



Central Bank of the TRNC Annual Report 2019

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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ABBREVIATIONS

| | |
|---------------------------------|---|
| 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 |
| IT | 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 | Pound Sterling |

DEFINITIONS

| | |
|--|---|
| Fixed Assets : | Movables + Immovables |
| Central Bank of the TRNC - Cash and Cash Equivalents | Cash + Gold + Securities Portfolio + Bank Deposits + Foreign Correspondents |
| Reserve Requirements : | Legal Reserves |

FOREWORD

In 2019, the Central 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 the bank by the relevant articles of the Banking Law No. 62/2017, 5 new notifications, 2 good practice guidelines have been issued and put into effect by the bank.

'Cooperation, Audit and Information Sharing Protocol' was signed between the Bank and TRNC Registrar of Cooperative Companies in 2019 for the purpose of determining the principles and procedures for ensuring cooperation in the fields of audit, supervision, regulation, training and information sharing between the parties under their duties, powers and responsibilities within the scope of ensuring trust and stability in the financial field. Within the scope of this protocol, an 'Evaluation Committee' was established, responsible for the evaluation of the cooperative reports, whose audit was completed and reported, and a total of 7 cooperative audit reports were prepared in 2019 with the participation of 6 auditors from the Bank.

In 2019, within the framework of the visions of universities and the TRNC Central Bank to serve the society and contribute to the TRNC economy, a protocol was signed with two universities. According to this protocol, research, training and publication activities will be carried out on the subjects to be determined by the parties. According to the relevant protocols, university faculty members will prepare research and publications with at least one Central Bank personnel on areas and subjects to be determined by the parties. The faculty members who complete these publications will be rewarded by the Central Bank of the TRNC based on the agreed criteria. In this context, joint studies were initiated on six subject matters determined by the end of 2019.

TRNC banking sector asset size continued to grow in 2019 and reached 40.8 billion TRY with an increase of 23.7 percent compared to the previous year. Total deposits, increased by 24.2 percent compared to the previous year to 32.8 billion TRY, gross loans increased by 19.4 percent to 22.6 billion TRY and period profit reached 856.1 million TRY with an increase of 24.1 percent. Capital adequacy standard ratio of the sector reached 17.05 percent as of the end of 2019.

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 2019, the number of personnel working in permanent status is 119. 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 121. In 2019, the bank's personnel participated in trainings and seminars held both locally and internationally, both to increase their knowledge and skills and to monitor recent developments in the profession. The total number of the personnel participating in local training programs is 6, and those who attend international training programs are 87.

Total assets of the Central Bank of the TRNC increased by 24.2 percent in 2019 and rose to 13,479 million TRY as of the end of the year. In 2019, total shareholders' equity reached 933.4 million TRY, reserve requirements reached 2,350 million TRY and the interbank money market transactions reached 3,902 million TRY. Profit of the Central Bank, which was 329.4 million TRY in 2018, increased by 4.3 percent in 2019 and reached 343.6 million TRY.

The Central Bank of the TRNC - 2019 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,

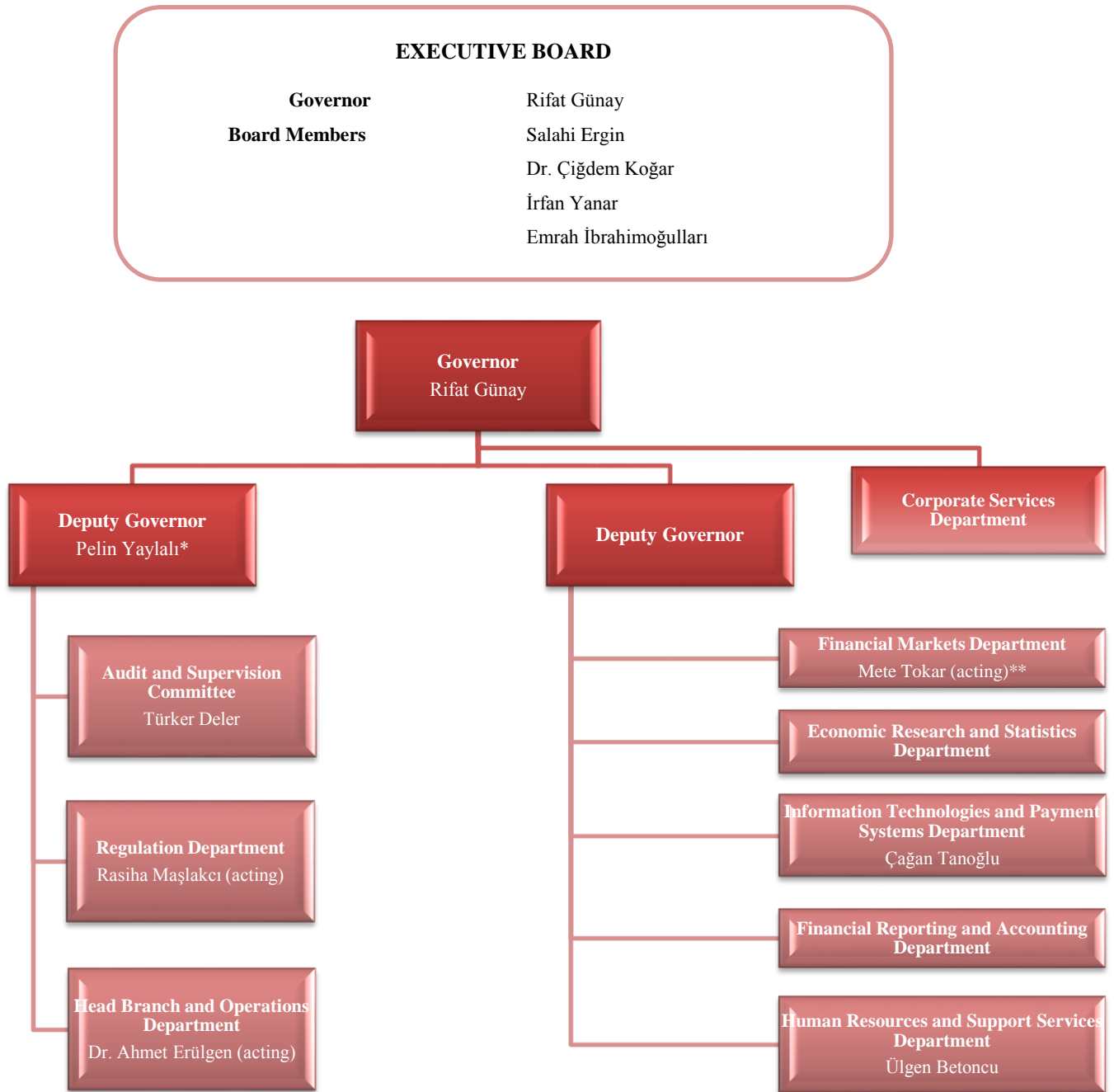


Rifat GÜNEY
Governor

ORGANISATION AND ADMINISTRATION

1. ORGANISATION AND ADMINISTRATION

1.1 Organization Chart



*Appointed upon the Council of Ministers decision no. 58, dated 25.06.2019.

**Appointed as the acting director on 19.07.2019 upon the Executive Board decision no. 1044, dated 18.07.2019.

Note: The term of office of Deputy Governor Ramadan Erkiner ended on 24.05.2019 and Deputy Governor Kürşat Kunter's term of office ended on 14.07.2019.

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 bank. 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. The Governor may be reappointed at the end of this period. 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.

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 İbrahimogulları.

BOARD MEMBERS



Rifat Günay
Governor



İrfan Yanar
Member



Dr. Çiğdem Koğar
Member



Salahi Ergin
Member



Emrah İbrahimogulları
Member

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, doing necessary planning 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
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.



Pelin Yaylalı
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
Governor

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 Maşlakcı****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.

Financial Markets Department**Mete Tokar****Director (acting)**

Financial 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**Çağrı Tanoğlu****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

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**Dr. Ahmet Erülgen****Director (acting)**

Head Branch and Operations Department carries out credit, foreign exchange, current account, clearing, listing the people restrained from using cheque books, follow-up of prescribed deposits, money transfers, 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.

In addition, to collect commission fees and expenses to be applied in all kinds of banking transactions to be made by the Central Bank, to make cash and account payments from the Turkish Lira and foreign currency deposit accounts of the Central Bank, to collect deposits, remittances and bills, to carry out instructions regarding rediscount credits, to carry out, organize and follow up transactions related to treasury accounts, to carry out transactions in line with the treasury's instructions, to carry out operations related to payment systems are also among the duties of the department.

RESOURCES

2. RESOURCES

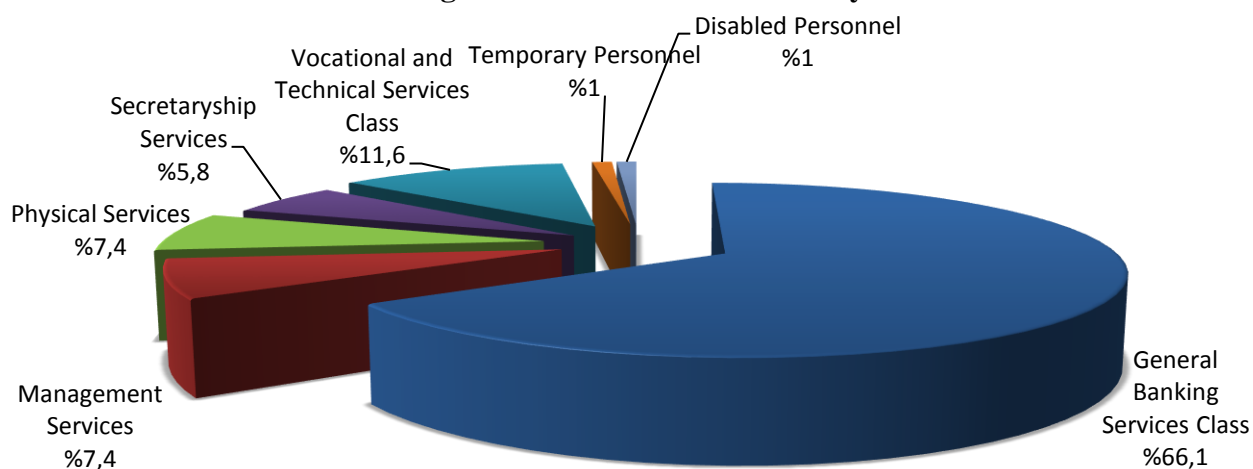
2.1 Human Resources

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. As a result of the amendments made in the law no. 57/1987 with the amendment law no. 45/2016, which became effective on December 06, 2016, new positions were added to the Central Bank of the TRNC Organizational Law, and the current number of personnel increased from 101 to 205. 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 2019, the number of personnel working in permanent status is 119. Adding 1 temporary janitor and 1 personnel employed under the law on employment of disabled personnel to the number of permanent personnel, the total number of personnel of the Bank reaches 121 at the end of 2019, while it was 127 at the end of 2018. Four employees retired, two deputy governors left because their terms of office expired in 2019. No new personnel were recruited in 2019.

When the distribution of personnel of the Central Bank by service groups is examined as of the end of 2019, 7.4 percent of the Bank's 121 personnel are working in the management services class, 66.1 percent in the general banking services class, 5.8 percent in the secretaryship services class, 11.6 percent in the vocational and technical services class, 7.4 percent in the auxiliary services class, 1 percent work as temporary janitor and 1 percent are working as the personnel employed under the Law on Protection, Rehabilitation and Employment of Persons with Disabilities No. 64/1993.

Chart 2.1 Percentage Distribution of Personnel by Class of Service

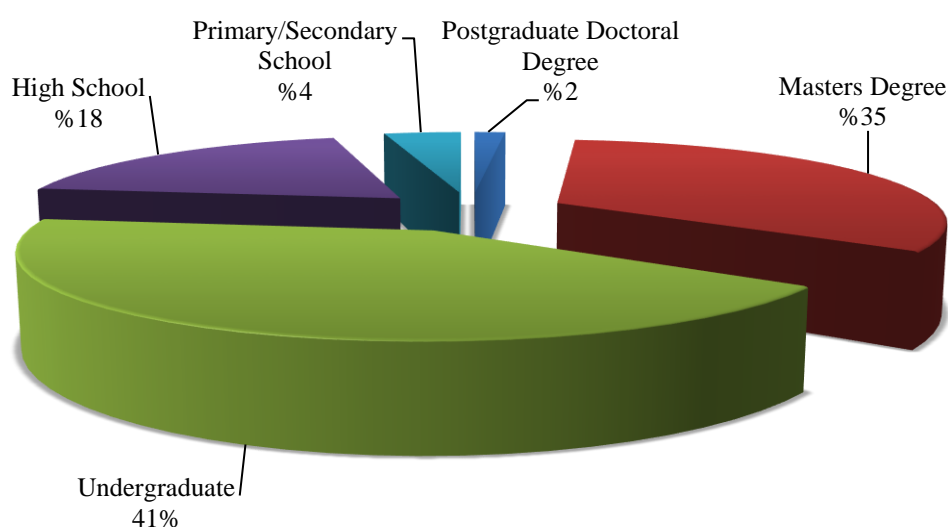
Source: Central Bank of the TRNC

When the distribution of personnel according to their level of education is analysed; 2 out of 121 personnel have PhD, 42 have masters degree, 48 have undergraduate and 2 have associate degree, as of the end of 2019. 22 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 with masters degree, 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 48 personnel at the undergraduate level, 2 are in management, 8 are in vocational and technical services, 31 are in general banking services, 5 are in secretaryship services and 2 are in auxiliary services class. 2 associate degree graduate personnel serve in the general banking services class. Of the 22 high school graduates, 17 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 2019, the number of personnel with a PhD has a share of 1 percent, the number of personnel with masters degree has a share of 35 percent, the personnel with undergraduate degree has a share of 41 percent, the number of high school graduates has a share of 18 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 2019, participation of the personnel in courses and seminars has been ensured in order to increase their knowledge and skills.

In 2018, while the number of personnel participating in local training programs was 38, this number declined to 6 in 2019. The number of personnel participating in international training programs was 47 in 2018, and it increased to 87 in 2019. As part of the training activities in 2019, 3 people from the management services, 73 from the general banking services class, 1 from secretaryship services class and 10 from the vocational and technical services class participated in the international

training programs. Also, a total of 6 personnel; 2 from general banking services; 4 from vocational and technical services class participated in the local training programs.

Table 2.1

Number of Personnel Participating in Training Programs

| | Local | | International | |
|--|-----------|----------|---------------|-----------|
| | 2018 | 2019 | 2018 | 2019 |
| Management Services Class | 2 | - | 5 | 3 |
| General Banking Services Class | 28 | 2 | 32 | 73 |
| Secretaryship Services Class | 2 | - | 1 | 1 |
| Auxiliary Services Class | - | - | - | - |
| Temporary Personnel | - | - | - | - |
| Vocational and Technical Services Class | 6 | 4 | 9 | 10 |
| Total | 38 | 6 | 47 | 87 |

Source: Central Bank of the TRNC

The training activities, which are considered highly important for the development of the Bank's personnel and the improvement of the Bank's practices to international standards, continued intensively in 2019. Our personnel participated in the trainings organized by the Bank of England (BOE), Czech National Bank (CNB), Istanbul School of Central Banking (ISCB), the Banks Association of Turkey (TBB) and the Banks Association of Northern Cyprus (KKBB). In 2019, 5 employees participated in the Bank of England (BOE) trainings, 3 employees in the Czech National Bank (CNB) trainings, 8 in the Istanbul School of Central Banking (ISCB) trainings, 71 to the Banks Association of Turkey (TBB) trainings and 6 employees participated in the Banks Association of Northern Cyprus (KKBB) trainings. In addition, 178 employees attended to 6 in-company trainings in 2019.

Table 2.2**In-company Training Programs and the Number of Participating Personnel**

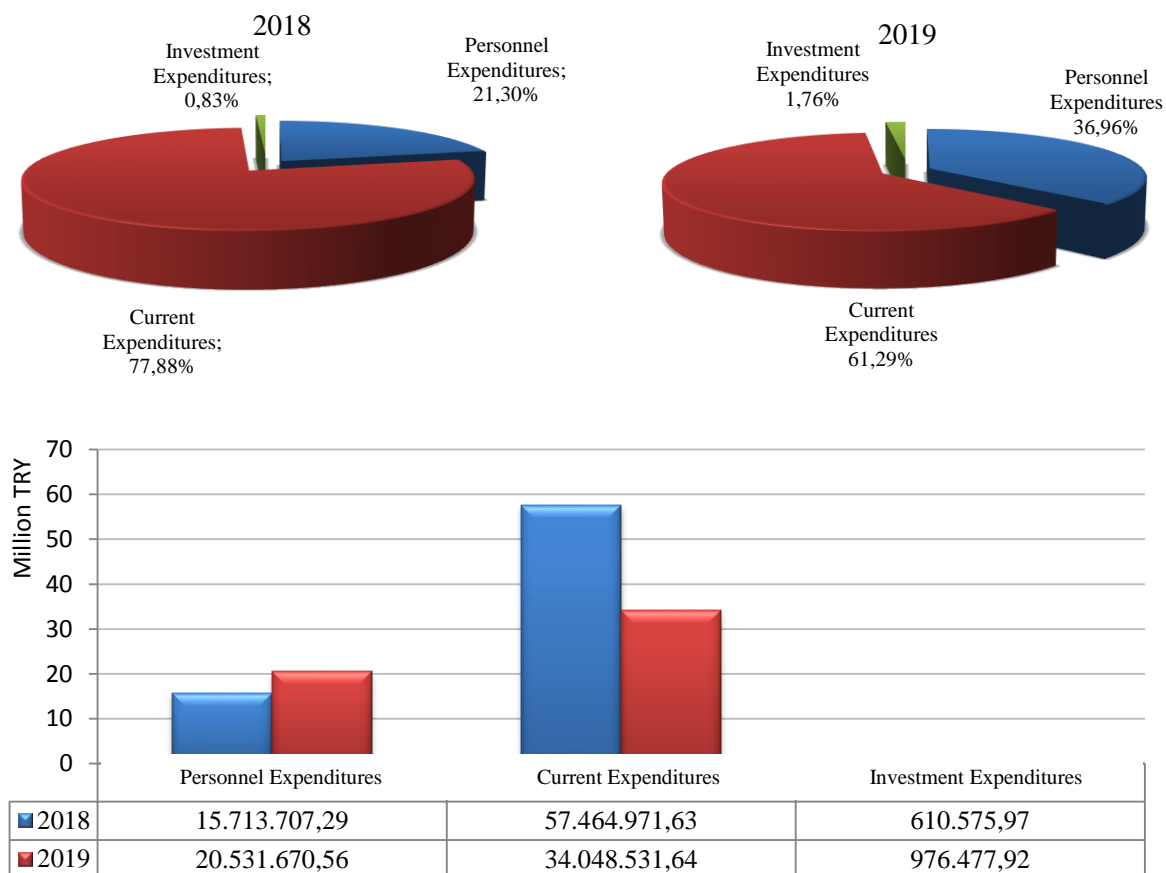
| Title | Date | Participants |
|------------------------------------|----------------------|---------------------|
| Financial Reporting | May 9 - 10, 2019 | 32 |
| Postgra-SQL | May 13 - 17, 2019 | 7 |
| Document Management System | May 23 - 24, 2019 | 53 |
| Excel | May 20 - 22, 2019 | 24 |
| Business Objects | May 29 - 30, 2019 | 25 |
| Consolidated Audit and Supervision | November 4 - 6, 2019 | 37 |
| Total | | 178 |

Source: Central Bank of the TRNC

2.2 Financial Resources

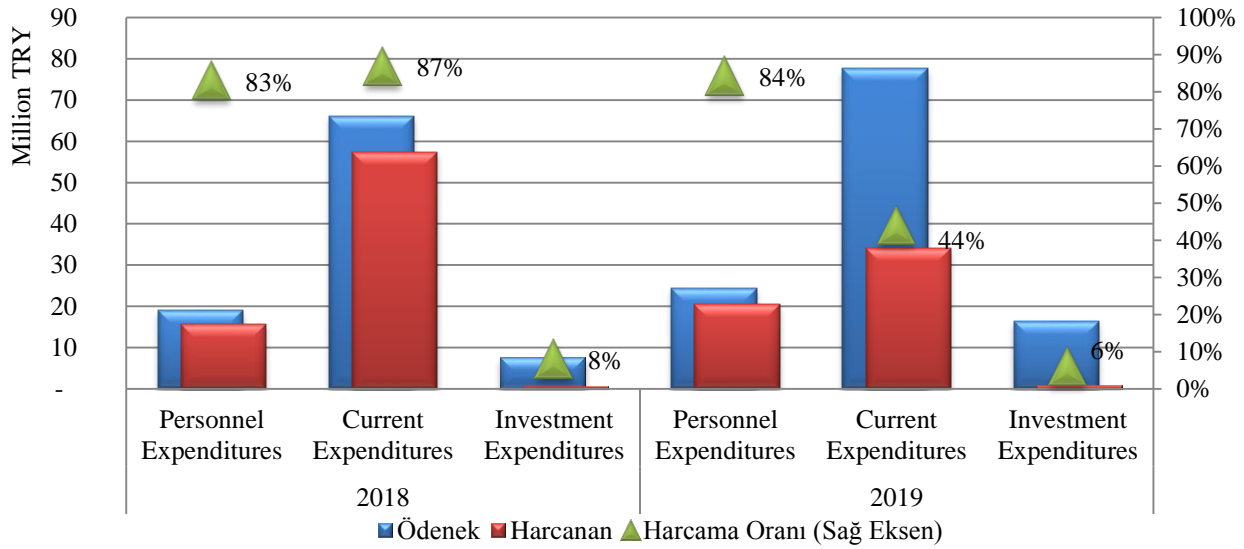
The Executive Board of the Central Bank of the TRNC approved the 2019 Fiscal Year Budget with the Executive Board decision no. 1027 dated December 14, 2018, in order to carry out the determined services and activities. The bank's consolidated budget expenditures are classified under three separate titles: current expenditures, personnel expenditures and investment expenditures.

While the total budget expenditures of the Bank was 73.8 million TRY in 2018, this figure decreased by 24.7 percent and reached 55.6 million TRY in 2019. In 2019, 61 percent of the Bank's budget (34 million TRY) was used in current expenditures and 37 percent (20.5 million TRY) in personnel expenditures. In 2018, 78 percent of the Bank's budget (57.5 million TRY) was used in current expenditures and 21 percent (15.7 million TRY) in personnel expenditures.

Chart 2.3 Consolidated Budget Expenditures

Source: Central Bank of the TRNC

According to the Bank's budget implementation results for 2018 and 2019, in 2018, while the ratio of the allocations used for personnel expenditures was 83 percent, this ratio was 87 percent in current expenditures and 8 percent in investment expenditures. The bank's total spending rate in the 2018 Fiscal Year Budget was 80 percent. In 2019 budget, expenditures of 84 percent in personnel expenditures item, 44 percent in current expenditures item and 6 percent in investment expenditures item were made. Total expenditure rate of allocations in the TRNC Central Bank 2019 Fiscal Year Budget was 47 percent.

Chart 2.4 Budget Implementation Results

Source: Central Bank of the TRNC

2.3 Technical Resources

In 2019, within the scope of technical resources, System Operation and Management and Help Desk services and the "Manage Engine Desktop Central" platform was established. The relevant platform enables the remote management and update processes of all computers used within the Bank to be managed centrally.

The "Firewall" and "SMTPGW" platforms, which are currently used in cyber security issues, have been updated, and the current level in cyber security issues has been raised. In addition, "Backup & Replication" system updates were made in order to make in-bank data security more efficient.

In 2019, within the framework of the "Penetration Tests", which are aimed to be carried out every year, the information systems in two different locations were tested in many ways and the necessary regulation and precautionary studies were carried out in line with the reports produced.

Banks are obliged to notify the Central Bank of their customers who are restrained from using cheque books. The "Dishonoured Cheque Issuers Inquiry" software was completed and put into use in 2019. This software enables these notification processes to be carried out in a secure electronic environment and includes the list of the people restrained from using cheque books released by the Central Bank.

ACTIVITIES

3. ACTIVITIES

The activities of 2019, 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.

Monetary Policy Instruments

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. As of 17 June 2019, the Central Bank only issues foreign currency securities.

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,
- ❖ Other people's 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 2019, Turkish Lira rediscount interest rates are between 9 - 13 percent. These rates became effective on December 16, 2019. Accordingly, the interest rate on Turkish Lira commercial rediscount loan is 13 percent, and the interest rate on rediscount credits extended to industry, export, tourism, education and agriculture sectors is 10 percent. The interest rate of rediscount credits extended to small business owners is 9 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 10,50 percent in Turkish Lira and 4 percent in foreign exchange.

Table 3.1

Rediscount Interest Rates

| | TRY | USD | EURO | GBP |
|--|------------|------------|-------------|------------|
| Trading | 13.00 | 4.0 | 4.0 | 4.0 |
| Industry | 10.00 | 4.0 | 4.0 | 4.0 |
| Exports | 10.00 | 4.0 | 4.0 | 4.0 |
| Tourism | 10.00 | 4.0 | 4.0 | 4.0 |
| Education | 10.00 | 4.0 | 4.0 | 4.0 |
| Agriculture | 10.00 | - | - | - |
| Small Business Owners | 9.00 | - | - | - |
| Advances Against Foreign Exchange | 10.50 | 4.0 | 4.0 | 4.0 |

Source: Central Bank of the TRNC (as of 31/12/2019)

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 banks should have in line with their liabilities is determined by the notification issued by the 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

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

Source: Central Bank of the TRNC

According to the average liquidity requirement ratios given as of the end of 2019, public banks hold a liquidity value of 4.93 points, local banks 7.43 points, and branch banks 12.93 points above the minimum requirement rate.

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. Executive Board of the Bank decided the Turkish Lira and foreign currency reserve requirement ratios to be increased by 0.25 points in each period until March 2020, effective from the reserve requirement tables dated December 31, 2019, upon the decision no. 1072 dated December 27, 2019. The reserve requirement ratios in effect as of the end of 2019 are given below.

Table 3.3**Reserve Requirements Ratios**

| | TRY | FX | Precious Metal |
|---|------------|-----------|-----------------------|
| Deposits up to 3-month maturity | 7.25 | 7.25 | 0 |
| Deposits between 3 to 6-month maturity | 6.25 | 6.25 | 0 |
| Deposits between 6-month to 1-year maturity | 5.25 | 5.25 | 0 |
| Deposits longer than 1-year maturity | 4.25 | 4.25 | 0 |
| Other liabilities in Turkish Lira excluding deposits | 7.25 | 7.25 | 0 |

Source: Central Bank of the TRNC

The total reserve requirement balances of the banks operating in the TRNC at the end of 2018 and 2019 are shown in Table 3.4.

Table 3.4**Reserve Requirement Balances**

| | December 2018 | December 2019 |
|---------------------------|----------------------|----------------------|
| TRY | 719,186 | 911,878 |
| USD | 44,297 | 50,365 |
| EURO | 50,308 | 61,997 |
| GBP | 97,256 | 106,667 |
| Total TRY Reserves | 1,902,517 | 2,452,867 |

Source: Central Bank of the TRNC

c. Reserve Options Mechanism (ROM)

Upon the Executive Board decision no. 990 dated March 15, 2018, the Central Bank of the TRNC provided the banks with the opportunity to maintain 10 percent of the Turkish lira reserve amount required to be kept at the Central Bank of the TRNC as foreign currency (US dollar, euro, and sterling) within the scope of the ROM. As of December 2018 and 2019, the number of banks benefiting from the ROM is 12. The amount, which was around 60 million TRY in 2018, reached 75 million TRY in 2019. The rate of foreign currency reserves that can be held, which had been determined as a maximum of 10 percent, was 7.58 percent at the end of 2019.

d. Reserve Requirement Interest Rates

The Executive Board of the Bank has changed the interest rates applied to the reserve requirement of the banks four times in 2019, and these changes are presented in the table below.

Table 3.5**Interest Rates Applied to Reserve Requirements for Turkish Lira and Foreign Currency****Deposits**

| Effective Date | Currency | | | |
|----------------|----------|------|------|-------|
| | TRY | \$ | € | £ |
| 29.07.2019 | 9.00 | 0.65 | 0.00 | 0.125 |
| 16.09.2019 | 5.75 | 0.50 | 0.00 | 0.125 |
| 28.10.2019 | 3.25 | 0.50 | 0.00 | 0.125 |
| 16.12.2019 | 2.50 | 0.25 | 0.00 | 0.05 |

Source: Central Bank of the TRNC

e. Deposit Interest Rates

The Executive Board has changed the interest rates for the deposits within the Central Bank four times in 2019, and these changes are presented in the table below.

Table 3.6**Interest Rates Applied to Turkish Lira and Foreign Currency Deposits**

| Effective Date | Currency | | | |
|----------------|----------|--------|--------|--------|
| | TRY | \$ | € | £ |
| | Demand | Demand | Demand | Demand |
| 29.07.2019 | 13.25 | 1.00 | 0.125 | 0.25 |
| 16.09.2019 | 10.00 | 1.00 | 0.125 | 0.25 |
| 28.10.2019 | 8.50 | 1.00 | 0.125 | 0.25 |
| 16.12.2019 | 7.25 | 0.75 | 0.05 | 0.125 |

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 2019, a total of 17 security issue auctions were made; 5 in Turkish Lira, 4 in USD, 4 in Euro and 4 in GBP. As of December 31, 2019, the distribution of unexpired securities by currency types is as follows:

Table 3.7

| Central Bank Securities | | | | |
|-------------------------|-----|-----|------------|------------|
| Term | TRY | USD | EURO | GBP |
| 1-Month | - | - | - | - |
| 3-Month | - | - | 30,000,000 | 19,500,000 |

Source: Central Bank of the TRNC

b. Interbank Money Market

Central Bank of the TRNC has been carrying out Interbank Money Market (IMM) transactions since September 2009 in order to regulate the money supply and liquidity of the economy. 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 and decided to update the limit as of the end of each year according to the banks' asset size. As of April 1, 2014, IMM is implemented as two sessions as morning and afternoon.

As of December 31, 2019, the sums of IMM transactions that are not due yet are as follows:

Table 3.8

Interbank Money Market Transactions

| Term | TRY | USD | EURO | GBP |
|------------------|-------------|------------|-------------|-------------|
| Overnight | 925,200,000 | 11,300,000 | 136,000,000 | 111,500,000 |
| 1-Week | 7,500,000 | - | - | - |
| 2-Week | | 300,000 | | |
| 1-Month | - | - | 3,000,000 | 3,950,000 |
| 3-Month | - | 100,000 | - | - |
| 6-Month | - | - | - | - |

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.

As of the end of 2019, 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 2019 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 Accounting Systems and Document Storage

“Notification on Accounting Systems and Document Storage” issued based on the authority granted to the Bank by Articles 26, 31, 50, 53 and 60 of the Banking Law No. 62/2017, became effective upon being published in the Official Gazette No. 40 dated March 22, 2019. The purpose of the Notification is to regulate the principles and procedures regarding the whole process, including ensuring transparency and uniformity in the accounting and reporting system of organizations, accounting of their activities in a sound and reliable manner in accordance with their real nature and recording all transactions, timely, complete and accurate preparation, reporting, publication of financial statements containing information on financial position, financial performance and management effectiveness on a solo and consolidated basis, and storage of documents.

b. Notification on the Qualifications, Duties, Authorities and Responsibilities of Board Members Responsible for Internal Control Systems

“Notification on the Qualifications, Duties, Authorities and Responsibilities of Board Members Responsible for Internal Control Systems” issued based on the authority granted to the Bank by paragraph (3) of Article 17 and paragraph (4) of Article 19 of the Banking Law No. 62/2017, became effective upon being published in the Official Gazette No. 74 dated May 27, 2019. The purpose of the Notification is to determine the qualifications, duties, authorities and responsibilities of the members responsible for the internal control systems that banks are obliged to appoint in accordance with the Law, and to regulate the procedures and principles regarding the necessary declarations and supporting documents.

c. Notification on the Risks Undertaken (Amendment)

“Notification on the Risks Undertaken” issued based on the authority granted to the Bank by Articles 38, 39, 40, 41 and 44 of the Banking Law No. 62/2017 was amended two times and these amendments became effective upon being published in the Official Gazette No. 15 dated February 5, 2019 and the Official Gazette No. 122 dated September 6, 2019. 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.

d. Notification on Deposits and Prescription

“Notification on Accounting Systems and Document Storage” issued based on the authority granted to the Bank by Articles 32, 33, 34, 35, 36 and 37 of the Banking Law No. 62/2017, became effective upon being published in the Official Gazette No. 144 dated October 11, 2019. The purpose of the Notification is to regulate the principles and procedures regarding the liabilities of banks during the prescription period including the rules, limits, reporting, accounting, announcement and notifications, as well as securities and receivables, starting from the acceptance of the deposit.

e. Notification on Independent Audit Firms (Amendment)

“Notification on Independent Audit Firms (Amendment)” issued based on the authority granted to the Bank 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. 147 dated October 17, 2019. 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.

f. Good Practice Guideline on Operational Risk Management

“Good Practice Guideline on Operational Risk Management” issued based on the authority granted to the Bank by Articles 17 and 22 of the Banking Law No. 62/2017, became effective upon being published in the Official Gazette No. 62 dated May 3, 2019. The purpose of the guideline is to explain the principles of good practice expected from the banks in accordance with the “Operational Risk Management” issued within the framework of Articles 17 and 22 of the Banking Law No. 62/2017.

g. Good Practice Guideline on Liquidity Risk Management

“Good Practice Guideline on Liquidity Risk Management” issued based on the authority granted to the Bank by Articles 17 and 22 of the Banking Law No. 62/2017, became effective upon being published in the Official Gazette No. 110 dated August 2, 2019. The purpose of the guideline is to explain the principles of good practice expected from the banks in accordance with the “Liquidity Risk Management” issued within the framework of Articles 17 and 22 of the Banking Law No. 62/2017.

Draft Regulations

a. Law Proposal for Consumer Loans

Upon the proposal of parliament members to the Assembly, Law Proposal for Consumer Loans was prepared. The purpose of this Law is to regulate the application procedures and principles of consumer loans and to ensure the protection of consumer rights by determining the obligations of institutions providing consumer loans.

b. Draft Law on Payment and Security Settlement Systems, 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. Cooperation, Audit and Information Sharing Protocol Between the Central Bank of the Turkish Republic of Northern Cyprus and the Registrar of Cooperative Companies of the Turkish Republic of Northern Cyprus

Cooperation, Audit and Information Sharing Protocol was signed by the Central Bank of the Turkish Republic of Northern Cyprus and the Registrar of Cooperative Companies of the Turkish Republic of Northern Cyprus.

This protocol was signed for the purpose of determining the principles and procedures for ensuring cooperation in the fields of audit, supervision, regulation, training and information sharing between the parties under their duties, powers and responsibilities within the scope of ensuring trust and stability in the financial field.

b. Monitoring of Paid-in and Authorised Capital, Shares and Shareholder Changes

The database of banks/IBUs including the data regarding their shareholders and their shares is regularly updated. On the other hand, shareholder changes and transactions subject to permission

within the framework of the thresholds established in the Law are permitted after the approval of the Executive Board.

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

Reports were prepared on the compliance of all board members, general managers and assistant general managers appointed to banks and IBUs with the relevant articles of the Law, and the results of the reports were notified to the banks and IBUs.

d. 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 relevant 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.

e. Assessment of Banks' Principal Agreements and Statues

In accordance with the Banking Law No. 62/2017, banks are required to obtain approval from the Central Bank of the TRNC for the amendments to be made in their principal agreements and statues. Pursuant to the provisions of this article, requests for amendments to the principal agreements and statues made to the Bank in 2019 were assessed and necessary corrections or warnings were made.

f. 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 by the Executive Board meeting and the decisions taken were notified to the relevant institutions.

g. 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 provided to banks that deposit license fee.

h. Complaints

Bank customer complaints reported to the Bank were communicated to the banks and feedback was given to the customers within the framework of customer rights. In this framework, deficiencies observed in practice are monitored and necessary measures are taken.

3.3 Audit Activities

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.

3.3.1 Surveillance – Remote Supervision

The Central Bank carries out remote supervision activities of banks and International Banking Units. The banking sector is monitored monthly based on sector and banks through the Uniform Reporting Package which includes forms prepared by the Bank within the scope of the TRNC Banks Surveillance System. Within the scope of surveillance activities, daily, weekly and monthly reports are also collected as needed within the scope of URP. Reports prepared based on sectors and banks are evaluated by the Executive Board. In addition, year-end financial reports and annual reports produced within the scope of internal systems of the banks are monitored and analysed within the scope of the surveillance activities.

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 2019 within the scope of its supervision duties are presented in detail below.

a. Preparation of YP100A Form

Within the framework of the "Notification on the Ratio of Foreign Exchange Net General Position", which was published in the Official Gazette dated December 27, 2018 and became effective as of April 1, 2019, YP100A form was prepared and included in the Uniform Reporting Package in order to monitor the FX net position ratio of banks.

b. Preparation of MD100A Form

The Securities – Name Based Form (MD 100A), which has been collected from banks monthly in Excel format since August 2014, was developed in 2019 and included in the Uniform Reporting Package.

c. Other Forms

Since the derivative transaction volume has increased in the banking sector, the TV100A form has been developed, which allows monitoring of these transactions on a customer basis. The MS100A form, in which the debt-credit relationship of banks with other banks is reported, has been updated by adding the 'Risk Group Code' column. With this update, more effective monitoring of risk limits has been ensured.

d. New Types of Controls

Due to the newly added and updated forms in the Uniform Reporting Package, new types of controls were developed and activated by performing the necessary tests.

e. Meetings Held with Independent Audit Firms

Meetings were held with the partners and audit teams of 7 Independent Audit Firms responsible for the year-end financial reports prepared with the data of December 2018 provided by the Banks and International Banking Units. The duties and responsibilities of the "Notification on Independent Audit Firms" were discussed during the meetings. In addition, the issues of how the Bank's on-site and remote audit findings should be handled by the independent audit in the financial reports were also evaluated.

f. Information Requested by Banks / Independent Auditors

For year-end reconciliation transactions, the information requested by banks and independent auditors regarding the accounts of banks within the Central Bank's Head Branch was submitted to the relevant institutions. In addition, the aforementioned information was checked and compared with the data in the reports submitted to the Bank's audit department.

g. Review and Publishing of Year-End Financial Statements

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

3.3.2 Auditing – On-site Supervision

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.

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, as well as the supervision of banks' information systems issues directly on behalf of the Central Bank.

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 in a way that includes all the banks each year, with a significant portion of activities to be carried out separately.

a. Audit of Banks

During the bank audits completed in 2019, a total of 43 audit reports were prepared. 17 of these audits were conducted in commercial banks, 3 in international banking units and 1 in Savings Deposit Insurance and Financial Stability Fund.

In 2019, 7 capital audit reports for 4 banks and 8 special audit reports on various subjects were prepared as a result of bank audits.

In 2019, based on the asset size of the banks, 73 percent of public banks and private banks, and 77 percent of branch banks in the banking sector were audited. In the sector, the total asset size of which was 40.806 million TRY, the share of the total assets of the audited banks in the sector in 2019 was 74 percent, and the share of the banks which were being audited as of the end of 2019 was 8 percent.

b. Audits Performed in Accordance with the “Cooperation, Audit and Information Sharing Protocol” Signed by the Central Bank of the TRNC and the Registrar of Cooperative Companies of the TRNC

An “Evaluation Committee” was established with the participation of the Bank within the framework of the “Cooperation, Audit and Information Sharing Protocol” signed by the Central Bank of the TRNC and the Registrar of Cooperative Companies of the TRNC. The committee is responsible for the evaluation of the reports on the audited cooperatives. In 2019, a total of 7 audits were carried out within the cooperatives with the participation of the Bank's auditors and the inspectors of the Registrar of Cooperative Companies. The reports prepared as a result of these audits were evaluated by the “Evaluation Committee” and the necessary decisions were made.

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 (EPS) was put into service on June 26, 2015 and the system was officially launched on November 19, 2015. 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 provides savings in bank costs.

The number of Turkish Lira, US dollar, and GBP and Euro currency messages processed as of 2016 is shown in Table 3.7 based on the payment channel of banks. Accordingly, a total of 203,433 messages were processed as of the end of 2019; 24,513 were participant based, 104,992 were branch based, 73,151 were through internet banking, 3 were via phone banking, 1 was via ATMs and 773 were via other methods. Compared to 2018, the total number of payments increased by 38 percent in 2019. The largest share in this increase was in internet banking payments with 71 percent, branch based payments with 27 percent and participant based payments with 13 percent, respectively.

Table 3.9

Electronic Payment System Transactions

| Years | Participant Based | Branch Based | Internet Banking | Phone Banking | ATM | Other | Total |
|--------------|--------------------------|---------------------|-------------------------|----------------------|------------|--------------|--------------|
| 2016 | 9,246 | 51,686 | 12,612 | 1 | 1 | 0 | 73,546 |
| 2017 | 14,164 | 65,248 | 24,197 | 39 | 5 | 0 | 103,653 |
| 2018 | 21,688 | 82,711 | 42,857 | 7 | 16 | 5 | 147,284 |
| 2019 | 24,513 | 104,992 | 73,151 | 3 | 1 | 773 | 203,433 |

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 2019.

3.6 Scale of Charges

Based on the authority given to it by Article 11(1) of the Law on the Central Bank of the TRNC, the Executive Board of the Bank reconstructed the Scale of Charges, which is an annex to the Charges Order, which became effective upon the decision no. 746 dated October 21, 2009. According to this new regulation, the commission rate taken from sent foreign currency money transfers has been increased from five per ten thousand to one per thousand. According to the Scale of Charges, the

commission rate for received Turkish Lira and foreign currency transfer transactions is zero, and the minimum fee for sent Turkish Lira and foreign currency transfer transactions is 250 TRY or its equivalent, and the commission rate is determined as 0.001 (1 per thousand). The Bank does not charge any fees for its transactions carried out on behalf of the Treasury.

3.7 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 2019, the total amount of received money transfers from abroad was 6,388 million TRY and this amount is 14.01 percent higher compared to the previous two years. The amount of Turkish Lira transfers in received money transfers on behalf of banks have reached 4,044 million TRY as a result of an increase of 1,438 thousand TRY in 2019, compared to the previous year. Analysing the received money transfers by currencies, TRY increased by 55.50 percent, while GBP, EUR and USD decreased by 37.94, 24.71 and 30.67 percent, respectively. Received Turkish Lira money transfers constitute 63.3 percent of the total received transfers.

In 2019, the total of sent money transfers in all currencies on behalf of banks was 8,287 million TRY, and this amount reached a higher level than the amount in the previous two years. The amount of Turkish Lira transfers in sent transfers increased by 1,336 million TRY and reached 4,057 million TRY in 2019. Analysing the change rates of sent money transfers compared to the previous year, it is observed that there was an increase of 49.09 percent in TRY and 80.77 percent in EUR, while there was a decrease of 35.97 percent in GBP and 15.41 percent in USD. Sent Turkish Lira money transfers constitute 49 percent of the total sent transfers.

Table 3.10**Sent and Received Money Transfers on Behalf of Banks**

| YEAR | TRY | | FX (TRY Equivalent) | | 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 |
| 2019 | 4,044,054,064 | 4,057,105,000 | 2,343,903,152 | 4,229,425,454 | 6,387,957,216 | 8,286,530,454 |

Source: Central Bank of the TRNC

3.8 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 necessary amount of 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.

Within the scope of the Reserve Management Policy, the reserves of the 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 2018 - December 2019, total assets increased by 25.30 percent and reached 13,479 million TRY, while total liabilities increased by 11.96 percent and reached 10,992 million TRY. The total assets to liabilities ratio, which was 109 percent as of the end of December 2018, increased by 13 points and reached 123 percent at the end of December 2019.

Table 3.11**Total Assets and Liabilities**

| Years | Total Assets (Million TRY) | Total Liabilities (Million TRY) | Total Assets and Liabilities Asset/Liability Ratio (%) |
|--------------|---------------------------------------|--|---|
| 2009 | 1,852 | 1,643 | 113 |
| 2010 | 1,809 | 1,578 | 115 |
| 2011 | 2,188 | 1,954 | 112 |
| 2012 | 2,587 | 2,326 | 111 |
| 2013 | 3,356 | 3,064 | 109 |
| 2014 | 3,842 | 3,517 | 109 |
| 2015 | 5,025 | 4,623 | 109 |
| 2016 | 6,452 | 5,987 | 108 |
| 2017 | 8,371 | 7,730 | 108 |
| 2018 | 10,757 | 9,818 | 109 |
| 2019 | 13,479 | 10,992 | 123 |

Source: Central Bank of the TRNC

When the total amount of assets and liabilities of the Bank is analysed by currencies, the ratio of TRY assets to TRY liabilities was 124.9 percent, while the ratio of FX assets to FX liabilities was 102.87 percent in USD, 101.63 percent in EUR and 100.62 percent in GBP at the end of 2019.

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 / trading of gold
- 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)
- Purchase / sale of derivative instruments based on the above types of transactions.

Development of the Manageable Reserves

At the end of 2019, manageable reserves in TRY increased by 731 million TRY compared to the end of the previous year and reached 3.752 million TRY. Manageable reserves in USD increased by 0.45 percent to 244 million USD, manageable reserves in EUR increased by 7.53 percent to 459 million EUR and manageable reserves in GBP increased by 2.85 percent to 548 million GBP.

Public Treasurership and Debt Management

The Central Bank 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. The Bank made 14 decisions after evaluating the debt requests made to the Debt Management Committee in 2019. These decisions covered the demands of 1 public institution, 3 cooperatives and 10 municipalities.

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)

3.9 Risk Centre

Pursuant to the Notification on the Risk Operations Centre, which entered into force on 01.04.2013, 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 on the Bank’s website.

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 2019.

In 2019, a test environment was prepared to enable the cooperatives affiliated to the Registrar of Cooperative Companies to be included in the Bank’s Risk Centre.

3.10 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 2019, and a presentation on the TRNC economy and the banking sector was made by the Governor Mr. Rifat Günay to the relevant committee of the TRNC Assembly. Lastly, a presentation titled "Economic Situation, Central Bank and Banking Sector" was made by the Governor to the Council of Ministers on December 3, 2019.

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, the 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 2019 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 3.12**Central Bank of the TRNC - Publications**

| Publication | Issue |
|---|----------------------------|
| | Period |
| 1) Central Bank of the TRNC Money Supply Reports | 2018-IV |
| | 2019-I |
| | 2019-II |
| | 2019-III |
| 2) Central Bank of the TRNC Quarterly Bulletins | 2018-IV |
| | 2019-I |
| | 2018-IV (English Version) |
| | 2019-II |
| | 2019-I (English Version) |
| | 2019-II (English Version) |
| | 2019-III |
| 3) Central Bank of the TRNC Annual Report | 2019-III (English Version) |
| | 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 the 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 by the Bank, provided the opportunity to make dynamic queries to the user and to access the required period's data in the Excel environment in 2019 as well. In addition, the publication of English versions of quarterly bulletins, which were first started in 2017, continued in 2019.

Development of the Statistics Application

"Central Bank of the TRNC Interactive Money-Banking Data" application, which presents detailed statistical data on the banking sector of our country has been updated and new reporting headings have been added in 2019. The application provides users with the opportunity to report to the statistical data collected within the Central Bank as of January 2006 with dynamic filtering options in time format and excel format. With the update, 23 selected balance sheet items were allowed to be reported in Turkish Lira, British Pound, Euro and US Dollar currencies as well as the information such as the number of branches, personnel, and ATMs related to the banking sector was also allowed to be reported by using the statistics application. Also, 9 new ratios have been added to the performance ratios subheadings published under the statistics application, which allows ratio analysis.

3.11 Cooperation with Universities

In 2019, a protocol of cooperation was signed with two universities in order to carry out research, training and publication activities on the subjects to be determined by the mutual agreement of the parties, within the framework of the vision of the Central Bank of the TRNC to serve the society and contribute to the economy of the TRNC by making use of the academic capacity of the universities. According to the relevant protocols, university faculty members will prepare research

and publications with at least one Central Bank personnel on areas and subjects to be determined by the parties. The faculty members who complete these publications will be rewarded by the Central Bank of the TRNC based on the agreed criteria.

3.12 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, 17 board meetings were held in 2019.

b. Press, Public Relations and Communication

Governor Rifat Günay held a press conference on February 20, 2019. Attracting great interest from the written and visual media, the conference covered the general view of the TRNC banking sector. Governor Rifat Günay explained the Bank's 2018 activities as well as its future targets and answered the questions of the press at the end of the conference.

c. Social and Cultural 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.

The applications of the students for internship at the Bank were reviewed and the 9 people who were deemed suitable within the framework of the Central Bank of the TRNC Internship Code of Practice were approved to participate in a rotational one-month internship program in various departments of the Bank. Supporting international conference/seminar organizations to contribute to the development of the banking and financial sector, the Bank has provided material sponsorship to 3 different conferences/seminars in 2019. A high level of participation of the Bank personnel was achieved.

35th Anniversary Events

Various organizations were held in 2019 to celebrate special days and occasions of the Banks, for the purpose of increasing the morale and motivation of our personnel, and to ensure bonding. In this context, on the occasion of the 35th anniversary of the Bank's establishment, a concert was organised by the Bank. In the concert, the TRNC Presidential Symphony Orchestra was conducted by Christian Reif and featured the soloist Nihat Ağdaç.



In line with the decision taken by the Bank's Executive Board, the "Central Bank of the TRNC Forest" was established in 2019. Within the framework of the 35th anniversary events, 4,500 saplings were planted in the memorial forest located on a 3 hectare land in the Hamitköy region with the participation of the Bank personnel.



d. New Service Building Project

Upon the decision of the Executive Board no. 1025 dated December 13, 2018, it was decided to determine the new building project by competition. A contract was signed with the Chamber of Architects in January 2019 and the parties began working on the project. “Central Bank of the TRNC National Architectural Project Competition” was announced on October 22, 2019. The projects participating in the competition were evaluated by the members of the jury on January 23, 2020, and the winning projects and competitors were announced.

3.13 Other

a. Electronic Cheque Clearing System (ECC System)

In 2019, the Bank and the Banks Association of Northern Cyprus started a joint study on the Electronic Cheque Clearing System (ECC System), and meetings were held with the clearing operation officials of all banks operating in our country to determine the working principles of the relevant system. Meetings were held in order to determine the necessary legal regulations, hardware and software requirements.

b. Savings Deposit Insurance and Financial Stability Fund (SDIFSF) Premiums

Based on 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, the Bank collects premiums on savings deposits subject to insurance premiums every three months, based on premium rates determined within the framework of the “Notification on Collection Procedures and Principles for the Savings Deposit Insurance Premiums”. In 2019, the total amount of TRY - FX investments made by banks to the SDIFSF was 115,509,389 TRY. While the total of these investments in TRY currency was 46,014,244 and the total in FX was 69,495,145 TRY.

c. All Kinds of Prescribed Deposits, Trusts and Receivables

In Article 36 of the Banking Law No. 62/2017, which was published in the Official Gazette No. 193 dated November 17, 2017 and became effective, the principles and procedures regarding the prescriptions were rearranged. Accordingly, the following amounts in Turkish Lira equivalent of the prescribed deposits, participation funds, trust and receivables are required to be notified to the Central Bank of the TRNC:

a) Exceeding 10% of the monthly minimum wage effective as of December of the previous year,

b) Below 10% of the monthly minimum wage effective as of December of the previous year,

In 2019, necessary actions have been taken regarding the amounts notified to the Bank regarding all kinds of prescribed deposits, trusts and receivables.

Table 3.13

Amounts Exceeding and Below 10% of the Monthly Minimum Wage

| | TRY | | \$ | | € | | £ | |
|--------------|--|---|--|---|--|---|--|---|
| | Below 10% of the Monthly Minimum Wage | Exceeding 10% of the Monthly Minimum Wage | Below 10% of the Monthly Minimum Wage | Exceeding 10% of the Monthly Minimum Wage | Below 10% of the Monthly Minimum Wage | Exceeding 10% of the Monthly Minimum Wage | Below 10% of the Monthly Minimum Wage | Exceeding 10% of the Monthly Minimum Wage |
| Total | 22,449.29 | 2,428,497.69 | 757.74 | 69,594.79 | 530.51 | 59,942.38 | 1,524.52 | 191,591.25 |

Source: Central Bank of the TRNC

FINANCIAL TABLES

4. FINANCIAL TABLES

4.1 Balance Sheet

Asset Accounts

As of the end of 2019, total assets of the Central Bank of the TRNC increased by 24.2 percent compared to the previous year and reached 13,479 million TRY. Cash assets, receivables from banks and securities portfolio accounts constituting 96.7 percent of the total assets in 2018 Balance Sheet of the Central Bank, declined to 95.1 percent as of the end of 2019.

Cash assets with the largest share in total assets and receivables from banks increased by 17.2 percent compared to the end of the previous year. Cash assets and receivables from banks items amounting to 10,327 million TRY as of the end of 2018, reached 12,103 million TRY as of the end of 2019 and its share in total assets became 89,8 percent.

Table 4.1

Central Bank of the TRNC– Balance Sheet

| ASSETS | 2018 | 2019 | Percentage Share | | Percentage Change |
|---|-----------------------|-----------------------|------------------|---------------|-------------------|
| | | | 2018 | 2019 | |
| Cash Assets and Receivables from Banks | 10,327,004,935 | 12,103,042,400 | 95.13 | 89.79 | 17.20 |
| Securities Portfolio | 172,590,899 | 713,323,563 | 1.59 | 5.29 | 313.30 |
| Loans | 61,335,607 | 50,103,991 | 0.57 | 0.37 | -18.31 |
| Market Operations | - | 326,287,627 | 0.00 | 2.42 | - |
| Non-Performing Loans (Net) | - | - | - | - | - |
| Fixed Assets (Net) | 2,145,704 | 2,284,763 | 0.02 | 0.02 | 6.48 |
| Other Assets | 292,491,524 | 283,965,077 | 2.69 | 2.11 | -2.92 |
| Total | 10,855,568,669 | 13,479,007,421 | 100.00 | 100.00 | 24.17 |
| LIABILITIES | | | | | |
| Public Deposits | 103,553,060 | 122,065,179 | 0.95 | 0.91 | 17.88 |
| Bank Deposits | 3,810,868,526 | 4,441,284,659 | 35.11 | 32.95 | 16.54 |
| Other Deposits | 3,557,561 | 4,864,859 | 0.03 | 0.03 | 36.75 |
| Reserve Requirements | 1,885,311,620 | 2,350,769,024 | 17.37 | 17.44 | 24.69 |
| Funds | 1,388,520,321 | 1,718,757,976 | 12.79 | 12.75 | 23.78 |
| Market Operations | 2,840,808,585 | 3,902,060,747 | 26.17 | 28.95 | 37.36 |
| Other Liabilities | 12,631,989 | 5,755,584 | 0.12 | 0.04 | -54.44 |
| Shareholders' Equity | 810,317,007 | 933,449,393 | 7.46 | 6.93 | 15.20 |
| Total | 10,855,568,669 | 13,479,007,421 | 100.00 | 100.00 | 24.17 |

Source: Central Bank of the TRNC

Cash Assets and Receivables from Banks

Bank deposits item increased by 14.7 percent compared to the previous year and reached from 9,725 million TRY to 11,159 million TRY in 2019.

Table 4.2

Central Bank of the TRNC - Cash and Cash Equivalents

| | 2018 | 2019 |
|---|-----------------------|-----------------------|
| Cash Assets and Receivables from Banks | 10,327,004,935 | 12,103,042,400 |
| Cash | 596,636,956 | 604,203,296 |
| Gold | 5,503,526 | 7,318,980 |
| Bank Deposits | 9,724,864,453 | 11,158,652,337 |
| Foreign Correspondents | - | 332,867,787 |

Source: Central Bank of the TRNC

Securities Portfolio

The securities portfolio item with a share of 1.6 percent in total assets in 2018 increased by 313.3 percent in 2019 and rose from 173 million TRY to 713 million TRY.

Loans

In 2019, loans item in the Central Bank of the TRNC balance sheet decreased by 18.3 percent and amounted to 50.1 million TRY, compared to the previous year. As of the end of 2019, the short-term advance debt to the Treasury was 50.1 million TL, while no loans were extended to the banking sector.

Table 4.3

Central Bank of the TRNC- Loans

| | 2018 | 2019 |
|---|-------------------|-------------------|
| Loans | 61,335,607 | 50,103,991 |
| Short Term Advance to the Treasury | 53,444,257 | 50,103,991 |
| Banking | 7,891,350 | - |

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 2019, as it was at the end of 2018, 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 increased by 6.5 percent at the end of 2019 compared to the end of 2018 and reached 2.3 million TRY.

Table 4.4**Central Bank of the TRNC- Fixed Assets**

| | 2018 | 2019 |
|--|------------------|------------------|
| Fixed Assets | 2,145,704 | 2,284,763 |
| Immovables | 785,070 | 1,157,661 |
| Fixtures and Nonmaterial Rights | 1,360,634 | 1,127,102 |

Source: Central Bank of the TRNC

Other Assets

The total of the other assets item, which was 293 million TRY in 2018, decreased by 2.9 percent compared to the previous year reached 284 million TRY in 2019.

Table 4.5**Central Bank of the TRNC- Other Assets**

| | 2018 | 2019 |
|------------------------------|--------------------|--------------------|
| Other Assets | 292,491,524 | 283,965,077 |
| Temporary Receivables | 79,517 | 215,595 |
| Transitory Account | 292,412,007 | 283,749,482 |

Source: Central Bank of the TRNC

Liability Accounts

Bank deposits, which have the largest share in total liabilities, increased by 16.5 percent, while total market operations, which is the second largest share increased by 37.4 percent.

Bank Deposits

Bank deposits item showing the deposits in the Central Bank of the Turkish Republic of Northern Cyprus increased by 16.5 percent compared to the end of 2018 and reached 4,441 million TRY as of the end of 2019. Bank deposits also include the amounts blocked as collateral by banks for IMM transactions.

Table 4.6

Central Bank of the TRNC– Bank Deposits

| | 2018 | 2019 |
|-------------------------|----------------------|----------------------|
| Bank Deposits | 3,810,868,526 | 4,441,284,659 |
| Bank Deposits | 3,683,931,916 | 4,288,387,169 |
| Blocked Accounts | 126,936,610 | 152,897,490 |

Source: Central Bank of the TRNC

Market Operations

While the sum of the Central Bank securities included in the market transactions amounted to 806 million TRY as of the end of 2019, the sum of the IMM transaction debts under the same item was 2,764 million TRY. Accordingly, in the one-year period, the sum of the Central Bank securities decreased by 59.1 percent and the IMM transaction debts increased by 218.4 percent. As of the end of 2019, open market transactions reached the level of 332 million TRY.

Table 4.7

Central Bank of the TRNC– Market Operations

| | 2018 | 2019 |
|--------------------------------|----------------------|----------------------|
| Market Operations | 2,840,808,585 | 3,902,060,747 |
| Central Bank Securities | 1,972,640,785 | 806,085,000 |
| Money Market Operations | 868,167,800 | 2,763,885,610 |
| Open Market Operations | - | 332,090,137 |

Source: Central Bank of the TRNC

Reserve Requirements

In 2019, reserve requirements item held at the Central Bank increased by 24.7 percent compared to the previous year and reached 2,351 million TRY.

Public Deposits

As of the end of 2019, public deposits increased by 18.5 million TRY, compared to the previous year. Total public deposits increased by 17.9 percent compared to the end of 2018 and reached 122 million TRY as of the end of 2019.

Other Deposits

As of the end of 2019, other deposits item increased by 36.8 percent and reached 4.9 thousand TRY, compared to the end of 2018.

Funds

As of the end of 2019, funds item increased by 23.8 percent from 1,389 million TRY to 1,719 million TRY due to the increase in other funds sub-item.

Table 4.8

Central Bank of the TRNC- Funds

| | 2018 | 2019 |
|---------------------------|----------------------|----------------------|
| Funds | 1,388,520,321 | 1,718,757,976 |
| Central Bank Funds | 5,635,676 | 1,706,691 |
| Treasury Funds | 1,380,772 | 1,104,597 |
| Other Funds | 1,381,503,873 | 1,715,946,688 |

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 31.7 percent and 13.2 percent in 2019, respectively, the total shareholders' equity reached 933.4 million TRY. As of the end of 2019, reserves, provisions and profit items amounted to 342 million TRY, 228 million TRY and 344 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**Central Bank of the TRNC– Equity**

| | 2018 | 2019 |
|--|--------------------|--------------------|
| Shareholders' Equity (Including Profit) | 810,317,007 | 933,449,393 |
| Shareholders' Equity (Excluding Profit) | 480,942,598 | 589,827,556 |
| Capital | 20,000,000 | 20,000,000 |
| Reserves | 260,015,635 | 342,359,237 |
| Provisions | 200,926,963 | 227,468,319 |
| Profit | 329,374,409 | 343,621,837 |

Source: Central Bank of the TRNC

4.2 Profit and Loss Statement

Profit of the Central Bank increased by 4.3 percent compared to the previous year and reached 344 million TRY in 2019. In 2019, total revenues item increased by 17.5 percent and total expenditures item increased by 29.4 percent compared to the previous year.

In 2019, the share of Turkish Lira transactions profit in the revenues item, increased by 26.4 percent compared to the previous year and reached 645 million TRY. In the same period, foreign currency exchange profits decreased by 6.9 percent and declined to 173 million TRY.

Total expenditures, which amounted to 367 million TRY in 2018, increased by 29.4 percent in 2019 and reached 475 million TRY. Total TRY transaction expenses, which had the highest share in expenditure items, increased by 48.6 percent compared to the previous year and reached 340 million TRY. While the share of foreign exchange losses, which had the second highest share in total expenditures with 16.8 percent in 2019, had increased by 23.5 percent compared to the previous year, the share of TRY cash and foreign exchange insurance premiums in total expenditures decreased to 2.1 percent. Insurance premiums for banknotes and foreign exchange banknotes reached 16.5 million TRY.

Table 4.10

Central Bank of the TRNC– Profit/Loss

| | Percentage Share | | | | Percentage Change |
|---|------------------|-------------|--------|--------|-------------------|
| REVENUES | 2018 | 2019 | 2018 | 2019 | |
| Profit on Foreign Currency Exchange | 185,727,555 | 172,899,229 | 26.67 | 21.13 | -6.91 |
| Profit on Turkish Lira Transactions | 510,632,862 | 645,441,587 | 73.33 | 78.87 | 26.40 |
| Miscellaneous Profits | 1,217 | 23,897 | 0.00 | 0.00 | 1,863.60 |
| Total Revenues | 696,361,634 | 818,364,713 | 100.00 | 100.00 | 17.52 |
| EXPENDITURES | | | | | |
| Personnel Expenditures | 24,898,238 | 24,368,962 | 6.78 | 5.13 | -2.13 |
| Administrative Expenditures | 1,723,879 | 2,112,400 | 0.47 | 0.44 | 22.54 |
| Insurance Premiums for Banknotes and Foreign Exchange Banknotes | 15,242,002 | 16,541,356 | 4.15 | 3.48 | 8.53 |
| Insurance Premiums for TRY Cash and Foreign Exchange Banknotes | 30,000,000 | 10,000,000 | 8.18 | 2.11 | -66.67 |
| Loss on Foreign Currency Exchange | 64,476,716 | 79,644,445 | 17.57 | 16.78 | 23.52 |
| TRY Transaction Expenditures | 228,684,709 | 339,895,796 | 62.31 | 71.60 | 48.63 |
| Depreciation Charges | 646,413 | 612,804 | 0.18 | 0.13 | -5.20 |
| Other Expenditures and Losses | 1,315,268 | 1,567,113 | 0.36 | 0.33 | 19.15 |
| Total Expenditures | 366,987,225 | 474,742,876 | 100.00 | 100.00 | 29.36 |
| Profit | 329,374,409 | 343,621,837 | | | |
| Grand Total | 696,361,634 | 818,364,713 | | | |

Source: Central Bank of the TRNC

4.3 Profit Distribution - 2019

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. 344 million TRY, which is the profit for 2019 is distributed as shown in the table below.

Table 4.11

Central Bank of the TRNC - Profit Distribution

| | Retained Profit | Percentage Share |
|--|------------------------|-------------------------|
| Retained Reserve | 85,905,459 | 25.00 |
| Received on Treasury Debt Account | 239,298,568 | 70.00 |
| Transferred to the Treasury | 18,417,810 | 5.00 |
| 2019 Profit | 343,621,837 | 100.00 |

Source: Central Bank of the TRNC

TABLES

5. TABLES

Central Bank of the TRNC Balance Sheet- 31.12.2019 (TRY)

| Assets | TRY | FX | TRY Total | FX Total | Grand Total |
|--|---------------|---------------|---------------|---------------|-----------------------|
| I- Current Assets | | | 3,752,591,654 | 9,063,774,309 | 12,816,365,963 |
| Cash | 1,632,396 | 602,570,900 | | | |
| Gold | | 7,318,980 | | | |
| Securities Portfolio | 103,271,950 | 610,051,613 | | | |
| Bank Deposits | 3,647,687,308 | 7,510,965,029 | | | |
| Foreign Correspondents | | 332,867,787 | | | |
| II- Fixed Assets | | | 2,284,763 | | 2,284,763 |
| Immovables | 1,406,806 | | | | |
| Depreciation Charges (-) | -249,145 | | | | |
| Fixtures | 5,923,340 | | | | |
| Depreciation Charges (-) | -4,796,238 | | | | |
| III- Loans | | | 50,103,991 | | 50,103,991 |
| A- Advance Accounts | | | | | |
| a- Short Term Advance to the Treasury | 50,103,991 | | | | |
| b- Advance Under Treasury Guaranteed Bills | | | | | |
| c- Commercial Bank Securities | | | | | |
| IV- Market Operations | | | | 326,287,627 | 326,287,627 |
| Foreign Currency Exchange Transactions | | | | | |
| b- Open Market Operations | | 326,287,627 | | | |
| V- Other Assets | | | 282,330,388 | 1,634,690 | 283,965,078 |
| A- Temporary Receivables | 215,595 | | | | |
| 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 | 282,114,793 | 1,634,690 | | | |
| TOTAL | | | | | 13,479,007,421 |

Source: Central Bank of the TRNC

Central Bank of the TRNC Balance Sheet- 31.12.2019 (TRY)

| Liabilities | TRY | FX | TRY Total | FX Total | Grand Total |
|---------------------------------|-------------|---------------|---------------|---------------|----------------|
| I - Shareholders' Equity | | | 589,827,556 | | 589,827,556 |
| Capital | 20,000,000 | | | | |
| Reserves | 342,359,237 | | | | |
| Provisions | 227,468,319 | | | | |
| II - Foreign Sources | | | 3,269,168,992 | 9,270,633,452 | 12,539,802,444 |
| A- Deposits | | | 829,294,997 | 3,738,919,700 | |
| a- Public Deposits | 61,510,327 | 60,554,852 | | | |
| b- Bank Deposits | 766,047,422 | 3,522,339,747 | | | |
| c- Blocked Accounts | | 152,897,490 | | | |
| d- Personal Deposits | 1,736,191 | 3,127,611 | | | |
| e- Other Deposits | 1,057 | | | | |
| B- Reserve Requirements | | | 853,421,489 | 1,497,347,535 | |
| C- Market Operations | | | 925,200,000 | 2,976,860,747 | |
| a- Central Bank Securities | | 806,085,000 | | | |
| b- Money Market Operations | 925,200,000 | 1,838,685,610 | | | |
| c- Open Market Operations | | 332,090,137 | | | |
| D- Funds | | | 661,252,506 | 1,057,505,470 | |
| a- Central Bank Funds | 1,706,691 | | | | |
| b- Treasury Funds | 1,031,856 | 72,471 | | | |
| c- Other Funds | 658,513,959 | 1,057,432,729 | | | |
| III - Other Liabilities | | | | | 5,755,584 |
| a-Temporary Debts | | | 21,172 | | |
| b-Transitory Account | | | 3,698,914 | 2,035,498 | |
| IV - Profit | | | 343,621,837 | | 343,621,837 |
| TOTAL | | | | | 13,479,007,421 |

Source: Central Bank of the TRNC

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

| Assets | TRY | FX | TRY Total | FX Total | Grand Total |
|--|---------------|---------------|---------------|---------------|-----------------------|
| I- Current Assets | | | 3,029,608,090 | 7,469,987,744 | 10,499,595,834 |
| 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 | | | | | |
| II- Fixed Assets | | | 2,145,704 | | 2,145,704 |
| Immovables | 992,011 | | | | |
| Depreciation Charges (-) | -206,941 | | | | |
| Fixtures | 5,655,764 | | | | |
| Depreciation Charges (-) | -4,295,130 | | | | |
| III- Loans | | | 61,335,607 | | 61,335,607 |
| 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- Open Market Operations | | | | | |
| IV- Other Assets | | | 290,473,844 | 2,017,680 | 292,491,524 |
| A- Temporary Receivables | 79,517 | | | | |
| 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 | 290,394,327 | 2,017,680 | | | |
| TOTAL | | | | | 10,855,568,669 |

Source: Central Bank of the TRNC

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

| Liabilities | TRY | FX | TRY Total | FX Total | Grand Total |
|---------------------------------|-------------|---------------|------------------|-----------------|-----------------------|
| I - Shareholders' Equity | | | 480,942,598 | | 480,942,598 |
| Capital | 20,000,000 | | | | |
| Reserves | 260,015,635 | | | | |
| Provisions | 200,926,963 | | | | |
| II - Foreign Sources | | | 2,744,729,788 | 7,287,889,885 | 10,032,619,673 |
| A- Deposits | | | 759,321,440 | 3,158,657,707 | |
| 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- Reserve Requirements | | | 707,399,584 | 1,177,912,036 | |
| D- Market Operations | | | 737,000,000 | 2,103,808,585 | |
| a- Central Bank Securities | 567,000,000 | 1,405,640,785 | | | |
| b- Money Market Operations | 170,000,000 | 698,167,800 | | | |
| c- Open Market Operations | | | | | |
| E- Funds | | | 541,008,764 | 847,511,557 | |
| a- Central Bank Funds | 5,635,676 | | | | |
| b- Treasury Funds | 1,314,850 | 65,922 | | | |
| c- Other Funds | 534,058,238 | 847,445,635 | | | |
| III - Other Liabilities | | | | | 12,631,989 |
| a-Temporary Debts | | | 29,850 | | |
| b-Transitory Account | | | 9,989,112 | 2,613,027 | |
| IV - Profit | | | 329,374,409 | | 329,374,409 |
| TOTAL | | | | | 10,855,568,669 |

Source: Central Bank of the TRNC

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

| Date | Profit (Loss) | Date | Profit (Loss) |
|------|---------------|------|---------------|
| 1998 | 4,473,283 | 2009 | 53,879,493 |
| 1999 | 9,422,197 | 2010 | 38,706,980 |
| 2000 | 2,806,998 | 2011 | 60,793,021 |
| 2001 | 12,022,535 | 2012 | 59,185,678 |
| 2002 | 11,837,476 | 2013 | 61,100,258 |
| 2003 | 14,100,468 | 2014 | 66,522,923 |
| 2004 | 27,718,821 | 2015 | 110,530,354 |
| 2005 | 48,415,266 | 2016 | 133,906,573 |
| 2006 | 23,817,485 | 2017 | 203,235,577 |
| 2007 | 32,953,888 | 2018 | 329,374,409 |
| 2008 | 34,397,584 | 2019 | 343,621,837 |

Source: Central Bank of the TRNC

Central Bank of the TRNC Selected Asset Items (TRY)

| Date | Liquid Assets | Loans | Other Assets | Total Assets |
|-------------|----------------|-------------|--------------|----------------|
| 31.Mar.15 | 3,739,517,315 | 115,254,133 | 2,248,301 | 3,857,019,749 |
| 30.Jun.15 | 4,297,312,709 | 132,031,767 | 18,942,188 | 4,448,286,664 |
| 30.Sept.15 | 4,883,071,770 | 133,138,667 | 2,280,396 | 5,018,490,833 |
| 31.Dec.15 | 4,820,323,929 | 184,465,057 | 20,635,529 | 5,025,424,515 |
| 31.Mar.16 | 4,759,331,238 | 177,928,840 | 2,511,781 | 4,939,771,859 |
| 30.Jun.16 | 4,743,182,458 | 213,175,830 | 2,640,121 | 4,958,998,409 |
| 30.Sept.16 | 5,466,386,701 | 186,416,180 | 2,729,886 | 5,655,532,767 |
| 31.Dec.16 | 6,362,944,796 | 67,051,670 | 22,187,719 | 6,452,184,185 |
| 31.Mar.17 | 6,764,573,400 | 101,158,224 | 3,401,183 | 6,869,132,807 |
| 30.Jun.17 | 6,981,906,564 | 134,992,949 | 2,841,955 | 7,119,741,468 |
| 30.Sept.17 | 7,630,043,970 | 191,469,924 | 2,907,269 | 7,824,421,163 |
| 31.Dec.17 | 8,081,160,634 | 180,259,439 | 108,618,959 | 8,370,039,032 |
| 31 Mar.18 | 8,545,422,968 | 219,540,337 | 4,339,065 | 8,769,302,370 |
| 30 Jun.18 | 9,341,542,297 | 155,660,857 | 2,673,006 | 9,499,876,160 |
| 30 Sept.18 | 11,073,132,669 | 172,557,057 | 2,684,160 | 11,248,373,886 |
| 31 Dec.18 | 10,499,595,834 | 61,335,607 | 294,637,228 | 10,855,568,669 |
| 31 Mar.19 | 10,833,216,002 | 188,417,441 | 12,142,380 | 11,033,775,823 |
| 30 Jun. 19 | 11,423,695,382 | 198,753,741 | 4,705,193 | 11,627,154,316 |
| 30 Sept. 19 | 12,024,932,318 | 188,602,841 | 99,806,315 | 12,313,341,474 |
| 31 Dec. 19 | 12,816,365,963 | 50,103,991 | 612,537,467 | 13,479,007,421 |

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 |
|-------------|--|-----------------|-----------------------------|--------------------------|--------------------------|
| 31.Mar.15 | 276,152,356 | 1,408,442,288 | 1,006,554,132 | 1,165,870,973 | 3,857,019,749 |
| 30.Jun.15 | 276,996,548 | 1,482,713,730 | 1,062,691,010 | 1,625,885,376 | 4,448,286,664 |
| 30.Sept.15 | 278,408,386 | 1,554,299,105 | 1,159,694,120 | 2,026,089,222 | 5,018,490,833 |
| 31.Dec.15 | 400,156,276 | 1,597,089,925 | 1,143,470,037 | 1,884,708,277 | 5,025,424,515 |
| 31.Mar.16 | 317,637,476 | 1,368,093,189 | 1,158,875,053 | 2,095,166,141 | 4,939,771,859 |
| 30.Jun.16 | 318,658,983 | 1,476,230,465 | 1,172,163,993 | 1,991,944,968 | 4,958,998,409 |
| 30.Sept.16 | 319,829,286 | 1,706,384,976 | 1,233,282,326 | 2,396,036,179 | 5,655,532,767 |
| 31.Dec.16 | 465,169,093 | 2,083,019,935 | 1,359,700,420 | 2,544,294,737 | 6,452,184,185 |
| 31.Mar.17 | 365,686,916 | 2,121,997,651 | 1,448,684,018 | 2,932,764,222 | 6,869,132,807 |
| 30.Jun.17 | 367,060,935 | 2,317,720,970 | 1,512,813,049 | 2,922,146,514 | 7,119,741,468 |
| 30.Sept.17 | 368,577,947 | 2,505,097,829 | 1,615,196,100 | 3,335,549,287 | 7,824,421,163 |
| 31.Dec.17 | 384,891,701 | 2,681,914,710 | 1,729,000,716 | 3,574,231,905 | 8,370,039,032 |
| 31.Mar.18 | 436,642,697 | 2,870,588,126 | 1,851,557,638 | 3,610,513,909 | 8,769,302,370 |
| 30.Jun.18 | 439,621,419 | 3,105,622,819 | 1,993,912,015 | 3,960,719,907 | 9,499,876,160 |
| 30.Sept.18 | 445,771,689 | 3,717,146,751 | 2,052,867,163 | 5,032,588,283 | 11,248,373,886 |
| 31.Dec.18 | 480,942,598 | 3,917,979,147 | 1,885,311,620 | 4,571,335,304 | 10,855,568,669 |
| 31 Mar.19 | 565,586,996 | 4,040,009,260 | 2,011,711,161 | 4,416,468,406 | 11,033,775,823 |
| 30 Jun. 19 | 569,937,350 | 4,264,704,130 | 2,101,571,020 | 4,690,941,816 | 11,627,154,316 |
| 30 Sept. 19 | 574,939,219 | 4,069,005,293 | 2,134,892,647 | 5,534,504,315 | 12,313,341,474 |
| 31.Dec.19 | 589,827,556 | 4,568,214,697 | 2,350,769,024 | 5,970,196,144 | 13,479,007,421 |

Source: Central Bank of the TRNC

Central Bank of the TRNC Liquid Assets (TRY)

| Date | Cash Assets | Gold Deposit | Bank Deposits (TRY) | Bank Deposits (FX) | Foreign Banks | SP | Total |
|-------------|--------------------|---------------------|----------------------------|---------------------------|----------------------|-------------|-----------------------|
| 31.Mar.15 | 93,270,862 | 2,341,331 | 1,456,217,149 | 1,979,335,666 | 48,438,307 | 159,914,000 | 3,739,517,315 |
| 30.Jun.15 | 82,385,984 | 2,341,331 | 1,467,167,127 | 2,411,582,643 | 113,843,324 | 219,992,300 | 4,297,312,709 |
| 30.Sept.15 | 140,974,336 | 2,341,331 | 1,467,337,337 | 2,899,368,703 | 114,480,913 | 258,569,150 | 4,883,071,770 |
| 31.Dec.15 | 87,625,194 | 2,611,239 | 1,402,006,529 | 2,945,775,755 | 55,692,162 | 326,613,050 | 4,820,323,929 |
| 31.Mar.16 | 117,668,364 | 2,611,239 | 1,499,576,679 | 2,952,607,384 | 77,638,972 | 109,228,600 | 4,759,331,238 |
| 30.Jun.16 | 90,757,864 | 2,611,239 | 1,614,592,023 | 2,855,674,301 | 33,822,031 | 145,725,000 | 4,743,182,458 |
| 30.Sept.16 | 238,570,625 | 2,611,239 | 2,029,877,829 | 3,097,871,008 | - | 97,456,000 | 5,466,386,701 |
| 31.Dec.16 | 216,724,660 | 3,440,019 | 2,260,530,677 | 3,687,779,940 | - | 194,469,500 | 6,362,944,796 |
| 31.Mar.17 | 165,588,687 | 3,440,019 | 2,101,326,259 | 4,030,683,635 | - | 463,534,800 | 6,869,132,807 |
| 30.Jun.17 | 171,906,834 | 3,440,019 | 1,823,606,608 | 4,299,854,053 | - | 683,099,050 | 6,981,906,564 |
| 30.Sept.17 | 275,459,595 | 3,440,019 | 1,842,387,496 | 4,739,760,510 | - | 768,996,350 | 7,630,043,970 |
| 31.Dec.17 | 257,360,230 | 3,997,999 | 1,728,967,292 | 5,187,178,813 | - | 903,656,300 | 8,081,160,634 |
| 31 Mar.18 | 382,362,841 | 3,997,999 | 1,705,665,243 | 5,630,492,210 | - | 822,904,675 | 8,545,422,968 |
| 30 Jun.18 | 281,516,845 | 3,997,999 | 1,845,209,663 | 6,467,950,290 | - | 742,867,500 | 9,341,542,297 |
| 30 Sept.18 | 701,495,845 | 3,997,999 | 2,827,946,391 | 7,539,692,434 | - | - | 11,073,132,669 |
| 31 Dec.18 | 596,636,956 | 5,503,526 | 2,886,583,754 | 6,838,280,699 | - | 172,590,899 | 10,499,595,834 |
| 31 Mar.19 | 703,356,751 | 5,503,326 | 2,788,997,426 | 7,087,363,508 | 727,800 | 247,266,991 | 10,833,216,002 |
| 30 Jun.19 | 684,254,253 | 5,503,526 | 2,956,877,407 | 7,386,165,087 | 731,140 | 390,163,969 | 11,423,695,382 |
| 30 Sept.19 | 695,057,549 | 5,503,526 | 3,258,721,464 | 7,319,698,436 | 90,233,033 | 655,718,310 | 12,024,932,318 |
| 31 Dec.19 | 604,203,296 | 7,318,980 | 3,647,687,308 | 7,510,965,029 | 332,867,787 | 713,323,563 | 12,816,365,963 |

Source: Central Bank of the TRNC

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

| | | |
|------------|-----------|------------------|
| 31.Mar.15 | 4,466,517 | 4,466,517 |
| 30.Jun.15 | 4,642,279 | 4,642,279 |
| 30.Sept.15 | 5,311,384 | 5,311,384 |
| 31.Dec.15 | | - |
| 31.Mar.16 | | - |
| 30.Jun.16 | 4,083,448 | 4,083,448 |
| 30.Sept.16 | 4,270,101 | 4,270,101 |
| 31.Dec.16 | 5,065,643 | 5,065,643 |
| 31.Mar.17 | | - |
| 30.Jun.17 | 4,943,377 | 4,943,377 |
| 30.Sept.17 | 5,415,736 | 5,415,736 |
| 31.Dec.17 | 5,807,899 | 5,807,899 |
| 31 Mar.18 | 5,789,550 | 5,789,550 |
| 30 Jun.18 | 6,912,450 | 6,912,450 |
| 30 Sept.18 | 9,112,800 | 9,112,800 |
| 31 Dec. 18 | 7,933,350 | 7,933,350 |
| 31 Mar.19 | 8,313,450 | 8,313,450 |
| 30 Jun.19 | 8,649,750 | 8,649,750 |
| 30 Sept.19 | 8,498,850 | 8,498,850 |
| 31 Dec.19 | - | - |

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 |
|------------|-----------------|------------|--------------|---------------|--------------------------|---------------|-----------|-------------|---------------|
| | | | A - Deposits | | B - Reserve Requirements | | | | |
| | TRY | FX | TRY | FX | TRY | FX | TRY | FX | |
| 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 | 2,526,968,242 |
| 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 | 2,648,394,458 |
| 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 | 2,939,667,302 |
| 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 | 3,442,720,355 |
| 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 | 3,570,681,669 |
| 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 | 3,830,534,019 |
| 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 | 4,120,293,929 |
| 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 | 4,410,915,426 |
| 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 | 4,722,145,764 |
| 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 | 5,099,534,834 |
| 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 | 5,770,013,914 |
| 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 | 5,803,290,767 |
| 31 Mar.19 | 21,273,436 | 50,459,675 | 494,142,152 | 3,283,867,588 | 730,743,668 | 1,280,967,493 | 902,785 | 189,363,624 | 6,051,720,421 |
| 30 Jun.19 | 19,926,492 | 44,079,068 | 379,912,114 | 3,621,457,724 | 748,007,362 | 1,353,563,658 | 905,629 | 198,423,103 | 6,366,275,150 |
| 30 Sept.19 | 355,937,954 | 80,590,555 | 352,615,354 | 3,112,598,004 | 789,935,711 | 1,344,956,936 | 1,011,763 | 166,251,663 | 6,203,897,940 |
| 31 Dec.19 | 61,510,327 | 60,554,852 | 766,047,422 | 3,522,339,747 | 853,421,489 | 1,497,347,535 | 1,737,248 | 156,025,101 | 6,918,983,721 |

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 | | 5.2609 | 5.2704 | 6.0280 | 6.0388 | 6.6528 | 6.6875 |
| 2019 | 1 | 5.2781 | 5.2876 | 6.0339 | 6.0447 | 6.9005 | 6.9364 |
| | 2 | 5.2905 | 5.3000 | 6.0257 | 6.0366 | 7.0133 | 7.0499 |
| | 3 | 5.6284 | 5.6386 | 6.3188 | 6.3302 | 7.3354 | 7.3736 |
| | 4 | 5.9282 | 5.9389 | 6.6151 | 6.6270 | 7.6541 | 7.6940 |
| | 5 | 5.9235 | 5.9342 | 6.5966 | 6.6084 | 7.4686 | 7.5076 |
| | 6 | 5.7551 | 5.7654 | 6.5507 | 6.5625 | 7.2855 | 7.3235 |
| | 7 | 5.5709 | 5.5810 | 6.2088 | 6.2199 | 6.7681 | 6.8033 |
| | 8 | 5.8140 | 5.8245 | 6.4407 | 6.4523 | 7.0805 | 7.1174 |
| | 9 | 5.6591 | 5.6693 | 6.1836 | 6.1947 | 6.9487 | 6.9849 |
| | 10 | 5.7363 | 5.7466 | 6.3772 | 6.3887 | 7.3803 | 7.4188 |
| | 11 | 5.7403 | 5.7507 | 6.3175 | 6.3289 | 7.3943 | 7.4328 |
| | 12 | 5.9402 | 5.9509 | 6.6506 | 6.6625 | 7.7765 | 7.8171 |

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 | | 1.2667 | 1.1458 |
| 2019 | 1 | 1.3096 | 1.1432 |
| | 2 | 1.3279 | 1.1390 |
| | 3 | 1.3055 | 1.1227 |
| | 4 | 1.2933 | 1.1159 |
| | 5 | 1.2630 | 1.1136 |
| | 6 | 1.2681 | 1.1383 |
| | 7 | 1.2170 | 1.1145 |
| | 8 | 1.2199 | 1.1078 |
| | 9 | 1.2300 | 1.0927 |
| | 10 | 1.2888 | 1.1117 |
| | 11 | 1.2903 | 1.1006 |
| | 12 | 1.3114 | 1.1196 |

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 | | | | Executive Board Decision | | Official Gazette | |
|-------------------|----------|--------|--------|--------|-----------------------------|--------|------------------|--------|
| | TRY | \$ | € | £ | Date | Number | Date | Number |
| | Demand | Demand | Demand | Demand | | | | |
| 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 |
| 29.07.2019 | 13.25 | 1.00 | 0.125 | 0.25 | 26.07.2019 | 1046 | 29.07.2019 | 107 |
| 16.09.2019 | 10.00 | 1.00 | 0.125 | 0.25 | 12.09.2019 | 1054 | 16.09.2019 | 128 |
| 28.10.2019 | 8.50 | 1.00 | 0.125 | 0.25 | 25.10.2019 | 1059 | 28.10.2019 | 153 |
| 16.12.2019 | 7.25 | 0.75 | 0.05 | 0.125 | 13.12.2019 | 1069 | 16.12.2019 | 178 |

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 | | | Executive 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 |
| 29.07.2019 | 9.00 | 0.65 | 0.00 | 0.125 | 26.07.2019 | 1046 | 29.07.2019 | 107 |
| 16.09.2019 | 5.75 | 0.50 | 0.00 | 0.125 | 12.09.2019 | 1054 | 16.09.2019 | 128 |
| 28.10.2019 | 3.25 | 0.50 | 0.00 | 0.125 | 25.10.2019 | 1059 | 28.10.2019 | 153 |
| 16.12.2019 | 2.50 | 0.25 | 0.00 | 0.05 | 13.12.2019 | 1069 | 16.12.2019 | 178 |

Source: Central Bank of the TRNC

Rediscount Interest Rates

| Effective Date | Currency | | | | | | | | | | | | | | | | |
|----------------|----------|---------|----------|----------------|---------|-------|---------|----------|---------|-------|---------|----------|---------|-------|---------|----------|---------|
| | TRY | | | | | \$ | | | | € | | | | £ | | | |
| | Ind. | | Advances | | | Ind. | | Advances | | Ind. | | Advances | | Ind. | | Advances | |
| | Trade | Tourism | Exp. | Small Business | Against | Trade | Tourism | Exp. | Against | Trade | Tourism | Exp. | Against | Trade | Tourism | Exp. | Against |
| | Agri. | | FX | | | Edu. | | FX | | Edu. | | FX | | Edu. | | FX | |
| | Edu. | | | | | | | | | | | | | | | | |
| 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 |
| 29.07.19 | 19,50 | 16,50 | 16,50 | 15,50 | 15,50 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| 16.09.19 | 16,50 | 13,50 | 13,50 | 12,50 | 12,50 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| 28.10.19 | 15,00 | 12,00 | 12,00 | 11,00 | 11,00 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| 16.12.19 | 13.00 | 10.00 | 10.00 | 9.00 | 10.50 | 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 |
|----------------|---|------|------|
| 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 |
| 31.12.2019 | Deposits up to 3-month maturity | 7.25 | 7.25 |
| | Deposits between 3 to 6-month maturity | 6.25 | 6.25 |
| | Deposits between 6-month to 1-year maturity | 5.25 | 5.25 |
| | Deposits longer than 1-year maturity | 4.25 | 4.25 |
| | Other liabilities excluding deposits | 7.25 | 7.25 |
| | Precious metal liabilities | 0 | 0 |

Source: Central Bank of the TRNC

Scale of Charges

| A | Turkish Lira Transactions | Commissions, Fees and Costs |
|---|--|-----------------------------|
| 1 | Received transfers in TRY | - |
| 2 | Sent transfers in TRY | 0.0005 commission |
| 3 | Sent transfers in TRY | The lowest Fee: 250,00 TRY |
| 4 | Communication costs charged from sent transfers in TRY | - |
| B | Foreign Currency Exchange Transactions | Commissions, Fees and Costs |
| 1 | Received transfers in FX | - |
| 2 | Sent transfers in FX | 0.001 commission |
| 3 | Sent transfers in FX | The lowest Fee: 250,00 TRY |

Source: Central Bank of the TRNC

Dishonoured 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 | | | 2.374 |
| 2019 | 1 | 279 | 279 |
| | 2 | 236 | 515 |
| | 3 | 297 | 812 |
| | 4 | 216 | 1,028 |
| | 5 | 70 | 1.098 |
| | 6 | 149 | 1.247 |
| | 7 | 168 | 1.415 |
| | 8 | 132 | 1.547 |
| | 9 | 159 | 1.706 |
| | 10 | 146 | 1,852 |
| | 11 | 153 | 2.005 |
| | 12 | 161 | 2.166 |

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 | 4,620.3 | 4.93 | 22,638.7 | 6.88 | 24,286.7 | 6.57 |
| | II | 5,136.5 | 11.17 | 24,283.6 | 7.27 | 26,135.3 | 7.61 |
| | III | 6,038.8 | 17.57 | 28,359.8 | 16.79 | 30,493.1 | 16.67 |
| | IV | 5,520.7 | -8.58 | 26,641.1 | -6.06 | 28,662.5 | -6.00 |
| 2019 | I | 6,297.8 | 14.08 | 29,051.7 | 9.05 | 31,227.0 | 8.95 |
| | II | 6,581.7 | 4.51 | 30,066.1 | 3.49 | 32,390.9 | 3.73 |
| | III | 6,775.1 | 2.94 | 30,109.1 | 0.14 | 33,243.7 | 2.63 |
| | IV | 7,386.0 | 9.02 | 33,164.4 | 10.15 | 35,890.3 | 7.96 |

Source: Central Bank of the TRNC

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For information and suggestions: www.mb.gov.ct.tr