

2018

CENTRAL BANK OF THE TRNC  
ANNUAL REPORT 2018

*According to the Law on the Central Bank of TRNC No. 41/2001, the objective of the Bank is,*

*“To implement the monetary-credit policies, to regulate and supervise the banking system in accordance with the objectives, development plans and annual programs of the Central Bank, in order to support economic development,”*

*“To prevent all sorts of transactions and applications that might jeopardize the rights of the depositors and the regularly and secure operating of the banks, and that might create significant damages to the economy, also, to make and implement all the necessary decisions and measures designed to ensure the effective operating of the loan system,”*

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## A. ABBREVIATIONS

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EU	European Union
USA	United States of America
ATM	Automated Teller Machine/Cash Dispenser
BoE	Bank of England
BRSA	Banking Regulation and Supervision Agency
IMM	Interbank Money Market
BT	Information Technologies
SPO	State Planning Organisation
EPS	Electronic Payment Systems
e-signature	Electronic Signature
IEPS	Institutional Electronic Payment System
CGF	Credit Guarantee Fund
Central Bank of the TRNC / Bank	Central Bank of the Turkish Republic of Northern Cyprus
CB	Central Bank of the TRNC
SP	Securities Portfolio
RR	Reserve Requirements
RTGS	Real Time Gross Settlement
CMBT	Capital Markets Board of Turkey
NPL	Non-Performing Loans
CCA	Common Chart of Accounts
TL/TRY	Turkish Lira
SDIFS/Fund	Savings Deposit Insurance and Financial Stability Fund
URP	Uniform Reporting Package
IBU	International Banking Units
FX	Foreign Exchange
\$/Dollar	US Dollar
€/EUR	Euro
£/GBP	GBP

## B. DEFINITIONS

Fixed Assets	:	Movables + Immovables
Current Assets / Liquid Assets	:	Cash + Gold + Securities Portfolio + Bank Deposits + Foreign Correspondents
Reserve Requirements	:	Legal Reserves



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## PREFACE

*In 2018, our Bank continued its efforts to harmonize the legislation on the TRNC banking sector with the international standards, use the policy instruments in a way to help our country's economic development and protect the rights and interests of depositors. In this context, based on the authorization granted to our bank by the relevant articles of the Banking Law No. 62/2017, 11 new notifications, 5 good practice guidelines have been issued and put into effect by our bank.*

*The depreciation of the Turkish Lira against other currencies and the rapid increase in Turkish Lira interest rates marked 2018, particularly the second half of 2018. The most important issue that our bank focused on in 2018 was that these developments in the financial markets did not create uncertainty and insecurity towards the banking sector and the credit market continued to operate effectively. The intermediary costs of banks have been reduced with the measures implemented by our bank, possible shrinkage in the credit market has been prevented and the increase in frozen receivables has been kept relatively low. In addition, the cash needed by banks to avoid problems in fulfilling their commitments was provided by our bank on time and the liquidity opportunities of our banks were increased. Thanks to the measures taken, the effects of negative developments in the financial markets in 2018 on our country's banking sector and credit market remained relatively limited.*

*TRNC banking sector asset size continued to grow in 2018 and reached 33 billion TRY with an increase of 26.3 percent compared to the previous year. Total deposits, increased by 25,3 percent compared to the previous year to 26.4 billion TRY and gross loans increased by 23,5 percent to 18.9 billion TRY.*

*Capital adequacy standard ratio (CASR) of the sector reached 17.86 percent. Non-performing loans, which were 875 million TRY at the end of 2017, continued to increase in 2018 as in previous years and reached 1.045 million TRY at the end of 2018. Banking sector's pre-tax profit reached 699.8 million TRY with an increase of 69.2 percent compared to the end of the previous year.*

*The number of positions that will perform the permanent and continuous duties required to be fulfilled by the Bank's personnel is specified as 205 in the Organisation Law of the Central Bank of the TRNC. As of the end of 2018, the number of personnel working in permanent status is 125. When 1 temporary janitor and 1 personnel employed under the law on employment of disabled personnel is added to the number mentioned above, the total number of personnel of the Bank reaches 127 people. In 2018, our bank staff participated in trainings and seminars held both locally and abroad, both to increase their knowledge and skills and to monitor recent developments in the profession. The total number of our staff participating in local training programs is 38, and those who attend international training programs are 47.*

*Total assets of the Central Bank of the TRNC increased by 29.7 percent in 2018 and rose to 10,856 million TRY as of the end of the year. In 2018, total shareholders' equity reached 810.3 million TRY,*

*reserve requirements reached 1,885 million TRY and the interbank money market transactions reached 2,841 million TRY. Profit of the Central Bank, which was 203.2 million TRY in 2017, increased by 62.1 percent in 2018 and reached 329.4 million TRY.*

*The Central Bank of the TRNC - 2018 Annual Report, prepared as a requirement of transparency and accountability, one of the most fundamental elements of the Bank's management approach, is presented with the data and assessments of the year. I would like to take this opportunity to thank all of my colleagues for their devoted work.*

*Regards,*



**Rifat GÜNAY**  
**Governor**





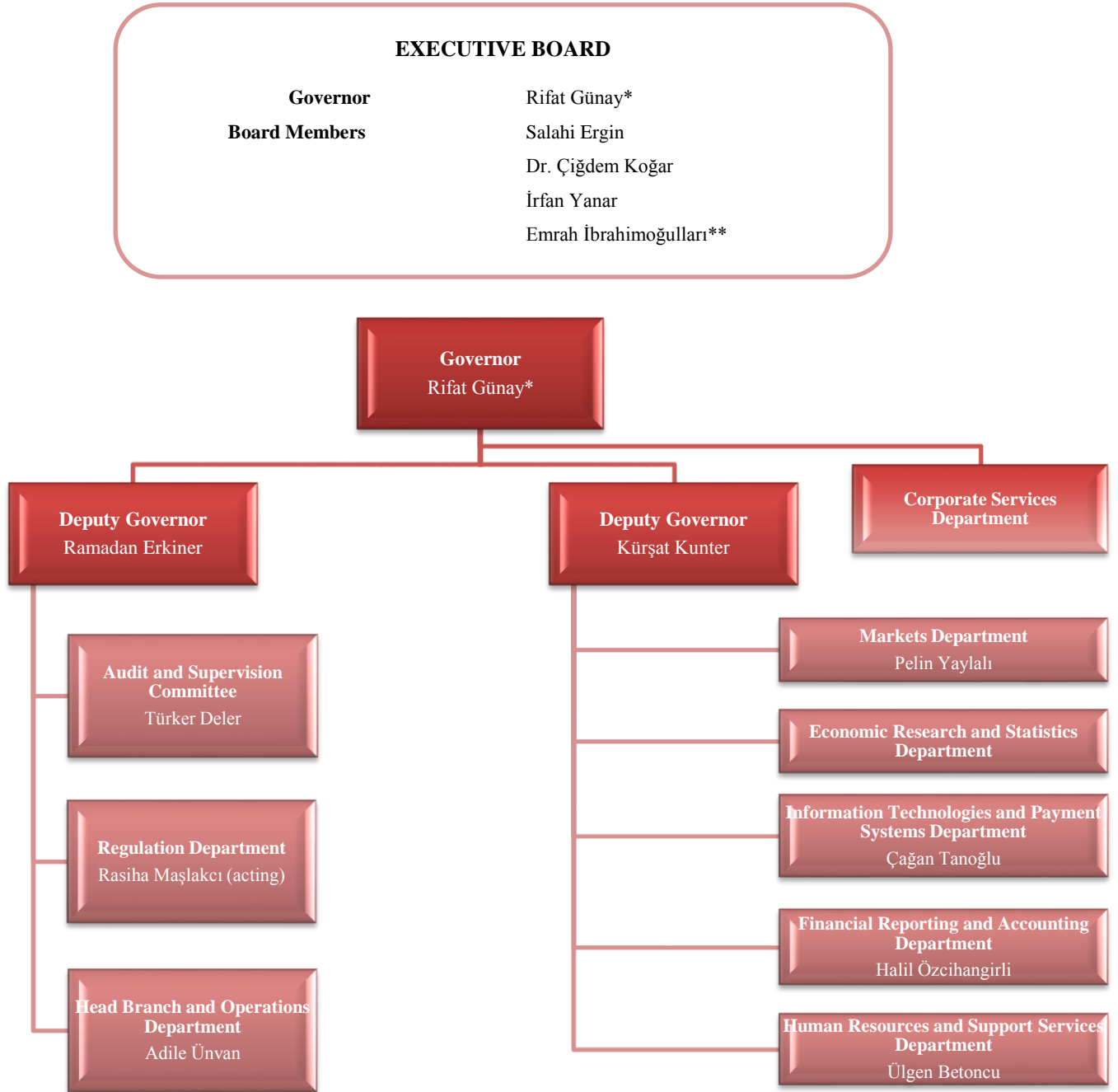
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# ORGANISATION AND ADMINISTRATION

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# 1. ORGANISATION AND ADMINISTRATION

## 1.1 Organization Chart



Rifat Günay was appointed as the Governor of the Central Bank of the TRNC upon the Council of Ministers decision no. TE(K-I)480-2018, dated May 3, 2018.

\*\* Emrah İbrahimogulları was appointed as a Board Member of the Central Bank of the TRNC upon the Council of Ministers decision no. TE(K-I)258-2018, dated April 3, 2018.

The organization and management structure of the Central Bank of the TRNC is regulated by Central Bank of the TRNC Law No. 41/2001, Central Bank of the TRNC Organization Law No. 57/1987 and the legislation enacted pursuant to these laws. The formation of the Bank's Executive Board and the Office of the Governor is defined in Law no. 41/2001, and the personnel structure and positions are defined in the Law No. 57/1987. The Central Bank Administration, Organization and Services Notification issued under Article 51 (1) A of the Law No. 57/1987 distributed the duties of the Bank among the departments.

## **1.2 Corporate Governance**

According to Article 9 of the Central Bank of the TRNC Law No. 41/2001, the Bank's bodies/corporate governance structure consists of the Executive Board, Governor, Deputy Governor, Head Office and the Head Branch.

### **1.2.1 Executive Board**

The Executive Board is the highest decision making body of the institution. The appointment of the members of the Executive Board is carried out by the Council of Ministers for a period of four years. According to the Law, it is possible to re-appoint members whose term of office has expired.

The Central Bank independently exercises its duties and authorities assigned by the Law under its own responsibility. The Executive Board consist of a Governor and four members to be appointed as required by the Central Bank of the TRNC Law. The Board convenes at least once a month with the participation of at least three members and makes decisions by unanimous vote of at least three members. The Deputy Governors of the Central Bank can participate in the meetings of the Board without the right to vote.

The Governor is appointed by the Prime Minister for five years upon the approval of the Council of Ministers. It is possible for the Governor to be reappointed at the end of this period.

Governor and Chairman of the Executive Board of the Central Bank of the TRNC is Rifat Günay, Board Members are İrfan Yanar, Dr. Çiğdem Koğar, Salahi Ergin and Emrah İbrahimoğulları.

**BOARD MEMBERS**



**Rifat Günay**  
Governor

4



**İrfan Yanar**  
Member



**Dr. Çiğdem Koğar**  
Member



**Salahi Ergin**  
Member



**Emrah İbrahimogulları**  
Member

4

Article 5 of the Central Bank of the TRNC Law No. 41/2001 sets out the duties and authorities of the Bank's Executive Board and Article 11 of the relevant law sets out the duties and authorities of the Bank.

The main duty of the Bank is to carry out all the necessary procedures for the regulation and supervision of the monetary and banking system of the Turkish Republic of Northern Cyprus. To take regulatory measures regarding currency and foreign exchange markets in order to ensure stability in the financial system is also among the duties of the Central Bank.

Other authorities and duties of the Central Bank are as follows:

- ❖ To seek information and collect statistical data from the banks and other financial organisations, and other establishments and organisations that are in charge of regulating and supervising these, with the aim of monitoring the financial markets.
- ❖ To carry out the procedures required by the Central Banks by taking the economic conditions into consideration.
- ❖ To supervise the banks and other institutions established for granting loans.
- ❖ To take regulatory measures regarding currency and foreign exchange markets in order to ensure stability in the financial system.
- ❖ To monitor financial markets, establish payment settlement systems, make regulations to ensure the uninterrupted operation and control of the existing and future systems, and identify the methods and tools to be used, including the electronic media for payments.
- ❖ To regulate money and credit volume.
- ❖ To regulate and manage the international reserves of the TRNC.
- ❖ To act as the financial and economic advisor of the government by providing opinion on the matters to be examined by the Council of Ministers on monetary and credit policy.
- ❖ To act as the financial agent of the Government in international financial and economic relations.
- ❖ To act as the banker and the financial agency of the Government.
- ❖ To grant advance payments to the Savings Deposits Insurance Fund in accordance with the procedures and principles to be determined in case of extraordinary circumstances and in case the funds of the Savings Deposits Insurance Fund cannot meet the requirements.
- ❖ To prevent all sorts of transactions and applications that might jeopardize the rights of the depositors and the orderly and secure operating of the banks, and that might create significant damages to the economy, also, to make and implement all the necessary decisions and measures designed to ensure the effective operating of the loan system.
- ❖ To manage the gold and foreign exchange reserves of the country.
- ❖ To grant credits to the banks as the ultimate authority for credits.

Examining and deciding on the issues related to the Bank's balance sheet, profit and loss account, budget, annual report, real estate, personnel, loans and reserve requirements, identifying other banking services that may be provided by the Bank, taking necessary measures regarding the supervision of banks in accordance with the Banking Law of the TRNC, determining the principles and procedures that must be followed in order to prevent the weakening of their financial structure, and establishing

the issues on the ratios to be applied and other rates are among the authorities and duties of the Executive Board.

The duties and authorities of the Executive Board of the Bank are detailed in the table below.

❖ To take the necessary measures for the supervision of the banks, to establish the principles and procedures to be followed in order to prevent the weakening of the financial institutions, and to identify and apply issues regarding the ratios to be applied and the other rates, in accordance with the Banking Law and to make decisions within the framework of the authorities determined by the Banking Law.
❖ To determine the rediscount, discount and interest rates as well as the fees and commissions to be applied by the Central Bank in its transactions.
❖ To take regulatory measures in terms of type and amount on the investments of Central Bank and to adjust the distribution of loan types in terms of sector and subject within the general loan volume.
❖ To determine the principles and conditions of the credits to be granted by the Central Bank, as well as the rediscount and advance limits.
❖ To determine the issues on reserve requirements and interest rates in Articles 23 and 24 of Law No. 41/2011.
❖ To examine the balance sheet, profit and loss account of the Central Bank's and make a decision on them.
❖ To make regulations regarding the administration, organization and services of the Central Bank.
❖ To purchase or lease immovable property for the Central Bank's needs and to sell immovable property owned by the Central Bank when necessary.
❖ To decide on the issues of compromise and cancelation regarding the amounts and assets exceeding the agreed terms.
❖ To approve the annual budget and activity report of the Central Bank.
❖ To appoint the personnel of the Central Bank and determine the signing authority of the personnel who would put the bank under obligation;
❖ To determine other banking transactions and services that can be carried out by the Central Bank.
❖ To make decisions on the issues to be submitted to the examination and approval by the Governor.
❖ To determine the terms and conditions for the issuance and acceptance of the credit cards.

## 1.2.2 Governance

The Governance consists of the Governor and Deputy Governors and forms the top executive authority of the Bank.

### *Governor*

As the highest executive chief, the Governor ensures the national and foreign representation of the Central Bank, compliance with the laws that the Central Bank is liable to conduct, the execution of the decisions made by the Executive Board, and the administration of the Bank.

Rifat Günay was appointed as the Governor of the Central Bank of the TRNC upon the Council of Ministers decision no. TE(K-I)480-2018, dated May 3, 2018.



*Rifat Günay*  
*Governor*



### *Deputy Governors*

Deputy Governors of the Central Bank are appointed by the Prime Minister with the approval of the Council of Ministers. Deputy Governors are obliged to execute the parts to be given to them in the distribution of duties to be made by the Governor. The Deputy Governor who is appointed as acting in the absence of the Governor, may exercise all powers of the Governor.



***Ramadan Erkiner***  
*Deputy Governor*



***Kürşat Kunter***  
*Deputy Governor*

### 1.3 Head Office and Head Branch

‘Notification on the Central Bank’s Administration, Organization and Services’ issued by the Bank's Executive Board pursuant to the authority granted by Article 51 (1) (A) of the Central Bank Law, aims to ensure the distribution of the duties assigned to the Bank between the Headquarter and the Branch, and to ensure that the employees work effectively and efficiently in coordination. Central Bank of the TRNC fulfils the duties assigned to it through the following departments and branches, which was determined by the aforementioned Notification.

#### *Audit and Supervision Committee*



**Türker Deler**  
**Chairman**

Audit and Supervision Committee is obliged to supervise the units of the Bank, to make investigations and researches within the framework of the authorities and duties given by the legislation such as the Banking Law and other relevant laws, notifications and etc., to make investigations when necessary, to conduct audits and investigations at banks and other institutions under its duty and authority in matters that are subject to the Bank's supervision duty and authority through the Central Bank Law, Banking Law and other legislations, within periodic programs to be prepared by taking into consideration the opinions and suggestions of the departments and/or when required by the

Governance. The committee is also responsible for gathering, supervising and analysing information, documents and data to be taken within the scope of remote control of the institutions operating in the financial sector and monitoring whether they are working in compliance with the legislation by using this data and other information they are obliged to report to the Central Bank, and reporting the findings; auditing, analysing, conducting research and investigations within the framework of the authorities and duties assigned by the relevant laws, notifications and other legislation and also remote and/or on-site auditing the information systems of the organizations that are under the authority of the Central Bank.

## *Regulation Department*



**Rasiha Maşlakçı**  
**Director (acting)**

Regulation Department is responsible for preparing the draft regulations on the legislation of the institutions that are under the authority of the Central Bank, determining the principles and procedures to be followed by these institutions, evaluating the findings as a result of these reports together with other information and documents held by the Central Bank, ensuring that the necessary measures are taken and following up the implementation. Additionally, taking necessary measures or making suggestions as a result of the audits, ensuring that the necessary actions are taken in case of the detection of applications which require administrative fines on the institutions and/or judicial punishment on the members of the institutions, ensuring the representation of the Central Bank when necessary in order to resolve all kinds of disputes related to the Central Bank, and carrying out the necessary works in order to ensure compliance with the regulations of the Central Bank and international rules and practices are among the duties of the department.

***Markets Department*****Pelin Yaylah****Director**

Markets Department is responsible for carrying out transactions in open market operations and foreign exchange and effective markets and preparing regulations on these issues, announcing the loan limits, rediscount and advance interest rates and loan interest rates, receiving and evaluating loan applications made to the Central Bank, determining the principles and procedures for extension of loans, determining the principles and procedures related to cash and account payments, and deposits, money transfer and collection transactions, and controlling the sheets that are subject to the reserve requirements and liquidity requirements. Also, controlling the sheets organized in accordance with the “Notification on Collection Procedures and Principles of Savings Deposit Insurance Premiums”, carrying out transactions related to all kinds of expired deposits, trusts and receivables in banks, determining the maximum contractual and overdue interest rates to be applied in credit card transactions, managing the reserves of the Central Bank, determining and announcing the foreign exchange and effective exchange rates and other duties related to the treasury works, issuance of State Domestic Debt Securities on behalf of the Ministry and carrying out the repurchase and exchange transactions of these assets are also included in the department’s duties.

***Economic Research and Statistics Department***

Monitoring domestic and foreign economic developments and preparing periodic reports, conducting research and evaluations on economic and financial issues, presenting these to the use of the Governance and other persons and organizations to be deemed appropriate by the Governance, establishing the balance of payments statistics in accordance with the international concept and standard registration system, and conducting surveys if necessary for this purpose, preparing tables and reports on the banking sector and making sectoral assessments are among the duties of Economic Research and Statistics Department. In addition this department is obliged to present information on financial sector developments to the Executive Board, to conduct studies and researches requested by the Governance, to prepare bulletin and annual report of the Central Bank, and to research, examine and contribute to the literature in this area.

***Information Technologies and Payment Systems Department*****Çağın Tanođlu****Director**

Creating strategies related to informatics, following technological developments in this field, developing medium and long term plans, to determine the standards for the preparation and use of information systems and meeting the demands, to create and implement information security policies, and conducting works on informatics security are among the duties of Information Technologies and Payment Systems Department. In addition to these, establishing the Central Bank's payment and security settlement systems in an efficient manner and ensuring that these systems are developed within the framework of the determined policies, determining the procedures and principles that must be followed in order to develop and maintain the means of payment, preparing the annual report of interbank clearing house transactions, following the results of cheque clearing transactions, making arrangements for the use of National Bank Account Number and following its implementation, preparing a report by centralizing the risk information through the Risk Centre and conducting the transactions in order to provide feedback to these institutions are also among the duties of the department.

***Financial Reporting and Accounting Department*****Halil İ. Özcihangirli****Director**

Financial Reporting and Accounting Department is responsible for taking necessary measures and make arrangements for the regular functioning and development of the Central Bank's accounting system, keeping and maintaining the accounting records for the Headquarter and Head Branch operations and the mandatory books to be kept by law, making the payment and collections regarding salary, wages and personal rights of the personnel. Following international practices such as International Financial Reporting System in accounting and financial reporting issues and conducting studies in this direction, preparing, implementing, monitoring and regulating the financial year budget of the Central Bank, and preparing daily/weekly balance sheets, financial statements and other reports and situations requested by the Governance are among the duties of this department.



### *Corporate Services Department*

Corporate Services Department is responsible for examining the reports and annexes prepared by the departments concerned with the decisions of the Executive Board and presenting them to the Governor for the purpose of determining the agenda, preparing the meeting agenda of the Executive Board, ensuring that decisions and other arrangements to be published in the Official Gazette are sent to the Prime Ministry, carrying out secretarial services of the Executive Board, and regulating the institutional relations of the Central Bank with international organizations. In addition, to ensure that the policies and practices of the Central Bank are announced to the public, promoted and publicly perceived, to ensure that all the legislation, which is within the scope of duty, authority and responsibility of the Central Bank, is published on the official website of the Central Bank, to organize conferences, seminars, workshops and similar meetings requested by the Central Bank, and to plan the cultural, artistic, environmental and social activities of the Central Bank are also among the duties of the department.

***Human Resources and Support Services Department***

**Ülgen Betoncu**  
**Director**

Human Resources and Support Services Department is responsible for carrying out the personnel affairs, making arrangements for wages and other financial rights, developing and implementing performance evaluation methods, carrying out retirement-related works, carrying out the assignment, personnel, retirement and similar affairs of the Central Bank Governor, Deputy Governors, Members of the Executive Board and the personnel, establishing the criteria for evaluating the performance of the personnel and the determination of the professional principles in cooperation with other departments, and conducting Central Bank's purchase and sale of goods and services, tenders, communications, archives, security, internal services and making the necessary arrangements. In addition, to meet the needs of the Central Bank, in a manner that positively affects the efficiency, effectiveness, capacity, quality and performance of the activities in accordance with the relevant legislation, to determine the training needs of the personnel of the Central Bank and to carry out activities to establish the general training policy, to prepare the organization chart of the bank, to organize the duties and responsibilities of the departments and to work to increase the work efficiency are also among the duties of the department.

***Head Branch and Operations Department***

**Adile Ünvan**  
**Director**

Head Branch and Operations Department carries out credit, foreign exchange, current account, clearing, cashier and branch accounting operations and keeps the accounting records of such operations in accordance with the regulations of the Bank and the instructions given by the Governance and the departments.

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# RESOURCES

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## **2. RESOURCES**

### **2.1 Human Resources**

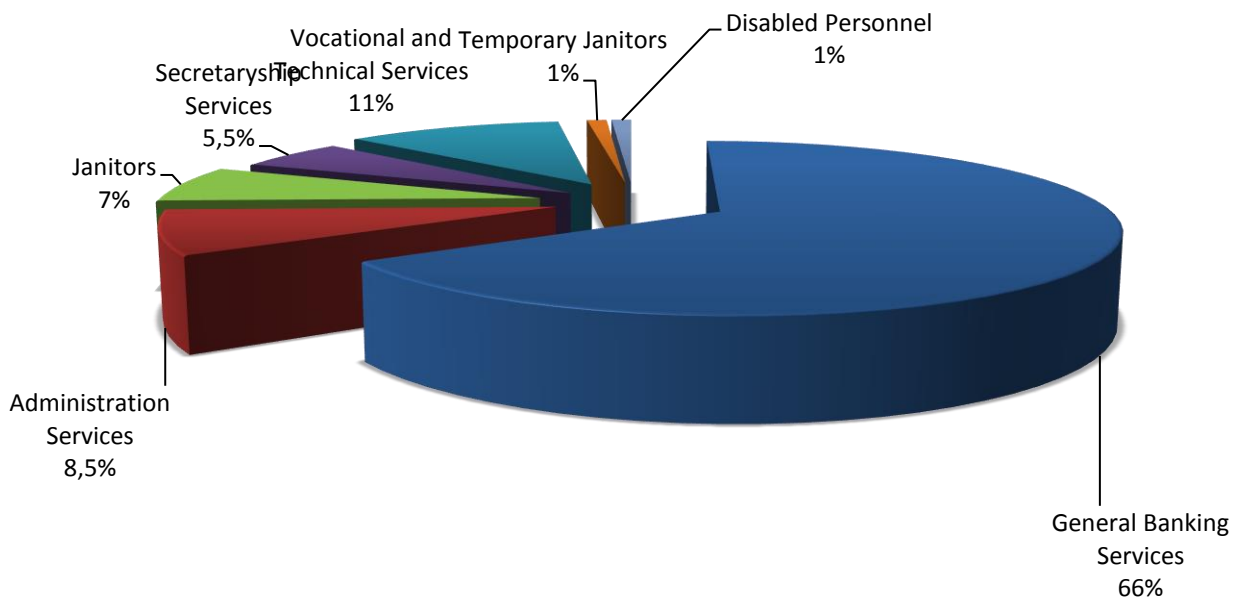
The rights and obligations of the personnel of the Central Bank of the TRNC are regulated by the Central Bank of the TRNC Organization Law no. 57/1987 adopted on Convention of the TRNC Assembly of Republic dated July 16, 1987. Law No. 57/1987 was amended by Law No. 45/2016 entered into force on December 6, 2016. With this amendment, new positions were added to the Central Bank of the TRNC Organization Law in accordance with the current conditions and, the number of current positions was increased. Accordingly, the activities of the Central Bank of the Turkish Republic of Northern Cyprus are carried out by permanent personnel assigned to the management services, general banking services, vocational and technical services and auxiliary services class requiring physical services employed in the Headquarter and the Head Branch.

#### **2.1.1 Positions and Personnel Status**

The number of positions of the Central Bank is specified as 205 in the Organisation Law of the Central Bank of the TRNC. This number includes the Governor and Deputy Governors working under contract. As of the end of 2018, the number of personnel working in permanent status is 125. When 1 temporary janitor and 1 personnel employed under the law on employment of disabled personnel is added to the number of permanent personnel, the total number of personnel of the Bank reaches 127 people. This number was 131 as of the end of 2017. Four employees retired, one employee resigned from their position and the governor was appointed in 2018. No new personnel were recruited in 2018.

When the distribution of personnel of the Central Bank by service groups is examined; as of the end of 2018, 8.5 percent of the Bank's 127 personnel are working in the management services class, 66 percent in the general banking services class, 5.5 percent in the secretaryship services class, 11 percent in the vocational and technical services class, 7 percent in the auxiliary services class, 1 percent work as temporary janitor and 1 percent are working as the personnel employed under the Law No. 64/1993.

Chart 2.1 Percentage Distribution of Personnel by Class of Service



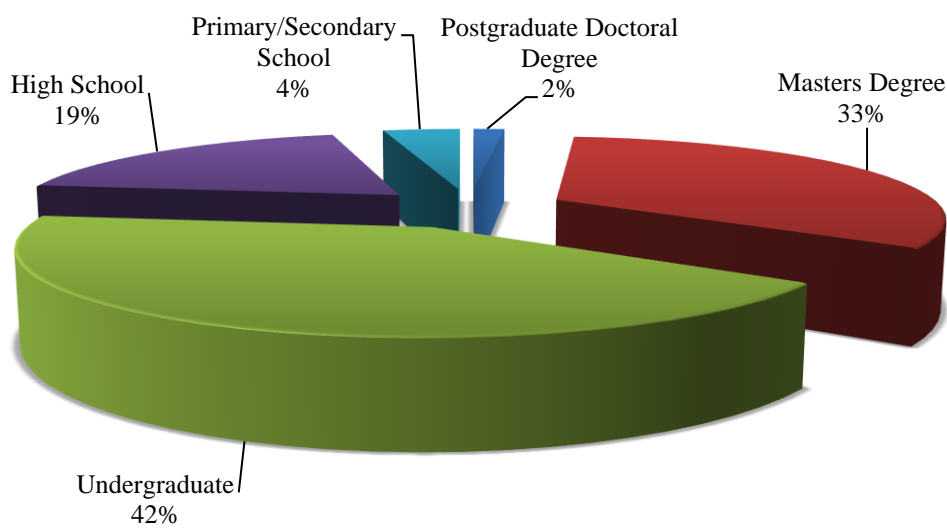
Source: Central Bank of the TRNC

When the distribution of personnel according to their level of education is analysed; 2 out of 127 personnel have PhD, 42 have graduate, 52 have undergraduate and 2 have associate degree, as of the end of 2018. 24 of the remaining personnel are high school and 5 are primary and secondary school graduates.

One of the personnel with Ph.D. degree is in the management services class, and the other one is working as Second Class IT Officer. Out of 42 personnel at the graduate level, 6 are in management, 5 are in vocational and technical services, 30 are in general banking services and 1 is in secretaryship services class. Out of 51 personnel at the undergraduate level, 5 are in management, 8 are in vocational and technical services, 32 are in general banking services and 5 are in secretaryship services class. 2 associate degree graduate personnel serve in the general banking services class. Of the 28 high school graduates, 19 work in general banking services, 1 in secretaryship services, and 3 in auxiliary services; 1 personnel is employed under the *Law on Protection, Rehabilitation and Employment of Persons with Disabilities*, No. 64/1993 and serves as disabled personnel. Out of 5 primary and secondary school graduate personnel, 4 are working in the auxiliary services class, 1 elementary school graduate personnel is working as a temporary janitor.

When the percentage share of the distribution of the personnel according to their level of education is examined as of the end of 2017, the number of personnel with a PhD has a share of 1 percent, the number of personnel with post graduate degree has a share of 33 percent, the personnel with undergraduate degree has a share of 42 percent, the number of high school graduates has a share of 19 percent and the primary and secondary school graduates has a share of 4 percent in the total number of personnel.

Chart 2.2 Percentage Distribution of Personnel by Level of Education



Source: Central Bank of the TRNC

## 2.1.2 Training Activities

In 2018, participation of the personnel in courses and seminars has been ensured in order to increase their knowledge and skills.

In 2017, while the number of personnel participating in local training programs was 35, this number reached 38 in 2018. The number of personnel participating in international training programs was 27 in 2017, and it increased to 47 in 2018. As part of the training activities in 2018, 5 people from the management services, 32 from the general banking services class, 1 from secretaryship services class and 9 from the vocational and technical services class participated in the international training programs. Also, a total of 38 personnel; 1 from management services, 28 from banking services; 2 from secretaryship services and 6 from vocational and technical services class participated in the local training programs.

**Table 2.1**

### Number of Personnel Participating in Training Programs

	Local		International	
	2017	2018	2017	2018
<b>Management Services Class</b>	1	2	7	5
<b>General Banking Services Class</b>	32	28	16	32
<b>Secretaryship Services Class</b>	2	2	-	1
<b>Auxiliary Services Class</b>	-	-	-	-
<b>Temporary Personnel</b>	4	-	-	-
<b>Vocational and Technical Services Class</b>	-	6	4	9
<b>Total</b>	<b>39</b>	<b>38</b>	<b>27</b>	<b>47</b>

Source: Central Bank of the TRNC

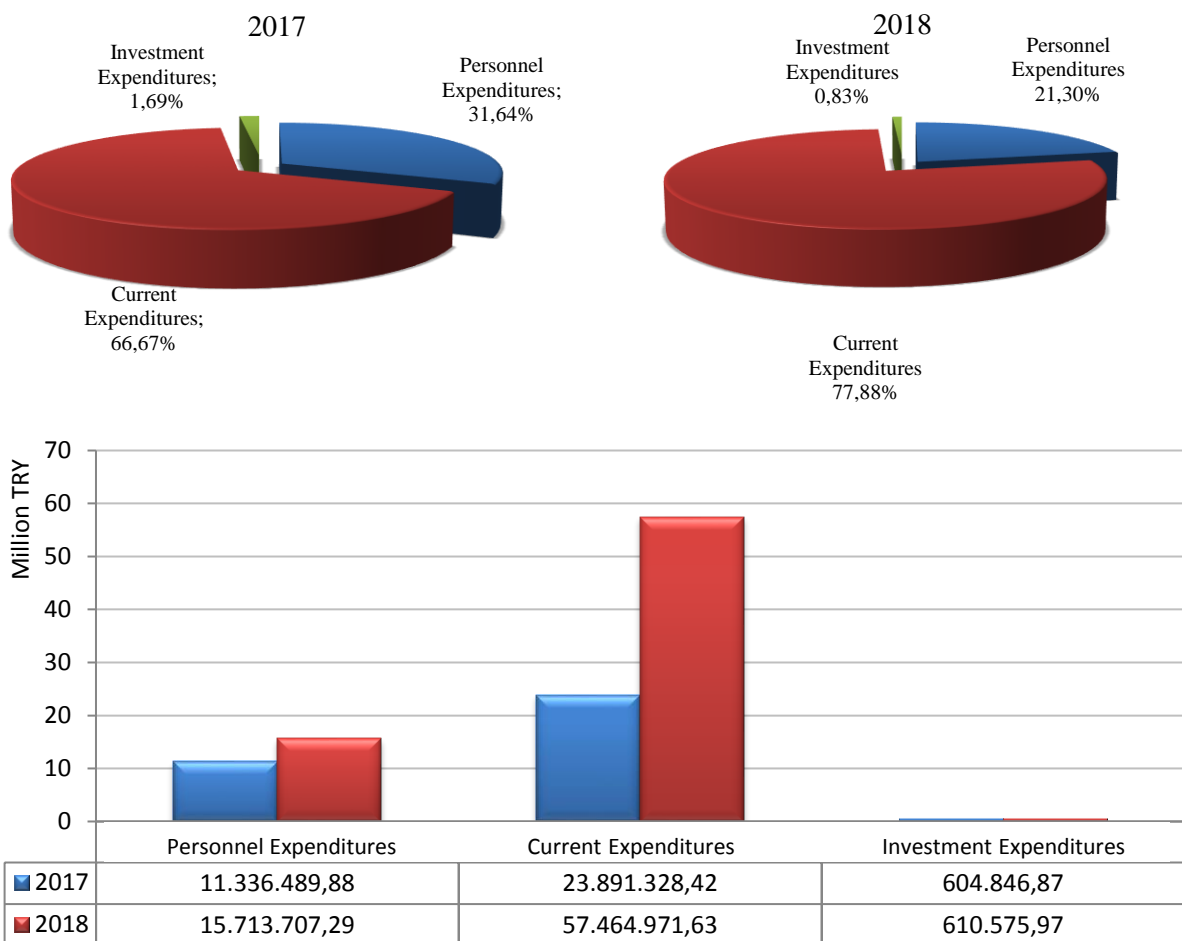


## 2.2 Financial Resources

The Executive Board of the Central Bank of the TRNC approved the 2018 Fiscal Year Budget with the Executive Board decision no. 968 dated December 14, 2017, in order to carry out the determined services and activities. The bank’s consolidated budget expenditures are classified under three separate titles: current expenditures, personnel expenditures and investment expenditures.

While the total budget expenditures of our bank in 2017 was 35.8 million TRY, this figure increased by 105.9 percent and reached 73.8 million TRY in 2018. In 2018, 78 percent of our bank's budget (57.5 million TRY) was used in current expenditures and 21 percent (15.7 million TRY) in personnel expenditures. In 2017, 67 percent of our bank's budget (23.9 million TRY) was used in current expenditures and 32 percent (11.3 million TRY) in personnel expenditures.

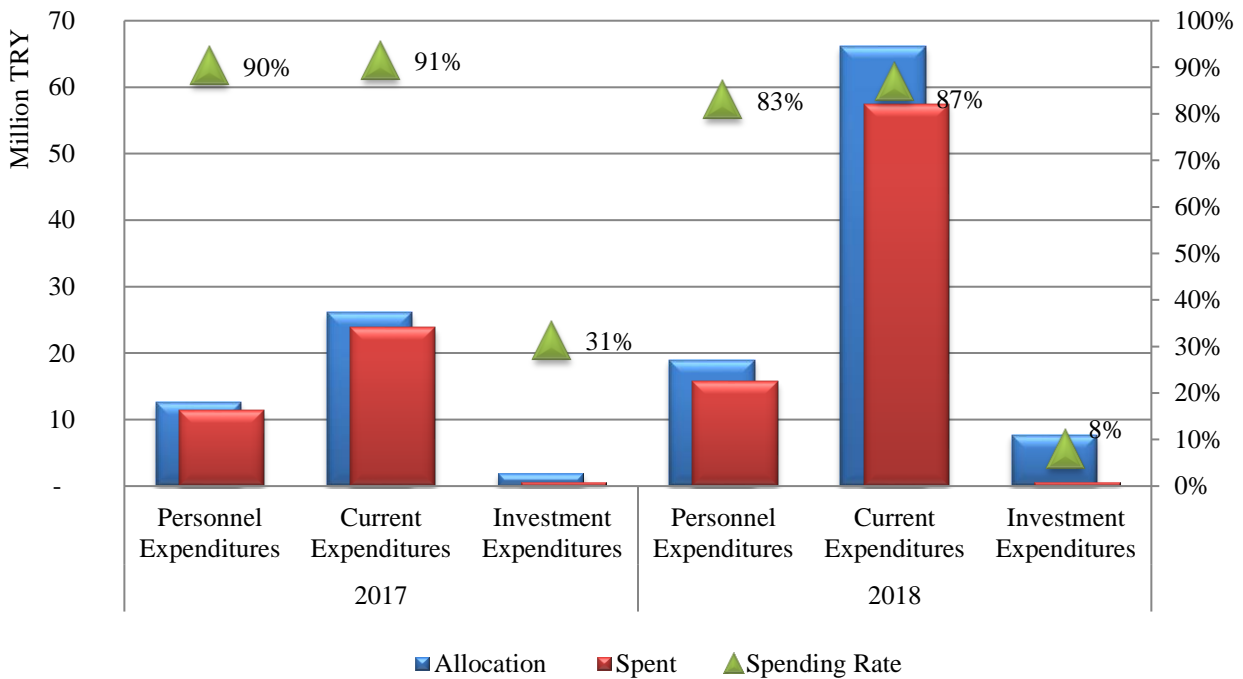
**Chart 2.3 Consolidated Budget Expenditures**



Source: Central Bank of the TRNC

According to our bank’s budget implementation results for 2017 and 2018, in 2017, while the ratio of the allocations used for personnel expenditures was 90 percent, this ratio was 91 percent in current expenditures and 31 percent in investment expenditures. The bank's total spending rate in the 2017 Fiscal Year Budget was 88 percent. In 2018 budget, expenditures of 83 percent in personnel expenditures item, 87 percent in current expenditures item and 8 percent in investment expenditures item were made. Total expenditure rate of allocations in the TRNC Central Bank 2018 Fiscal Year Budget was 80 percent.

Chart 2.4 Budget Implementation Results



Source: Central Bank of the TRNC

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# ACTIVITIES

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### 3. ACTIVITIES

The activities of 2018, carried out in accordance with the relevant provisions of the Central Bank of the TRNC Law No. 41/2001, published in the Official Gazette No. 122 dated November 23, 2001, are summarized in this section of the report.

#### 3.1 Policy Instruments

As stated in the Article 4 of the Central Bank of the TRNC Law, the objective of the Central Banks is to implement the monetary-credit policies, to regulate and supervise the banking system in accordance with the objective, development plans and annual programs of the Central Bank, in order to help economic development.

In line with this main objective, the powers and duties of the bank regarding money-credit policies are regulated in article 5 of the law and the powers and duties of the bank's Executive Board are regulated in article 11. Policies regarding these issues are explicitly stated in Articles 22, 23 and 24, while procedures and practices in Articles 31, 32, 33, 34, 35 and in provisional Articles 2, 3, 4, 5 and 7. Based on the duties and authorities given by the legislation referring to the articles of the Central Bank of the TRNC Law, the Bank makes necessary arrangements and takes the necessary measures regarding loans, reserve requirements, interest rates, rediscount transactions, Central Bank securities, payment systems, interbank money market.

Central Bank of the TRNC determines and carries out its activities on the subject within the framework of this legal infrastructure.

#### *Monetary Policy Instruments*

As is known, monetary policy instruments are divided into two parts as direct and indirect. As a monetary policy instrument, the Central Bank of the TRNC generally utilizes indirect instruments consisting of rediscount window (loan) transactions, reserve requirements ratios and liquidity requirements. In addition, Interbank Money Market (IMM) was created in 2009, allowing the banking sector to reach daily liquidity and to deposit excess liquidity in four currencies. Issued as of 2014, the Central Bank securities including four currencies, provided a monetary policy instrument to the sector in which it can utilise its liquid resources.

## Indirect Policy Instruments:

### a. Rediscount Window (Loan) Transactions

Article 31 of the Central Bank of the TRNC Law regulates the authorities of the Central Bank on the acceptance of short term securities and certificates for rediscount and advance. Accordingly, the bank may accept the following securities and certificates for rediscount:

- ❖ Commercial notes of natural or legal persons dealing with tourism, education, industry, mining and agriculture, provided that there are maximum nine months until their term expires,
- ❖ Others' commercial notes and certificates to be deposited by the banks, provided that there are maximum four months until their term expires,
- ❖ The bills to be deposited by the banks in order to meet the loan requirements of craftsman and cooperatives, provided that there are maximum nine months until their term expires,

In this context, the bank's Turkish Lira and foreign currency rediscount loan interest rates are shown in the table below. At the end of 2018, Turkish Lira rediscount interest rates are between 19,75 - 23,75 percent. These rates became effective on September 24, 2018. Accordingly, the interest rate on Turkish Lira commercial rediscount loan is 23.75 percent, and the interest rate on rediscount credits extended to industry, export, tourism, education and agriculture sectors is 20.75 percent. The interest rate of rediscount credits extended to small business owners is 19.75 percent. The interest rate applied to foreign currency rediscount loans (trade, industry, export, tourism, education) since March 2, 2009 is 4 percent. The interest rate on advances against foreign exchange is 19,75 percent in Turkish Lira and 4 percent in foreign exchange.

**Table 3.1**

**Rediscount Interest Rates**

	<b>TRY</b>	<b>USD</b>	<b>EURO</b>	<b>GBP</b>
<b>Commercial</b>	23,75	4,0	4,0	4,0
<b>Industry</b>	20,75	4,0	4,0	4,0
<b>Exports</b>	20,75	4,0	4,0	4,0
<b>Tourism</b>	20,75	4,0	4,0	4,0
<b>Education</b>	20,75	4,0	4,0	4,0
<b>Agriculture</b>	20,75	-	-	-
<b>Small Business Owners</b>	19,75	-	-	-
<b>Advances Against Foreign Exchange</b>	19,75	4,0	4,0	4,0

Source: Central Bank of the TRNC

### ***b. Bank Liquidity Requirement and Reserve Requirement Implementations***

Pursuant to Article 23 (1) of the Central Bank of the TRNC Law No. 41/2001, principles and procedures related to bank liquidity requirements of banks, and the lowest rate of general liquidity requirement that commercial banks should have in line with their liabilities is determined by the notification issued by our bank. Also, the rate of reserve requirements to be calculated on the basis of the liabilities of the banks and other financial institutions deemed appropriate by the Central Bank and to be established in an account opened in the bank shall be determined by the Central Bank.

According to the Notification of the General Bank Liquidity Requirement published in the Official Gazette on February 26, 2013, the minimum rate required by banks for their liabilities is 10%. However, banks are obliged to maintain a gradual liquidity requirements in different ratios if the total amount of the money they hold in foreign banks and the securities purchased from abroad exceed their own funds.

**Table 3.2**

#### **Bank Liquidity Requirement Ratios**

<b>Total amount of funds in foreign banks + total amount of securities purchased abroad,</b>	If exceeds 1 times of the shareholders' equity	12 %
	If it exceeds 2 times	14 %
	If it exceeds 3 times	16 %
	If it exceeds 4 times	18 %
	If it exceeds 5 times	20 %

**Source:** Central Bank of the TRNC

In accordance with Article 23 of the Law no. 41/2001, Central Bank of the TRNC determine the principles and conditions of implementation, including the liabilities subject to statutory provisions and the time to deposit the statutory provisions and the interest to be paid when necessary. The Executive Board has changed the Turkish Lira and foreign currency statutory provision ratios to be effective starting from the statutory provision tables dated 31 July 2018 upon the decision no. 1005 and dated August 14, 2018. Accordingly, the currently applicable reserve requirements ratios are presented below.

**Table 3.3****Reserve Requirements Ratios**

	<b>TRY</b>	<b>FX</b>	<b>Precious Metal</b>
<b>Deposits up to 3-month maturity</b>	7,0	7,0	0
<b>Deposits with a maturity of 3-month to 6-month</b>	6,0	6,0	0
<b>Deposits with a maturity of 6-month to 1-year</b>	5,0	5,0	0
<b>Deposits longer than 1-year maturity</b>	4,0	4,0	0
<b>Other liabilities in Turkish Lira excluding deposits</b>	7,0	7,0	0

Source: Central Bank of the TRNC

The total reserve requirement balances of the banks operating in the TRNC at the end of 2017 and 2018 are shown in Table 3.4.

**Table 3.4****Reserve Requirement Balances**

	<b>December 2017</b>	<b>December 2018</b>
<b>TRY</b>	794.481.636.-	719.186.430.-
<b>USD</b>	50.211.351.-	44.297.647.-
<b>EURO</b>	52.034.031.-	50.308.458.-
<b>GBP</b>	103.191.979.-	97.256.214.-
<b>Total TRY Reserves</b>	<b>1.743.079.707.-</b>	<b>1.902.517.446.-</b>

Source: Central Bank of the TRNC

**Direct Policy Instruments:**

- ❖ In order to meet the short-term liquidity needs of the banks, to sterilize excess liquidity and increase the return on assets, our bank uses the instruments;
- ❖ Central Bank security issue
- ❖ Interbank Money Market

**a. Central Bank Securities**

In accordance with the authorities granted to the Central Bank within the framework of the Central Bank Law No. 41/2001, the Central Bank issues security in order to contribute to the elimination of periodic liquidity surpluses in the banking sector, to contribute to the effective regulation of the

general liquidity of the economy and to increase the depth of financial markets. In 2018, a total of 22 security issue auctions were made; 10 in Turkish Lira, 4 in USD, 4 in Euro and 4 in GBP.

As of December 31, 2018, the distribution of unexpired securities by currency types is as follows:

**Table 3.5**

<b>Term</b>	<b>TRY</b>	<b>USD</b>	<b>EURO</b>	<b>GBP</b>
<b>1-Month</b>	170.000.000.-	-	-	-
<b>3-Month</b>	-	-	11.250.000.-	94.750.000.-

Source: Central Bank of the TRNC

### ***b. Interbank Money Market***

IMM was formed in 2009 to meet the liquidity needs of banks or to sterilize excess liquidity. Banks can borrow from the market by providing the necessary guarantees within the global limit set by the Central Bank of the TRNC and within the limits of borrowing allocated in accordance with their asset size. The Executive Board increased the global limit, which had been 750 million TRY on February 1, 2018, to 1 billion TRY as of September 24, 2018. As of April 1, 2014, IMM is implemented as two sessions as morning and afternoon.

The IMM transactions are still accounted at the end of the day. Recent works focus on the instant accounting of these transactions and the related project is aimed to be completed in 2019.

As of December 31, 2018, the sums of IMM transactions that are not due yet are as follows:

**Table 3.6**

<b>Term</b>	<b>TRY</b>	<b>USD</b>	<b>EURO</b>	<b>GBP</b>
<b>Overnight</b>	513.000.000.-	12.450.000.-	130.500.000.-	78.600.000.-
<b>1-Week</b>	73.000.000.-	-	-	-
<b>1-Month</b>	20.000.000.-	1.300.000.-	-	9.000.000.-
<b>3-Month</b>	-	-	-	-
<b>6-Month</b>	-	-	-	-

Source: Central Bank of the TRNC



## 3.2 Regulation Activities

Central Bank of the TRNC has the duty to make arrangements with the aim of fulfilling its authorities and duties given by the legislation, to monitor the compliance to these regulations, to supervise the compliance of the information submitted by the banks with the legal regulations and to supervise the financial structure of banks.

Central Bank of the TRNC regulates and supervises 21 banks and 7 International Banking Units (IBUs) operating in the sector, and carries out the necessary legislative works in accordance with the authorities it has given by the Banking Law No 62/2017, the Central Bank of the TRNC Law No. 41/2001 and the International Banking Units Law No. 41/2008, by taking into consideration the international practices.

The activities carried out in 2018 within the scope of the regulatory duties of the Central Bank of the TRNC are presented in detail in the following titles.

### *Regulations*

#### *a. Notification on the Operating Principles of Banks*

The “Notification on the Operating Principles of Banks” issued by the Central Bank of the Turkish Republic of Northern Cyprus, based on the authority granted to it by Articles 23 and 31 of the Banking Law No. 62/2017, became effective upon being published in the Official Gazette No. 13 dated February 12, 2018.

The purpose of the Notification is to regulate the procedures and principles regarding the methods to be followed and the documents to be submitted for the purpose of determining the activities of banks, granting and limiting permissions and determining the content of the activities.

#### *b. Notification on the Corporate Governance*

The “Notification on the Corporate Governance” issued by the Central Bank of the Turkish Republic of Northern Cyprus, based on the authority granted to it by Articles 17, 18, 19, 20 and 22 of the Banking Law No. 62/2017, became effective upon being published in the Official Gazette No. 13 dated February 12, 2018.

The purpose of the Notification is to regulate the principles of corporate governance and the principles and procedures regarding the duties, powers, responsibilities and appointment of senior management.

***c. Notification on the Measurement and Assessment of Leverage Levels of Banks***

The “Notification on the Measurement and Assessment of Leverage Levels of Banks” issued by the Central Bank of the Turkish Republic of Northern Cyprus, based on the authority granted to it by paragraph (2) of Article 46 and Articles 48 and 49 of the Banking Law No. 62/2017, became effective on July 1, 2018 upon being published in the Official Gazette No. 13 dated February 12, 2018.

The purpose of the Notification is to regulate the principles and procedures for ensuring that banks hold sufficient capital against the risks, which potentially cause exposure to leverage effect.

***d. Notification on the Measurement and Assessment of Capital Adequacy of Banks***

The “Notification on the Measurement and Assessment of Capital Adequacy of Banks” issued by the Central Bank of the Turkish Republic of Northern Cyprus, based on the authority granted to it by subparagraph (B) of paragraph (1) of Article 46 and Articles 48 and 49 of the Banking Law No. 62/2017, became effective on July 1, 2018 upon being published in the Official Gazette No. 13 dated February 12, 2018.

The purpose of the Notification is to regulate the principles and procedures for ensuring that banks have sufficient capital on an individual and consolidated basis against damages that may arise from the risks they are exposed to.

***e. Notification on the Shareholders’ Equity of Banks***

The “Notification on the Shareholders’ Equity of Banks” issued by the Central Bank of the Turkish Republic of Northern Cyprus, based on the authority granted to it by Articles 45, 48 and 49 of the Banking Law No. 62/2017, became effective on July 1, 2018 upon being published in the Official Gazette No. 13 dated February 12, 2018.

The purpose of the Notification is to regulate the principles and procedures for calculating the shareholders’ equity and consolidated shareholders’ equity amounts to be taken into account within the limitations and the calculation of the standard rates and the fulfilling of other liabilities regarding the adequacy of shareholders’ equity.

***f. Notification on the Capital Conservation Buffer, Countercyclical Capital Buffer and Profit Distribution***

The “Notification on the Capital Conservation Buffer, Countercyclical Capital Buffer and Profit Distribution” issued by the Central Bank of the Turkish Republic of Northern Cyprus, based on the authority granted to it by paragraph (3) of Article 45, paragraph (3) of Article 46 and Articles 48 and 49 of the Banking Law No. 62/2017, became effective on July 1, 2018 upon being published in the Official Gazette No. 13 dated February 12, 2018.

The purpose of the Notification is to regulate the principles and procedures regarding the calculation of additional core capital amount that should be kept by banks as capital conservation buffer and circulating capital buffer, and actions and measures to be taken if additional core capital requirement cannot be met.

***g. Notification on the Voluntary Termination of Mergers, Transfers and Activities of Banks***

The “Notification on the Voluntary Termination of Mergers, Transfers and Activities of Banks” issued by the Central Bank of the Turkish Republic of Northern Cyprus, based on the authority granted to it by Articles 14 and 16 of the Banking Law No. 62/2017, became effective upon being published in the Official Gazette No. 27 dated February 14, 2018.

The purpose of the Notification is to regulate the principles and procedures regarding the assets and liabilities, and also the rights, receivables, deposits, debt and liability processes of the bank, which is liquidated as a result of banks' legal entities' handover through merger or transfer or voluntary termination of the activity.

***h. Notification on Independent Audit Firms***

The “Notification on Independent Audit Firms” issued by the Central Bank of the Turkish Republic of Northern Cyprus, based on the authority granted to it by Article 67 and paragraph (2) of Article 70 of the Banking Law No. 62/2017, became effective upon being published in the Official Gazette No. 41 dated April 5, 2018.

The purpose of the Notification is to regulate the principles and procedures regarding the authorization of the persons who will conduct independent audits, the temporary abolition of their authorities, the cancellation of their authorities and regarding the reporting responsibilities of the parties, the audit agreement, exceptions and related obligations.

***i. Notification on the Risks Undertaken***

The “Notification on the Risks Undertaken” issued by the Central Bank of the Turkish Republic of Northern Cyprus, based on the authority granted to it by Articles 38, 39, 40, 41 and 44 of the Banking Law No. 62/2017, became effective upon being published in the Official Gazette No. 64 dated May 9, 2018. This Notification was amended as a result of the amendment notifications published in the Official Gazette No. 127 dated August 31, 2018 and the Official Gazette No. 141 dated September 27, 2018.

The purpose of the Notification is to establish the risk undertaking process that begins with the definition of the risks, to set the principles and procedures for determining the limits and rules against the risks that may occur and establishing the necessary processes.

***j. Notification on the Ratio of Foreign Exchange Net General Position***

The “Notification on the Ratio of Foreign Exchange Net General Position” issued by the Central Bank of the Turkish Republic of Northern Cyprus, based on the authority granted to it by Articles 48 and 49 of the Banking Law No. 62/2017, became effective on April 1, 2019 upon being published in the Official Gazette No. 194 dated December 27, 2018.

The purpose of the Notification is to regulate the principles and procedures regarding the rules to be applied in order to ensure that banks maintain the balance between foreign exchange assets and liabilities and maintain a net foreign currency position at a level compatible with their shareholders’ equity.

***k. Good Practice Guideline on Loan Management in Banks***

The “Good Practice Guideline on Loan Management in Banks” issued by the Central Bank of the Turkish Republic of Northern Cyprus, based on the authority granted to it by subparagraph (I) of paragraph (3) of Article 17 and Article 22 of the Banking Law No. 62/2017, became effective upon being published in the Official Gazette No. 18 dated February 19, 2018.

The purpose of the guideline is to explain the principles of good practice expected from banks related to “Loan Management” within the framework of “Risk Management” of the Notification on the Internal Systems to be issued within the framework of Articles 17 and 22 of the Banking Law No. 62/2017.

***l. Good Practice Guideline on Interest Rate Risk Management***

The “Good Practice Guideline on Interest Rate Risk Management” issued by the Central Bank of the Turkish Republic of Northern Cyprus, based on the authority granted to it by subparagraph (I) of paragraph (3) of Article 17 and Article 22 of the Banking Law No. 62/2017, became effective upon being published in the Official Gazette No. 27 dated March 14, 2018.

The purpose of the guideline is to explain the principles of good practice expected from banks related to “Interest Rate Risk Management” within the framework of “Risk Management” of the Notification on the Internal Systems to be issued within the framework of Articles 17 and 22 of the Banking Law No. 62/2017.

***m. Good Practice Guideline on Market Risk Management***

The “Good Practice Guideline on Market Risk Management” issued by the Central Bank of the Turkish Republic of Northern Cyprus, based on the authority granted to it by subparagraph (I) of paragraph (3) of Article 17 and Article 22 of the Banking Law No. 62/2017, became effective upon being published in the Official Gazette No. 38 dated April 2, 2018.

The purpose of the guideline is to explain the principles of good practice expected from banks related to “Market Risk Management” within the framework of “Risk Management” of the Notification on the Internal Systems to be issued within the framework of Articles 17 and 22 of the Banking Law No. 62/2017.

***n. Good Practice Guideline on Country Risk Management***

The “Good Practice Guideline on Country Risk Management” issued by the Central Bank of the Turkish Republic of Northern Cyprus, based on the authority granted to it by subparagraph (I) of paragraph (3) of Article 17 and Article 22 of the Banking Law No. 62/2017, became effective upon being published in the Official Gazette No. 64 dated May 9, 2018.

The purpose of the guideline is to explain the principles of good practice expected from banks related to “Country Risk Management” within the framework of “Country Risk Management” of the Notification on the Internal Systems to be issued within the framework of Articles 17 and 22 of the Banking Law No. 62/2017.

***o. Good Practice Guideline on Reputational Risk Management***

The “Good Practice Guideline on Reputational Risk Management” issued by the Central Bank of the Turkish Republic of Northern Cyprus, based on the authority granted to it by subparagraph (I) of paragraph (3) of Article 17 and Article 22 of the Banking Law No. 62/2017, became effective upon being published in the Official Gazette No. 64 dated May 9, 2018.

The purpose of the guideline is to explain the principles of good practice expected from banks related to “Reputation Risk Management” within the framework of “Reputation Risk Management” of the Notification on the Internal Systems to be issued within the framework of Articles 17 and 22 of the Banking Law No. 62/2017.

***p. Notification on Collection Procedures and Principles for the Savings Deposit Insurance Premiums (Amendment)***

“Notification (Amendment) on Collection Procedures and Principles for the Savings Deposit Insurance Premiums” issued by the Central Bank of the Turkish Republic of Northern Cyprus, based on the authority granted to it by paragraphs (2) and (3) of Article 11 of Turkish Republic of Northern Cyprus Savings Deposit Insurance and Financial Stability Fund Law No. 32/2009 became effective upon being published in the Official Gazette No. 140 dated September 26, 2018.

The purpose of the Notification is to reduce the intermediary costs by reducing the savings deposit insurance premium rate to a minimum until the period when the macroeconomic indicators will point to the normalization process in the economy.

***Draft Regulations***

***a. Draft Law on the Prevention of Laundering of Crime Revenues***

In August 2018, the representatives of the Central Bank of the TRNC attended the general meeting of the Economy, Finance, Budget and Plan Committee of the Assembly of the Turkish Republic of Northern Cyprus on “Draft Law on the Prevention of Laundering of Crime Revenues” and the views of the Central Bank of the TRNC on the matter were presented to the parliament members and/or other participants.

***b. Draft Law on Consumer Protection (Amendment)***

The articles related to the Draft Law on Consumer Protection (Amendment) executed by the Ministry of Economy were prepared and sent to the relevant Ministry. The law is being discussed by the relevant Legislative Committee.

***c. Draft Law on Payment Services And Electronic Money***

Launched in 2011 under the Free Movement of Capital Mission (Chapter 4), which is being carried out within the framework of alignment with the European Union acquis in order to gather companies operating or aiming to operate in the financial sector as a system operator, payment service provider or electronic money issuer under a law, the efforts on preparing the “Law Draft Law on Payment Services And Electronic Money” continue at our Bank.

***Other Activities******a. Renewal of Banks' Principal Agreements and Statutes***

Within the framework of the provisions of the Banking Law No. 62/2017, the banks are obliged update their principal agreements and statutes, and send their copies to the Central Bank in accordance with the law within twelve months from the effective date of the law. Banks are obliged to publish their current principal agreements on their web pages at the end of this period. Pursuant to the provisions of this article, the primary agreements and statutes of all banks except branch banks were reviewed by our bank.

***b. Executive Board Decisions Regarding Banks, IBUs and Other Authorised Institutions***

The matters related to all institutions authorized or revoked by the Central Bank of the TRNC were evaluated and included in the agenda of the Executive Board meeting and the decisions taken were notified to the relevant institutions.

***c. Banking License and Operating License Issuance***

The license fees that are required to be paid by the banks and UBBs by the end of January of each year were followed up and license certificates were given to banks that deposit license fee.

***d. Monitoring of Paid-in Capital, Shares and Shareholder Changes***

The shareholders and shares of banks/IBUs are monitored by our Bank. Cash increases in paid-in capital are based on supervision reports. On the other hand, operations subject to permission are included in the agenda of the Executive Board to be discussed, and after approval, relevant permissions are given.

***e. Control of the Board Members, General Manager and Assistant General Managers***

All board members, general managers and assistant general managers assigned to banks and IBUs are controlled within the scope of implementation activities. The requests made to our bank were evaluated and the results were notified to the banks and IBUs.

***f. Follow-up of the Appointments Carried Out in Accordance with the “Notification on Internal Audit, Risk Management, Internal Control and Management Systems in Banks.”***

The formation of internal systems is monitored in accordance with the “Notification on Internal Audit, Risk Management, Internal Control and Management Systems in Banks” and a database has been created. The compliance of the managers appointed within the framework of the internal systems with the provisions of the relevant Notification was reviewed, and the banks were warned both in writing and verbally regarding the deficiencies and unsuitable matters.

***g. Complaints***

Bank customer complaints reported to our Bank were communicated to the banks and feedback was given to the customers within the framework of customer rights.

### **3.3 Audit Activities**

#### **3.3.1 Surveillance – Remote Supervision**

The banking sector is monitored monthly through the Uniform Reporting Package which includes a total of 39 forms within the scope of the TRNC Banks Surveillance System. The system includes quarterly and annual forms as well as monthly forms. Quarterly reports on the banks can be produced from the system, and the banks can be tracked on a daily and weekly basis. A total of 7 International Banking Units (IBU) operating in our country are monitored on an IBU and sectoral basis using the IBU Reporting Kit consisting of 6 forms taken quarterly. In addition, year-end financial reports of the IBUs are monitored and analysed.



The bank's practices in 2018 within the scope of its supervision duties are presented in detail below.

**a. *Improved and Amended Forms Due to New Notifications***

In accordance with the “Notification on the Measurement and Assessment of Capital Adequacy of Banks”, “Notification on the Shareholders’ Equity of Banks” and “Notification on the Capital Conservation Buffer, Countercyclical Capital Buffer and Profit Distribution”, which became effective on July 1, 2018, 2 forms in the Uniform Reporting Package were updated and 3 new forms were developed. Due to the newly developed and updated forms, a total of 174 controls have been revised or the new ones have been written and activated. In addition, 14 ratios have been updated in line with the new forms.

**b. *Preparation of SY401A Form***

SY401A form was prepared based on the existing 'Capital Adequacy Analysis Form' (SY400A form) in order to monitor the effect of the increase and fluctuations in exchange rates on risk weighted assets that started in the period of August 2018, and it was started to be collected from banks as of September 2018.

**c. *Preparation of Review Guidelines for Internal System Reports***

A guideline has been prepared for the review of internal system reports submitted within the framework of “Notification on Internal Audit, Risk Management, Internal Control and Management Systems in Banks.”

**d. *Pre-Audit Reports / Pre-Audit and Post-Audit Meetings***

During the audit process of a bank/IBU, the on-site audit team and the supervision team, which constantly monitors the bank/ IBU, holds a pre-audit meeting and determines the issues to be addressed at the bank /IBU. If necessary, the same team comes together to share and evaluate the findings during the audit period. A post-audit meeting is held to discuss the findings in the audit report prepared as a result of the audit performed at the Bank/IBU, and the audit findings are evaluated. Regarding the findings in the audit report, the letter submitted by the bank/IBU in response to the letter sent by the Audit Committee is also reviewed, and the bank/IBU is closely monitored during the given period for the improvement or correction of risky issues.

In this context, 10 reports/annotations (9 banks, 1 IBU) on the basis of banks/IBUs were prepared and presented to the on-site audit teams regarding the banks/IBUs included in the audit program in 2018.

***e. Preparation of Data on Sector and Bank/IBU Basis***

'Monthly Presentation on Banks' was prepared for all of the Bank's Board meetings held during the year by using the data included in the Uniform Reporting Package. Important findings were emphasized during these presentations and, comparative and detailed information on the banking sector and the current status of banks were stated. In addition, within the scope of the ratio studies conducted every month, compound rating assessments were made by considering the bank's weaknesses in terms of capital adequacy, asset quality, profitability, liquidity and management.

***f. Information Requested by Banks / Independent Auditors***

For reconciliations, it is ensured that the year-end date related to the accounts of the bank's Head Branch as requested by the banks to be sent to their independent auditors is sent to the related institutions and the relevant data is reconciled.

***g. Review and Publishing of Year-End Financial Statements***

The year-end financial reports submitted by banks and IBUs to our bank were examined and, if necessary, these reports were corrected or the database in our bank was updated. In addition, year-end financial reports sent by banks were published on the official website of our bank.

***h. Follow-up of the appointments carried out in accordance with the “Notification on Internal Audit, Risk Management, Internal Control and Management Systems in Banks.”***

In accordance with the Notification, the reports submitted by the banks were evaluated within the framework of the review guide and the evaluations were notified to the banks.

***i. Penetration Testing and Information Security Policies***

In accordance with the Information Security Policy Circular No. 02/2015 and the Penetration Testing Circular No. 01/2015 issued under the “Notification on Internal Audit, Risk Management, Internal Control and Management Systems in Banks”, which became effective upon being published in the Official Gazette No. 249 dated December 18, 2014, the procedures on the delivery and storage of all documents and information sent to our bank were carried out by our bank.

### 3.3.2 Auditing – On-site Supervision

The Central Bank audits all kinds of banking transactions by using the authority given by the Banking Law No. 62/2017. Central Bank auditors carry out the determination and analysis of the relations and balances between banks 'assets, receivables, shareholders' equity, liabilities, profit and loss accounts and all other factors affecting the financial structure, directly on behalf of the Central Bank.

Audit activities, which are one of the main functions of the Bank, are carried out for the purpose of determining the elements that threaten the financial stability, developing the appropriate policies, and thus maintaining a healthy banking system and these audits include the analysis of various indicators related to the financial performance of banks and the preparation of periodical reports.

On-site Supervision activities are carried out within the framework of risk-oriented supervision plans prepared annually. The annual supervision plan starts with a preliminary assessment covering all of the activities of the banks to be supervised, and this assessment is carried out as a step that includes all the banks each year, with a significant portion of activities to be carried out separately.

The issues related the audits carried out by the Audit and Supervision Committee of the Central Bank of the TRNC in 2018, regulations and objectives related to the transition to risk-oriented control and risk-oriented inspection reports are given below.

#### *a. Audit of Banks*

Audits of Commercial Banks and International Banking Units were carried out by 6 teams in 2017, the number of audit teams was increased to 9 in 2018. During the bank audits, a total of 25 audit reports were prepared. 23 of these audits were conducted in commercial banks, 1 in international banking units and 1 in Savings Deposit Insurance and Financial Stability Fund.

7 of the 23 reports prepared as a result of bank audits were on financial structures, 2 of them were legislation, 3 were annotations and 11 were capital reports.

In the banking sector, 100 percent of public banks, 92 percent of private banks and 60 percent of branch banks were audited. In the sector, the total asset size of which was 32.980 million TRY, the share of the banks that were audited in 2018 and which are still under audit has reached 84 percent.

**b. Financial Structure Review Guide and Rating System**

The relevant guideline has been prepared in order to direct the issue of the minimum content of on-site supervision activities to be carried out in accordance with the law and the preparation of the Financial Structure Review Report to be prepared as a result.

The purpose of the on-site supervision activities is to form an opinion on the financial soundness and risk profile of the bank, to identify areas where corrective action is required and to make recommendations regarding the measures to be taken. This guide aims to explain the CAMELS rating and Risk Assessment Process, which is the main element of the on-site audit activities, to give information about the content of the process and to create the format of the report to be prepared as a result of the audits. In 2018, the rating score in the range of 1-5, which was determined as a result of the audit process of the banks, indicating the risk level of the bank, started to be determined within a scale of 1–10.

The CAMELS rating system provides a general framework for summarizing the assessments on all important financial and managerial factors for the bank under assessment with a single final audit score. The purpose of the rating system is to express the financial soundness of the bank in a holistic and standard score.

**c. Audit of International Banking Units (IBU)**

The number of IBUs operating under the Law on International Banking Units is 7. One international banking unit was subjected to an audit in 2018.

**d. Risk Assessment Guideline**

This guideline is to present the criteria to assist audit teams in risk assessments and identification of risk profiles within the scope of audit activities to be carried out during the Risk Analysis phase and to present the minimum elements and format of the risk matrix and risk analysis opinion to be prepared. Within the framework of the risk-focused audit approach, the Risk Analysis Process is initiated after establishing an opinion on the bank's risk profile, scope of activities and management practices during the identification of the bank to be audited. The main purpose of this process is to create the necessary infrastructure for the preparation of the audit plan and presenting the risk profile and risk matrix of the bank.

RAS, which is the second step after the “recognition of the bank” phase in the Audit Cycle includes the following steps: determining the size of the risks the bank faces in relation to its significant fields of activity, evaluating the management quality of these risks, determining the net risk level, assessment of the direction of the relevant risks and revealing the overall risk assessment. The risk assessment opinion is prepared to update the risk profile of the bank, which was presented by the on-site audit team in the previous audit period for the purpose of forming the infrastructure of the audit plan.

### **3.4 Payment Systems**

The Bank obtains its authorization related to payment and settlement systems from Article 5 (1) (E) of the Central Bank of the TRNC Law No. 41/2001. The national electronic payment system was put into service on June 26, 2015 de-facto and on November 19, 2015 officially. In 2018, our Bank carried out activities to ensure the healthy, continuous, safe and uninterrupted operation of the system and to improve the system to meet the current needs of the system.

The system provides real-time reconciliation in four different currencies: Turkish Lira, Euro, US Dollar and GBP, without limitation in domestic money transfers in electronic environment, directly, fast and safely.

The participating banks can integrate their own banking systems with EPS and offer their customers the opportunity to transfer money from ATM, Internet Banking and Mobile Banking channels. Due to the system offered by the bank, bank customers were provided with the opportunity to make money transfers in a practical and fast way without having to go to the branches. The system helps to prevent unrecorded transactions as well as providing convenience to customers and contributes to savings in bank costs.

The number of Turkish Lira, US dollar, GBP and Euro currency messages processed since the opening date is shown by the banks' payment channel in Table 3.7. Accordingly, a total of 147,284 messages were processed as of the end of 2018; 21,688 were participant based, 82,711 were Branch Based, 42,857 were through internet banking, 7 were via phone banking and 5 were via ATMs.

**Table 3.7**

<b>Years</b>	<b>Participant Based</b>	<b>Branch Based</b>	<b>Internet Banking</b>	<b>Phone Banking</b>	<b>ATM</b>	<b>Other</b>	<b>Total</b>
<b>2015</b>	673	18.990	1.849	1	0	0	21.513
<b>2016</b>	9.246	51.686	12.612	1	1	0	73.546
<b>2017</b>	14.164	65.248	24.197	39	5	0	103.653
<b>2018</b>	21.688	82.711	42.857	7	16	5	147.284

**Note:** 2015 data includes the last six months data.

**Source:** Central Bank of the TRNC

### 3.5 Cash Flows

Both the banknote and coin needs of the banks are covered by the Central Bank. The Bank continues to share information and cooperate with the competent authorities on counterfeit or discontinued banknotes in 2018.

### 3.6 Scale of Charges / Money Transfers

Banks' cash transfers to abroad above the limits are regulated by the “Notification under the Law on Money and Foreign Exchange Article 7” entered into force by being published in the Official Gazette No. 97 dated 18.06.2010. Accordingly, taking into account the international practices, the limit on passenger cash outside the country is determined as 10.000.-Euro or equivalent amount. Banks may carry out cash transactions exceeding the limits for abroad by reporting to the Central Bank. In 2018, the total amount of received money transfers from abroad was 5,602 million TRY and this amount is 32.16 percent higher compared to the previous two years. The total number of received money transfers was 1.079, the highest level of the last 3 years.

The amount of Turkish Lira transfers in received money transfers in the name of banks is increasing every year, and have reached 2,606 million TRY as a result of an increase of 464 thousand TRY in 2018, compared to the previous year. Analysing the received money transfers by currencies, TRY, GBP, EUR and USD transfers increased by 21.66 percent, 10.25 percent, 8.08 percent and 0.59 percent, respectively. Received Turkish Lira money transfers constitute 47 percent of the total received transfers.

In 2018, the total of sent money transfers in all currencies on behalf of banks was 6.409 million TRY, and this amount reached a higher level than the amount in the previous two years. The total number of sent money transfers was 1.032, at the highest level of the last 3 years. The amount of Turkish Lira transfers in sent money transfers displayed a limited increase compared to the previous year, and reached 2,721 million TRY in 2018. Analysing the increase rates of sent money transfers compared to the previous year, it is observed that the rates were 225.83 percent in EUR, 64.74 percent in GBP, 36.30 percent in USD and 19.75 percent in TRY. Sent Turkish Lira money transfers constitute 43 percent of the total sent transfers.

**Table 3.8****SENT AND RECEIVED MONEY TRANSFERS ON BEHALF OF BANKS**

YEAR	TRY		FX (Against TRY)		TOTAL (TRY+FX)	
	RECEIVED	SENT	RECEIVED	SENT	RECEIVED	SENT
2016	1.389.149.249	1.210.420.000	1.381.036.656	1.035.806.579	2.770.185.905	2.246.226.579
2017	2.141.763.761	2.272.415.350	2.097.542.534	1.549.004.068	4.239.306.295	3.821.419.418
2018	2.605.774.892	2.721.235.000	2.997.037.426	3.688.037.344	5.602.812.318	6.409.272.344

Source: Central Bank of the TRNC

### 3.7 Reserve Management

The reserves of the Central Bank of the TRNC are carried out within the framework of the established reserve management procedures and principles and reserve management policy.

Central Bank of the TRNC holds reserves to meet the payments of the banking sector and the Treasury, to give confidence to the financial sector and to provide protection against international uncertainties and risks. While achieving this goal, the most important points are safe investment, liquidity and return. Safe investment is the preservation of existing reserves and prevention of loss of value despite internal and external impacts. Therefore, the Central Bank performs reserve management within the framework of a conservative approach that is not open to risk.

Within the scope of the Reserve Management Policy, the reserves of our bank are managed by forming two basic portfolios: liquid portfolio and investment portfolio. The liquid portfolio includes financial instruments with a maturity of less than 32 days that meet all operational needs of the bank. The investment portfolio consists of financial instruments with a maturity of 32 days or longer and is used to evaluate funds other than the resources allocated for the liquid portfolio.

In the period of December 2017 - December 2018, total assets increased by 28.50 percent and reached 10,757 million TRY, while total liabilities increased by 27.01 percent and reached 9,818 million TRY. The total assets to liabilities ratio, which was 108.29 percent as of the end of December 2017, increased by 1.27 points and reached 109.56 percent at the end of December 2018.

**Table 3.9**

<b>Years</b>	<b>Total Assets (Million TRY)</b>	<b>Total Liabilities (Million TRY)</b>	<b>Asset/Liability Ratio (%)</b>
<b>2009</b>	1.852	1.643	113
<b>2010</b>	1.809	1.578	115
<b>2011</b>	2.188	1.954	112
<b>2012</b>	2.587	2.326	111
<b>2013</b>	3.356	3.064	109
<b>2014</b>	3.842	3.517	109
<b>2015</b>	5.025	4.623	109
<b>2016</b>	6.452	5.987	108
<b>2017</b>	8.371	7.730	108
<b>2018</b>	10.757	9.818	109

**Source:** Central Bank of the TRNC

When the total amount of assets and liabilities of our bank is analysed by currencies, the ratio of TRY assets to TRY liabilities was 128.15 percent, while the ratio of FX assets to FX liabilities was 104.31 percent in USD, 104.16 percent in EUR and 101.48 percent in GBP at the end of 2018.



Within the framework of reserve management, the following operations are carried out, including liquidity and investment portfolio.

- All kinds of TRY / FX deposit transactions
- Current / forward foreign exchange transactions
- Foreign exchange transactions
- Purchase / sale of government treasures, securities issued or guaranteed by central banks
- Purchase / sale of debt instruments issued by banks, (TRY / FX)
- Reverse Repurchase Transactions (Reverse Repo)
- Repurchase transactions (Repo)
- Trading of gold
- Purchase / sale of derivative instruments based on the above types of transactions.

#### ***Development of the Manageable Reserves***

At the end of 2018, TRY manageable reserves increased by 392 million TRY compared to the end of the previous year and reached 3.021 million TRY from 2.630 million TRY. Manageable reserves in USD increased by 3.94 percent to 243 million USD, manageable reserves in EUR increased by 19.98 percent to 427 million EUR and GBP manageable reserves rose by 8.39 percent to 533 million GBP.

#### ***Public Treasurership and Debt Management***

The Central Bank, which is assigned to carry out the secretariat works of the Debt Management Committee pursuant to the Article 5 (2) of the Public Finance and Debt Management Law of the Turkish Republic of Northern Cyprus, made 21 decisions after evaluating the debt requests received in 2018, so that 5 public institutions, 1 cooperative and 15 municipalities can get into debt.

Debt Management Committee consists of one Chairman and three members:

- Ministry Undersecretary (Chairman)
- Central Bank Governor (Member)
- Central Bank Deputy Governor (Affiliated to the Markets Department) (Member)
- Manager of the department in charge of treasury affairs (Member)

### 3.8 Accountability and Communication

#### *Relations with the Government*

The relationship between the Central Bank of the TRNC and the Government is set out in Article 5 (3) and 25 of the Central Bank of the TRNC Law No. 41/2001. According to Article 5 (3) of the Law, *“The Central Bank shall be the financial and economic advisor, financial agent and treasurer of the government. The relation of the Central Bank with the government shall be maintained through the Minister of Treasury Affairs.”*

Paragraph 1 of Article 25 of the Law states that the Bank carries out all kinds of domestic and international collections and payments of the Government, all Treasury transactions and all kinds of domestic and international money transfers and money orders. Paragraph 2 states that the Council of Ministers may decide that the funds of specific organisations it determines must be deposited to the Central Bank and the interest to be applied to the accounts to be opened in this way will be determined by the Central Bank.

#### *Reporting*

Articles 42 and 43 of the Central Bank Law determine the Bank’s principles and procedures for submitting a report and preparing a bulletin. Article 42 of the Law consists the provision, *“The Governor of the Central Bank, shall report to the Council of Ministers in April and October of each year on the activities of the Central Bank and the monetary and credit policy implemented and to be implemented.”* *The Central Bank shall inform the Turkish Republic of Northern Cyprus Assembly, Economy, Finance, Budget and Planning Committee twice a year regarding its activities.”* Article 43 is about the Central Bank’s task to issue a bulletin at the end of quarterly periods. Within this framework, two reports were submitted to the Council of Ministers in 2018, and a presentation on the TRNC economy and the banking sector was made by our governor Mr. Rifat Günay to the relevant committee of the TRNC Assembly.

#### *Communication*

The public is informed regularly about the activities of the bank through the press and the Bank's own official website. Press releases, announcements, regulations and statistical data are published on the bank's website. In addition, our bank analyses national and international economic developments and informs the public with its annual report, quarterly bulletin, money supply and other special purpose reports. In the 2018 activity year, the research conducted in this scope and the reports prepared accordingly, as well as regularly published data and reports are presented below.

**Table 3.10**

Publication	Issue	
	Period	Date
<b>1) Central Bank of the TRNC Money Supply Reports</b>	2017-IV	25.01.2018
	2018-I	20.04.2018
	2018-II	24.07.2018
	2018-III	23.10.2018
	2018-IV	08.02.2019
<b>2) Central Bank of the TRNC Quarterly Bulletins</b>	2017-III (English Version)	09.02.2018
	2018-I	08.05.2018
	2017-IV (English Version)	02.07.2018
	2018-II	04.09.2018
	2018-I (English Version)	02.10.2018
	2018-III	28.11.2018
	2018-II (English Version)	06.12.2018
	2018-III (English Version)	27.12.2018
	2018-IV	19.03.2019
<b>3) Central Bank of the TRNC Annual Report</b>	2017	23.03.2018

Source: Central Bank of the TRNC

The statistical data published by the Bank is being used as a source for the financial stability analysis, our own evaluations and informing the public. In this regard, money and banking data are published regularly.

The statistical data published regularly by our Bank are as follows:

- ❖ Money - Banking Data
- ❖ Central Bank of the TRNC Money Supply Data
- ❖ Risk Centre Data
- ❖ Central Bank of the TRNC Balance Sheet Data
- ❖ Daily Exchange Rates
- ❖ Credit Cards Monthly Maximum Contractual and Default Interest Rates
- ❖ Lowest and Highest Interest Rates to Be Applied to Deposits by Banks

The new database prepared last year by our bank, provided the opportunity to make dynamic queries to the user and to access the required period's data in the Excel environment in 2018 as well. In addition, the publication of English versions of quarterly bulletins, which were first started in 2017, continued in 2018.

### **3.9 Corporate Services**

#### ***a. Executive Board Meetings***

The Central Bank of the TRNC Board meetings are held at least once a month as many as times required for the execution of the duties, in accordance with the law no. 41/2001. Accordingly, a total of 15 meetings were held in 2018 and the secretariat works of the related meetings were carried out by the Corporate Services Department.

#### ***b. Press, Public Relations and Communication***

A press meeting was held for our president, Rifat Günay, on August 2, 2018. During the meeting, where the media showed great interest, our governor introduced himself and gave information about the TRNC banking sector. Finally, he answered questions of the press members.

#### ***c. Social and Cultural Activities and Training Activities***

Training cooperation with domestic and foreign banking and financial institutions continued, the relationships with Central Bank of the Republic of Turkey (CBRT) and Banking Regulation and Supervision Agency (BRSA) also continued in this period, and communication and information exchange between institutions were ensured by organising various meetings.

In 2018 in addition to trainings organized by the Bank of England, the Banks Association of Turkey and the Banks Association of Northern Cyprus; Czech National Bank and the Istanbul School of Central Banking has been contacted and our personnel attended to the international trainings/seminars held by these institutions. In addition to these trainings, two in-house trainings were organized in 2018. These are “Accounting Derivatives in Banks” held in May and “Power Point” trainings held in June.

The applications of the students for internship at our bank were reviewed and the 5 people who were deemed suitable were accepted for the one-month internship program at the Economic Research and Statistics Department.

Supporting international conference/seminar organizations to contribute to the development of the banking and financial sector, our bank has provided material sponsorship to 2 different conferences/seminars in 2018.

In accordance with the decision of the executive board of our bank, the establishment of the Central Bank of the TRNC Memorial Forest was initiated and it is aimed to start planting seedlings after the wire fencing of the land is completed in 2019.

### **3.10 Other**

#### ***a. Risk Centre Operations***

Pursuant to the Notification on the Risk Operations Centre, which entered into force on 01.04.2014, the notifications received by the institutions as of the end of the month are consolidated by the Risk Centre. The credit limit and risk information combined on the basis of the customer are periodically communicated to the participating institutions without providing the institution name.

In addition, institutions can access the credit risk information of real or legal persons who are not their customers through the “E-Operation” platform in real time by obtaining consent, in accordance with the Prospectus of Operating Rules.

Risk Centre publishes consolidated risk information globally, on a monthly basis according to maturities and financing subjects.

According to the Notification on the Central Bank’s Administration, Organization and Services issued pursuant to Article 51(1)A of the Central Bank Law No. 41/2001, collecting and updating the

signatory circulars from the banks are among the job definitions of the Risk Centre. Accordingly, the recording and/or cancelling the authorized persons list to the system continued in 2018.

The technical works on expanding the scope of the risk centralization and the inclusion of the Cooperative Companies in the system have been completed and mutual tests are ongoing with the ready cooperatives.

In line with the regulations made in the TRNC Banking Law No. 62/2017, the establishment of the Northern Cyprus Credit Registry Office was initiated as of September 2018 within the body of the Banks Association of Northern Cyprus. When the relevant office goes into action, EU harmonization will be ensured in terms of legislation. Also, with the establishment of the Northern Cyprus Credit Registry Office, it is aimed that various products and services are provided to the financial sector and real sector as well as individuals to enable better risk management.

***b. Institutional Electronic Payment System (IEPS)***

The efforts on developing and improving the Institutional Electronic Payment System (IEPS), which will allow public institutions to make payments through the banks in electronic environment in a safe and fast manner, are ongoing in 2018 as well.

***c. Electronic Document Management System (EBYS) and Document Management System (DYS)***

The exchange of documents between public institutions and organizations in the TRNC is carried out through the system called Electronic Document Management System (EBYS). The EBYS System enables the production, management, access, storage, archiving and reporting of electronic documents in TRNC Public Institutions. Within the scope of E-Government works, our bank has been included in the EBYS as of February 22, 2018 after the necessary infrastructure and training activities for participation.

The exchange of documents with banks, other real persons and legal entities is currently carried out physically by hand or by post and the registration, transfer and storage of the in-house incoming and outgoing documents are carried out through the bank's Document Management System (DMS). The second version of DMS application has been redesigned to include workflow and e-signature, and preparations of the new version, which includes more effective and increased data security, have been completed.

**d. Information Technologies**

In 2018, the “CheckPoint SandBlast” platform was installed by the Information Technologies and Payment Systems Department. This platform ensures that current and unknown threats that can harm computer systems are detected and immediate action is taken. Operating in line with the zero-day protection approach, the platform has been put into use in addition to anti-virus software, which enables the detection and removal of malicious software in the systems.

Banks are obliged to notify the Central Bank of their customers who are restrained from using cheque books. The bank initiated the works on the software that enables these notification processes to be made in a secure electronic environment and the list of the people restrained from using cheque books to be released by the Central Bank. The new system that for listing the people restrained from using cheque books was made available for testing purposes to the authorized people in the banks, after necessary trainings. Also, the “Cheque Book Notification Rules Statement” was updated according to the new system, a new statement draft was produced and the related system is planned to be put into operation in 2019.

Another application, which was launched in 2018, aims to make inquiries on the company approval documents through the web service provided by the Registrar of Companies. A protocol was signed with Registrar of Companies on this issue.

**e. Savings Deposit Insurance and Financial Stability Fund (SDIFSF)**

By the authority given by the paragraphs (2) and (3) of Article 11 of the Savings Deposit Insurance and Financial Stability Fund Law No. 32/2009, our bank made an amendment to the “Notification on Collection Procedures and Principles for the Savings Deposit Insurance Premiums” that became effective upon being published in the Official Gazette no. 52 dated 25.04.2016. With the “Amendment Notification” published in the Official Gazette No. 140 dated 26.09.2018, the savings deposit insurance premium rate for all banks was changed to 0.125 percent of the total of the deposits subject to insurance.

In 2018, the total amount of TRY - FX investments made by banks to the SDIFSF over the savings deposits subject to insurance premium annually (4 semesters) was 105.472.170 TRY. While the total of these investments in TRY currency was 43.559.558, the total in FX was 61.912.612 TRY.

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# FINANCIAL TABLES

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## 4. FINANCIAL TABLES

### 4.1 Balance Sheet

#### *Asset Accounts*

As of the end of 2018, total assets of the Central Bank of the TRNC increased by 29.70 percent compared to the previous year and reached 10,856 million TRY. Cash assets, receivables from banks and securities portfolio accounts constituting 96.55 percent of the total assets in 2017 Balance Sheet of the Central Bank, realised as 96.72 percent of the total assets as of the end of 2018.

Cash assets with the largest share in total assets and receivables from banks increased by 43.88 percent compared to the end of the previous year. Cash assets and receivables from banks items amounting to 7,178 million TRY as of the end of 2017, reached 10,327 million TRY as of the end of 2018 and its share in total assets became 95,13 percent.

**Table 4.1**

ASSETS	2017	2018	Percentage Share		Percentage Change
			2017	2018	
<b>Cash Assets and Receivables from Banks</b>	7.177.504.334	10.327.004.935	85,75	95,13	43,88
<b>Securities Portfolio</b>	903.656.300	172.590.899	10,79	1,59	-80,90
<b>Loans</b>	62.442.374	61.335.607	0,75	0,57	-1,77
<b>Market Operations</b>	117.817.065	-	1,41	0,00	-
<b>Non-Performing Loans (Net)</b>	-	-	-	-	-
<b>Fixed Assets (Net)</b>	2.262.006	2.145.704	0,03	0,02	-5,14
<b>Other Assets</b>	106.356.953	292.491.524	1,27	2,69	175,01
<b>Total</b>	<b>8.370.039.032</b>	<b>10.855.568.669</b>	<b>100,00</b>	<b>100,00</b>	<b>29,70</b>
<b>LIABILITIES</b>					
<b>Public Deposits</b>	115.812.822	103.553.060	1,38	0,95	-10,59
<b>Bank Deposits</b>	2.563.631.465	3.810.868.526	30,63	35,11	48,65
<b>Other Deposits</b>	2.470.423	3.557.561	0,03	0,03	44,01
<b>Reserve Requirements</b>	1.729.000.717	1.885.311.620	20,66	17,37	9,04
<b>Funds</b>	986.585.321	1.388.520.321	11,79	12,79	40,74
<b>Market Operations</b>	2.381.050.147	2.840.808.585	28,45	26,17	19,31
<b>Other Liabilities</b>	3.360.859	12.631.989	0,04	0,12	275,85
<b>Shareholders' Equity</b>	588.127.278	810.317.007	7,03	7,46	37,78
<b>Total</b>	<b>8.370.039.032</b>	<b>10.855.568.669</b>	<b>100,00</b>	<b>100,00</b>	<b>29,70</b>

Source: Central Bank of the TRNC

### *Cash Assets and Receivables from Banks*

Bank deposits item increased by 40.61 percent compared to the previous year and reached from 6,916 million TRY to 9,725 million TRY in 2018.

**Table 4.2**

	<b>2017</b>	<b>2018</b>
<b>Cash Assets and Receivables from Banks</b>	<b>7.177.504.334</b>	<b>10.327.004.935</b>
<b>Cash</b>	257.360.230	596.636.956
<b>Gold</b>	3.997.999	5.503.526
<b>Bank Deposits</b>	6.916.146.105	9.724.864.453

Source: Central Bank of the TRNC

### *Securities Portfolio*

The securities portfolio item with a share of 10.79 percent in total assets in 2017 decreased by 80.9 percent in 2018 and fell from 903.7 million TRY to 172.6 million TRY.

### *Loans*

In 2018, loans item in the Central Bank of the TRNC balance sheet decreased by 1.77 percent and amounted to 61,3 million TRY, compared to the previous year.

As of the end of 2018, while the total loan of the public sector was 53.4 million TRY, the total amount of the loans extended to the banking sector through the discount window was 7.9 million TRY.

**Table 4.3**

	<b>2017</b>	<b>2018</b>
<b>Loans</b>	<b>62.442.374</b>	<b>61.335.607</b>
<b>Short Term Advance to the Treasury</b>	56.784.524	53.444.257
<b>Banking</b>	<b>5.657.850</b>	<b>7.891.350</b>

Source: Central Bank of the TRNC

### *Non-Performing Loans (Net)*

While the NPL of the Central Bank is 12.5 million TRY, it does not have a net balance at the end of 2018, as it was at the end of 2017, due to the fact that a 100% provision has been provided for these receivables.

***Fixed Assets (Net)***

The net fixed assets consisting of immovables and fixtures decreased by 5.14 percent at the end of 2018 compared to the end of 2017 and realized as 2 million TRY.

**Table 4.4**

	<b>2017</b>	<b>2018</b>
<b>Fixed Assets</b>	<b>2.262.006</b>	<b>2.145.704</b>
<b>Immovables</b>	814.829	785.070
<b>Fixtures and Nonmaterial Rights</b>	1.447.177	1.360.634

Source: Central Bank of the TRNC

***Other Assets***

Other assets item, which amounted to 106.4 million TRY in 2017, increased by 175.01 percent in 2018 and reached 292.5 million TRY, due to the increase in transitory debt accounts constituting this item.

**Table 4.5**

Thousand TRY	<b>2017</b>	<b>2018</b>
<b>Other Assets</b>	<b>106.356.953</b>	<b>292.491.524</b>
<b>Temporary Receivables</b>	79.255	79.517
<b>Transitory Account</b>	106.277.698	292.412.007

Source: Central Bank of the TRNC

***Liability Accounts***

Bank deposits, which have the largest share in total liabilities, increased by 48.65 percent, while total market operations, which is the second largest share increased by 19.31 percent.

***Bank Deposits***

Bank deposits item showing the deposits in the Central Bank of the Turkish Republic of Northern Cyprus increased by 48.65 percent compared to the end of 2017 and reached 3,811 million TRY as of the end of 2018. Bank deposits also include the amounts blocked as collateral by banks for IMM transactions.

**Table 4.6**

	<b>2017</b>	<b>2018</b>
<b>Bank Deposits</b>	<b>2.563.631.465</b>	<b>3.810.868.526</b>
<b>Bank Deposits</b>	2.446.186.283	3.683.931.916
<b>Blocked Accounts</b>	117.445.182	126.936.610

Source: Central Bank of the TRNC

### *Market Operations*

While the sum of the Central Bank securities included in the market transactions amounted to 1,973 million TRY as of the end of 2018, the sum of the IMM transaction debts under the same item was 868.2 million TRY. Accordingly, in the one-year period, the sum of the Central Bank securities increased by 34.2 percent and the IMM transaction debts decreased by 4.7 percent.

**Table 4.7**

	<b>2017</b>	<b>2018</b>
<b>Market Operations</b>	<b>2.381.050.147</b>	<b>2.840.808.585</b>
<b>Central Bank Securities</b>	1.469.901.130	1.972.640.785
<b>Money Market Operations</b>	911.149.017	868.167.800

Source: Central Bank of the TRNC

### *Reserve Requirements*

In 2018, reserve requirements item held at the Central Bank increased by 9.04 percent compared to the previous year and reached 1.885 million TRY.

### *Public Deposits*

As of the end of 2018, public deposits decreased by 12.3 million TRY, compared to the previous year. The share of public deposits increased by 10,59 percent compared to the end of 2017 and reached 103.6 million TRY as of the end of 2018.

### *Other Deposits*

As of the end of 2018, other deposits item increased by 44.01 percent and reached 3,558 thousand TRY, compared to the end of 2017.

*Funds*

As of the end of 2018, funds item increased by 40.74 percent from 986.6 million TRY to 1,389 million TRY due to the increase in other funds sub-item.

**Table 4.8**

	<b>2017</b>	<b>2018</b>
<b>Funds</b>	<b>986.585.321</b>	<b>1.388.520.321</b>
<b>Central Bank Funds</b>	689.806	5.635.676
<b>Treasury Funds</b>	647.790	1.380.772
<b>Other Funds</b>	985.247.725	1.381.503.873

Source: Central Bank of the TRNC

*Shareholders' Equity*

As a result of the increases in reserves and provisions accounts, which are among the sub-items constituting shareholders' equity, of 24.29 percent and 29.06 percent in 2018, respectively, the total shareholders' equity reached 810.3 million TRY. As of the end of 2018, reserves, provisions and profit items amounted to 260 million TRY, 200.9 million TRY and 329.4 million TRY, respectively.

As stated in Article 8 of the Central Bank of the TRNC Law No. 41/2001, the bank has a paid-in capital of 20 million TRY owned by the Turkish Republic of Northern Cyprus.

**Table 4.9**

	<b>2017</b>	<b>2018</b>
<b>Shareholders' Equity (Including Profit)</b>	<b>588.127.278</b>	<b>810.317.007</b>
<b>Shareholders' Equity (Excluding Profit)</b>	<b>384.891.701</b>	<b>480.942.598</b>
<b>Capital</b>	20.000.000	20.000.000
<b>Reserves</b>	209.206.740	260.015.635
<b>Provisions</b>	155.684.961	200.926.963
<b>Profit</b>	203.235.577	329.374.409

Source: Central Bank of the TRNC

## 4.2 Profit and Loss Statement

Profit of the Central Bank increased by 62.1 percent compared to the previous year and reached 329.4 million TRY in 2018. In 2018, total revenues item increased by 75.34 percent and total expenditures item increased by 89.25 percent compared to the previous year.

In 2018, the share of Turkish Lira transactions profit in the revenues item, increased by 65.76 percent compared to the previous year and reached 510.6 million TRY. In the same period, foreign currency exchange profits increased by 108.54 percent and reached 185.7 million TRY.

Total expenditures, which amounted to 193.9 million TRY in 2017, increased by 89.25 percent in 2018 and reached 367.0 million TRY. Total TRY transaction expenses, which had the highest share in expenditure items, increased by 70.92 percent compared to the previous year and reached 228.7 million TRY. While the share of foreign exchange losses, which had the second highest share in total expenditures with 17.57 percent in 2018, had increased by 168.20 percent compared to the previous year, the share of TRY cash and foreign exchange insurance premiums in total expenditures increased to 8.18 percent. Insurance premiums for banknotes and foreign exchange banknotes reached 15.2 million TRY.

Table 4.10

	2017	2018	Percentage Share		Percentage Change
			2017	2018	
<b>REVENUES</b>					
<b>Profit on Foreign Currency Exchange</b>	89.060.125	185.727.555	22,42	26,67	108,54
<b>Profit on Turkish Lira Transactions</b>	308.061.108	510.632.862	77,57	73,33	65,76
<b>Miscellaneous Profits</b>	30.911	1.217	0,01	0,00	-96,06
<b>Total Revenues</b>	<b>397.152.145</b>	<b>696.361.634</b>	<b>100,00</b>	<b>100,00</b>	<b>75,34</b>
<b>EXPENDITURES</b>					
<b>Personnel Expenditures</b>	13.281.105	24.898.238	6,85	6,78	87,47
<b>Administrative Expenditures</b>	982.050	1.723.879	0,50	0,47	75,54
<b>Insurance Premiums for Banknotes and Foreign Exchange Banknotes</b>	5.152.538	15.242.002	2,66	4,15	195,82
<b>Insurance Premiums for TRY Cash and Foreign Exchange Banknotes</b>	15.000.000	30.000.000	7,73	8,18	100,00
<b>Loss on Foreign Currency Exchange</b>	24.040.919	64.476.716	12,40	17,57	168,20
<b>TRY Transaction Expenditures</b>	133.799.860	228.684.709	69,00	62,31	70,92
<b>Depreciation Charges</b>	847.967	646.413	0,44	0,18	-23,77
<b>Other Expenditures and Losses</b>	812.129	1.315.268	0,42	0,36	61,95
<b>Total Expenditures</b>	<b>193.916.568</b>	<b>366.987.225</b>	<b>100,00</b>	<b>100,00</b>	<b>89,25</b>
<b>Profit</b>	203.235.577	329.374.409			62,07
<b>Grand Total</b>	<b>397.152.145</b>	<b>696.361.634</b>			<b>75,34</b>

Source: Central Bank of the TRNC

### 4.3 Profit Distribution - 2018

Article 44 of the Central Bank of the TRNC Law No. 41/2001 regulates the use of profits. According to the aforementioned article, 25 percent of the profit is transferred to the reserves and the remaining to the Treasury. 329.4 million TRY, which is the profit for 2018 is distributed as follows.

**Table 4.11**

	<b>Retained Profit</b>	<b>Percentage Share</b>
<b>Retained Reserve</b>	82.343.602	25,00
<b>Received on Treasury Debt Account</b>	7.584.327	2,30
<b>Transferred to the Treasury</b>	239.446.480	72,70
<b>2017 Profit</b>	<b>329.374.409</b>	<b>100,00</b>

**Source:** Central Bank of the TRNC



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# TABLES

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## 5. TABLES

### Central Bank of the TRNC Balance Sheet- 31.12.2018 (TRY)

Assets	TRY	FX	TRY Total	FX Total	Grand Total
<b>I- Current Assets</b>			3.029.608.090	7.469.987.744	<b>10.499.595.834</b>
Cash	1.755.636	594.881.320			
Gold		5.503.526			
Securities Portfolio	141.268.700	31.322.199			
Bank Deposits	2.886.583.754	6.838.280.699			
Foreign Correspondents					
<b>II- Fixed Assets</b>					<b>2.145.704</b>
Immovables	992.011				
Depreciation Charges (-)	-206.941				
Fixtures	5.655.764				
Depreciation Charges (-)	-4.295.130				
<b>III- Loans</b>					<b>61.335.607</b>
A- Advance Accounts					
a- Short Term Advance to the Treasury	53.444.257		53.444.257		
b- Advance Under Treasury Guaranteed Bills					
c- Commercial Bank Securities		7.891.350		7.891.350	
B- Market Operations					
a- IMM Transactions					
<b>IV- Other Assets</b>					<b>292.491.524</b>
A- Temporary Receivables			79.517		
B- Non-Performing Loans (Net)			0		
a- Non-Performing loans	12.511.964				
b- Provisions for Non-Performing Loans (-)	12.511.964				
C- Transitory Account					
a-Other	290.394.327	2.017.680			
<b>TOTAL</b>					<b>10.855.568.669</b>

Source: Central Bank of the TRNC

**Central Bank of the TRNC Balance Sheet - 31.12.2018 (TRY)**

<b>Liabilities</b>	<b>TRY</b>	<b>FX</b>	<b>TRY Total</b>	<b>FX Total</b>	<b>Grand Total</b>
<b>I - Shareholders' Equity</b>					<b>480.942.598</b>
Capital	20.000.000				
Reserves	260.015.635				
Provisions	200.926.963				
<b>II - Foreign Sources</b>					<b>10.032.619.673</b>
<b>A- Deposits</b>			<b>759.321.440</b>	<b>3.158.657.707</b>	
a- Public Deposits	51.246.900	52.306.160			
b- Bank Deposits	706.945.906	2.976.986.010			
c- Blocked Accounts	1.186	126.935.424			
d- Personal Deposits	1.126.486	2.430.113			
e- Other Deposits	962				
<b>B- Reserve Requirements</b>			<b>707.399.584</b>	<b>1.177.912.036</b>	
<b>B- Market Operations</b>			<b>737.000.000</b>	<b>2.103.808.585</b>	
a- Money Market Operations	170.000.000	698.167.800			
b- Central Bank Securities	567.000.000	1.405.640.785			
<b>D- Funds</b>			<b>541.008.764</b>	<b>847.511.557</b>	
a- Central Bank Funds	5.635.676				
b- Treasury Funds	1.314.850	65.922			
c- Other Funds	534.058.238	847.445.635			
<b>III - Other Liabilities</b>					<b>12.631.989</b>
a-Temporary Debts			29.850		
b-Transitory Account			9.989.112	2.613.027	
<b>IV - Profit</b>			<b>329.374.409</b>		<b>329.374.409</b>
<b>TOTAL</b>					<b>10.855.568.669</b>

Source: Central Bank of the TRNC

## Central Bank of the TRNC Balance Sheet- 31.12.2017 (TRY)

Assets	TRY	FX	TRY Total	FX Total	Grand Total
<b>I- Current Assets</b>			2.632.973.765	5.448.186.869	<b>8.081.160.634</b>
Cash	350.173	257.010.057			
Gold		3.997.999			
Securities Portfolio	903.656.300				
Bank Deposits	1.728.967.292	5.187.178.813			
Foreign Correspondents					
<b>II- Fixed Assets</b>			2.262.006		<b>2.262.006</b>
Immovables	992.011				
Depreciation Charges (-)	-177.182				
Fixtures	5.278.269				
Depreciation Charges (-)	-3.831.092				
<b>III- Loans</b>			136.784.524	43.474.915	<b>180.259.439</b>
A- Advance Accounts					
a- Short Term Advance to the Treasury	56.784.524				
b- Advance Under Treasury Guaranteed Bills					
c- Commercial Bank Securities		5.657.850			
B- Market Operations					
a- IMM Transactions	80.000.000	37.817.065			
<b>IV- Other Assets</b>			106.265.361	91.592	<b>106.356.953</b>
A- Temporary Receivables	79.255				
B- Non-Performing Loans (Net)					
a- Non-Performing loans	12.511.964				
b- Provisions for Non-Performing Loans (-)	12.511.964				
C- Transitory Account					
a-Other	106.186.106	91.592			
<b>TOTAL</b>					<b>8.370.039.032</b>

Source: Central Bank of the TRNC

## Central Bank of the TRNC Balance Sheet - 31.12.2017 (TRY)

Liabilities	TRY	FX	TRY Total	FX Total	Grand Total
<b>I - Shareholders' Equity</b>			384.891.701		384.891.701
<b>Capital</b>	20.000.000				
<b>Reserves</b>	209.206.740				
<b>Provisions</b>	155.684.961				
<b>II - Foreign Sources</b>			1.544.484.687	4.505.065.491	7.778.550.895
<b>A- Deposits</b>					
<b>a- Public Deposits</b>	42.219.684	73.593.138			
<b>b- Bank Deposits</b>	490.652.950	1.955.533.333			
<b>c- Blocked Accounts</b>		117.445.182			
<b>d- Personal Deposits</b>	1.071.969	1.397.563			
<b>e- Other Deposits</b>	891				
<b>B- Reserve Requirements</b>	781.455.275	947.545.442			
<b>D- Market Operations</b>	572.743.267	1.808.306.880			
<b>a- Money Market Operations</b>	171.043.267	740.105.750			
<b>b- Central Bank Securities</b>	401.700.000	1.068.201.130			
<b>E- Funds</b>	437.795.926	548.789.395			
<b>a- Central Bank Funds</b>	689.806				
<b>b- Treasury Funds</b>	598.421	49.369			
<b>c- Other Funds</b>	436.507.699	548.740.026			
<b>III - Other Liabilities</b>			2.667.781	693.078	3.360.859
<b>a-Temporary Debts</b>	18.976				
<b>b-Transitory Account</b>	2.648.805	693.078			
<b>IV - Profit</b>	206.235.577		206.235.577		206.235.577
<b>TOTAL</b>					8.370.039.032

Source: Central Bank of the TRNC

### Central Bank of the TRNC Profit and Loss Table by Years (TRY)

Date	Profit (Loss)	Date	Profit (Loss)
1997	7.063.247	<b>2008</b>	34.397.584
1998	4.473.283	<b>2009</b>	53.879.493
1999	9.422.197	<b>2010</b>	38.706.980
2000	2.806.998	<b>2011</b>	60.793.021
2001	12.022.535	<b>2012</b>	59.185.678
2002	11.837.476	<b>2013</b>	61.100.258
2003	14.100.468	<b>2014</b>	66.522.923
2004	27.718.821	<b>2015</b>	110.530.354
2005	48.415.266	<b>2016</b>	133.906.573
2006	23.817.485	<b>2017</b>	203.235.577
2007	32.953.888	<b>2018</b>	329.374.409

Source: Central Bank of the TRNC

### Central Bank of the TRNC Selected Asset Items (TRY)

Date	Liquid Assets	Loans	Other Assets	Total Assets
30.Sept.13	3.052.496.431	139.133.835	1.799.949	<b>3.193.430.215</b>
31.Dec.13	3.213.649.639	78.854.104	63.070.913	<b>3.355.574.656</b>
31.Mar.14	3.079.515.185	147.484.184	1.728.249	<b>3.228.727.618</b>
30.Jun.14	3.270.433.195	121.218.064	1.804.149	<b>3.393.455.408</b>
30.Sept.14	3.511.228.059	119.312.114	1.752.480	<b>3.632.292.653</b>
31.Dec.14	3.645.697.257	171.220.524	25.331.106	<b>3.842.248.887</b>
31.Mar.15	3.739.517.315	115.254.133	2.248.301	<b>3.857.019.749</b>
30.Jun.15	4.297.312.709	132.031.767	18.942.188	<b>4.448.286.664</b>
30.Sept.15	4.883.071.770	133.138.667	2.280.396	<b>5.018.490.833</b>
31.Dec.15	4.820.323.929	184.465.057	20.635.529	<b>5.025.424.515</b>
31.Mar.16	4.759.331.238	177.928.840	2.511.781	<b>4.939.771.859</b>
30.Jun.16	4.743.182.458	213.175.830	2.640.121	<b>4.958.998.409</b>
30.Sept.16	5.466.386.701	186.416.180	2.729.886	<b>5.655.532.767</b>
31.Dec.16	6.362.944.796	67.051.670	22.187.719	<b>6.452.184.185</b>
31.Mar.17	6.764.573.400	101.158.224	3.401.183	<b>6.869.132.807</b>
30.Jun.17	6.981.906.564	134.992.949	2.841.955	<b>7.119.741.468</b>
30.Sept.17	7.630.043.970	191.469.924	2.907.269	<b>7.824.421.163</b>
31.Dec.17	8.081.160.634	180.259.439	108.618.959	<b>8.370.039.032</b>
31 Mar. 18	8.545.422.968	219.540.337	4.339.065	<b>8.769.302.370</b>
30 Jun. 18	9.341.542.297	155.660.857	2.673.006	<b>9.499.876.160</b>
30 Sept. 18	11.073.132.669	172.557.057	2.684.160	<b>11.248.373.886</b>
31 Dec.18	10.499.595.834	61.335.607	294.637.228	<b>10.855.568.669</b>

Source: Central Bank of the TRNC

### Central Bank of the TRNC Selected Liability Items (TRY)

Date	Shareholders' Equity (Excluding Profit)	Deposits	Reserve Requirements	Other Liabilities	Total Liabilities
30.Sept.13	218.683.984	1.724.387.219	828.836.908	421.522.104	<b>3.193.430.215</b>
31.Dec.13	291.100.579	1.818.251.291	870.763.371	436.559.672	<b>3.355.574.656</b>
31.Mar.14	245.971.070	1.675.102.982	876.948.620	430.704.946	<b>3.228.727.618</b>
30.Jun.14	247.254.958	1.792.772.785	890.156.351	463.271.314	<b>3.393.455.408</b>
30.Sept.14	248.132.449	1.917.060.863	938.524.944	528.574.397	<b>3.632.292.653</b>
31.Dec.14	258.929.182	1.493.119.701	954.982.558	1.135.217.446	<b>3.842.248.887</b>
31.Mar.15	276.152.356	1.408.442.288	1.006.554.132	1.165.870.973	<b>3.857.019.749</b>
30.Jun.15	276.996.548	1.482.713.730	1.062.691.010	1.625.885.376	<b>4.448.286.664</b>
30.Sept.15	278.408.386	1.554.299.105	1.159.694.120	2.026.089.222	<b>5.018.490.833</b>
31.Dec.15	400.156.276	1.597.089.925	1.143.470.037	1.884.708.277	<b>5.025.424.515</b>
31.Mar.16	317.637.476	1.368.093.189	1.158.875.053	2.095.166.141	<b>4.939.771.859</b>
30.Jun.16	318.658.983	1.476.230.465	1.172.163.993	1.991.944.968	<b>4.958.998.409</b>
30.Sept.16	319.829.286	1.706.384.976	1.233.282.326	2.396.036.179	<b>5.655.532.767</b>
31.Dec.16	465.169.093	2.083.019.935	1.359.700.420	2.544.294.737	<b>6.452.184.185</b>
31.Mar.17	365.686.916	2.121.997.651	1.448.684.018	2.932.764.222	<b>6.869.132.807</b>
30.Jun.17	367.060.935	2.317.720.970	1.512.813.049	2.922.146.514	<b>7.119.741.468</b>
30.Sept.17	368.577.947	2.505.097.829	1.615.196.100	3.335.549.287	<b>7.824.421.163</b>
31.Dec.17	384.891.701	2.681.914.710	1.729.000.716	3.574.231.905	<b>8.370.039.032</b>
31.Mar.18	436.642.697	2.870.588.126	1.851.557.638	3.610.513.909	<b>8.769.302.370</b>
30.Jun.18	439.621.419	3.105.622.819	1.993.912.015	3.960.719.907	<b>9.499.876.160</b>
30.Sept.18	445.771.689	3.717.146.751	2.052.867.163	5.032.588.283	<b>11.248.373.886</b>
31.Dec.18	480.942.598	3.917.979.147	1.885.311.620	4.571.335.304	<b>10.855.568.669</b>

Source: Central Bank of the TRNC

**Central Bank of the TRNC Liquid Assets (TRY)**

<b>Date</b>	<b>Cash Assets</b>	<b>Gold Deposit</b>	<b>Bank Deposits (TRY)</b>	<b>Bank Deposits (FX)</b>	<b>Foreign Banks</b>	<b>SP</b>	<b>Total</b>
30.Sept.13	88.890.514	2.506.876	1.359.032.554	1.456.467.434	26.347.485	119.251.568	<b>3.052.496.431</b>
31.Dec.13	62.270.427	2.146.362	1.403.280.967	1.522.482.954	78.923.761	144.545.168	<b>3.213.649.639</b>
31.Mar.14	57.681.769	2.146.362	1.068.596.270	1.717.402.462	35.043.690	198.644.632	<b>3.079.515.185</b>
30.Jun.14	37.813.934	2.146.362	1.173.711.609	1.837.164.805	51.540.117	168.056.368	<b>3.270.433.195</b>
30.Sept.14	63.855.297	2.146.362	1.167.075.364	1.915.670.506	63.391.520	299.089.010	<b>3.511.228.059</b>
31.Dec.14	59.575.201	2.341.331	1.307.875.937	1.925.886.634	60.933.484	289.084.670	<b>3.645.697.257</b>
31.Mar.15	93.270.862	2.341.331	1.456.217.149	1.979.335.666	48.438.307	159.914.000	<b>3.739.517.315</b>
30.Jun.15	82.385.984	2.341.331	1.467.167.127	2.411.582.643	113.843.324	219.992.300	<b>4.297.312.709</b>
30.Sept.15	140.974.336	2.341.331	1.467.337.337	2.899.368.703	114.480.913	258.569.150	<b>4.883.071.770</b>
31.Dec.15	87.625.194	2.611.239	1.402.006.529	2.945.775.755	55.692.162	326.613.050	<b>4.820.323.929</b>
31.Mar.16	117.668.364	2.611.239	1.499.576.679	2.952.607.384	77.638.972	109.228.600	<b>4.759.331.238</b>
30.Jun.16	90.757.864	2.611.239	1.614.592.023	2.855.674.301	33.822.031	145.725.000	<b>4.743.182.458</b>
30.Sept.16	238.570.625	2.611.239	2.029.877.829	3.097.871.008	-	97.456.000	<b>5.466.386.701</b>
31.Dec.16	216.724.660	3.440.019	2.260.530.677	3.687.779.940	-	194.469.500	<b>6.362.944.796</b>
31.Mar.17	165.588.687	3.440.019	2.101.326.259	4.030.683.635	-	463.534.800	<b>6.869.132.807</b>
30.Jun.17	171.906.834	3.440.019	1.823.606.608	4.299.854.053	-	683.099.050	<b>6.981.906.564</b>
30.Sept.17	275.459.595	3.440.019	1.842.387.496	4.739.760.510	-	768.996.350	<b>7.630.043.970</b>
31.Dec.17	257.360.230	3.997.999	1.728.967.292	5.187.178.813	-	903.656.300	<b>8.081.160.634</b>
31 Mar. 18	382.362.841	3.997.999	1.705.665.243	5.630.492.210	-	822.904.675	<b>8.545.422.968</b>
30 Jun. 18	281.516.845	3.997.999	1.845.209.663	6.467.950.290	-	742.867.500	<b>9.341.542.297</b>
30 Sept. 18	701.495.845	3.997.999	2.827.946.391	7.539.692.434	-	-	<b>11.073.132.669</b>
31 Dec.18	596.636.956	5.503.526	2.886.583.754	6.838.280.699	-	172.590.899	<b>10.499.595.834</b>

**Source:** Central Bank of the TRNC



**Loans Extended to the Banking Sector by the Central Bank of TRNC (TRY)**

<b>Date</b>	<b>Agriculture</b>	<b>Commercial</b>	<b>Industry</b>	<b>Exports</b>	<b>Small Business Owners</b>	<b>Tourism</b>	<b>Education</b>	<b>Total</b>
30.Sept.13							2.718.359	<b>2.718.359</b>
31.Dec.13								-
31.Mar.14							2.431.745	<b>2.431.745</b>
30.Jun.14							2.381.303	<b>2.381.303</b>
30.Sept.14							2.580.963	<b>2.580.963</b>
31.Dec.14								-
31.Mar.15							4.466.517	<b>4.466.517</b>
30.Jun.15							4.642.279	<b>4.642.279</b>
30.Sept.15							5.311.384	<b>5.311.384</b>
31.Dec.15								-
31.Mar.16								-
30.Jun.16							4.083.448	<b>4.083.448</b>
30.Sept.16							4.270.101	<b>4.270.101</b>
31.Dec.16							5.065.643	<b>5.065.643</b>
31.Mar.17								-
30.Jun.17							4.943.377	<b>4.943.377</b>
30.Sept.17							5.415.736	<b>5.415.736</b>
31.Dec.17							5.807.899	<b>5.807.899</b>
31 Mar. 18							5.789.550	<b>5.789.550</b>
30 Jun. 18							6.912.450	<b>6.912.450</b>
30 Sept. 18							9.112.800	<b>9.112.800</b>
31 Dec.18							7.933.350	<b>7.933.350</b>

**Source:** Central Bank of the TRNC

**Note:** Interest revenue rediscounts are included in the figures.

**Deposits in Central Bank of the TRNC (TRY)**

Date	Public Deposits		Banks				Other		Total
	TRY	FX	A - Deposits		B - Reserve Requirements		TRY	FX	
			TRY	FX	TRY	FX			
30.Sept.13	86.265.299	18.449.179	620.407.179	975.835.456	482.994.224	345.842.684	426.258	23.003.848	<b>2.553.224.127</b>
31.Dec.13	18.846.398	20.578.975	735.826.294	1.013.142.338	487.900.228	382.863.143	609.831	29.247.455	<b>2.689.014.662</b>
31.Mar.14	38.950.361	43.565.188	472.182.955	1.094.180.494	491.575.544	385.373.076	438.945	25.785.039	<b>2.552.051.602</b>
30.Jun.14	53.919.830	11.982.605	466.591.523	1.122.184.360	499.327.153	390.829.198	17.474.716	120.619.751	<b>2.682.929.136</b>
30.Sep.14	69.233.058	18.698.887	502.033.797	1.136.473.300	526.918.645	411.606.299	27.425.327	163.196.494	<b>2.855.585.807</b>
31.Dec.14	17.094.271	9.256.228	567.445.436	868.076.651	532.525.648	422.456.910	629.724	30.617.391	<b>2.448.102.259</b>
31.Mar.15	10.753.910	21.354.653	497.415.629	849.731.141	555.437.616	451.116.516	441.602	28.745.353	<b>2.414.996.420</b>
30.Jun.15	18.278.584	34.669.328	421.856.540	988.595.032	565.747.200	496.943.810	428.189	18.886.057	<b>2.545.404.740</b>
30.Sept.15	14.819.534	30.301.580	346.773.076	1.141.287.770	578.364.670	581.329.450	396.168	20.720.977	<b>2.713.993.225</b>
31.Dec.15	57.528.409	19.608.857	377.112.293	1.111.941.851	583.627.835	559.842.202	751.281	30.147.234	<b>2.740.559.962</b>
31.Mar.16	6.022.339	9.748.736	300.772.726	1.024.849.739	596.821.843	562.053.210	529.628	26.170.021	<b>2.526.968.242</b>
30.Jun.16	78.931.631	12.662.410	294.047.768	975.886.690	606.507.229	565.656.764	479.769	114.222.197	<b>2.648.394.458</b>
30.Sept.16	51.544.433	68.733.216	389.781.881	1.098.732.181	622.344.234	610.938.092	527.417	97.065.848	<b>2.939.667.302</b>
31.Dec.16	29.069.115	35.483.804	459.264.539	1.442.174.000	652.163.031	707.537.389	794.582	116.233.895	<b>3.442.720.355</b>
31.Mar.17	58.041.406	24.242.055	461.185.477	1.467.785.063	691.268.617	757.415.401	624.885	110.118.765	<b>3.570.681.669</b>
30.Jun.17	78.704.320	22.436.407	374.581.174	1.734.713.467	710.390.248	802.422.801	573.332	106.712.270	<b>3.830.534.019</b>
30.Sept.17	15.915.165	32.448.413	425.277.954	1.918.976.979	734.899.763	880.296.337	760.406	111.718.912	<b>4.120.293.929</b>
31.Dec.17	42.219.684	73.593.138	490.652.950	1.955.533.333	781.455.275	947.545.441	1.072.860	118.842.745	<b>4.410.915.426</b>
31.Mar.18	76.501.751	66.921.045	471.340.988	2.111.203.615	804.457.502	1.047.100.136	1.011.021	143.609.706	<b>4.722.145.764</b>
30. Jun.18	91.040.695	30.311.907	417.186.670	2.414.035.090	768.010.729	1.225.901.286	985.662	152.062.795	<b>5.099.534.834</b>
30.Sept.18	62.415.658	80.786.260	405.694.465	3.028.839.065	704.301.812	1.348.565.351	843.643	138.567.660	<b>5.770.013.914</b>
31.Dec.18	51.246.900	52.306.160	706.945.906	2.976.986.010	707.399.584	1.177.912.036	1.128.634	129.365.537	<b>5.803.290.767</b>

Source: Central Bank of the TRNC

## Central Bank of the TRNC Exchange Rates

Years	Months	USD		EURO		GBP	
		Buying	Selling	Buying	Selling	Buying	Selling
2012		1,7826	1,7912	2,3517	2,3630	2,8708	2,8858
2013		2,1343	2,1381	2,9365	2,9418	3,5114	3,5297
2014		2,3189	2,3230	2,8207	2,8258	3,5961	3,6149
2015		2,9076	2,9128	3,1776	3,1833	4,3007	4,3231
2016		3,5192	3,5255	3,7099	3,7166	4,3189	4,3414
2017		3,7719	3,7787	4,5155	4,5237	5,0803	5,1068
2018	1	3,7795	3,7863	4,6824	4,6908	5,3025	5,3301
	2	3,7833	3,7901	4,6646	4,6730	5,2749	5,3024
	3	3,9489	3,9560	4,8673	4,8761	5,5385	5,5674
	4	4,0535	4,0608	4,8961	4,9049	5,5937	5,6229
	5	4,4834	4,4914	5,2064	5,2158	5,9433	5,9743
	6	4,5607	4,5690	5,3092	5,3188	5,9810	6,0122
	7	4,8850	4,8938	5,7034	5,7137	6,3977	6,4310
	8	6,4063	6,4178	7,4735	7,4869	8,2341	8,2770
	9	5,9902	6,0010	6,9505	6,9631	7,8079	7,8486
	10	5,5203	5,5303	6,2734	6,2847	7,0360	7,0727
	11	5,1649	5,1742	5,8737	5,8843	6,5977	6,6321
	12	5,2609	5,2704	6,0280	6,0388	6,6528	6,6875

**Source:** Central Bank of the TRNC

**Note:** End of month and end of year rates.

## Cross Rates

Foreign Currency / USD				
Years	Months	£	€	
2011		1,5449	1,2938	
2012		1,6111	1,3192	
2013		1,6480	1,3759	
2014		1,5535	1,2164	
2015		1,4817	1,0929	
2016		1,2293	1,0542	
2017		1,3492	1,1972	
2018	1	1,4054	1,2389	
	2	1,3967	1,2330	
	3	1,4049	1,2326	
	4	1,3823	1,2079	
	5	1,3279	1,1613	
	6	1,3137	1,1641	
	7	1,3119	1,1675	
	8	1,2875	1,1666	
	9	1,3057	1,1603	
	10	1,2767	1,1364	
	11	1,2796	1,1372	
	12	1,2667	1,1458	

**Source:** Central Bank of the TRNC

**Note:** End of month and end of year cross rates.

### Interest Rates Applied to Turkish Lira and Foreign Currency Deposits by the Central Bank of TRNC (%)

Effective Date	Currency				Board Decision		Official Gazette	
	TRY Demand	\$ Demand	€ Demand	£ Demand	Date	Number	Date	Number
19.01.2009	12,60	0,05	1,25	0,75	16.01.2009	691	23.01.2009	18
20.02.2009	11,25	0,05	1,25	0,50	20.02.2009	698	04.03.2009	47
20.03.2009	10,25	0,05	1,25	0,50	20.03.2009	708	27.03.2009	58
17.04.2009	9,50	0,05	1,00	0,50	17.04.2009	712	27.04.2009	78
08.05.2009	9,50	0,05	0,75	0,50	08.05.2009	718	18.05.2009	85
15.05.2009	9,00	0,05	0,75	0,50	15.05.2009	720	28.05.2009	92
17.06.2009	8,50	0,05	0,75	0,50	17.06.2009	725	22.06.2009	107
17.07.2009	8,00	0,05	0,75	0,50	17.07.2009	729	03.08.2009	133
19.08.2009	7,50	0,05	0,75	0,50	19.08.2009	734	03.09.2009	152
18.09.2009	7,00	0,05	0,75	0,50	18.09.2009	738	06.10.2009	170
16.10.2009	6,50	0,05	0,75	0,50	16.10.2009	741	22.10.2009	182
07.12.2009	6,25	0,05	0,75	0,50	04.12.2009	749	15.12.2009	211
17.09.2010	6,00	0,05	0,75	0,50	17.09.2010	786	29.09.2010	167
15.10.2010	5,50	0,05	0,75	0,50	15.10.2010	788	25.10.2010	183
27.12.2010	5,00	0,05	0,75	0,50	24.12.2010	796	31.12.2010	220
01.01.2013	4,00	0,05	0,75	0,50	20.12.2012	835	21.12.2012	212
01.06.2013	3,50	0,05	0,75	0,50	09.05.2013	847	16.05.2013	85
01.09.2013	4,00	0,05	0,75	0,50	22.08.2013	853	29.08.2013	138
03.02.2014	5,00	0,25	0,75	0,50	30.01.2014	872	04.02.2014	26
01.04.2014	7,00	0,25	0,75	0,50	20.03.2014	876	27.03.2014	70
01.03.2015	6,50	0,25	0,25	0,50	10.02.2015	900	17.02.2015	25
03.04.2017	7,00	0,40	0,25	0,50	23.03.2017	947	03.04.2017	61
05.06.2018	11,00	0,40	0,25	0,50	04.06.2018	998	11.06.2018	89
25.06.2018	11,00	0,75	0,25	0,50	21.06.2018	1001	02.07.2018	102
24.09.2018	17,25	1,00	0,25	0,50	20.09.2018	1014	26.09.2018	140

**Source:** Central Bank of the TRNC

**Note:** Interest rates applied to Turkish Lira and foreign currency demand deposits also applied to time deposits.

### Interest Rates Applied to Reserve Requirements for Turkish Lira and Foreign Currency Deposits by the Central Bank of TRNC

Effective		Currency			Board Decision		Official Gazette	
Date	TRY	\$	€	£	Date	Number	Date	Number
19.01.2009	8,00	0,00	0,75	0,25	16.01.2009	692	23.01.2009	18
20.02.2009	6,50	0,00	0,75	0,25	20.02.2009	699	04.03.2009	47
08.05.2009	6,50	0,00	0,50	0,25	08.05.2009	719	18.05.2009	85
17.07.2009	6,00	0,00	0,50	0,25	17.07.2009	730	03.08.2009	133
19.08.2009	5,50	0,00	0,50	0,25	19.08.2009	735	15.09.2009	157
16.10.2009	5,25	0,00	0,50	0,25	16.10.2009	742	22.10.2009	182
07.12.2009	5,00	0,00	0,50	0,25	04.12.2009	750	15.12.2009	211
01.01.2013	4,00	0,00	0,50	0,25	20.12.2012	836	21.12.2012	212
01.06.2013	3,50	0,00	0,50	0,25	09.05.2013	849	16.05.2013	85
01.03.2015	3,50	0,00	0,00	0,00	10.02.2015	899	17.02.2015	25
01.02.2018	5,00	0,20	0,125	0,25	25.01.2018	979	31.01.2018	9
05.06.2018	7,50	0,20	0,125	0,25	04.06.2018	998	11.06.2018	89
25.06.2018	7,50	0,40	0,125	0,25	21.06.2018	1001	02.07.2018	102
15.08.2018	9,00	0,40	0,125	0,25	14.08.2018	1004	31.08.2018	127
24.09.2018	13,00	0,65	0,125	0,25	20.09.2018	1014	26.09.2018	140

Source: Central Bank of the TRNC

## Rediscount Interest Rates

Effective Date	Currency																
	TRY					\$				€				£			
	Trade	Ind. Tour. Agri. Edu.	Exp.	Small Business	Advances Against Foreign Exchange	Trade	Ind. Tour. Edu.	Exp.	Advances Against Foreign Exchange	Trade	Ind. Tour. Edu.	Exp.	Advances Against Foreign Exchange	Trade	Ind. Tour. Edu.	Exp.	Advances Against Foreign Exchange
01.06.06	26	24	22	20	20	12	8	8	8	10	6	6	6	11	7	7	7
03.07.06	33	28	26	24	24	12	8	8	8	10	6	6	6	11	7	7	7
21.09.07	30	26	24	22	22	12	8	8	8	10	6	6	6	11	7	7	7
26.10.07	30	26	24	22	22	10,5	6,5	6,5	6,5	10	6	6	6	11	7	7	7
29.02.08	28	24	22	20	20	9	6	6	6	9	6	6	6	11	7	7	7
25.03.08	28	24	22	20	20	9	6	6	6	9	6	6	6	11	7	7	7
29.12.08	22	19	19	18	19	5	5	5	5	5	5	5	5	5	5	5	5
02.03.09	20	17	17	16	16	4	4	4	4	4	4	4	4	4	4	4	4
25.06.09	17	15	15	14	14	4	4	4	4	4	4	4	4	4	4	4	4
27.12.10	14	12	12	11	11	4	4	4	4	4	4	4	4	4	4	4	4
01.01.13	11	8	8	8	8	4	4	4	4	4	4	4	4	4	4	4	4
01.06.13	11	7	7	7	7	4	4	4	4	4	4	4	4	4	4	4	4
05.06.18	17,5	14,5	14,5	13,5	13,5	4	4	4	4	4	4	4	4	4	4	4	4
24.09.18	23,75	20,75	20,75	19,75	19,75	4	4	4	4	4	4	4	4	4	4	4	4

Source: Central Bank of the TRNC

Abbreviations: Trad.: Trading, Ind.: Industry, Tour.: Tourism, Agri.: Agriculture, Edu.: Education, Exp.: Exports,

### Bank Liquidity Requirement Ratios (%)

The lowest rate of the liabilities to the liquidity requirements that banks have to keep	10
Banks, total amount of funds they have in foreign banks and total amount of securities purchased abroad;	
1. If it exceeds <u>one</u> time of the shareholders' equity	12
2. If it exceeds <u>two</u> times of the shareholders' equity	14
3. If it exceeds <u>three</u> times of the shareholders' equity	16
4. If it exceeds <u>four</u> times of the shareholders' equity	18
5. If it exceeds <u>five</u> times of the shareholders' equity	20

**Source:** Central Bank of the TRNC

**Note: Bank Liquidity Requirement Ratios:** It is the Executive Board Decision no. 841 dated February 07, 2013 of Central Bank of the TRNC. It was published in the Official Gazette No. 32 on February 26, 2013 and entered into force on March 1, 2013.



**Reserve Requirements Ratios**

Effective Date	Description	TRY	FX
28.02.2014	Deposits up to 3-month maturity	8	
	Deposits between 3 to 6-month maturity	7	
	Deposits between 6-month to 1-year maturity	6	
	Deposits longer than 1-year maturity	5	
	Turkish Lira liabilities excluding deposits	8	
	Foreign Currency liabilities		8
	Precious metal liabilities	0	0
15.08.2018	Deposits up to 3-month maturity	7	7
	Deposits between 3 to 6-month maturity	6	6
	Deposits between 6-month to 1-year maturity	5	5
	Deposits longer than 1-year maturity	4	4
	Other liabilities excluding deposits	7	7
	Precious metal liabilities	0	0

Source: Central Bank of the TRNC

**Scale of Charges**

A	Turkish Lira Transactions	Commissions, Fees and Charges
1	Received transfers in TRY	0.00025 commission
2	Sent transfers in TRY	0.0005 commission
3	Sent transfers in TRY	5 TRY Communication Charge
4	Cheque books	2.5 TRY Charge
B	Foreign Currency Exchange Transactions	Commissions, Fees and Charges
1	Received transfers in FX	0.00025 commission
2	Sent transfers in FX	0.0005 commission
3	Sent transfers in FX	10 TRY communication charge

Source: Central Bank of the TRNC

### Overdraft Cheques

Years	Months	People Restrained from Using Cheque Books (Number of persons)	
		Monthly Total	Cumulative Total
2011			3,244
2012			3,842
2013			2,910
2014			3,366
2015			3,699
2016			2,977
2017			2,499
2018	1	153	153
	2	125	278
	3	164	442
	4	162	604
	5	152	756
	6	105	861
	7	150	1,011
	8	107	1,118
	9	237	1,355
	10	255	1,610
	11	310	1,920
	12	454	2,374

Source: Central Bank of the TRNC

**Money Supply (Million TRY)**

Year	Term	M1	Percentage Change	M2	Percentage Change	M3	Percentage Change
2014	I	2.049,8	4,40	10.794,4	2,20	11.601,9	2,26
	II	2.152,4	5,01	11.130,9	3,12	11.957,3	3,06
	III	2.163,0	0,49	11.578,9	4,02	12.433,8	3,99
	IV	2.211,0	2,21	11.880,2	2,60	12.660,2	1,82
2015	I	2.338,5	5,77	12.470,8	4,97	13.249,2	4,65
	II	2.532,7	8,30	13.211,3	5,94	14.056,5	6,09
	III	2.829,9	11,74	14.279,5	8,09	15.106,7	7,47
	IV	2.841,2	0,40	14.215,9	-0,45	15.109,8	0,02
2016	I	2.797,9	-1,53	14.340,3	0,88	15.181,6	0,48
	II	2.976,9	6,40	14.620,3	1,95	15.593,1	2,71
	III	3.158,0	6,08	15.285,2	4,55	16.319,0	4,66
	IV	3.544,1	12,23	16.946,4	10,87	17.996,6	10,28
2017	I	3.754,8	5,95	18.019,6	6,33	19.209,2	6,74
	II	3.906,7	4,05	18.670,5	3,61	20.066,2	4,46
	III	4.126,2	5,62	19.847,4	6,30	21.240,3	5,85
	IV	4.403,3	6,72	21.181,5	6,72	22.789,8	7,30
2018	I	4.826,2	6,90	22.844,7	7,85	24.492,6	7,47
	II	5.342,4	10,69	24.489,5	7,20	26.341,2	7,55
	III	6.244,7	16,89	28.565,7	16,64	30.699	16,54
	IV	5.726,7	-8,29	26.847,0	-6,02	28.868,4	-5,96

Source: Central Bank of the TRNC





*Central Bank of the Turkish Republic of Northern Cyprus  
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