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TURK BANK

**MAN 400
BUSINESS POLICIE AND
GRADUATION PROJECT**

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INTRODUCTION

This work is about Central Banking and Turkish Bank. Banks are financial service firms producing and selling professional management of the public's funds as well as performing many other roles in the economy. Their success hinges on their ability to identify the financial services efficiently, and sell them at a competitive price.

First service offered by banks was currency exchange, and later bankers began discounting commercial notes, offering savings deposits, safekeeping of valuables supporting government activities with credit, and offering checking accounts.

At the end of these services of banks have development more recently. These are granting consumer loans financial advising, cash management offering equipment leasing, making venture capital loans selling insurance services and others.

T.R.N.C. banking system has two main parts on-shore and off-shore Banks. Cyprus island geographic place is the free-zone.

Our work Turkish Bank is the part Commercial Banks of On-Shore Banking. This work has five main parts. In these parts I try to give you information about Banking, Turkish Bank, Central Banks and etc.

Banking is the first part of my project, and give little information about parts of types of banking (For example; central banks, commercial banks).

In the second part I try to give you information about T.R.N.C. Banks and Banking T.R.N.C.

Turkish Bank is the third part of my work; I try to give you report's about the year 1998. For example; its balance sheet, accounts and others like this.

I. THE TERM OF BANKING

The business of banking consist in essence of accepting money on deposit from one group of people who may want it back on demand or at very short notice and lending it out to other people for longer periods.

Banks create short-term , highly liquid liabilities by accepting demand and time deposits ; they then use them to buy longer term , less liquid assets. As a consequence , banks have potential liquidity problem . Their liabilities are more liquid than are their assets.

There are various theories about how banks should solve their liquidity problem . The commercial loan theory is that banks can solve their liquidity problem by making only short-term , self liquidating loans that are secured by goods in the process of production or goods in transit . There are two flaws in this theory . a) No loan is truly automatically self-liquidating , because there may not be a market for the goods produced and b) such a policy entails automatic destabilizing changes in credit levels, because total liquidity automatically increases during periods of inflation and contracts during periods of recession.

Another theory of how banks can solve their liquidity problem is the shiftability theory. This theory is that banks should purchase assets that are highly liquid. It follows that both bank assets and bank liabilities will then be highly liquid. The problem with this theory is that the entire financial system cannot simultaneously increase its liquidity ; a third party such as a central bank is required to increase liquidity for the entire financial community in times of financial crisis.

A third theory about how banks can resolve liquidity problems is the anticipated income theory . This theory is that banks will have sufficient liquidity even if they make long term loans, as long as those loans are repaid in a series of installements that provide banks with predictable inflows of funds . Moreover these long-term loans can be sold in secondary markets to meet liquidity problems.

There are six different bank types in banking system; Central Banks , Commercial Bank , Agricultural Banks , Investment Bank , Off-shore Banks and Village Banks.

1.1 TYPES OF BANKING SYSTEM

1.1.1.CENTRAL BANK

The principal duty of a central bank is to exercise control of the monetary system, on behalf of and under the control of the government, to change this duty it has four main areas of responsibility:

- ✓ Banker to the government including where appropriate, the raising of loans to finance government expenditure.
- ✓ Banker to the banking system enabling banks to make settlements between each other acting as 'lender of last resort' to the other banks to provide a measure of stability to the system as a whole.
- ✓ Control of the money supply including the issue of notes and coin.
- ✓ Control of the national debt.

1.1.2. COMMERCIAL BANK

Commercial banks look like private businesses, aim to maximize the long term profits of the firm's owners. Bank profits are derived principally from interest income earned on lending operations. Restrictions, many of which are unique to commercial banking.

The balance sheet of a commercial bank is a statement showing what the business owns, what it owes to creditors, and what the owners have invested as of a given date.

1.1.3. AGRICULTURAL BANKS

Agricultural banks help farmers to take credits that produce their products better. Because agricultural production is different to the commercial and industrial production and farmers need credits.

1.1.4. INVESTMENT BANKS

Investment Banks dominates direct financial markets as commercial banks , and the intermediation market. Investment banks major business activities are bringing new securities issues to market and making secondary markets for those securities as brokers and dealers. In addition , investment banks engage in private placements and do merger and acquisition work, real estate broker age , and financial consulting.

1.1.5.OFF-SHORE BANKING

Off-shore banking is the banks that worked for non-resident clients , take funds in off-shore financial centers to foreign countries. Investors of these banks are ; international center regional centers and booking centers.

1.1.6. VILLAGE BANKING

Village banking looks like agricultural banking. It clients are shopkeepers and artisans.

2. T.R.N.C BANKING SYSTEM

2.1 BANKS IN T.R.N.C.

T.R.N.C. banking system has two different bank types. these are on-shore Banking and off-shore Banking. cyprus geographic place is the reason of this.

Cyprus .island is in the FreeZone. freezone is the independent part of some countries. these regions are independent for economic and tariff procedures and near to the international harbours and airports. we divided it for two parts: open FreeZone and Closed FreeZones. In order to this off-store Banks are part to the Cyprus Banking system.

Commerical banks, Agricultural banks, investment bank and village banks are parts of the on-storebanking.

These two tables shows us on-shore banks and off-shore Banks in T.R.N.C.

ON-SHORE BANKS

T.C. Ziraat Bankası

Turkish Bank L.T.D.

Türkiye İş Bankası A.Ş

Cyprus Turkish Cooperative Central Bank L.T.D

Cyprus Credit Bank L.T.D

Türkiye Halk Bankası A.Ş

Cyprus Vakıflar Bank L.T.D

Limasol Turkish Cooperative Bank L.T.D

Cyprus Commerical Bank L.T.D

Industrial Bank of Kıbrıs L.T.D

Faisal Islamic Bank of Kıbrıs L.T.D

Asbank L.T.D

Mediterranean Guarantee Bank L.T.D

Cyprus Economy Bank L.T.D

Cyprus Investment Bank L.T.D

Cyprus Liberal Bank L.T.D

Rumeli Bank L.T.D

Cyprus Eurobank L.T.D

Artam bank L.T.D (Formerly Finba Financial Bank L.T.D)

Everest Bank L.T.D

Home and overseas Bank L.T.D

Deniz Bank L.T.D

Kıbrıs Yurt Bank L.T.D

Kıbrıs Altınbaş Bank L.T.D

Near East Bank L.T.D

Yasa Bank L.T.D

Med Bank L.T.D

Cyprus Finance Bank L.T.D
Hamza Bank L.T.D
Erbank L.T.D
Akfinans Bank L.T.D
Yeşilada Bank L.T.D
Kıbrıs Continental Bank L.T.D
Viya Bank L.T.D
Universal Bank L.T.D
Asia Bank L.T.D
Demirbank Turk Anonim Şirketi
Tilmobank L.T.D

OFF-SHORE BANKS

East Mediterranean Trust Bank off-shore L.T.D
The European Business Bank L.T.D
The European Commerce Bank L.T.D
The Euro Textile Bank L.T.D
Cyprus United Trade and Investmend Bank L.T.D
Atlas Bank off-shore L.T.D
Imar Bank off-shore L.T.D
Pasifik Bank off-shore L.T.D
Özbank off-shore L.T.D
Alliance Investment Bank Off-shore L:T.D
Oki Bank Off-shore L.T.D
Mediterranean Union Bank L.T.D
World Vakıf Off-shore BANKING L.T.D
Optima Bank L.T.D
Northern Island Off-shore Bank L.T.D
Cyprus Islamic Bank L.T.D
Facto Bank L.T.D

First Merchant Bank L.T.D
Şeker Bank Off-shore L.T.D
Toprak Bank Off-shore L.T.D
Cleveland Off-shore Bank L.T.D
Bank Turquoise Off-shore L.T.D
Adabank Off-shore L.T.D
Golden Union Off-shore Bank L.T.D
Trade Deposit Off-shore Bank L.T.D
Overseas Bank Off-shore L.T.D
Sovereign Gold Depository Bank Off-shore L.T.D
Unibank Off-shore L.T.D
Cyprus Trade Development Bank Off-shore L.T.D
Metropolitan investment Bank Off-shore L.T.D
Martima Off-shore Bank L.T.D
Yaşarbank Foreign Trade Off-shore L.T.D
EGS Bank Off-shore L.T.D
Technical Export Import Bank Off-shore L.T.D
Southtan Off-shore Bank L.T.D
Bank 2000 Off-shore L.T.D
Renfrew Security Band and Trust Off-shore L.T.D
Excess Bank Off-shore L.T.D
Dinamic Bank Off-shore L.T.D
Yurt Security Off-shore L.T.D
Bank Girişim Off-shore L.T.D
Prudential Off-shore L.T.D
Cey Off-shore Bank L.T.D

2.2 CENTRAL BANK IN T.R.N.C

2.2.1 FUTURE OF THE CENTRAL BANK IN THE T.R.N.C

After 1974 one of the problems of the newly established state Cyprus found (CYP) have been used for about two years and later Turkish Lira (TL) started to use. Between years 1974-1984, Lefkoşa branch of T.C Ziraat Bank was functioned as a Central Bank.

In the 16th May 1983 the law of Central Bank of the T.R.N.C first came into operation and in the 6th June 1984 the bank opened its doors to the public. The need to render the Bank more effective in the performance of its functions lead to the preperation of a new law, it came into operation on the 26th June 1987.

2.2.2 OBJECT, POWERS AND DUTIES OF THE T.R.N.C CENTRAL BANK

The object of the Central Bank to implement money creadit policies and regulate the banking system in accordance with development plans and annual programmes with a view to assuting economic development.

Duties of the T.R.N.C's Central are;

- 1) * To do all necessary acts for realization of the main object specified and the regulation and control of the monetary and banking system of the republic.
* Having in mind economic to conditions to fulfill all acts necessarily undertaken by control Banks and
* To central banks, cooperative banks and other institutions established for the purpose of giving credit.
- 2) Subject to the operation of the provisions of para above the powers of the Bank are;
 - ✓ To regulate the volume of money and credit.
 - ✓ To regulate international reserves of the Republic and to administer same;
 - ✓ To act as financial and economic advisor of the state by expressing views an matters that may be referred to it by the Council of Ministers in relation to policy on money and credit.

- ✓ In international relations of financial agent of the states;
- ✓ To act as banker of the state and also as banker and financial agent of banks that may so wish.

2.3. INTEREST DIFFERENTIAL FUND

The establishment of an Interest Differential Fund within the body of the Central Bank of the TRNC for the purpose of facilitating implementation of preferential interest rate application as regard credits falling into subject matter or pertaining to sectors earmarked for encouragement, was provided for under section 23 of the Central Bank of the TRNC Law No. 35/1987. In accordance with article 7 of the Interest Differential Fund Regulations issued under section 53 of the Law the sources of the Fund are the following:

Provision for this purpose in the State Budget

Specific amounts set aside in the Bank Budget in lieu of interest on Treasury funds lodged with the Bank.

Out of the maximum rate of interest charged on all kinds of cash credits (excluding controlled credits) given by banks, cooperative banks and other establishments set up under the laws of the Republic, interest differential at the rate of three points and in the case of foreign currency credits at the rate of ½ point collected and logged into the Interest Differential Fund opened with the Bank.

Overdue interest at the rate of %8 per month and in the case of foreign currency credits at the rate of %1 per month where interest refunds are not lodged on time or in full, and Contributions by the State of the Republic of Turkey.

Under article 5 of Regulations the rates of interest refund according to types of credit are as follows:

Agriculture (in kind)	50 %
Animal Husbandary	41 %
Tourism Operation	24 %
Tourism Investment	31 %

Industrial Operation	24 %
Industrial Investment	31 %
Export Credits	31 %

Of course it is not possible to avail oneself both of the Central Bank Rediscount source and of the Interest Differential Fund in respect of the same credit.

Thus , interest refund implementation has enabled banks to give controlled credits to chosen sectors from their own resources in addition to discounting facilities afforded by our Bank in respect of short term bills and documents presented by bank or advances made to public corporations or institutions within the framework.

Interest Differential Fund Operations
1987 - 1999

Million TL

Income		Income	
1987 Opening Balance	1.6	1987 Contribution by the Central	
1987 Agriculture (in kind)	803.6	Bank of the TRNC	500.0
1987 Opening Balance	<u>805.2</u>	Banks	<u>305.2</u>
			<u>805.2</u>
1988 Opening Balance	1,844.0	1988 Opening Balance	803.6
1988 Agriculture (in kind)	2,878.9	1988 Contribution by the Central	
1988 Opening Balance	<u>4,722.9</u>	Bank of The TRNC	3,000.0
		Banks	<u>919.3</u>
			<u>4,722.9</u>
1989 Opening Balance	1,241.9	1989 Opening Balance	2,878.9
1989 Agriculture (in kind)	7,134.2	1989 Contribution by the Central	
1989 Opening Balance	<u>8,376.1</u>	Bank of the TRNC	3,500.0
		Banks	1,678.1
		Contribution by the Republic of Turkey	<u>319.1</u>
			<u>8,376.1</u>
1990 Opening Balance	2,388.4	1990 Opening Balance	7,134.2
1990 Tourism	459.2	1990 Contribution by the Central	
1990 Industry	0.9	Bank of The TRNC	4,000.0
1990 Opening Balance	<u>12,352.8</u>	Banks	3,254.5
		Contribution by the Republic of Turkey	<u>812.6</u>
	<u>15,201.3</u>		<u>15,201.3</u>
1991 Opening Balance	5,019.1	1991 Opening Balance	12,352.8
1991 Tourism	926.7	1991 Contribution by the Central	
1991 Industry	29.1	Bank of The TRNC	3,000.0
1991 Opening Balance	<u>17,909.6</u>	Banks	6,250.1
		Contribution by the Republic of Turkey	<u>2,281.6</u>
	<u>23,884.5</u>		<u>23,884.5</u>
1992 Opening Balance	8,694.3	1992 Opening Balance	17,909.6
1992 Tourism	658.0	1992 Contribution by the Central	
1992 Industry	160.9	Bank of The TRNC	9,000.0
1992 Export	67.6	Banks	10,399.3
1992 Adjustment in respect of Rediscounts	8,937.6	Contribution by the Republic of Turkey	<u>1,521.6</u>
1992 Opening Balance	<u>20,312.1</u>		<u>38,830.5</u>
	<u>38,830.5</u>		
1993 Opening Balance	18,782.5	1993 Opening Balance	20,312.1
1993 Tourism	708.5	1993 Contribution by the Central	
1993 Industry	1,203.8	Bank of The TRNC	2,000.0
1993 Export	327.9	Banks	14,985.7
1993 Artisans and Small Shop Keepers	5.8	Contribution by the Republic of Turkey	<u>1,811.9</u>
1993 Opening Balance	<u>18,081.2</u>		<u>39,109.7</u>
	<u>39,109.7</u>		

1994 Agriculture (in kind)	28,202.3	1994 Opening Balance	18,081.2
1994 Tourism	1,471.1	1994 Contribution by the Central	
1994 Industry	1,430.3	Bank of The TRNC	4,000.0
1994 Artisans and Small Shop Keepers	245.4	Banks	20,371.1
Closing Balance	11,103.2		
	<u>42,452.3</u>		<u>42,452.3</u>
1995 Agriculture (in kind)	38,292.2	1995 Opening Balance	11,103.2
1995 Tourism	233.1	Banks	35,036.1
1995 Industry	1,253.8		
1995 Artisans and Small Shop Keepers	257.2		
Closing Balance	6,103.0		
	<u>46,139.3</u>		<u>46,139.3</u>
1996 Agriculture (in kind)	55,423.0	1996 Opening Balance	6,103.0
1996 Tourism	211.0	Banks	76,516.0
1996 Industry	1,770.0		
1996 Artisans and Small Shop Keepers	60.0		
Closing Balance	25,155.0		
	<u>82,619.0</u>		<u>82,619.0</u>
1997 Agriculture (in kind)	262,326.0	1997 Opening Balance	25,155.0
1997 Export	1,403.4	Banks	413,935.3
1997 Tourism			
1997 Industry	1,967.0		
1997 Artisans and Small Shop Keepers			
Closing Balance	173,393.9		
	<u>439,090.3</u>		<u>439,090.3</u>
1998 Agriculture (in kind)	627,661.1	1998 Opening Balance	173,393.9
1998 Export	9,394.8	Banks	658,494.0
1998 Industry	516.9		
Closing Balance	194,313.1		
	<u>831,887.9</u>		<u>831,887.9</u>
1.99-30.6.99 Agriculture (in kind)	100,756.4	1999 Opening Balance	194,313.1
1.99-30.6.99 Export	5,810.5	Banks	816,905.9
1.99-30.6.99 Industry	165.8		
Closing Balance	904,488.3		
	<u>1,011,221.0</u>		<u>1,011,221.0</u>
		1.7.1999 Opening Balance	904,488.3

Note: Balance of outstanding obligations amounted to 748,516,379.000.-TL, at 30 June 1999

2.4 BANKS AND THE ECONOMY

2.4.1. BANKS ROLE IN THE ECONOMY

While many people believe that bank play only a narrow role in the economy (taking deposits and making loans) the modern bank has had to adapt new roles in order to remain competitive and responsive to public needs. Bankings principal roles today are as follows.

Intermediation role : Transforming saving received primarily from house holders into credit (loans) for business firms and others in order to make investment in new buildings, equipment and other capital goods.

Payment role : carrying out payment for goods and services on behalf of their customers.

Guarantee role : standing behind their customers to pay all customers debts when those customers are unable to pay.

Agency role : Acting on behalf of customers to manage and protect their property or issue and redeem their securities.

Policy Role : serving as a conduit for government policy in attempting to regulate the growth of the economy and pursue social goals.

2.4.2. BANKING SECTOR CRISES

Now T.R.N.C's banking sector have a crisis with the hundreds of banks and other depository institutions failing in United States, Europe and Asia, there has been great concern over the future of the banking industry.

2.4.2.1. THE REASONS FOR THE CRISES IN THE BANKING SECTOR:

--Low capital requirement as a result establishment of too many small and financially weak banks.

--Falling interest rates starting in Turkey and bank in Mervin Cyprus not being able to earn interest on the deposits they were getting from depositors.

--Most of the banks in the TRNC using the deposited money to give loans to their own companies and as a result facing difficulties in paying it back

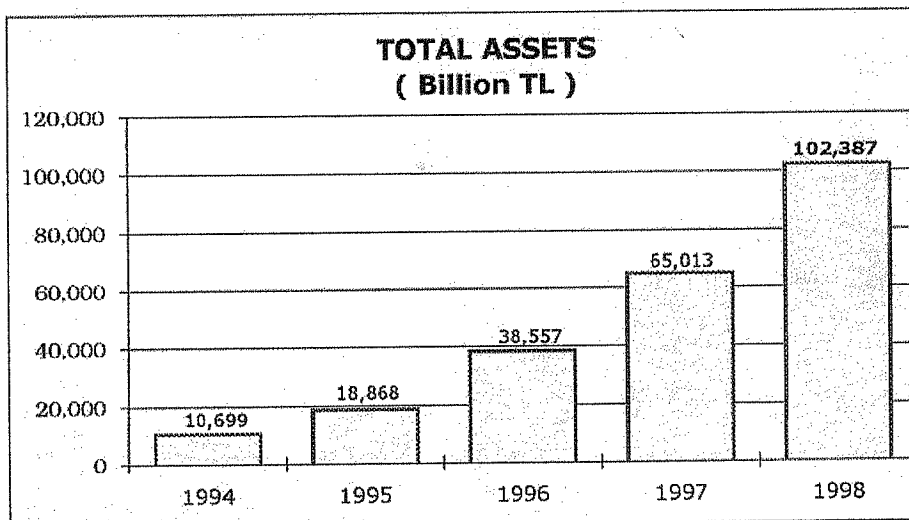
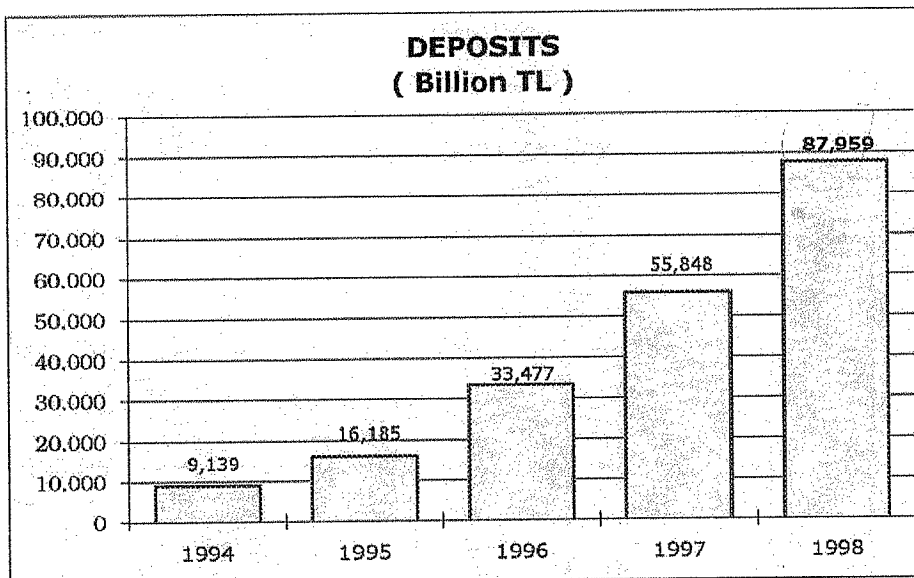
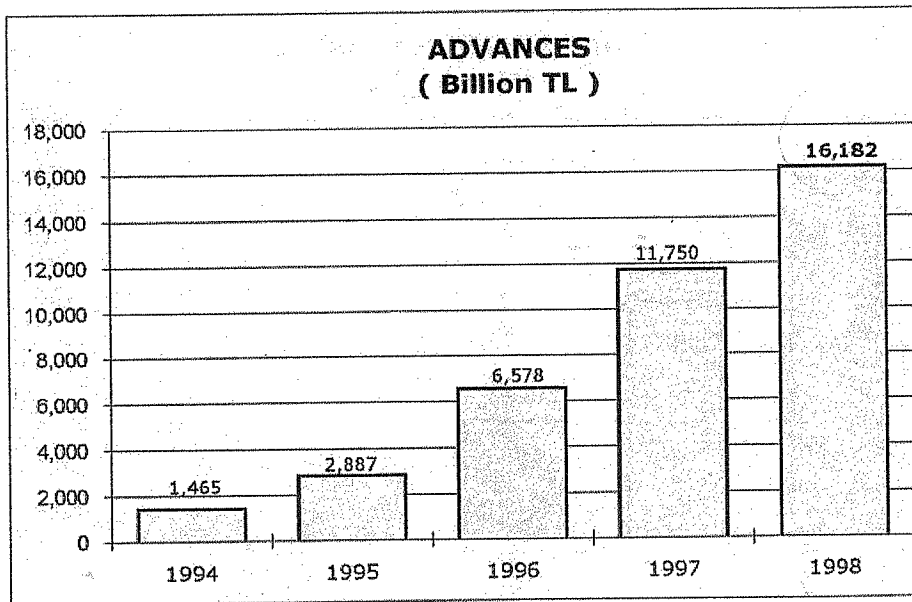
--Panic among people that caused problems even to non-problematic banks. Because bank use the money that they get as loans and if people demand their money in a short notice ,it is not possible for the banks to pay it back right away. In other words banks den not told the money they get in cash form because it doesn't earn then any profit in this way.

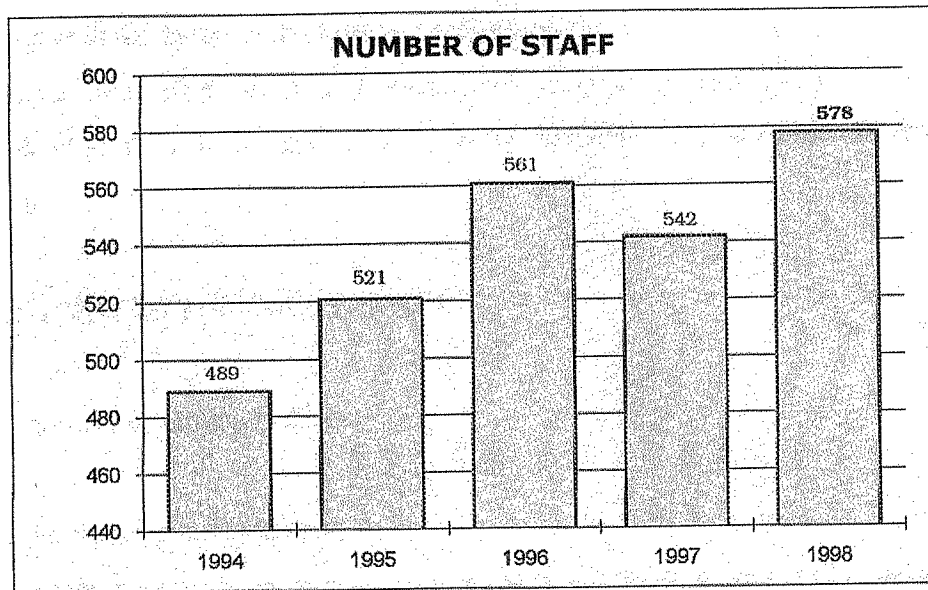
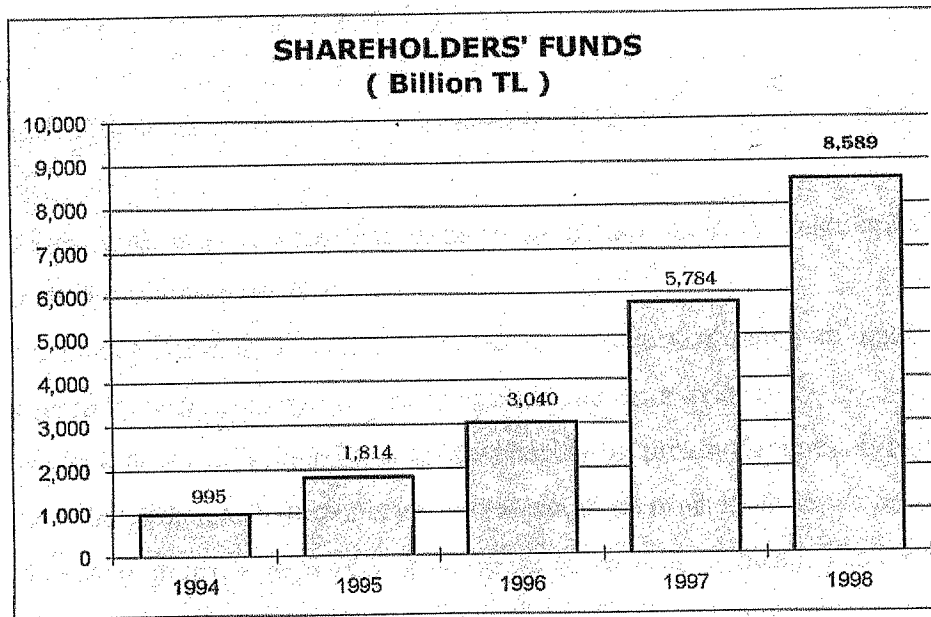
3. TURKISH BANK

Turkish Bank was established in 1901. In 1998 it has 30 branches and 578 workers. 12 branches are in T.R.N.C, 15 branches are in Turkey and three of these branches are in UK. Its sharehold funds is 8.589 billion Turkish Liras. (Page 30-31 Graph)

In spite of the global economic crises, in the 1998 performance of the group has been satisfactory.. Group policies to achieve deposit holder security and maintain high liquidity have been successfully implemented.

When we look to the table; in 1998 profits before taxes increased by %90 to 1.450 billion Turkish Lira. Deposits have exceeded 102 trillion TL. Total shareholders funds have reached 8.588 billion TL., and a capital adequacy ratio of %17.75 was achieved for exceeding the standard of %8.





3.1 NOTES ABOUT TURKISH BANK

Turkish Bank accept the money deposited by individuals, business and governmental units.

Turkish Bank and other modern banks create money and they create credit as well. Exactly how does it occur?

First, money is simply a medium of exchange an object or data item that is readily accepted by sellers in payment for the goods and the services.

When and how do Turkish Bank create checkbook forms of money. It happens two ways. First, when a customer is granted a credit, he or she will sign a promissary note and recieve, in turn, a banks demand deposit (Checking account). The customars promissary note is not money; it can not be used to buy goods and services. But a Turkish Banks demand deposit is money and can readily be spent almost anywhere. Thus in granting loans, Turkish Bank create money as well by setting up a spendable deposit in the name of the borrower.

Second, the entire system of Turkish Bank also creates money as the deposits generated by lending flow from bank to bank, giving then deposits from which to create loans as well.

3.1.1 NOTES TO THE ACCOUNT

Principal accounting policies:

a. Accounting convention:

i) Accounts have been prepared under the historical cost convention and in accordance with Companies Act Chapter 113, banking and tax law and regulations; with the exception of accounting standard dealing with the effects of inflation, generally accepted accounting standards have been taken in to consideration in the preparation of these accounts. Certain fixed assets and investments have been revalued in accordance with the Revaluation Law or by independent values.

ii) The consolidated accounts of the group comprise the accounts of the bank and its subsidiaries for the year ended 31 December 1998.

b. Interests and fee Income:

Interest income is recognized in the profit and loss account as it accrues and fee income is recognized when receivable.

c. Foreign currency translation:

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Group assets and liabilities in foreign currencies and the results of the oversea subsidiary companies have been translated at the rates of exchange ruling at 31 December 1998. Bank's 'Statutory Deposit' account amounting to C£1,122,500. - And held with The Central Bank of Cyprus has been translated to Turkish Lira at the official exchange rate ruling at 31 December 1998 being 1 Cyprus Pound is equal to 613,500 Turkish Liras; full provision has been made for this account.

d. Securities portfolio:

Government and public sector securities, and shares have been shown at cost less any diminution in their value. Debt securities are shown at their maturity value plus any unmerited premium or less any unmerited discount on their purchase.

Principal accounting policies (continued):

e) Advances:

Advances and other accounts are stated after deduction of provisions for bad and doubtful debts.

f) Investment in subsidiary companies:

Investments in subsidiary companies are stated in the balance sheet of the bank at its share of net tangible assets of these companies. Increase in the value, including unrealized exchange gains; of net tangible assets of oversea subsidiary companies have been dealt through the special reserve account. (Note 11e)

g) Fixed assets:

(I) Fixed assets of the parent company: Bank's freehold properties are stated in the balance sheet at valuations carried out on 31 December, 1998 by professionally qualified independent value on the basis of open market values for existing use. Installations and equipment of the bank are shown at valuations calculated in accordance with the Revaluation Law. Freehold properties, which are revalued annually, are not depreciated. Other fixed assets are depreciated on reducing balance basis over their estimated useful lives at annual rates ranging from %10 to %20.

(ii) Fixed assets of oversea subsidiary Turkish Bank A.Ş. and Turkish Mankul Değerler A.Ş.:

Freehold property belonging to Turkish Bank A.Ş. is stated in the Balance Sheet at valuation carried out on 31 December 1998 by professionally qualified independent value on the basis of open market value for existing use. Value of the fixed assets other than freehold property have been increased by official revaluation index of 77.80% for the year 1998 after making similar adjustment to accumulated depreciation. Depreciation on freehold properties are provided at the annual rate of 2% on cost and the other fixed assets are depreciated at the annual rate of 20% on their revalued values.

(iii) Fixed assets of oversea subsidiary Turkish Bank (UK) Limited: Fixed assets are stated at cost. Depreciation is provided on all tangible fixed assets, except freehold land on a straight line basis over their estimated useful lives. Freehold buildings are depreciated at the annual rate of 2% and the other fixed assets are depreciated at annual rates ranging from 5% to 20%.

1. Principal accounting policies (continued):

h. Deferred taxation:

Deferred taxation is provided on the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that tax will be payable.

i. Leasing:

Rents paid under operating leases are charged to income on straight-line basis over the lease term.

2. Net profit before taxation:

Net Profit before taxation is stated after deducting provision for doubtful accounts, depreciation for fixed assets and after charging the following payments:

	1998 Million TL GROUP	1997 Million TL GROUP	1998 Million TL BANK	1997 Million TL BANK
a) Directors' emoluments :				
Salaries	133,274	51,323	0	0
Fees	38,517	56,877	1,060	740
TOTAL	<u>171,791</u>	<u>108,200</u>	<u>1,060</u>	<u>740</u>
b) Auditors' remuneration :	<u>33,412</u>	<u>19,962</u>	<u>10,000</u>	<u>5,700</u>
c) Operating lease rentals :				
Hire of equipment	68,966	49,299	7,532	12,994
Land & buildings	168,301	97,563	5,882	3,270

	1998 Million TL	1997 Million TL	1998 Million TL	1997 Million TL
	GROUP	GROUP	BANK	BANK
3. Balances with banks :				
Balances due from subsidiaries	0	0	15,710,341	10,639,429
Balances with banks	61,374,689	36,590,226	7,608,196	4,704,273
	61,374,689	36,590,226	23,318,537	15,343,702

	GROUP	GROUP	BANK	BANK
4. Securities portfolio :				
Government securities	4,721,543	3,393,545	0	0
Public sector securities	629,652	351,561	629,652	351,561
Shares listed on Istanbul Stock Exchange	9,279	14,000	0	0
Unlisted shares	12,100	11,873	12,100	11,873
	5,372,574	3,770,979	641,752	363,434

5. Investment in subsidiary companies :

Country of incorporation	Name of the subsidiary co.	Bank interest
United Kingdom	Turkish Bank (UK) Ltd.	%100
Republic of Turkey	Turkish Bank A.Ş.	%39.20
	Turkish Menkul Değerler A.Ş.	%39.20
	(Subsidiary of Turkish Bank A.Ş.)	

	Bank premises Million TL	Installations and equipment Million TL	Total Million TL
5. Fixed assets :			
GROUP :			
Cost or valuation :			
Balance at 1 January 1998	3,112,157	936,205	4,048,362
Currency translation adjustment	547,948	235,042	782,990
Additions	341,667	219,282	560,949
Disposals	(82,634)	(14,384)	(97,018)
Surplus on revaluation	991,485	204,352	1,195,837
Balance at 31/12/1998	4,910,623	1,580,497	6,491,120
Accumulated depreciation	198,624	1,009,696	1,208,320
Net book value 31/12/1998	4,711,999	570,801	5,282,800
Net book value 31/12/1997	2,996,301	389,332	3,385,633

BANK

Cost or valuation :

Balance at 1 January 1998	788,450	40,424	828,874
Additions	0	96,782	96,782
Disposals	0	(263)	(263)
Surplus on revaluation	476,870	0	476,870
Balance at 31/12/1998	1,265,320	136,943	1,402,263
Accumulated depreciation	0	37,619	37,619
Net book value 31/12/1998	1,265,320	99,324	1,364,644
Net book value 31/12/1997	788,450	25,651	814,101

1998	1997	1998	1997
Million TL	Million TL	Million TL	Million TL
GROUP	GROUP	BANK	BANK

Customer accounts :

Repayable:

On demand	13,591,632	10,615,024	6,966,212	5,086,134
Within three months	33,599,940	23,227,382	10,904,291	7,289,830
Between three months and one year	27,017,387	14,169,164	18,185,461	10,851,204
TOTAL	74,208,959	48,011,570	36,055,964	23,227,168

GROUP	GROUP	BANK	BANK
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Deposits by banks :

Repayable:

On demand	12,902,389	6,583,789	205,672	74,165
Within three months	749,220	1,253,072	393,020	409,072
Between three months and one year	98,129	0	0	0
TOTAL	13,749,738	7,836,861	598,692	483,237

	1998	1997	1998	1997
	Million TL	Million TL	Million TL	Million TL
	GROUP	GROUP	BANK	BANK
9. Taxation :				
a) Tax provision for 1998 :				
Corporation tax	603,817	267,822	89,939	55,751
Income tax	40,537	25,104	40,537	25,104
	644,354	292,926	130,476	80,855
Deferred taxation	(2,092)	(7,171)	0	0
Charge on the profits for the year	642,262	285,755	130,476	80,855
Balance of deferred and other tax charges brought forward	2,092	7,171	0	0
Tax deducted at source and payments in advance for the year 1998	(370,520)	(140,210)	(120,220)	(71,910)
Taxation provision as per balance sheet	273,834	152,716	10,256	8,945

Deferred tax provision has not been provided for the tax liability that will accrue on sale of bank premises and oversea subsidiary companies. As there is no intention to sell these assets, however, should these assets be sold, the tax liability that will accrue is calculated below.

Bank premises and subsidiary companies 1,141,972 1,065,106

1998	1997
TL	TL
Million TL	Million TL

10. Share capital :

a) Authorised :

11,000,000 class 'A' shares of TL 180 each	1,980	1,980
2,222,900,000 class 'B' shares of TL 1,800 each	4,001,220	1,999,620
(1997-1,110,900,000 class 'B' shares)		
	<u>4,003,200</u>	<u>2,001,600</u>

At the extraordinary general meeting of the shareholders held on 29 May 1998 the authorised share capital of the bank has been increased to TL. 4,003,200,000,000 by the issue of 1,112,000,000 class 'B' shares of TL.1,800 each. Newly issued class 'B' shares rank for all purposes pari pasu with class 'B' shares already in existence.

b) Issued and called up and fully paid :

11,000,000 class 'A' shares of TL 180 each	1,980	1,980
2,221,165,205 class 'B' shares of TL 1,800 each	3,998,097	1,998,058
(1997-1,110,032,439 class 'B' shares)		
	<u>4,000,077</u>	<u>2,000,038</u>

At the extraordinary general meeting of the shareholders dated 29 May 1998 1 class 'B' bonus share of nominal value of TL 1,800 was allotted for every 10 class 'A' shares

and 1 class 'B' share of nominal value of TL 1,800 was allotted for every 1 class 'B' share, held on 29 May 1998.

c) The board of Directors are authorised to deal with the issue of the unissued 1,734,975 class 'B' shares

	1998 Million TL	1997 Million TL	1998 Million TL	1997 Million TL
	GROUP	GROUP	BANK	BANK
11. Reserves :				
Balance at 1/1/1998	3,783,791	2,039,895	3,783,791	2,039,895
Opening adjustments	(118,755)	79,305	0	0
Movements during the year :				
Profit retained for the year	465,846	397,079	50,267	126,775
Surplus on revaluation of fixed assets	702,347	752,094	476,870	380,505
Special reserve-note 1f	1,755,437	1,515,437	2,277,738	2,236,635
Reserves capitalised	(2,000,038)	(1,000,019)	(2,000,038)	(1,000,019)
Balances at 31/12/1998	4,588,628	3,783,791	4,588,628	3,783,791

Summary of reserves at 31 December 1998:

a) Statutory reserve	113,961	114,698	79,000	73,000
b) Surplus on revaluation of fixed assets	1,989,980	1,533,334	1,259,445	782,575
c) Revenue reserve	353,800	279,642	295,000	255,000
d) Profit and loss account	970,599	451,229	11,710	7,443
	3,428,340	2,378,903	1,645,155	1,118,018
e) Special reserve-note 1f	1,160,288	1,404,888	2,943,473	2,665,773
TOTAL	4,588,628	3,783,791	4,588,628	3,783,791

	GROUP	GROUP	BANK	BANK
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12. Commitments and contingent liabilities :

Formal standby facilities and credit lines	17,309,477	11,756,045	107,925	60,851
Premises:				
Operating leases which expire :				
Within one year	148,644	66,407	988	988
Within 2 - 5 Years	365,227	90,148	9,567	9,567
Over five years	92,308	4,781	0	0

3.1.2 INTEREST RATES OF BANKS IN T.R.N.C.

At the end of 1999, Turkey made new economic program. This program shows us new power and the place of Turkish Lira. In this program Turkish Liras will go better. In order to this interest notes of banks starts to elecines. Table 1 shows us the interest of all banks in T.R.N.C.

Turkish Bank is one of the powerful banks in Cyprus and always its deposits interest rates are lower. But, now its interest rates. Looks like other banks interest rates.

3.2 PLACE OF TURKISH BANK IN T.R.N.C

Turkish Bank is the first bank in Cyprus. When we looked at it's reports we saw it's capacity. It's workers are more than other banks, it's deposits and credits are more than other banks. Its one of the profitable banks in Cyprus. Turkish Bank is the example of other banks. They take of for as an example.

3.3 SWOT ANALYSIS

Strength's

- *It's the first bank in T.R.N.C. banking sector
- *It's has more employer
- *It has 30 branches
- *It's profitable and liquid bank
- *most of it is new workers at least graduated universities

Weaknesses:

- *Employers salaries are low
- *Deposited interest rates are low

Opportunities:

- *It has 30 branches and more customer
- *It's branches are in Turkey and U.K

Threats:

- *T.R.N.C banking system has 39 banks. In order to this Turkish bank has more competitions
- *Cyprus Economy is very bad.
- *Banking crises and peoples are concerning if their bank will dying

4 CONCLUSION

There are six main bank types central banks, agricultural banks commercial bank's village bank's investment bank's and off-shore bank's.

Cyprus Banking system has use of these items. Central bank's agricultural banks commercial bank's village bank's investment bank's and off-shore bank's. Central bank's commercial bank's and agricultural banks are part's of two on-shore bank's

Cyprus island geographic place is the reason of this because cyprus island is in the freezone. big part of the countries that worked in freezones are economies are low and these countries are not developed. T.R.N.C. is the example of these freezones. off-shore banking helps these countries development.

These countries lows are elastic. off-shore banking is not to be effective in T.R.N.C. banking system. T.R.N.C. banking system has 84 banks in cyprus. 39 of these banks are on-shore and 45 of these banks are off-shore. 5 of these banks (on-shore) were In order to this T.R.N.C. banking sector starts to olecnes.

The reason for this cries in the sector are low capital requipments interest rates falling most of the banks using deposited money to give loans to their own companies and as a result facing difficulties in paying it back panic among people that caused problems even to non-problemetica banks.

when we looked to the Turkish Bank, Turkish Bank is largest bank in T.R.N.C banking sector. In 1998 it has 578 and 30 branches. 18 of these branches are outside to the T.R.N.C. At the end of the bankink sector interest rate are normal in the banking sector.

Banks are financial intermedianes similar to credit unions insurance companies and other institutions selling financial services.

Bank intermediation activation will take place

(a) if there is a positive spread between the expected yields on the loans banks make to deficits spending individuals and institutions and the expected interest rate on the funds banks borrow from surplus spending individuals and institutions and (b) if there is a positive correlation between the yield on bank loans and the interest rates bank pay for deposits and other funds provided by surplus- spending units.

Bank provide a valuable service in dividing up such instruments into smaller securities (in the form of deposits) that are readily affordable for millions of people. In this instance a less- than- perfect financial system creates a role for banks in serving small saver and depositors.

Another contribution banks make is their willingness to accept risky loans from borrowers, while issuing low-risk securities to their depositors. In effect banks engage in risky arbitrage across the financial markets.

5 RECOMMENDATION:

Banks play only a narrow role in the economy taking deposits and making loans the modern bank has had to adopt new roles . these are intermaduation role payments role guarentor role agency role and policy role

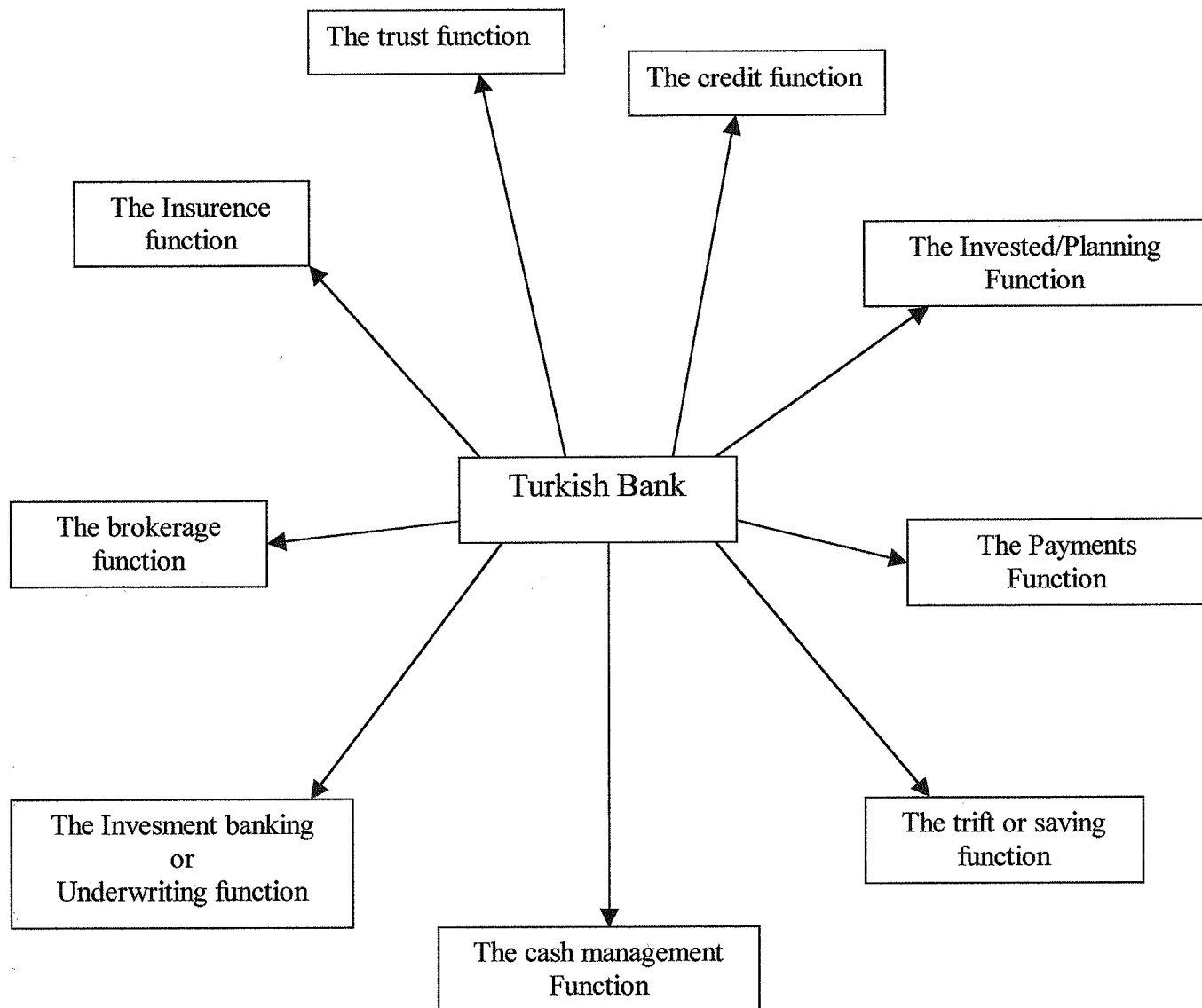
Central bank play and important role in the banking sector. It's principal function is to create and conduct money and credit policy in order to promate sustanable growth in the economy awoid severe inflatiom and achieve the nations other economics goals central banks use a variaty of tools to affect the legal reserves of teh banking system. The interest rate changed on loans made in financial system, and relative currency values in the global foreign excahange markets.

Big part of the bank in the T.R.N.C. banking system are commercial banks. Look like private bussines aim to maximize the long term profits of the firms owners. Bank profits are delived principaly from interest income earnal on leading operations restrictionss, many of which are unique to commercial banking. Turkish bankis teh example of teh commercial banks. Turkish bank is teh oldest bank in T.R.N.C. banking system. It's directors minds needs to chance. Becouse they don't take new things easily. Their salaries are low. When they cahanged their mind. Every thing will go better than before.

Table 1: Interest rate of Banks in T.R.N.C

	VADESİZ MEVDUAT										1 AY VADELİ										3 AY VADELİ										6 AY VADELİ										1 YIL VADELİ										PLASMAN									
	T	£	\$	DM	K	E	T	£	\$	DM	KL	E	T	£	\$	D	M	KL	E	TL	£	\$	DM	KL	EU	TL	£	\$	DM	KL	E	TL	£	\$	DM	KL																								
BANKALAR	L				L																																																							
K.VAKİF BANK	12	4,5	5,5	3,5	1,5	-	40	-	-	-	-	-	39	6,5	5,5	5,5	2	-	38	7,5	6,5	6,5	2,5	-	37	9	7,5	7,5	3	-	82	16,5	14,5	14,5	-																									
KOOP.MRK.B.	22	4,5	3	3,5	2	-	35	5,5	4	4,5	-	-	36	6,5	5	-5	-	-	32	7	6	6	4	-	32	8,5	7	7,5	6	-	152	18	18	18	18																									
K.KREDİ.B.	10	4	3	2	4	-	35	9	5	5	-	-	34	9,5	6	5	-	-	32	10	7	7	5	-	32	10	8	8	6	-	83	21	18	18	14																									
TOKAT BANK	10	3	2	2	-	-	33	6,5	6	5	-	-	32	7	7	5,5	-	5	29	7,5	7,5	6,5	-	6,5	28	8,5	8,5	7	-	7	69	18	18	18	18																									
K.TICARET	10	5	5	4	-	-	42	8	7	6	-	-	41	9	8	7	-	-	40	10	9	8	1	-	39	10,5	9,5	9	2	-	133	24	22	22	12																									
K.ENDÜSTRİ	3	2	1	1	-	-	76	5,5	4	4	-	-	80	6	6	5	-	-	84	5	8	6	-	-	95	9	9	7	-	-	260	30	30	30	30																									
ASBANK	12	4	4	4	-	-	37	7	7	7	-	-	35	8	8	8	-	-	32	8,5	8,5	8,5	-	-	32	9	9	9	-	-	90	21	20	21	-																									
AKD.GARANT	15	6	6	6,5	1	-	42	11	11	11	1	-	42	11,5	11,25	11,25	1,5	-	40	11,5	11,5	11,5	2	-	40	12	12	12	3	-	86	18	18	18	12,5																									
K.İKTİSAT	10	5	4	4	1	-	42	7	5	7	1,25	-	40	8	7,5	8	1,5	-	39	9	8,5	9	1,75	-	38	10,5	10,5	10,5	2	-	114	19	15,25	6,25	10,25																									
L/SOL KOOP.	12	4,5	3,5	2,5	-	-	35	7	5	5	-	-	34	8	6	6	-	-	33	9	7	7	2	-	33	10	8	8	4	-	66	19	19	18	-																									
K.HÜR BANK	17	-	-	-	-	-	37	7,5	5	5,5	-	-	42	8	8	6,5	-	-	43	9	9	7	-	-	46	9,75	9,75	8	-	-	123	20,5	20,5	20,5	-																									
RUMELİ BANK	12	1	1	1	-	-	53	-	-	-	-	-	56	-	-	-	-	-	59	7	5,25	7,5	-	-	68	7,5	7	10	-	-	-	-	-	-																										
EVEREST BANK	12	4	4	4	4	-	78	9	9	9	9	-	83	10	10	10	10	-	38	11	11	11	11	-	98	13	13	13	13	-	123	24	24	24	-																									
K.EURC. BANK	2	0,5	0,5	0,75	-	-	30	-1	1	1	-	-	31	3	3	3	-	-	32	5	5	5	-	-	34	7	9	7	-	-	88	20,5	20,5	20,5	-																									
FİNBA FİN.S.	3	4	5	3	-	-	25	6	5	4,5	-	-	30	6,5	6	5	-	-	38	7	6,5	5,5	-	-	34	7,5	7	6	5	-	123	25	23	20	-																									
YÖRÜK BANK	55	10	10	10	2	-	82	18	18	18	3	-	67	20	20	20	3,5	-	92	22	22	22	4	-	95	24	24	24	5	-	167	22	20	20	-																									
K.ALTINBAŞ	10	4	4	4	1	-	70	14	12	12	2	-	68	14,5	12,5	12,5	3	-	60	14,75	12,75	12,75	3,5	-	53	15	13	13	4	-	118	30,5	30,5	50,5	20																									
TC.ZIRAAT	3	1	1	1	-	-	34	2	1,5	-	-	-	33	2,5	4	2	-	-	32	3	10	3	-	-	32	5	10	4	-	-	180	19	16	16	-																									
TİŞ BANK	3	2	2	2	2	2	34	6	6	4,5	1,25	4,5	33	5,25	6,25	4,5	1,5	4,5	32	6,5	6,5	4,75	2	4,75	32	7	7	5	3	5	65	15,5	15,5	25,5	5,5																									
THAK BANK	10	1	2	3	-	-	32	-	-	-	-	2	32	3	3	4	-	-	35	4	4	5	-	-	35	6	5	6	-	-	90	16	13	13	-																									
AK FİNANS B	15	4,5	4,5	3,5	-	-	73	7	7	7	-	-	78	8	8	8	-	-	82	8,5	8,5	8,5	-	-	92	9	9	9	-	-	125	27	27	27	-																									
DENİZ BANK	2	1	1	1	-	1	42	8	8	5	-	-	44	9	9	9	-	9	49	10	10	10	-	10	45	11	11	11	-	11	99	24	24	24	-																									
YAKINDOĞU	10	3	2	2	1	-	36	9	8	6	-	-	38	10	-9	7	-	-	35	11	10	8	-	8	35	12	11	9	-	9	85	22	22	22	20																									
MED BANK	10	5	4	3,5	1,5	-	43	10	10	10	1,75	-	41	10,5	10,5	10,5	2	-	39	11	11	11	2,5	-	37	12	12	12	3,5	-	83	22	22	22	13																									
YASA BANK	10	5	5	4	2	-	76	7	6	6	3	-	81	8	7	7	3,5	-	90	9	8	8	4	-	100	10	9	9	4,5	-	130	22	22	22	12																									
K.FİNANS	55	5	4	4	2	-	75	10	10	10	3	-	76	11	11	11	4	-	76	12	12	12	5	-	75	14	14	14	7	-	143	22	22	22	-																									
ERBANK	12	5	5	5	-	-	68	6	6	7	-	-	69	7	7	8	-	-	35	8	8	9	-	-	33	10	10	10	-	-	98	20,5	19,5	21,5	-																									
HANZA BANK	10	5	4	3	1	-	80	9	8	7	2	-	85	10	9	8	3	-	87	11	10	10	4	-	95	12	11	10	5	-	140	22	21	20	15																									
YESİLADA	18	4	3	3	-	-	37	7	6	6	-	-	36	8	7	7	-	-	35	8,5	8,5	8	-	-	35	9	9	9	-	-	80	20	18	18	-																									
K.CONTİNE	27	5	5	5	1	-	37	10	10	10	2,5	-	39	11	11	11	3	-	42	12	12	12	4	-	42	14	14	14	5	-	132	24,5	24,5	24,5	-																									
VİTA BANK	8	2	2	2	-	-	65	7	7	7	-	-	69	8	8	8	-	-	74	9	9	9	-	-	82	10	10	10	-10	-	123	20,5	20,5	20,5	-																									
UNİVERSAL	10	5	4	4	-	-	42	7	6	6	-	-	41	8	7	7	-	-	40	9	8	8	-	-	40	10	9	9	9	-	113	22,5	21,5	24,5	13,5																									
ASYA BANK	40	5	4	4	-	-	77	7	7	7	6	0,5	-	81	8	8	7	0,7	-	87	9	8,5	7,5	1	-	91	10	9	8	1,25	-	-	-	-	9																									
DEMİRBANK	6	8	8	5,5	-	-	36	12	12	8,5	-	-	37	10	10	10	7,2	-	37	10	10	10	7,25	-	37	10	10	10	7,25	-	78	14	14	14	-																									
TIĞAR BANK	10	4	-	4	-	-	45	9	9	9	-	-	40	10	10	5	-	-	40	11	11	11	-	-	40	12	12	12	-	-	120	20	20	20	-																									
EMLAK BANK	5	2	2	2	-	-	45	8	8	6,5	-	-	45	8,25	8,25	6,5	-	-	40	8,5	8,5	6,25	-	-	40	9	9	9	-	-	-	-	-	-																										

Table 2: Functions of Turkish Bank



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