

According to the Law on the Central Bank of the 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 help economic development,”

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

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A. ABBREVIATIONS

EU	European Union
USA	United States of America
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
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	Savings Deposit Insurance and Financial Stability Fund
URP	Uniform Reporting Package
IBU	International Banking Units
FX	Foreign Exchange
\$ / Dollar	US Dollar

B. DEFINITIONS

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

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PREFACE

With the increasing volume of trade, investment expenditures and positive effects of industrial production in the world, positive developments have started in 2017 in the global economy. Economic growth especially in developed countries, supported the economic growth of the world with the financial policies supporting the economy and the improvement of financial conditions. In the reports published in the last period of 2017, it is emphasized that the growth of the world economy will continue in the next two years, but in order to increase the efficiency and to ensure the comprehensive growth to prevent the downside risks that may arise, it is emphasized that the policy makers implement the necessary reforms.

In 2017, our Bank continued its efforts to ensure the safe and stable growth of the banking sector in line with the developments in international standards, the implementation of monetary-credit policies in a way that would help our country's economic development and the protection of the rights and interests of depositors. In this context, the Banking Law, which is the backbone of the reform works in the TRNC financial sector, was prepared with the contribution of all parties and enacted by unanimous vote of the General Assembly of the Republic. The objective of the Banking Law No. 62/2017 is to regulate the rules for the establishment and maintenance of trust and stability in the financial markets, the protection of the rights and interests of the depositors and the effective functioning of the financial intermediation system. The Banking Law No. 39/2001, which has been in force since 2001, has been enabled to adapt to the current developments along with the new Banking Law, and to become more capable of regulating the innovations in the sector and the markets. With the Banking Law, the new protective provisions required for the protection of depositors and more stable progress of the banking sector are added to the law, while the Central Bank of the TRNC has been given broader powers and responsibilities with respect to sub-arrangements that can provide more rapid responses to the recent developments.

In 2017, our Bank was restructured and the organizational structure was rearranged to be compatible with today's central banking system. In this context, new directorates were formed in line with the new tasks defined while the existing tasks were redistributed among the directorates. 45 new employees were employed in different positions in 2017 in order to respond the Bank's restructuring and new job descriptions.

Our Bank has completed most of its works regarding the establishment of the Institutional Electronic Payment System as of 2017 following the Electronic Payment System, which has been initialized in order to enable money transfers in our country, in an efficient way and without operational risks. The Institutional Electronic Payment System, which will allow public institutions to make payments through the banks in electronic environment in a safe and fast manner, is in the testing phase and related works are ongoing. The system is planned to be implemented in 2018 after the works of the participating banks and institutions are completed. In 2016, with the Notification on National Bank Account Number prepared by the Executive Board of our Bank, it was aimed to prepare the ground for accurate and fast money transfers and to standardize each customer account number subject to

the money transfer in banks. In 2017, the use of UBAN or IBAN was made compulsory for the EPS payments with the support given to the relevant public institutions, and payment with bank account number was disabled.

TRNC Banking sector assets size continued to grow in 2017 and reached 26.1 billion TRY with an increase of 23.7 percent compared to the previous year. Total deposits, increased by 27 percent in one year to 21.1 billion TRY and gross loans increased by 20 percent to 15.3 billion TRY.

The Capital Adequacy Standard Ratio (CASR) of the sector reached 17.3 percent. Non-performing loans, which were 842 million TRY at the end of 2016, continued to increase in 2017 as in previous years and reached 875 million TRY at the end of 2017.

Total assets of the Central Bank of the TRNC increased by 29.7 percent in 2017 and rose to 8,370 million TRY as of the end of the year. In the relevant period, total shareholders' equity reached 588.1 million TRY, reserve requirements held at our Bank reached 1,729 million TRY and the interbank money market transactions reached 2,381 million TRY. Profit of the Central Bank, which was 133.9 million TRY in 2016 increased by 51.8 percent in 2017 and reached 203.2 million TRY.

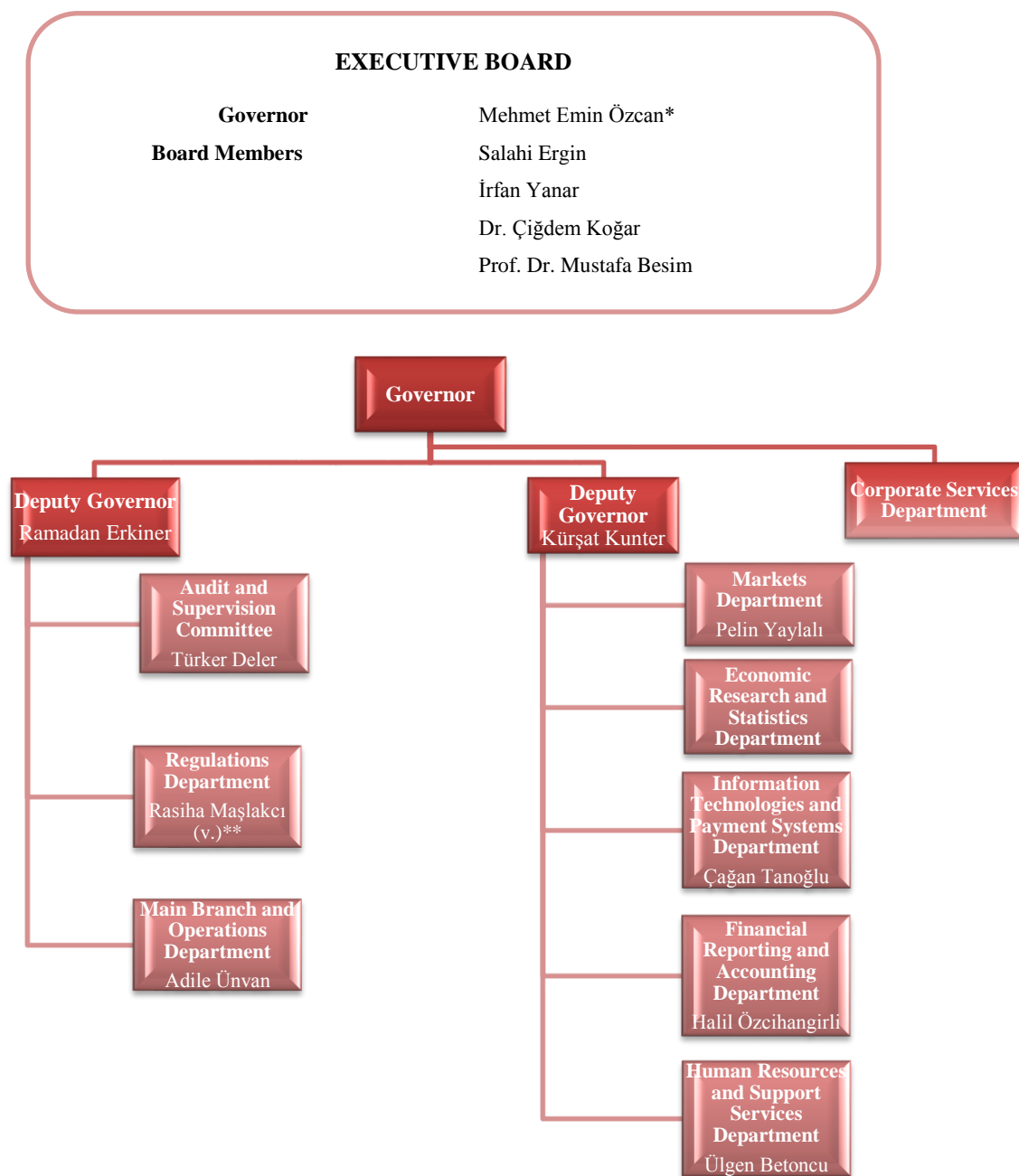
The Central Bank of the TRNC - 2017 Annual Report, prepared as a requirement of transparency and accountability, one of the most fundamental elements of the Bank's management approach, is presented with the data and assessments of the year. We would like to take this opportunity to thank all of our colleagues for their devoted work.

Regards,

ORGANISATION AND ADMINISTRATION

1. ORGANISATION AND ADMINISTRATION

1.1 Organization Chart



* Resigned on 30 June 2017.

**Rasiha Maşlakcı has been appointed as acting director by Board Decision no. 956 of 19 June 2017.

The organization and management structure of the Central Bank of the TRNC is regulated by Law on the Central Bank of the TRNC 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 its organization, personnel structure and positions is defined by the Law No. 57/1987. With the Central Bank Administration, Organization and Services Notification issued under Article 51 (1) A of the Law No. 57/1987, duties of the Bank are distributed among the departments.

1.2 Corporate Governance

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

1.2.1 Executive Board

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

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 Law on the Central Bank of the TRNC. The Board convenes at least once a month with the participation of at least three members and makes decisions by unanimous vote of at least three members. The Deputy Governors of the Central Bank can participate in the meetings of the Board without the right to vote.

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

Governor and Chairman of the Executive Board of the Central Bank of the TRNC is Mehmet Emin Özcan, Board Members are İrfan Yanar, Dr. Çiğdem Koğar, Prof. Dr. Mustafa Besim and Salahi Ergin. Appointed as the Governor of the Central Bank of the TRNC on February 14, 2017, Mehmet Emin Özcan resigned from his duty on June 30, 2017.

BOARD MEMBERS

Mehmet Emin Özcan
Governor
(Resigned on June 30, 2017.)



İrfan Yanar
Member



Dr. Çiğdem Koğar
Member



Salahi Ergin
Member



Prof. Dr. Mustafa Besim
Member

Article 5 of the Law on the Central Bank of the TRNC 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 advising on the matters to be examined by the Council of Ministers on monetary and credit policy.
- ❖ To act as the financial agent of the Government in international financial and economic relations.
- ❖ To act as the banker and the financial agency of the Government.
- ❖ To grant advance payments to the Savings Deposits Insurance Fund in accordance with the procedures and principles to be determined in case of extraordinary circumstances and in case the funds of the Savings Deposits Insurance Fund cannot meet the requirements.
- ❖ To prevent all sorts of transactions and applications that might jeopardize the rights of the depositors and the orderly and secure operating of the banks, and that might create significant damages to the economy, also, to make and implement all the necessary decisions and measures designed to ensure the effective operating of the loan system.
- ❖ To manage the gold and foreign exchange reserves of the country.
- ❖ To grant credits to the banks as the ultimate authority for credits.

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

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

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

❖ To take the necessary measures for the supervision of the banks, to establish the principles and procedures to be followed in order to prevent the weakening of the financial institutions, and to identify and apply issues regarding the ratios to be applied and the other rates, in accordance with the Banking Law and to make decisions within the framework of the authorities determined by the Banking Law.
❖ To determine the rediscount, discount and interest rates as well as the fees and commissions to be applied by the Central Bank in its transactions.
❖ To take regulatory measures in terms of type and amount on the investments of Central Bank and to adjust the distribution of loan types in terms of sector and subject within the general loan volume.
❖ To determine the principles and conditions of the credits to be granted by the Central Bank, as well as the rediscount and advance limits.
❖ To determine the issues on reserve requirements and interest rates in Articles 23 and 24 of Law No. 41/2011.
❖ To examine the balance sheet, profit and loss account of the Central Bank 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.

Mehmet Emin Özcan was appointed as the Governor of the Central Bank of the TRNC upon the decision of the Council of Ministers dated February 14, 2017 and numbered H (K-I) 368-2017, and he resigned from his duty on June 30, 2017.



Mehmet Emin Özcan
Governor

Deputy Governors

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



Ramadan Erkiner
Deputy Governor



Kürşat Kunter
Deputy Governor

1.3 Headquarter and Main 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 Headquarter and Main Branch, and to ensure that the employees work effectively and efficiently in coordination. With the amendment of the aforementioned Notification on 3 July 2017, changes were made to the Central Bank’s Task and Organization structure. Departments undertaking the duties assigned by the Central Bank have been rearranged, as well as the distribution of these duties among the departments. In this framework, the Institution fulfils the duties assigned to it through the following departments and branches in the organizational chart.

Audit and Supervision Committee



Türker Deler
Chairman

Audit and Supervision Committee is obliged to supervise the departments 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,

which are under its duty and authority in matters that are subject to the Bank's supervision duty and authority through the Central Bank Law, the Banking and other legislations, within periodic programs to be prepared by taking into consideration the opinions and suggestions of the departments and/or when required by the Governance. The committee is also responsible for gathering, supervising and analysing information, documents and data to be taken within the scope of remote control of the institutions operating in the financial sector and monitoring whether they are working in compliance with the legislation by using this data and other information they are obliged to report to the Central Bank, and reporting the findings; auditing, analysing, conducting research and investigations within the framework of the authorities and duties assigned by the relevant laws, notifications and other legislation and also remote and/or on-site auditing the information systems of the organizations that are under the authority of the Central Bank.

Regulation Department

Rasiha Maşlakçı
Director (acting)

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

Markets Department

Pelin Yaylali
Director

Markets Department is responsible for carrying out transactions in open market operations and foreign exchange and effective markets and making 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 sectorial 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 check clearing transactions, making arrangements for the use of National Bank Account Number and following its implementation, preparing a report by centralizing the risk information through the Risk Centre and conducting the transactions in order to provide feedback to these institutions are also among the duties of the department.

Financial Reporting and Accounting Department

Halil İ. Özcihangirli
Director

Financial Reporting and Accounting Department is responsible for taking necessary measures and make arrangements for the regular functioning and development of the Central Bank's accounting system, keeping and maintaining the accounting records for the Headquarter and Main 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 function to increase the work efficiency are also among the duties of the department.

Main Branch and Operations Department

Adile Ünvan
Director

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

RESOURCES

2. RESOURCES

2.1 Human Resources

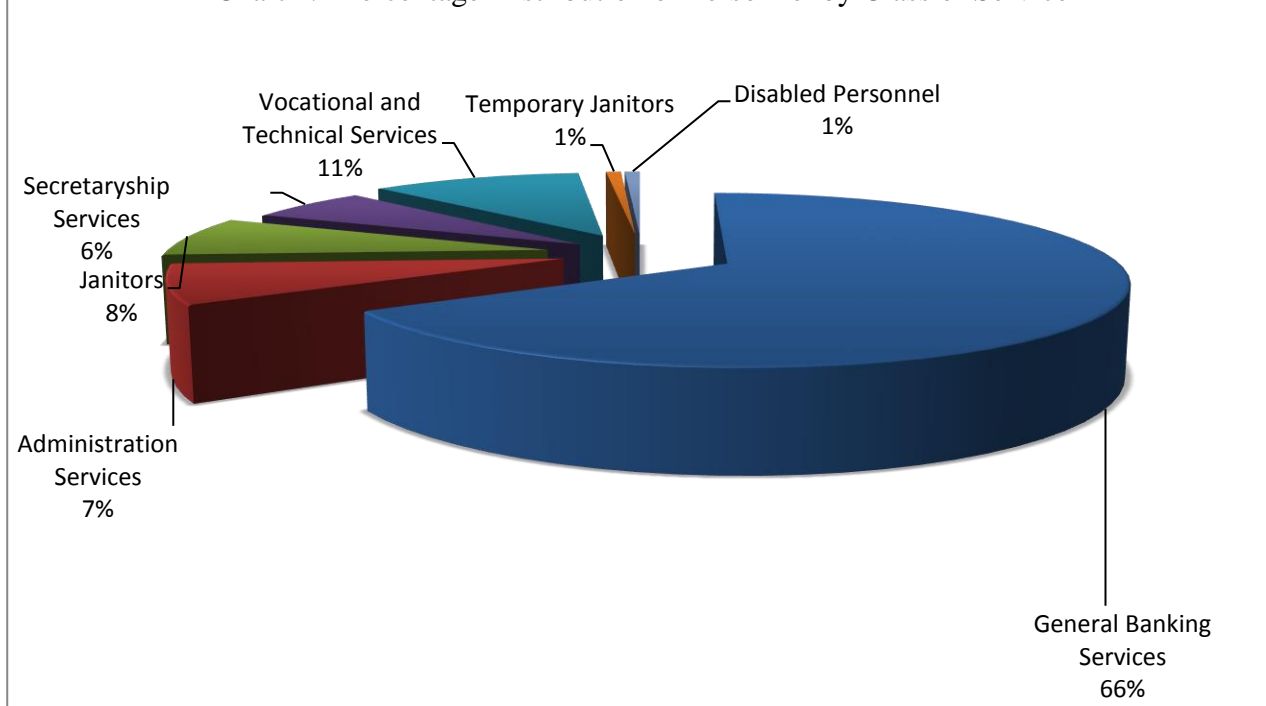
The rights and obligations of the personnel of the Central Bank of the TRNC are regulated by the Central Bank of the TRNC Organization Law no. 57/1987 adopted on the Convention of the TRNC Assembly of Republic dated July 16, 1987. Law No. 57/1987 was amended by Law No. 45/2016 entered into force on December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

2.1.1 Positions and Personnel Status

The number of positions that will perform the permanent and continuous duties required to be fulfilled by the Bank's personnel is specified in the first chart of the Annex in the Organisation Law of the Central Bank of the TRNC. The total number of positions in the Bank's Organisation Law, which was 101, was increased to 205 with the amendment law no. 45/2016. This number includes the Governor and Deputy Governors working under contract. As of the end of 2017, the number of personnel working in permanent status is 129. When 1 temporary janitor and 1 personnel employed under the law on employment of disabled personnel is added to the number of permanent personnel, the total number of personnel of the Bank reaches 131 people. By the end of 2016, this number was 88. During 2017, one employee retired and one employee resigned from the position. On the other hand, 6 personnel were employed to the Typewriter, Secretary and Money Counter Officer position, 3 to Second Class Janitor position, 1 to Security Officer position, 2 to Lawyer position, 5 to Second Class Bank Officer position, 10 to Second Class Banking Officer position, 6 to Second Class IT Officer position and 12 to Assistant Auditor position.

When the distribution of personnel of the Central Bank by service groups is examined; as of the end of 2017, 7 percent of the Bank's 131 personnel are working in the management services class, 66 percent in the general banking services class, 6 percent in the secretaryship services class, 11 percent in the vocational and technical services class, 8 percent in the auxiliary services class, 1 percent work as temporary janitor and 1 percent are working as the personnel employed under the Law No. 64/1993.

Chart 2.1 Percentage Distribution of Personnel by Class of Service



Source: Central Bank of the TRNC

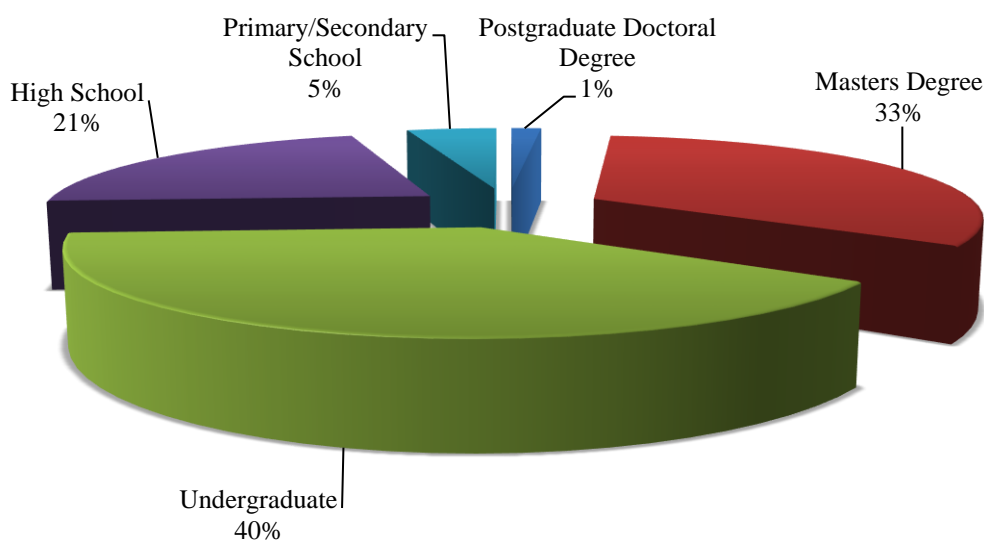
When the distribution of personnel according to their level of education is analysed; 2 out of 131 personnel have PhD, 43 have masters degree, 51 have undergraduate and 1 has associate degree, as of the end of 2017. 28 of the remaining personnel are high school and 6 are primary school/secondary school 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 43 personnel at the masters degree level, 6 are in management, 5 are in vocational and technical services, 31 are in general banking services and 1 is in secretaryship services class. Out of 51 personnel at the undergraduate level, 4 are in management, 8

are in vocational and technical services, 35 are in general banking services and 4 are in secretaryship services class. 1 personnel with associate degree serves in the general banking services class. Of the 28 high school graduates, 23 work in general banking services, 2 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 6 primary and secondary school graduate personnel, 5 are working in the auxiliary services class, 1 elementary school graduate personnel is working as a temporary janitor.

When the percentage share of the distribution of the personnel according to their level of education is examined as of the end of 2017, the number of personnel with a PhD has a share of 1 percent, the number of personnel with masters degree has a share of 33 percent, the personnel with undergraduate degree has a share of 40 percent, the number of high school graduates has a share of 21 percent and the primary and secondary school graduates has a share of 5 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

As part of the training activities in 2017, participation of the personnel in courses and seminars was ensured in order to increase their knowledge and skills, and to monitor their improvements in the profession.

In 2016, while the number of personnel participating in domestic training programs was 22, this number reached 39 in 2017. The number of personnel participating in international training programs was 8 in 2016, and it increased to 27 in 2017. As part of the training activities in 2017, 7 people from the management services, 16 from the general banking services class and 4 from the vocational and technical services class participated in the training programs abroad. Also, a total of 39 personnel; 1 of them from management services, 32 from banking services; 2 from secretaryship services and 4 from vocational and technical services class participated to the domestic training programs.

Table 2.1

Number of Personnel Participating in Training Programs

	Domestic		Abroad	
	2016	2017	2016	2017
Management Services Class	1	1	5	7
General Banking Services Class	6	32	-	16
Secretaryship Services Class	2	2	-	-
Auxiliary Services Class	-	-	-	-
Temporary Personnel	13	4	3	-
Vocational and Technical Services Class	-	-	-	4
Total	22	39	8	27

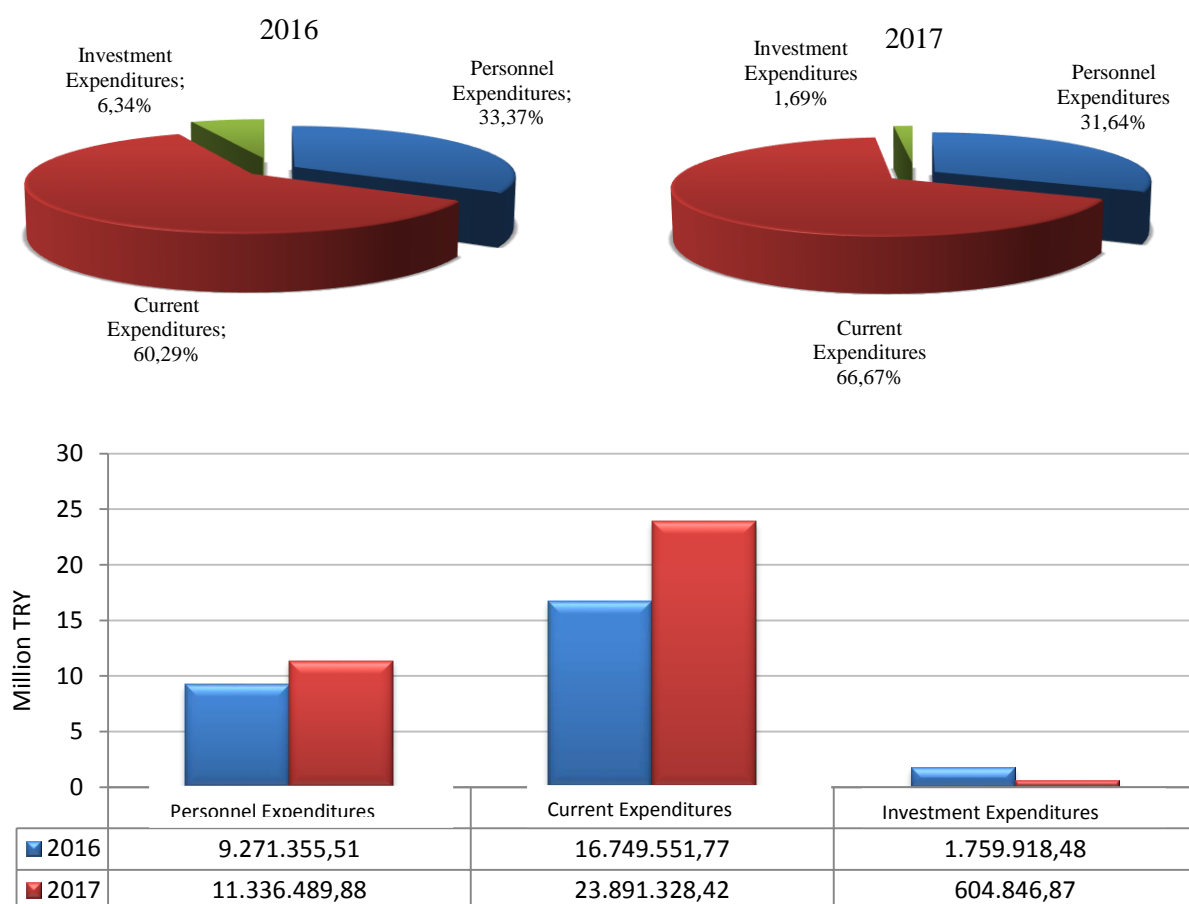
Source: Central Bank of the TRNC

2.2 Financial Resources

The Executive Board of the Central Bank of the TRNC approved the 2017 Fiscal Year Budget with the Executive Board decision no. 940 dated December 21, 2016, in order to carry out the services and activities determined in the 2017 Fiscal Year. As seen in Chart 2.3, our Bank's consolidated budget expenditures are classified under three separate titles: current expenditures, personnel expenditures and investment expenditures.

While the total budget expenditures of our bank in 2016 was 27.8 million TRY, this figure increased by 29% and reached 35.8 million TRY in 2017. In 2017, 65 percent of our Bank's budget (23.9 million TRY) was used in current expenditures, 33 percent (11.3 million TRY) in personnel expenditures and 2 percent (604 thousand TRY) in investment expenditures. In 2016, 60 percent of our Bank's budget (16.7 million TRY) was used in current expenditures, 34 percent (9.3 million TRY) in personnel expenditures and 6 percent (1.8 thousand TRY) in investment expenditures.

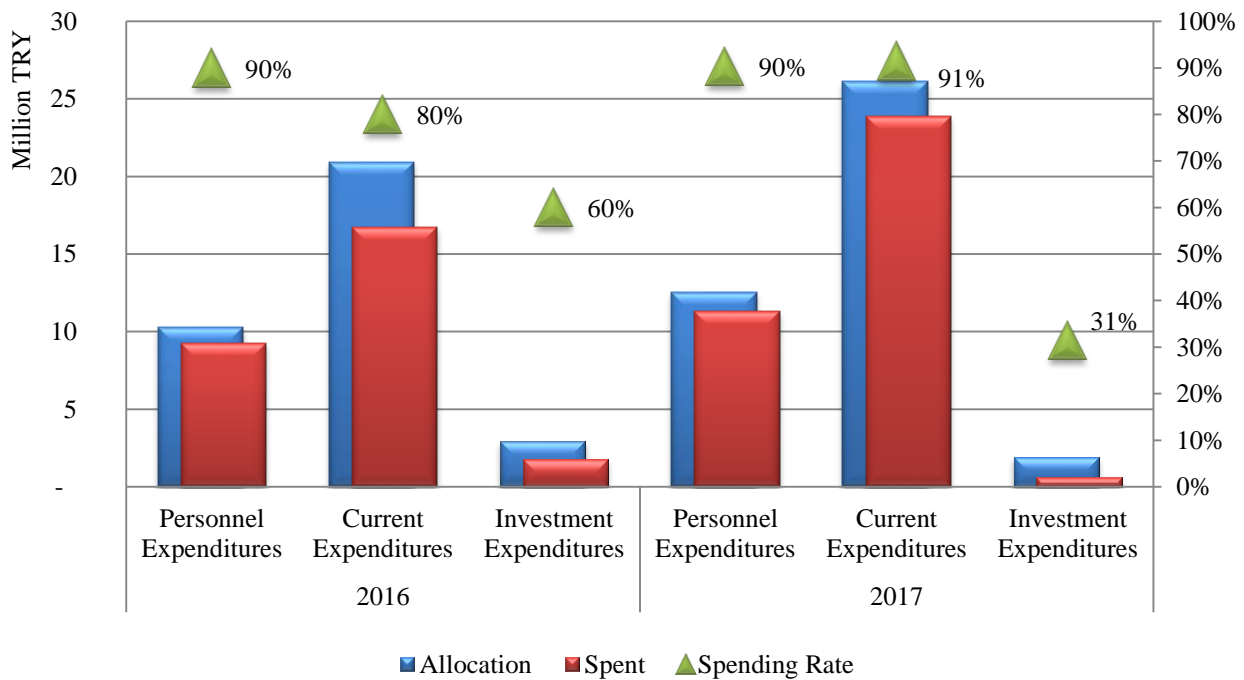
Chart 2.3 Consolidated Budget Expenditures



Source: Central Bank of the TRNC

Our Bank's budget implementation results of 2016 and 2017 are classified under three separate titles as current expenditures, personnel expenditures and investment expenditures. In 2016, while the ratio of the allocations used for personnel expenditures was 90 percent, this ratio was 80 percent in current expenditures and 60 percent in investment expenditures. The Bank's total spending rate in the 2016 Fiscal Year Budget was 81 percent. In 2017 budget expenditures, expenditures of 90 percent in personnel expenditures item, 91 percent in current expenditures item and 31 percent in investment expenditures item were made. When the resulting figures of the allocations determined at the New Year in the 2017 Fiscal Year Budget of the Central Bank of the TRNC are examined, the total expenditure rate has been 88 percent.

Chart 2.4 Budget Implementation Results



Source: Central Bank of the TRNC

ACTIVITIES

3. ACTIVITIES

The activities of 2017, carried out in accordance with the relevant provisions of the Law on the Central Bank of the TRNC 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 Law on the Central Bank of the TRNC, 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.

Based on the duties and authorities given by the legislation referring to the articles of the Law on the Central Bank of the TRNC, the Bank makes necessary arrangements and takes the necessary measures regarding loans, reserve requirements, interest rates, rediscount transactions, Central Bank securities, payment systems, interbank money market.

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

Monetary Policy Instruments

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

Indirect Policy Instruments:

a. Rediscount Window (Loan) Transactions

Article 31 of the Law on the Central Bank of the TRNC 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 securities 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. As of 02.03.2009, interest rates on foreign currency rediscount loans have been determined as 4 percent and have not been changed. At the end of 2017, Turkish Lira rediscount interest rates are between 7 - 11 percent. These rates entered into force on 01.06.2013. Accordingly, the interest rate on Turkish Lira commercial rediscount loan is 11 percent, and the interest rate on rediscount credits extended to industry, export, tourism, education and agriculture sectors and to small business owners is 7 percent. The interest rate applied to foreign currency rediscount loan (trade, industry, export, tourism, education) is 4 percent. The interest rate on advances against foreign exchange is 7 percent in Turkish Lira and 4 percent in foreign exchange.

Table 3.1

Rediscount Interest Rates

	TRY	USD	EURO	GBP
Trading	11.0	4.0	4.0	4.0
Industry	7.0	4.0	4.0	4.0
Exports	7.0	4.0	4.0	4.0
Tourism	7.0	4.0	4.0	4.0
Education	7.0	4.0	4.0	4.0
Agriculture	7.0	-	-	-
Small Business Owner	7.0	-	-	-

Advances Against Foreign Exchange	7.0	4.0	4.0	4.0
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Source: Central Bank of the TRNC

b. Bank Liquidity Requirement and Reserve Requirement Implementations

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

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

Table 3.2

Liquid Assets Ratios

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

Source: Central Bank of the TRNC

In accordance with Article 23 of the Law no. 41/2001, Central Bank of the TRNC determine the principles and conditions of implementation, including the liabilities subject to statutory provisions and the time to deposit the statutory provisions and the interest to be paid when necessary. The Executive Board changed the foreign currency legal reserve ratios to be effective as of 28.02.2014 upon the decision no. 872 dated 30.01.2014. Accordingly, the currently applicable reserve requirements ratios are presented below.

Table 3.3**Reserve Requirements Ratios**

	TRY	FX	Precious Metal
Deposits up to 3-month maturity	8.0	8.0	0
Deposits between 3 to 6-month maturity	7.0	7.0	0
Deposits between 6-month to 1-year maturity	6.0	6.0	0
Deposits longer than 1-year maturity	5.0	5.0	0
Other liabilities in Turkish Lira excluding deposits	8.0	8.0	0

Source: Central Bank of the TRNC

The total reserve requirement balances of the banks operating in the TRNC are shown in Table 3.4.

Table 3.4**Reserve Requirement Balances**

	December 2016	December 2017
TRY	652,163,031,-	794,481,636,-
USD	42,417,639,-	50,211,351,-
EURO	44,707,552,-	52,034,031,-
GBP	90,856,627,-	103,191,979,-
Total TRY Reserves	1,359,819,388,-	1,743,079,707,-

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 subparagraphs 5(1) B, Ç and paragraph 35(6) of the Central Bank Law No. 41/2001, it is among the duties of the Central Bank 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. The Bank issued its first security on October 13, 2014. In 2017, a total of 38 security issue auctions were made; 23 in Turkish Lira, 5 in US dollars, 5 in Euro and 5 in GBP. From the date of the issue to the end of 2017, 83 TRY and 48 foreign currency securities were issued.

As of December 31, 2017, the sums of securities that are not due yet are as follows:

Table 3.5

Maturity	TRY	USD	EURO	GBP
1-Month	170,000,000,-	-	-	-
3-Month	-	20,000,000,-	116,000,000,-	117,500,000,-

Source: Central Bank of the TRNC

b. Interbank Money Market

IMM was formed in 2009 to meet the liquidity needs of banks or to sterilize excess liquidity. Banks can borrow from the market by providing the necessary guarantees within the limits of borrowing allocated according to their assets size. As of April 1, 2014, IMM is implemented as two sessions as morning and afternoon.

As of December 31, 2017, the sums of transactions that are not due yet are as follows:

Table 3.6

Maturity	TRY	USD	EURO	GBP
Overnight	401,700,000,-	9,000,000,-	119,800,000,-	97,100,000,-
1-Week	70,000,000,-	-	-	-
1-Month	2,000,000,-	14,400,000,-	1,400,000,-	-
3-Month	4,000,000,-	1,000,000,-	-	-
6-Month	4,000,000,-	-	-	-

Source: Central Bank of the TRNC

3.2 Regulation Activities

The 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 structure of banks. In 2017, studies were conducted regarding the legal regulations, regulation drafts and other secondary issues, taking into account the results of supervision and audit and international practices.

The Central Bank of the TRNC regulates and supervises 22 banks (21 banks after HSBC Bank A.Ş. terminated its activities in the Turkish Republic of Northern Cyprus as of December 2017) and 7 International Banking Units (IBUs) operating in the sector in accordance with the authorities it has given by the TRNC Banking Law No 39/2001 (Banking Law 62/2017 as of November 17, 2017), the Law on the Central Bank of the TRNC No. 41/2001 and the International Banking Units Law No. 41/2008.

The activities carried out in 2017 within the scope of the regulatory duties of the Central Bank of the TRNC are presented in detail in the following titles.

Regulations

a. Notification on the Procedures and Principles on the Measurement, Assessment and Other Liabilities of the Standardized Ratio of Capital Adequacy Ratios of Banks and Leverage Standard (Amendment).

“Notification on the Procedures and Principles on the Measurement, Assessment and Other Liabilities of the Standardized Ratio of Capital Adequacy Ratios of Banks and Leverage Standard” published in Official Gazette no. 52 on April 25, 2016 was amended with the “Notification on the Procedures and Principles on the Measurement, Assessment and Other Liabilities of the Standardized Ratio of Capital Adequacy Ratios of Banks and Leverage Standard (Amendment)” published in Official Gazette no. 93 on June 1, 2017. With this amendment, section (e) of the “Loans” section of the title “0 Risk-Weighted Assets - Non-Cash Loans and Liabilities” in the Capital Adequacy Analysis Form Annex 1 has been removed and replaced by the following section (e).

- The part of the relevant Law where the cash loans of funds originated, which are appropriated from the funds formed by means of Decree and Notification with the instructions of the competent authorities and, of which risk does not belong to the intermediary bank are under the guarantee of the Fund.

b. Notification on the Qualifications and Provisions of Banks' Loans and Other Receivables (Amendment)

“*Notification on the Qualifications and Provisions of Banks' Loans and Other Receivables*” enacted under Article 23 (6) of the Banking Law No. 39/2001, was amended with the “*Notification on the Qualifications and Provisions of Banks' Loans and Other Receivables (Amendment)*” published on the Official Gazette No. 93 dated June 1, 2017. In this context, the sentence “Guarantees given by the Credit Guarantee Fund” at the end of the subparagraph (b) of the first paragraph of Article 7 of the Main Notification is removed and it was added to the end of the subparagraph (a) (on the first group guarantees) of the first paragraph of Article 7 of the Main Notification.

c. Banking Law Of The Turkish Republic Of Northern Cyprus

After the 'Draft Banking Law of the Turkish Republic of Northern Cyprus' was sent to the Ministry of Finance by the Bank in January 2015, it was sent to the Central Department of Legislation by the Ministry of Finance. The Department's technical corrections and arrangements were submitted to the Bank by the Ministry of Finance on December 2, 2015. After the opinions of the bank lawyers were taken and necessary corrections were made, *Banking Law Draft* was sent back to the Ministry of Finance. Afterwards, the draft was amended in line with the opinions and suggestions made by the Banks Association of Northern Cyprus on March 3, 2016 and was sent back to the Ministry of Finance on March 25, 2016. This proposal was submitted for the review and approval of the Council of Ministers by the Deputy Prime Ministry of the TRNC and the Ministry of Finance on 16 January 2017. As a result of the activities of the Assembly Subcommittee, along with the Bank, the Draft Banking Law was passed by the Committee unanimously and sent to the General Assembly. Approved by the General Assembly of the Republic on November 6, 2017 and published in the Official Gazette No. 193 dated November 17, 2017, the objective of the Banking Law No. 62/2017 is to regulate the rules for the establishment and maintenance of trust and stability in the financial markets, the protection of the rights and interests of the depositors and the effective functioning of

the financial intermediation system. The New Law aims to adapt to the current developments, and to become more capable of regulating the innovations in the sector and the markets. The new protective provisions required for the protection of depositors and more stable progress of the banking sector are added to the law, while the Central Bank has been given broader powers and responsibilities with respect to sub-arrangements that can provide more rapid responses to the recent developments.

Fundamental reforms introduced by the New Law:

- Issuing new Bank license types,
- Regulation of risk limits and minimum equity requirements for strengthening the capital,
- Authorization for the institutions and organizations such as Assets Companies, support services, information processing and real estate appraisal companies providing support services to the sector together with the banking sector,
- The audit of the co-operative banks and their regulation under the Banking Law,
- Providing the possibility of bringing regulations related to consumers as well as depositors,
- The introduction of administrative fines to the banking sector in addition to judicial penalties,
- Changing of some articles related to the general directorate organisation and obliging branch banks to establish a separate country directorate organisation or a headquarter covering their branches in the Turkish Republic of Northern Cyprus,
- Obligation of the banks established in the Turkish Republic of Northern Cyprus to obtain permit from the Central Bank in order to be entitled to open branches or representative agencies abroad, to establish a company or to have a share in established companies,
- Obligation of branch banks to obtain permit for banks established in the Turkish Republic of Northern Cyprus if they request to open a second branch.

Draft Regulations

a. Draft Law on Leasing, Factoring and Finance Companies

In order to gather 45/2007 Leasing Law, 52/2007 Factoring Law and 72/1962 Money Lenders Law under one law and to overcome deficiencies and meet current needs, the Draft Law on Leasing, Factoring and Finance Companies was prepared and was sent to the Ministry of Finance on May 8, 2015. On January 14, 2016, the opinions of the Central Legislation Department from the Ministry of Finance and on February 4, 2016, the opinions of the Legal Department from the Ministry of Finance was informed to the Bank, these opinions were reviewed together and necessary arrangements were made in the draft and the new version was sent to the Ministry of Finance on March 11, 2016 to be delivered to the relevant parties. Furthermore, on October 17, 2016, the Ministry of Finance communicated the views of the Ministry of Finance and Energy and the Chamber of Commerce and Industry to the Bank and the final draft, which was formed after the evaluation of these opinions, was sent to the Ministry of Finance on December 16, 2016. This draft was submitted for the review and approval of the Council of Ministers on 16 January 2017 to be referred to the Assembly of the Republic by the Ministry.

In August and September 2017, the subcommittee of the Assembly of the Turkish Republic of Northern Cyprus has accelerated the discussions on the draft, after the draft has been discussed twice on the sub-committee, because the draft contains articles related to the Banking Law, it was decided that the Banking Law had to be adopted first, and the sub-committee meetings were suspended.

3.3 Supervision

The banking sector is monitored monthly with a total of 35 forms through the TRNC Banks Surveillance System. The system includes quarterly and annual forms as well as monthly forms. Quarterly reports on the banks can be produced from the system, and the banks can be tracked on a daily basis. A total of 7 International Banking Units (IBU) operating in our country are monitored on an IBU and sectorial basis using the IBU Reporting Kit consisting of 5 forms taken quarterly.

The Bank's practices and other activities in 2017 within the scope of its supervision duties are presented in detail below.

Implementations

a. Works on the Securities Portfolio (MD 100 A) Form

In order to incorporate the MD100A Form into TRP in 2017, table format, prospectus and definition of magnetic media were completed.

This form aims to provide detailed information on all securities held by banks and to evaluate it. In the form, the securities or values under long-term securities of the banks will be listed by name, by taking into account the details such as types, balance sheet date and maturity dates, balance sheet and nominal values.

b. Paid-in Capital

A database has been created for the shareholders and shares of banks/IBUs, capital movements and shareholder changes are monitored and the database is updated accordingly.

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

All board members, general managers and assistant general managers assigned to banks and IBUs are controlled within the scope of implementation activities. Reports are prepared on the compliance of the general manager and assistant general managers of the banks and general manager, assistant general managers and board members of IBUs with the relevant laws. A total of 10 reports on banks were prepared in 2017. In accordance with the Article 17 of the TRNC Banking Law No. 39/2001, if there was no justified statement of negative opinion made by the Bank within 7 working days,

appointments were made to the general manager and assistant general manager positions in banks. Pursuant to Banking Law No. 62/2017, appointments to senior management positions require written approval.

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.”

Within the scope of the “Notification on Internal Audit, Risk Management, Internal Control and Management Systems in Banks ”, the formation of internal systems and the assignments to the departments forming the internal systems are monitored, and banks are warned both written and verbally as a result of the observed shortcomings.

Other Activities

a. Information Requested by Banks / Independent Auditors

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

b. Publication of Year-End Financial Statements and Auditor Reports

The year-end financial reports sent to the Bank by banks and IBUs are published on our website.

c. Activities Related to Mergers and Transfers

Pursuant to Article 11 of the “Notification on Merger and Transfer of Banks”, regulated under Article 40 of the Banking Law No. 39/2001, regarding the transfer of all the assets and liabilities as well as rights, receivables, deposits, debts and liabilities of the HSBC Bank A.Ş. Turkish Republic of Northern Cyprus Branches to Albank Ltd, registration of bank’s general assembly resolution on the transfer process and as of the date on which the application is made for the de-registration of the foreign company status of the HSBC Bank A.Ş. Turkish Republic of Northern Cyprus branches, the revoking of the banking operation permit of the relevant bank and its transfer to Albank Ltd. was approved by the Bank’s Executive Board decision No. 966 dated November 2, 2017 and the merger of two banks was completed. The decision was published in the Official Gazette.

d. Banking License and Official Authorisation

The license fees that are required to be paid by the Banks and UBBs by the end of January of each year are checked and license certificates are given to the banks, which have paid license fee.

3.4 Audit Activities

The Central Bank audits all kinds of banking transactions by using the authority given by the Banking Law No. 39/2001, and by the Banking Law No. 62/2017 after 2017 and other relevant laws. Central Bank auditors carry out the determination and analysis of the relations and balances between banks 'assets, receivables, shareholders' equity, liabilities, profit and loss accounts and all other factors affecting the financial structure, directly on behalf of the Central Bank.

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

The issues related the audits carried out by the Audit and Supervision Committee of the Central Bank of the TRNC in 2017, regulations and objectives related to the transition to risk-oriented control and risk-oriented inspection reports are given below.

a. Audits Carried Out in Banks

In 2017, audits conducted in Commercial Banks and International Banking Units (banks) were conducted with 6 audit teams. During this period, 30 audits were conducted in the banks. 21 of these audits were conducted in Commercial Banks, 8 in International Banking Units and 1 in Savings Deposit Insurance and Financial Stability Fund. 10 of the audits conducted in Commercial Banks include inspection of the financial structure and review of all other matters, while 8 of them capital audit and 3 are special audits. In the period, a total of 10 banks, 3 of which are branch banks and 7 of which are private and public banks, have been audited covering all issues.

The audits of 7 banks in the 2017 audit program, still audited at the end of the year have reached the stage of completion and are expected to be completed in the first period of 2018.

As of the end of 2017, total assets of 21 banks in the banking sector amounted to 26.115 million TRY. In 2017, the share of the total assets of the audited banks in the sector is 51% and the share of the banks in the audit is 32%. In line with the demands of the Governance and the received warnings, a total of 4 special follow-up audits were carried out, 3 of which in the banks and 1 in the SDIFS.

In 2017, a total of 8 special audits were conducted in 6 banks, which have increased their capital.

b. Audits in International Banking Units

The number of IBUs operating under the Law on International Banking Units is 7. In 2017, all of the International Banking Units were audited.

3.5 Payment Systems

The Bank obtains its authorization related to payment and settlement systems from Article 5 (1) (E) of the Law on the Central Bank of the TRNC No. 41/2001. The national electronic payment system was put into service on June 26, 2015 de-facto, and on November 19, 2015 officially. In 2017, our Bank carried out activities to ensure the healthy, continuous, safe and uninterrupted operation of the system and to improve the system to meet the current needs of the system. In 2017, in line with the request of the Banks Association of Northern Cyprus, the Electronic Payment System was updated within the scope of measures to prevent laundering of crime revenues and the financing of terrorism.

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 system is designed in a modular manner using the latest information technologies and can work compatible with the participatory systems developed using different technologies.

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

The number of Turkish Lira, US dollar, GBP and Euro currency messages processed since the opening date is shown by the banks' payment channel in Table 3.7. Accordingly, a total of 103,653 messages were processed as of the end of 2017; 14,164 were Participant Based, 65,248 were Branch Based, 24,197 were through Internet Banking, 39 were through Phone Banking and 5 were through ATMs.

Table 3.7

Years	Participant Based	Branch Based	Internet Banking	Phone Banking	ATM	Total
2015	673	18,990	1,849	1	0	21,513
2016	9,246	51,686	12,612	1	1	73,546
2017	14,164	65,248	24,197	39	5	103,653

Note: 2015 data includes the last six months data.

Source: Central Bank of the TRNC

3.6 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.

3.7 Scale of Charges / Money Transfers

Banks' cash transfers to abroad above the limits are regulated by the “Notification under the Law on Money and Foreign Exchange Article 7” entered into force by being published in the Official Gazette No: 97 dated 18.06.2010. Accordingly, taking into account the international practices, the limit on passenger cash outside the country is determined as 10.000.-Euro or equivalent amount. Banks may carry out cash transactions exceeding the limits for abroad by reporting to the Central Bank.

In 2017, the total amount of received money transfers from abroad was 4,239 million TRY and was higher compared to the previous two years. The total number of received money transfers was 338 in the last 3 years.

The amount of Turkish Lira transfers in received money transfers in the name of banks is increasing every year, and have reached 2,142 million TRY in 2017. Received Turkish Lira money transfers constitute 51% of the total received transfers.

In 2017, the total amount of sent money transfers in the name of banks was 3,821 million TRY and was higher compared to the previous two years. The total number of sent money transfers was 406 in the last 3 years.

The amount of Turkish Lira transfers in sent money transfers in the name of banks is different every year, and have reached 2,272 million TRY in 2017. Sent Turkish Lira money transfers constitute 60% of the total sent transfers.

Table 3.8

SENT AND RECEIVED MONEY TRANSFERS ON BEHALF OF BANKS

YEAR	TRY		FX (Against TRY)		TOTAL (TRY+FX)	
	RECEIVED	SENT	RECEIVED	SENT	RECEIVED	SENT
2015	900,551,981	1,355,422,510	1,385,511,107	892,445,957	2,286,063,088	2,247,868,467
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

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 reserves to meet the payments of the banking sector and the Treasury, to give confidence to the financial sector and to provide protection against international uncertainties and risks. While achieving this goal, the most important points are safe investment, liquidity and return.

Safe investment is the preservation of existing reserves and prevention of loss of value despite internal and external impacts. Therefore, the Central Bank performs reserve management within the framework of a conservative approach that is not open to risk.

In the period of December 2016 - December 2017, total assets increased by 29.74 percent and reached 8,371 million TRY, while total liabilities increased by 29.12 percent and reached 7,730 million TRY.

The total assets to liabilities ratio, which was 107.77 percent as of the end of December 2016, increased by 0.52 points and realized as 108.29 percent at the end of December 2017.

Table 3.9

Years	Total Assets (Million TRY)	Total Liabilities (Million TRY)	Asset/Liability Ratio (%)
2007	1,365	1,201	114
2008	1,762	1,609	110
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

Source: Central Bank of the TRNC

When the total amount of assets and liabilities of our Bank is analysed by currencies, the ratio of TRY assets to TRY liabilities is 126.41 percent, while the ratio of FX assets to FX liabilities is 100.86 percent at the end of 2017.

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

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

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

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

3.9 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 Law on the Central Bank of the TRNC 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. And paragraph 3 states that the Central Bank may be assigned to carry out the financial services of the Government domestic borrowing bills.

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 includes the provision, *“The Governor of the Central Bank, shall report to the Council of Ministers in April and October of each year about the activities of the Central Bank and the implemented and to be implemented monetary and credit policy. 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.

Communication

The public is informed regularly about the activities of the Bank through the press and the Bank's own website. Press releases, announcements, regulations and statistical data are published on the Bank's website.

In addition, our Bank analyses national and international economic developments and informs the public with its annual report, quarterly bulletin, money supply and other special purpose reports. In the 2017 activity year, the research conducted in this scope and the reports prepared accordingly, as well as regularly published data and reports are presented below.

Table 3.10

Publication	Issue	
	Period	Date
1) Central Bank of the TRNC Money Supply Reports	2016-IV	15.02.2017
	2017 - I	18.05.2017
	2017-II	03.08.2017
	2017-III	08.11.2017
	2017-IV	25.01.2018
2) Central Bank of the TRNC Quarterly Bulletins	2016-IV	02.03.2017
	2017-I	02.06.2017
	2017-II	15.09.2017
	2017-III	13.11.2017
	2017-III (English Version)	07.02.2017
	2017-IV	08.02.2018
3) Central Bank of the TRNC Annual Report	2016	24.04.2017

Source: Central Bank of the TRNC

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

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

- ❖ Money - Banking Data
- ❖ Central Bank of the TRNC Money Supply Data
- ❖ Risk Centre Data

- ❖ Central Bank of the TRNC Balance Sheet Data
- ❖ Daily Exchange Rates
- ❖ Maximum Credit Card Interest Rates and Default Interest Rates
- ❖ Lowest and Highest Interest Rates to Be Applied to Deposits by Banks

Through the new infrastructure prepared by the Bank's information processing department and the statistics department in 2017, the Bank provided the opportunity to make dynamic queries to the user of the Bank data and to access the desired period data in the Excel environment. Furthermore, the Quarterly Bulletin has been presented to users in the English language for the first time in the history of the Central Bank of the TRNC.

3.10 European Union Harmonisation Works

Within the framework of the Free Movement of Capital (Chapter 4), which is being exercised within the framework of the harmonization with the European Union acquis, the works on the determination of the laws, regulations and practices carried out by the Ministry of Finance within the scope of the Law on Payment Services and Electronic Money continued in 2017.

With the amendments made in line with the second Directive on Payment Services (PSD 2), which is being updated by the European Commission, and in line with the preparation of the Regulations and Notifications, works on the inclusion of a number of innovations that are not in the first Payment Services Directive (PSD 1) in the Draft Law and other implementations in PSD 2 still continue.

3.11 Corporate Services

a. Executive Board Meetings

The secretarial work of the meetings of the Executive Board of the Central Bank of the TRNC in 2017 was carried out under corporate services.

b. Press, Public Relations and Communication

In order to establish corporate relations with the international institutions and to meet the needs, the Bank's communication networks were strengthened by having interviews with many institutions in 2017.

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 by organising various meetings.

In 2017 in addition to trainings organized by the Bank of England, the Banks Association of Turkey and the Banks Association of Northern Cyprus; Czech National Bank and the Istanbul School of Central Banking has been contacted and our personnel attended to the international trainings/seminars held by these institutions.

Supporting international conference/seminar organizations to contribute to the development of the banking and financial sector, our Bank has provided material sponsorship to 3 different conferences/seminars in 2017. This sponsorships were the Economics Symposium held in cooperation with Cyprus Turkish Economic Association and Turkey Economic Association, Alternative Macroeconomic Policy Orientations Panel for North Cyprus organized by Eastern Mediterranean University Centre for Economic Research and the International Applied Economics and Finance Conference organized by the Cyprus Science University.

3.12 Other

a. Risk Centre Operations

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

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

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

The changes on authorized signatures list by banks are also collected and updated by the Risk Centre.

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

b. Institutional Electronic Payment System (IEPS)

The Institutional Electronic Payment System (IEPS), which will allow public institutions to make payments through the banks in electronic environment in a safe and fast manner, is in the testing phase and related works are ongoing. The system is planned to be implemented in 2018 after the works of the participating banks and institutions are completed.

c. National Bank Account Number (UBAN)

With the decision No. 916 dated February 24, 2016, the Executive Board of our Bank approved the “Notification on National Bank Account Number” enacted under Article 5 (1) (E) of the Law on the Central Bank of the TRNC No. 41/2001. In 2016, with the aforementioned Notification, it was aimed to prepare the ground for accurate and fast money transfers and to standardize each customer account number subject to the money transfer in banks. In 2017, the use of UBAN or IBAN was made compulsory for the EPS payments with the support given to the relevant public institutions, and payment with bank account number via EPS was disabled.

d. Standard File Plan (SDP)

The exchange of documents between public institutions and organizations in the TRNC is carried out through the system called Electronic Document Management System (EBYS). The EBYS System enables the production, management, access, storage, archiving and reporting of electronic documents in TRNC Public Institutions. Within the scope of E-Government works, our Bank has been included in the EBYS as of February 22, 2018 after the necessary infrastructure and training activities for participation. The exchange of documents with banks, other real persons and legal entities is currently carried out physically by hand or by post and the registration, transfer and storage of the in-house incoming/outgoing documents are carried out through the Bank's Document Management System. The second version of Document Management System is redesigned to include workflow and e-

signature; it was planned to be put into use in the first half of 2018, and then the integration of this system with the banks and e-signed the electronic exchange of the documents will be ensured.

e. Savings Deposit Insurance and Financial Stability Fund (SDIFS)

In 2016, the Bank's Executive Board made a change in the Notification on the risk-based premium related to SDIFS. Within the framework of bank "Notification on Collection Procedures and Principles for the Savings Deposit Insurance Premiums to be Subject to Insurance" which is amended with the decision No. 918 dated March 16, 2016 by the authority given by the paragraphs (2) and (3) of Article 11 of the Savings Deposit Insurance and Financial Stability Fund Law No. 32/2009, additional incentives were provided to banks using certain ratios based on the premium discount.

In accordance with this Notification, the Article "Banks with shareholders' equity of less than 25 million TRY as of the end of the previous year, hold this equity as a Central Bank security until adding the difference between 0.25% of savings deposits taken as basis in the calculation of premiums and their paid premium to their shareholders' equity during each premium calculation period" was added and a special application for banks has entered into force. Within the framework of this application, the premiums of the four banks that cannot reach 25 million TRY of shareholders' equity are withheld at the Bank and valued as Central Bank security. As of December 2017, the total amount of premiums utilised in this manner reached to 1,207,075,27 TRY.

The total amount of annual (4 terms) SDIFS premiums deposited by banks is given below. Accordingly, Turkish Lira SDIFS premium amount increased by 1.53 percent from 40 million TRY to 40.6 million TRY at the end of 2017.

FINANCIAL TABLES

4. FINANCIAL TABLES

As of the end of 2017, total assets of the Central Bank of the TRNC increased by 29.72 percent compared to the previous year and reached 8,370 million TRY.

4.1 Balance Sheet

Assets Accounts

Cash assets, receivables from banks and securities portfolio accounts constituting 98.61 percent of the total assets in 2016 Balance Sheet of the Central Bank, realised as 96.55 percent as of the end of 2017.

Cash assets with the largest share in total assets and receivables from banks increased by 16.36 percent compared to the end of the previous year. Cash assets and receivables from banks items amounting to 6,168 million TRY as of the end of 2016, reached 7,178 million TRY as of the end of 2017 and its share in total assets became 85,75 percent.

Table 4.1

			Percentage Share		Percentage Change
ASSETS	2016	2017	2016	2017	
Cash Assets and Receivables from Banks	6,168,475,296	7,177,504,334	95.60	85.75	16.36
Securities Portfolio	194,469,500	903,656,300	3.01	10.79	364.68
Loans	65,051,670	62,442,374	1.01	0.75	-4.01
Market Operations	2,000,000	117,817,065	0.03	1.41	5,790.85
Non-Performing Loans (Net)	-	-	-	-	-
Fixed Assets (Net)	2,584,005	2,262,006	0.04	0.03	-12.46
Other Assets	19,603,714	106,356,953	0.30	1.27	442.53
Total	6,452,184,185	8,370,039,032	100.00	100.00	29.72
LIABILITIES					
Public Deposits	64,552,919	115,812,822	1.00	1.38	79.41
Bank Deposits	2,016,947,519	2,563,631,465	31.26	30.63	27.10
Other Deposits	1,519,497	2,470,423	0.02	0.03	62.58
Reserve Requirements	1,359,700,420	1,729,000,717	21.07	20.66	27.16
Funds	785,487,720	986,585,321	12.17	11.79	25.60
Market Operations	1,753,991,204	2,381,050,147	27.19	28.45	35.75
Other Liabilities	4,815,813	3,360,859	0.08	0.04	-30.21
Shareholders' Equity	465,169,093	588,127,278	7.21	7.03	26.43
Total	6,452,184,185	8,370,039,032	100.00	100.00	29.72

Source: Central Bank of the TRNC

Cash Assets and Receivables from Banks

Bank deposits item increased by 11.23 percent compared to the previous year and reached from 5,948 million TRY to 6,616 million TRY in 2017.

Table 4.2

	2016	2017
Cash Assets and Receivables from Banks	6,168,475,296	7,177,504,334
Cash	216,724,660	257,360,230
Gold	3,440,019	3,997,999
Bank Deposits	5,948,310,617	6,916,146,105

Source: Central Bank of the TRNC

Securities Portfolio

The securities portfolio item with a share of 3.01 percent in total assets in 2016 increased by 364.68 percent in 2017 and increased from 194.5 million TRY to 903.7 million TRY, due to the change in reserve management policy.

Loans

In 2017, loans item in the Central Bank of the TRNC balance sheet decreased by 4.01 percent and amounted to 62 million TRY, compared to the previous year.

As of the end of 2017, while the total loan of the public sector was 56.8 million TRY, the total amount of the loans extended to the banking sector through the discount window was 5.7 million TRY.

Table 4.3

	2016	2017
Loans	65,051,670	62,442,374
Public	60,124,790	56,784,524
Short Term Advance to the Treasury	60,124,790	56,784,524
Banks	4,926,880	5,657,850

Source: Central Bank of the TRNC

Market Operations

The role of the Central Bank in Interbank Money Market (IMM) transactions is to act as a mediator in the transactions between banks. In other words, the lender has lent money to the Central Bank and the borrower is indebted to the Central Bank. As of the end of 2017, the receivables from IMM transactions included in total assets amounted to 117.8 million TRY in Turkish Lira currency.

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 2017, as it was at the end of 2016, due to the fact that a 100% provision has been provided for these receivables.

Fixed Assets (Net)

The net fixed assets consisting of immovables and fixtures decreased by 12.46 percent at the end of 2017 compared to the end of 2016 and realized as 2.3 million TRY.

Table 4.4

	2016	2017
Fixed Assets	2,584,005	2,262,006
Immovables	771,720	814,829
Fixtures and Nonmaterial Rights	1,812,285	1,447,177

Source: Central Bank of the TRNC

Other Assets

Other assets item, which amounted to 19.6 million TRY in 2016, increased by 442.53 percent in 2017 and reached 106.4 million TRY, due to the increase in transitory debt accounts forming this item.

Table 4.5

Thousand TRY	2016	2017
Other Assets	19,603,714	106,356,953
Temporary Receivables	86,361	79,255
Transitory Account	19,517,353	106,277,698

Source: Central Bank of the TRNC

Liability Accounts

As of the end of 2017, the Bank's total liabilities increased by 29.72 percent and reached 8.370 million TRY. Bank deposits, which have the largest share in total liabilities, increased by 27.10 percent, while total market operations, which is the second largest share increased by 35.75 percent.

Market Operations

While the sum of the Central Bank securities included in the market transactions amounted to 1,470 million TRY as of the end of 2017, the sum of the IMM transaction debts under the same item was 911.2 million TRY.

Table 4.6

	2016	2017
Market Operations	1,753,991,204	2,381,050,147
Central Bank Securities	1,044,790,572	1,469,901,130
Money Market Operations	709,200,632	911,149,017

Source: Central Bank of the TRNC

Public Deposits

As of the end of 2017, public deposits increased by 51.3 million TRY, compared to the previous year. As a result of these changes, the share of public deposits increased by 79.41 percent compared to the end of 2016 and reached 115.8 million TRY as of the end of 2017.

Bank Deposits

Bank deposits item showing the deposits in the Central Bank of the Turkish Republic of Northern Cyprus increased by 27.10 percent compared to the end of 2016 and reached 2,564 million TRY as of the end of 2017. Bank deposits also include the amounts blocked by banks for IMM transactions.

Table 4.7

	2016	2017
Bank Deposits	2,016,947,519	2,563,631,465
Bank Deposits	1,901,438,539	2,446,186,283
Blocked Accounts	115,508,980	117,445,182

Source: Central Bank of the TRNC

Other Deposits

As of the end of 2017, other deposits item increased by 62.58 percent and reached 2,470 thousand TRY, compared to the end of 2016.

Reserve Requirements

In 2017, reserve requirements item held at the Central Bank increased by 27.16 percent compared to the previous year and reached 1,729 million TRY.

Funds

As of the end of 2017, funds item increased by 25.60 percent from 785.5 million TRY to 986.6 million TRY due to the increase in other funds sub-item. The Savings Deposit Insurance Fund item has an important share in the Funds with a size of 41.12 percent.

Table 4.8

	2016	2017
Funds	785,487,720	986,585,321
Central Bank	406,843	689,806
Treasury	623,235	647,790
Other	784,457,642	985,247,725

Source: Central Bank of the TRNC

Other Liabilities

As of the end of 2017, the total of the other liabilities consisting of the temporary debts and transitory accounts decreased by 30.21% compared to the previous year and was realized as 3.4 million TRY.

Table 4.9

	2016	2017
Other Liabilities	4,815,813	3,360,859
Temporary Debts	31,848	18,976
Transitory Account	4,783,965	3,341,883

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, by 19.05 percent and 16.59 percent in 2017, respectively, the total shareholders' equity reached 588.1 million TRY. As of the end of 2017, reserves, provisions and profit items amounted to 209.2 million TRY, 155.7 million TRY and 203.2 million TRY, respectively.

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

Table 4.10

	2016	2017
Shareholders' Equity (Including Profit)	465,169,093	588,127,278
Shareholders' Equity (Excluding Profit)	331,262,520	384,891,701
Capital	20,000,000	20,000,000
Reserves	175,730,097	209,206,740
Provisions	135,532,423	155,684,961
Profit	133,906,573	203,235,577

Source: Central Bank of the TRNC

4.2 Profit and Loss Statement

Profit of the Central Bank increased by 51.77 percent compared to the previous year and reached 203.2 million TRY in 2017. In 2017, total revenues item increased by 40.63 percent and total expenditures item increased by 30.59 percent compared to the previous year.

In 2017, Turkish Lira transactions profit under the revenues item, which had a share of 77.57 percent, increased by 37.94 percent compared to the previous year and reached 308.1 million TRY. In the same period, foreign exchange profits increased by 50.97 percent and reached 89.1 million TRY.

Total expenditures, which amounted to 148.5 million TRY in 2016, increased by 30.59 percent in 2017 and reached 193.9 million TRY. TRY transaction losses, which had the highest share in expenditure items, increased by 33.01 percent compared to the previous year and reached 133.8 million TRY. While the share of foreign exchange losses, which had the second highest share in total expenditures with 12.40 percent in 2017, increased by 14.19 percent compared to the previous year, the share of TRY cash and foreign exchange insurance premiums in total expenditures increased to 7.73 percent. Insurance premiums for banknotes and foreign exchange banknotes increased by 28.68 percent compared to the previous year and reached 5.2 million TL.

Table 4.11

			Percentage Share		Percentage Change
	2016	2017	2016	2017	
REVENUES					
Profit on Foreign Currency Exchange	58,990,268	89,060,125	20.89	22.42	50.97
Profit on Turkish Lira Transactions	223,323,264	308,061,108	79.08	77.57	37.94
Miscellaneous Profits	90,773	30,911	0.03	0.01	-66.00
Total Revenues	282,404,306	397,152,145	100.00	100.00	40.63
EXPENDITURES					
Personnel Expenditures	10,761,725	13,281,105	7.25	6.85	23.41
Administrative Expenditures	698,915	982,050	0.47	0.50	40.51
Insurance Premiums for Banknotes and Foreign Exchange Banknotes	4,004,010	5,152,538	2.70	2.66	28.68
Insurance Premiums for TRY Cash and Foreign Exchange Banknotes	10,000,000	15,000,000	6.73	7.73	50.00
Loss on Foreign Currency Exchange	21,052,852	24,040,919	14.18	12.40	14.19
TRY Transaction Expenditures	100,595,160	133,799,860	67.74	69.00	33.01
Depreciation Charges	828,666	847,967	0.56	0.44	2.33
Other Expenditures and Losses	556,405	812,129	0.37	0.42	45.96
Total Expenditures	148,497,733	193,916,568	100.00	100.00	30.59
Profit	133,906,573	203,235,577			51.77
Grand Total	282,404,306	397,152,145			40.63

Source: Central Bank of the TRNC

4.3 Profit Distribution - 2017

Article 44 of the Law on the Central Bank of the TRNC 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. 203.2 million TRY, which is profit for the year 2017 is distributed as follows.

Table 4.12

	Retained Profit	Percentage Share
Retained Reserve	50,808,894	25.00
Received on Treasury Debt Account	5,327,725	2.62
Transferred to the Treasury	147,098,958	72.38
2017 Profit	203,235,577	100.00

Source: Central Bank of the TRNC

REGULATIONS

5. REGULATIONS

The regulations made by our Bank in 2017 are presented below.

Legal and Administrative Regulations

“Organisation Law (Amendment) of the Central Bank of the Turkish Republic of Northern Cyprus” no. 45/2016 was approved unanimously in the Thirteenth Convention of the TRNC Assembly dated November 21, 2016 in order to reorganize and legalize the positions determined by the Organisation Law of the Central Bank of the Turkish Republic of Northern Cyprus in accordance with the current needs. The aforementioned law was published in Official Gazette no. 162 dated 06.12.2016 and entered into force.

“Credit cards monthly maximum overdue interest rates on TRY - FX transactions” in accordance with Article 12 of *“Law on Bank Cards and Credit Cards”* no. 58/2014, has been determined by the Bank and published in the Official Gazettes dated/numbered 02.01.2017/2, 03.04.2017/61, 03.07.2017/113, 02.10.2017/161 and entered into force.

“The decision to change the interest rates applied to the Turkish Lira and Foreign Currency deposit accounts subject to interest of private and legal persons and banks in the Central Bank of the TRNC” enacted under Article 11 (1) of Central Bank of the Turkish Republic of Northern Cyprus Law No. 41/2001 was approved by the Central Bank of the TRNC Executive Board decision no. 947 dated 23.03.2017. The Notification was published in the Official Gazette No: 61 dated 03.04.2017 and entered into force.

“Notification on the Procedures and Principles on the Measurement, Assessment and Other Liabilities of the Standardized Ratio of Capital Adequacy Ratios of Banks and Leverage Standard (Amendment)” no. 62/2017 was approved by the Central Bank of the TRNC Executive Board decision no. 953 dated 24.05.2017. The Notification was published in the Official Gazette No: 93 dated 01.06.2017 and entered into force.

“Notification on the Qualifications and Provisions of Banks' Loans and Other Receivables” enacted under paragraph 6 of Article 23 of the Banking Law No. 39/2001 was approved by the Central Bank

of the TRNC Executive Board decision no. 953 dated 24.05.2017. Aforesaid Notification was published in the Official Gazette No: 93 dated 01.06.2017 and entered into force.

"Notification on the Central Bank Administration, Organization and Services" issued under Article 51 (1) A of the Central Bank of the Turkish Republic of Northern Cyprus Law No. 41/2001 was approved by the Central Bank of the TRNC Executive Board Decision no. 955 dated 19.06.2017. This Notification was published in the Official Gazette No: 113 dated 03.07.2017 and entered into force.

“The decision to change the interest rates applied to the Turkish Lira and Foreign Currency deposit accounts subject to interest of private and legal persons and banks in the Central Bank of the TRNC” enacted under Article 11 (1) of Central Bank of the Turkish Republic of Northern Cyprus Law No. 41/2001 was approved by the Central Bank of the TRNC Executive Board decision no. 947 dated 23.03.2017. The Notification was published in the Official Gazette No: 61 dated 03.04.2017 and entered into force.

TABLES

6. TABLES

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

Assets	TRY	FX	TRY Total	FX Total	Grand Total
I- Liquid Assets			2,632,973,765	5,448,186,869	8,081,160,634
Cash	350,173	257,010,057			
Gold		3,997,999			
Securities Portfolio	903,656,300				
Bank Deposits	1,728,967,292	5,187,178,813			
Foreign Intermediaries					
II- Fixed Assets			2,262,006		2,262,006
Immovables	992,011				
Depreciation Charges (-)	-177,182				
Fixtures	5,278,269				
Depreciation Charges (-)	-3,831,092				
III- Loans			136,784,524	43,474,915	180,259,439
A- Advance Accounts					
a- Short Term Advance to the Treasury	56,784,524				
b- Advance Under Treasury Guaranteed Bills					
c- Commercial Bank Securities		5,657,850			
B- Market Operations					
a- IMM Transactions	80,000,000	37,817,065			
IV- Other Assets			106,265,361	91,592	106,356,953
A- Temporary Receivables	79,255				
B- Non-Performing Loans (Net)					
a- Non-Performing loans	12,511,964				
b- Provisions for Non-Performing Loans (-)	12,511,964				
C- Transitory Account					
a-Other	106,186,106	91,592			
TOTAL					8,370,039,032

Source: Central Bank of the TRNC

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

Liabilities	TRY	FX	TRY Total	FX Total	Grand Total
I - Shareholders' Equity			384,891,701		384,891,701
Capital	20,000,000				
Reserves	209,206,740				
Provisions	155,684,961				
II - Foreign Sources			1,544,484,687	4,505,065,491	6,049,550,178
A- Deposits					
a- Public Deposits	42,219,684	73,593,138			
b- Bank Deposits	490,652,950	1,955,533,333			
c- Blocked Accounts		117,445,182			
d- Personal Deposits	1,071,969	1,397,563			
e- Other Deposits	891				
B- Reserve Requirements	781,455,275	947,545,442			
D- Market Operations	572,743,267	1,808,306,880			
a- Money Market Operations	171,043,267	740,105,750			
b- Central Bank Securities	401,700,000	1,068,201,130			
E- Funds	437,795,926	548,789,395			
a- Central Bank Funds	689,806				
b- Treasury Funds	598,421	49,369			
c- Other Funds	436,507,699	548,740,026			
III - Other Liabilities			2,667,781	693,078	3,360,859
a-Temporary Debts	18,976				
b-Transitory Account	2,648,805	693,078			
IV - Profit	203,235,577		203,235,577		203,235,577
TOTAL					8,370,039,032

Source: Central Bank of the TRNC

Central Bank of the TRNC Balance Sheet - 31.12.2016 (TRY)

Assets	TRY	FX	TRY Total	FX Total	Grand Total
I- Liquid Assets			2,456,751,086	3,906,193,710	6,362,944,796
Cash	1,750,909	214,973,751			
Gold		3,440,019			
Securities Portfolio	194,469,500				
Bank Deposits	2,260,530,677	3,687,779,940			
Foreign Intermediaries					
II- Fixed Assets			2,584,005		2,584,005
Immovables	932,860				
Depreciation Charges (-)	-161,140				
Fixtures	4,811,452				
Depreciation Charges (-)	-2,999,167				
III- Loans			62,124,790	4,926,880	67,051,670
A- Advance Accounts					
a- Short Term Advance to the Treasury	60,124,790				
b- Advance Under Treasury Guaranteed Bills					
c- Commercial Bank Securities		4,926,880			
B- Market Operations					
a- IMM Transactions	2,000,000				
IV- Other Assets			19,603,714		19,603,714
A- Temporary Receivables					
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	19,517,353				
TOTAL					6,452,184,185

Source: Central Bank of the TRNC

Central Bank of the TRNC Balance Sheet - 31.12.2016 (TRY)

Liabilities	TRY	FX	TRY Total	FX Total	Grand Total
I - Shareholders' Equity			331,262,520		331,262,520
Capital	20,000,000				
Reserves	175,730,097				
Provisions	135,532,423				
II - Foreign Sources			2,162,665,999	3,819,533,280	5,982,199,279
A- Deposits					
a- Public Deposits	29,069,115	35,483,804			
b- Bank Deposits	459,264,539	1,442,174,000			
c- Blocked Accounts		115,508,980			
d- Personal Deposits	793,721	724,915			
e- Other Deposits	861				
B- Reserve Requirements	652,163,031	707,537,389			
D- Market Operations	651,030,672	1,102,960,532			
a- Money Market Operations	190,700,000	518,500,632			
b- Central Bank Securities	460,330,672	584,459,900			
E- Funds	370,344,060	415,143,660			
a- Central Bank Funds	406,843				
b- Treasury Funds	582,642	40,593			
c- Other Funds	369,354,575	415,103,067			
III - Other Liabilities			4,521,343	294,470	4,815,813
a-Temporary Debts	31,848				
b-Transitory Account	4,489,495	294,470			
IV - Profit	133,906,573		133,906,573		133,906,573
TOTAL					6,452,184,185

Source: Central Bank of the TRNC

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

Date	Profit (Loss)	Date	Profit (Loss)
1997	7,063,247	2008	34,397,584
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		

Source: Central Bank of the TRNC

Central Bank of the TRNC Selected Assets Items (TRY)

Date	Liquid Assets	Loans	Other Assets	Total Assets
30.Sep.13	3,052,496,431	139,133,835	1,799,949	3,193,430,215
31.Dec.13	3,213,649,639	78,854,104	63,070,913	3,355,574,656
31.Mar.14	3,079,515,185	147,484,184	1,728,249	3,228,727,618
30.Jun.14	3,270,433,195	121,218,064	1,804,149	3,393,455,408
30.Sep.14	3,511,228,059	119,312,114	1,752,480	3,632,292,653
31.Dec.14	3,645,697,257	171,220,524	25,331,106	3,842,248,887
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.Sep.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.Sep.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.Sep.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

Source: Central Bank of the TRNC

Central Bank of the TRNC Selected Liability Items (TRY)

Date	Shareholders' Equity	Deposits	Reserve Requirements	Other Liabilities	Total Liabilities
30.Sep.13	218,683,984	1,724,387,219	828,836,908	421,522,104	3,193,430,215
31.Dec.13	291,100,579	1,818,251,291	870,763,371	436,559,672	3,355,574,656
31.Mar.14	245,971,070	1,675,102,982	876,948,620	430,704,946	3,228,727,618
30.Jun.14	247,254,958	1,792,772,785	890,156,351	463,271,314	3,393,455,408
30.Sep.14	248,132,449	1,917,060,863	938,524,944	528,574,397	3,632,292,653
31.Dec.14	258,929,182	1,493,119,701	954,982,558	1,135,217,446	3,842,248,887
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.Sep.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.Sep.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.Sep.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

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
30.Sep.13	88,890,514	2,506,876	1,359,032,554	1,456,467,434	26,347,485	119,251,568	3,052,496,431
31.Dec.13	62,270,427	2,146,362	1,403,280,967	1,522,482,954	78,923,761	144,545,168	3,213,649,639
31.Mar.14	57,681,769	2,146,362	1,068,596,270	1,717,402,462	35,043,690	198,644,632	3,079,515,185
30.Jun.14	37,813,934	2,146,362	1,173,711,609	1,837,164,805	51,540,117	168,056,368	3,270,433,195
30.Sep.14	63,855,297	2,146,362	1,167,075,364	1,915,670,506	63,391,520	299,089,010	3,511,228,059
31.Dec.14	59,575,201	2,341,331	1,307,875,937	1,925,886,634	60,933,484	289,084,670	3,645,697,257
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.Sep.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.Sep.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.Sep.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

Source: Central Bank of the TRNC

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

Date	Agriculture	Trading	Industry	Exports	Small Business Owner	Tourism	Education	Total
30.Sep.13							2,718,359	2,718,359
31.Dec.13								-
31.Mar.14							2,431,745	2,431,745
30.Jun.14							2,381,303	2,381,303
30.Sep.14							2,580,963	2,580,963
31.Dec.14								-
31.Mar.15							4,466,517	4,466,517
30.Jun.15							4,642,279	4,642,279
30.Sep.15							5,311,384	5,311,384
31.Dec.15								-
31.Mar.16								-
30.Jun.16							4,083,448	4,083,448
30.Sep.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.Sep.17							5,415,736	5,415,736
31.Dec.17							5,807,899	5,807,899

Note: Interest revenue rediscounts are included in the figures.

Source: Central Bank of the TRNC

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	
30.Sep.13	86,265,299	18,449,179	620,407,179	975,835,456	482,994,224	345,842,684	426,258	23.003.848	2,553,224,127
31.Dec.13	18,846,398	20,578,975	735,826,294	1,013,142,338	487,900,228	382,863,143	609,831	29,247,455	2,689,014,662
31.Mar.14	38,950,361	43,565,188	472,182,955	1,094,180,494	491,575,544	385,373,076	438,945	25,785,039	2,552,051,602
30.Jun.14	53,919,830	11,982,605	466,591,523	1,122,184,360	499,327,153	390,829,198	17,474,716	120,619,751	2,682,929,136
30.Sep.14	69,233,058	18,698,887	502,033,797	1,136,473,300	526,918,645	411,606,299	27,425,327	163,196,494	2,855,585,807
31.Dec.14	17,094,271	9,256,228	567,445,436	868,076,651	532,525,648	422,456,910	629,724	30,617,391	2,448,102,259
31.Mar.15	10,753,910	21,354,653	497,415,629	849,731,141	555,437,616	451,116,516	441,602	28,745,353	2,414,996,420
30.Jun.15	18,278,584	34,669,328	421,856,540	988,595,032	565,747,200	496,943,810	428,189	18,886,057	2,545,404,740
30.Sep.15	14,819,534	30,301,580	346,773,076	1,141,287,770	578,364,670	581,329,450	396,168	20,720,977	2,713,993,225
31.Dec.15	57,528,409	19,608,857	377,112,293	1,111,941,851	583,627,835	559,842,202	751,281	30,147,234	2,740,559,962
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.Sep.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.Sep.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

Source: Central Bank of the TRNC

Central Bank of the TRNC Exchange Rates

Years	Months	USD		GBP		EURO	
		Buying	Selling	Buying	Selling	Buying	Selling
2011		1,8889	1,8980	2.9170	2.9322	2,4438	2,4556
2012		1.7826	1.7912	2.8708	2.8858	2.3517	2.3630
2013		2.1343	2.1381	3.5114	3.5297	2.9365	2.9418
2014		2.3189	2.3230	3.5961	3.6149	2.8207	2.8258
2015		2.9076	2.9128	4.3007	4.3231	3.1776	3.1833
2016		3.5192	3.5255	4.3189	4.3414	3.7099	3.7166
2017	1	3.8324	3.8393	4.7957	4.8207	4.0983	4.1057
	2	3.5882	3.5946	4.4479	4.4711	3.7963	3.8032
	3	3.6386	3.6452	4.5169	4.5404	3.9083	3.9153
	4	3.5504	3.5568	4.5835	4.6074	3.8744	3.8814
	5	3.5642	3.5707	4.57330	4.5971	3.9744	3.9816
	6	3.5071	3.5135	4.5413	4.5650	4.0030	4.0102
	7	3.5292	3.5356	4.6096	4.6336	4.1316	4.1390
	8	3.4410	3.4472	4.4520	4.4752	4.1430	4.1504
	9	3.5521	3.5585	4.7478	4.7726	4.1924	4.2000
	10	3.8174	3.8243	4.9906	5.0167	4.4378	4.4458
	11	3.9505	3.9576	5.2862	5.3137	4.6853	4.6938
	12	3.7719	3.7787	5.0803	5.1068	4.5155	4.5237

Source: Central Bank of the TRNC

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	1.2535	1.0694
	2	1.2417	1.0580
	3	1.2435	1.0741
	4	1.2932	1.0913
	5	1.2853	1.1151
	6	1.2971	1.1414
	7	1.3083	1.1707
	8	1.2960	1.2040
	9	1.3389	1.1803
	10	1.3159	1.1631
	11	1.3404	1.1860
	12	1.3492	1.1972

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

Source: Central Bank of the TRNC

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

Effective Date	Currency				Board Decision		Official Gazette	
	TRY	\$	€	£	Date	Number	Date	Number
	Demand	Demand	Demand	Demand				
14.11.2008	16.25	0.25	1.75	2.25	13.11.2008	676	26.11.2008	207
28.11.2008	15.75	0.25	1.75	2.25	27.11.2008	679	16.12.2008	217
22.12.2008	14.50	0.05	1.25	1.00	19.12.2008	682	25.12.2008	223
19.01.2009	12.60	0.05	1.25	0.75	16.01.2009	691	23.01.2009	18
20.02.2009	11.25	0.05	1.25	0.50	20.02.2009	698	04.03.2009	47
20.03.2009	10.25	0.05	1.25	0.50	20.03.2009	708	27.03.2009	58
17.04.2009	9.50	0.05	1.00	0.50	17.04.2009	712	27.04.2009	78
08.05.2009	9.50	0.05	0.75	0.50	08.05.2009	718	18.05.2009	85
15.05.2009	9.00	0.05	0.75	0.50	15.05.2009	720	28.05.2009	92
17.06.2009	8.50	0.05	0.75	0.50	17.06.2009	725	22.06.2009	107
17.07.2009	8.00	0.05	0.75	0.50	17.07.2009	729	03.08.2009	133
19.08.2009	7.50	0.05	0.75	0.50	19.08.2009	734	03.09.2009	152
18.09.2009	7.00	0.05	0.75	0.50	18.09.2009	738	06.10.2009	170
16.10.2009	6.50	0.05	0.75	0.50	16.10.2009	741	22.10.2009	182
07.12.2009	6.25	0.05	0.75	0.50	04.12.2009	749	15.12.2009	211
17.09.2010	6.00	0.05	0.75	0.50	17.09.2010	786	29.09.2010	167
15.10.2010	5.50	0.05	0.75	0.50	15.10.2010	788	25.10.2010	183
27.12.2010	5.00	0.05	0.75	0.50	24.12.2010	796	31.12.2010	220
01.01.2013	4.00	0.05	0.75	0.50	20.12.2012	835	21.12.2012	212
01.06.2013	3.50	0.05	0.75	0.50	09.05.2013	847	16.05.2013	85
01.09.2013	4.00	0.05	0.75	0.50	22.08.2013	853	29.08.2013	138
03.02.2014	5.00	0.25	0.75	0.50	30.01.2014	872	04.02.2014	26
01.04.2014	7.00	0.25	0.75	0.50	20.03.2014	876	27.03.2014	70
01.03.2015	6.50	0.25	0.25	0.50	10.02.2015	900	17.02.2015	25
03.04.2017	7.00	0.40	0.25	0.50	23.03.2017	947	03.04.2017	61

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

Source: Central Bank of the TRNC

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

Effective		Currency			Board Decision		Official Gazette	
Date	TRY	\$	€	£	Date	Number	Date	Number
05.02.2008	10.50	1.00	1.00	2.00	05.02.2008	636	19.02.2008	32
29.02.2008	10.25	1.00	1.00	2.00	29.02.2008	638	13.03.2008	50
25.03.2008	10.25	0.50	1.00	2.00	25.03.2008	647	03.04.2008	59
22.05.2008	10.75	0.50	1.00	2.00	22.05.2008	653	16.06.2008	113
30.07.2008	11.00	0.50	1.00	2.00	30.07.2008	665	15.08.2008	153
17.10.2008	11.00	0.25	1.00	1.75	16.10.2008	674	22.10.2008	187
14.11.2008	11.00	0.10	1.00	1.25	13.11.2008	675	26.11.2008	207
28.11.2008	10.75	0.10	1.00	1.25	27.11.2008	680	16.12.2008	217
22.12.2008	9.75	0.00	0.75	0.5	19.12.2008	683	25.12.2008	223
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

Source: Central Bank of the TRNC

Rediscount Interest Rates

Effective Date	Currency																
	TRY					\$					€					£	
	Advances					Advances					Advances					Advances	
	Ind.				Against	Ind.	Exp.	Against	Ind.	Exp.	Against	Ind.	Exp.	Against			
	Tour.	Exp.	Sm. Bus.	Foreign Exchange	Trad.	Tour.		Foreign Exchange	Trad.	Tour.		Foreign Exchange	Trad.	Tour.		Foreign Exchange	
		Agri. Edu.				Edu.				Edu.				Edu.			
06.02.04	55	42	40	35	35	10	6	6	8	10	6	6	8	11	7	7	9
10.12.04	42	32	30	28	28	10	6	6	8	10	6	6	8	11	7	7	9
04.02.05	35	30	28	26	26	10	6	6	6	10	6	6	6	11	7	7	7
01.04.05	33	28	26	24	24	10	6	6	6	10	6	6	6	11	7	7	7
03.06.05	30	26	24	22	22	10	6	6	6	10	6	6	6	11	7	7	7
01.11.05	26	24	22	20	20	10	6	6	6	10	6	6	6	11	7	7	7
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

Abbreviations: Trad. Trading, Ind.: Industry, Tour.: Tourism, Agri.: Agriculture, Edu.: Education, Exp.: Exports, Sm. Bus.: Small Business, Adv. against FX Advances against Foreign Exchange
Source: Central Bank of the TRNC

Bank Liquidity Requirement Ratios (%)

The lowest securities to liquidity requirements ratios 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 one time of the shareholders' equity **12**

2. If it exceeds two times of the shareholders' equity **14**

3. If it exceeds three times of the shareholders' equity **16**

4. If it exceeds four times of the shareholders' equity **18**

5. If it exceeds five times of the shareholders' equity **20**

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.

Source: Central Bank of the TRNC

Reserve Requirements Ratios

Effective Date	Description	TRY	FX
31.07.2012	Deposits up to 3-month maturity	8	
	Deposits between 3 to 6-month maturity	7	
	Deposits between 6-month to 1-year maturity	6	
	Deposits longer than 1-year maturity	5	
	Turkish Lira liabilities excluding deposits	8	
	Foreign Currency liabilities		8
	Precious metal liabilities	0	0
28.02.2014	Deposits up to 3-month maturity	8	8
	Deposits between 3 to 6-month maturity	7	7
	Deposits between 6-month to 1-year maturity	6	6
	Deposits longer than 1-year maturity	5	5
	Other liabilities excluding deposits	8	8
	Precious metal liabilities	0	0

Source: Central Bank of the TRNC

Scale of Charges

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

Source: Central Bank of the TRNC

Overdraft Checks

Years	Months	People Restrained from Using Check 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	1	347	347
	2	197	544
	3	182	726
	4	174	900
	5	341	1,241
	6	182	1,423
	7	155	1,578
	8	173	1,751
	9	170	1,921
	10	196	2,117
	11	197	2,314
	12	185	2,499

Source: Central Bank of the TRNC

Money Supply (Million TRY)

Year	Quarter	M1	Percentage Change	M2	Percentage Change	M3	Percentage Change
2012	I	1,445.9	-7.35	7,967.1	-0.68	8,587.4	-0.42
	II	1,490.4	3.07	8,133.7	2.09	8,769.5	2.12
	III	1,535.6	3.03	8,402.6	3.31	9,024.4	2.91
	IV	1,661.2	8.18	8,765.9	4.32	9,585.4	6.22
2013	I	1,690.9	1.79	8,958.1	2.19	9,608.9	0.25
	II	1,767.3	4.52	9,507.6	6.13	10,177.6	5.92
	III	1,853.2	4.86	9,994.6	5.12	10,787.2	5.99
	IV	1,963.4	5.95	10,562.0	5.68	11,345.1	5.17
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	6.71	21,181.5	6.72	22,789.8	7.29

Source: Central Bank of the TRNC

