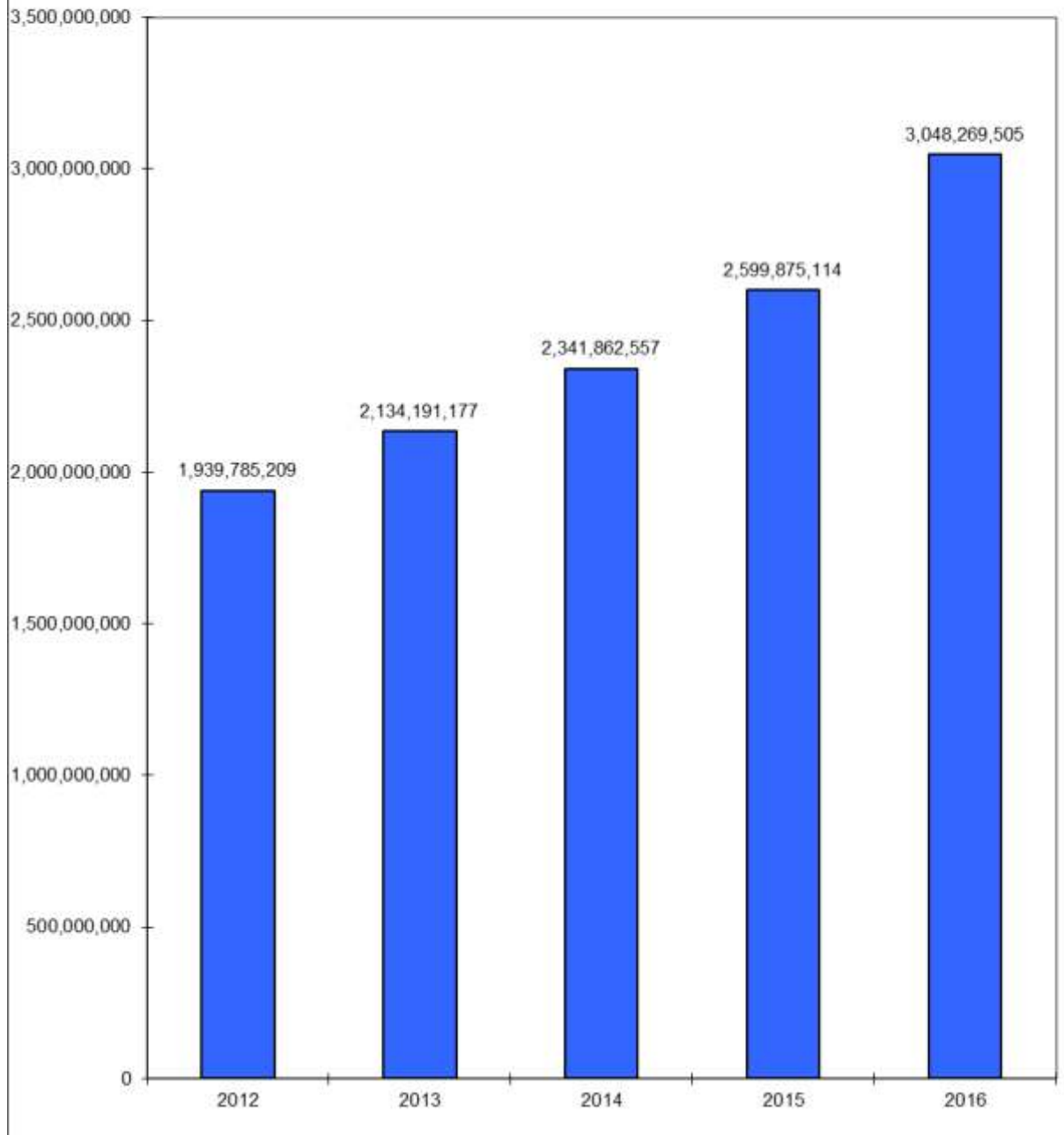
4.2 As of the Balance Sheet date, Total debt amounts to TRY 3,048,269,505. The amount of TRY 2,603,038,588 is guaranteed by the government. From the remaining amount of TRY 445,230,917 the amount of TRY 83,547,420 provisions were made in accordance with the communique made by the Central Bank. This provision was made in respect of non-performing loans which amounts to TRY 80,773,787 and is 96,68% of the total provision.

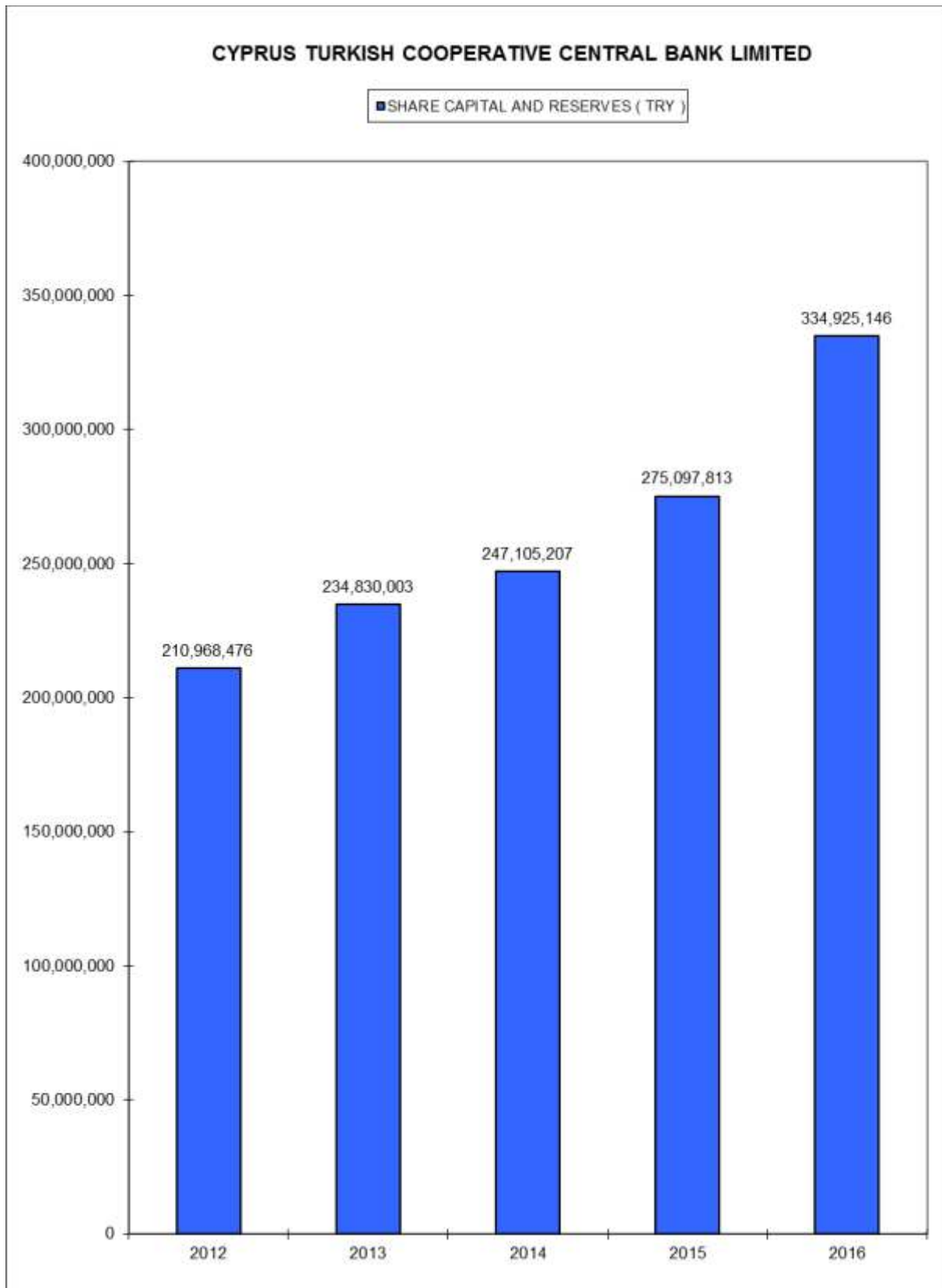
4.3 The Banks' Net Profit before taxation is TRY 59,618,524.



CYPRUS TURKISH COOPERATIVE CENTRAL BANK LIMITED

■ LOANS AND ADVANCES (€)





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Turkish Republic Of Northern Cyprus, (via Mersin 10 Turkey)

CYPRUS TURKISH COOPERATIVE CENTRAL BANK LTD.

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Telephones : +90 392 228 3207 (PBX), +90 392 227 3398 **Fax** : +90 392 227 6787

Internet : www.koopbank.com **E-mail**: info@koopbank.com

DEPARTMENTS

	<u>TELEPHONE</u>	<u>FAX</u>
Chief Accountant	+90 392 228 3207	+90 392 227 6787
Treasury Department	+90 392 228 3207	+90 392 227 6787
Information Technology	+90 392 229 0444	+90 392 227 6787
Loans Department	+90 392 227 4153	+90 392 227 4139
Foreign Transactions and Trade Department	+90 392 228 2931	+90 392 227 2079
Internal Audit Department	+90 392 227 1682	+90 392 229 0086
Internal Control Department	+90 392 229 0084	+90 392 229 0086
Human Resources Department	+90 392 228 3207	+90 392 227 6787
Compliance Department	+90 392 228 3207	+90 392 227 2168
Risk Assessment Department	+90 392 228 3207	+90 392 227 6787
Administrative Affairs Department	+90 392 228 3207	+90 392 227 6787
Insurance Agency	+90 392 228 5875	+90 392 227 9208

BANKING BRANCHES

	<u>TELEPHONE</u>	<u>FAX</u>
Nicosia, Main Branch	+90 392 228 3207	+90 392 227 2435
Yenişehir, Nicosia	+90 392 227 4954	+90 392 228 3831
Taşkinköy, Nicosia	+90 392 225 2316	+90 392 225 4586
Ortaköy, Nicosia	+90 392 228 0651	+90 392 228 0653
Gönyeli, Nicosia	+90 392 223 5185	+90 392 223 5981
Vadili, Nicosia	+90 392 377 7691	+90 392 377 7693
Akdoğan, Nicosia	+90 392 377 8321	+90 392 377 8257
Suriçi (Old City), Famagusta	+90 392 366 5304	+90 392 366 6304
Maraş, Famagusta	+90 392 367 0230	+90 392 367 0233
Eastern Med. Univ.1, Famagusta	+90 392 365 3682	+90 392 365 3416
Eastern Med. Univ.2, Famagusta	+90 392 365 0797	+90 392 365 0795
Sanayi, Famagusta	+90 392 365 6090	+90 392 365 6092
İskele - Downtown	+90 392 371 2523	+90 392 371 2095
Geçitkale, İskele	+90 392 373 3139	+90 392 373 3139
Yenierenköy, İskele	+90 392 374 5067	+90 392 374 5069
Kyrenia - Downtown	+90 392 815 2469	+90 392 815 3770
Karakum, Kyrenia	+90 392 816 1069	+90 392 816 1079
Karaoğlanoğlu, Kyrenia	+90 392 822 4445	+90 392 822 4447
Güzelyurt - Downtown	+90 392 714 2197	+90 392 714 3527
Gemikonağı, Güzelyurt	+90 392 727 8162	+90 392 721 8165

SUBSIDIARIES & PARTICIPATIONS

	<u>TELEPHONE</u>	<u>FAX</u>
Dairy and Oil Production and Marketing Cooperative Ltd.	+90 392 227 1748	+90 392 228 4216
Animal Fodder, Carobs Kibbling and LP Gas Production and Marketing Cooperative Ltd.	+90 392 223 1314	+90 392 223 2766
Agricultural Requisites, Machinery Equipment and Foodstuffs Marketing Cooperative Ltd.	+90 392 228 3123	+90 392 228 2764
Şeker Sigorta (Kıbrıs) Ltd.	+90 392 444 0404	+90 392 227 4074

