

**PRESS RELEASE ON THE FACILITY OF MAINTAINING RESERVE
REQUIREMENTS IN FOREIGN EXCHANGE AND GOLD**

In accordance with the decisions taken by the Central Bank of the Republic of Turkey (CBRT) on 29 May 2012, in order to narrow the cost differential of maintaining the Turkish lira reserve requirements in Turkish lira or in FX, and enable the banks to benefit fully from the facility as called for by their liquidity needs, the upper limit for FX reserves that might be held to maintain Turkish lira reserve requirements was raised to 45 percent, and the banks were allowed to hold Turkish lira reserve requirements in US dollar and/or euro over the total amount calculated by multiplying the first tranche corresponding to 40 percent of Turkish lira reserve requirements by a coefficient of “1”, as previously, and the second tranche corresponding to 5 percent of Turkish lira reserve requirements by a coefficient of “1.4”. Since then, the banks have benefited from this facility considerably and steadily, with an across-the-sector utilization ratio around 97 percent. It has now been decided to raise the upper limit of the abovementioned facility to 50 percent. The third tranche of this facility corresponding to the additional 5 percent will be maintained in US dollar and/or euro over the total amount calculated by multiplying by a coefficient of “1.7”.

At present, USD 14.3 billion is being held for Turkish lira reserve requirements. With the additional facility being used in a similar fashion, the expected figures for the increase in Bank’s FX reserves and the amount of permanent liquidity to be provided to the market are approximately USD 2.7 billion and TL 2.8 billion, respectively. The new regulation will be effective as of the calculation period dated 22 June 2012 and the maintenance period will begin on 6 July 2012.

Meanwhile, with an aim to bolster the build-up of the Central Bank's FX reserves and to positively affect the cost and liquidity channels of banks, the upper limit for gold reserves that might be held to maintain Turkish lira reserve requirements, standing at an across-the-sector utilization ratio of 92 percent, has been raised from 20 percent to 25 percent, and banks are allowed to hold Turkish lira reserve requirements in gold over the total amount calculated by multiplying the first tranche corresponding to 20 percent of Turkish lira reserve requirements by a coefficient of "1", as previously, and the second tranche corresponding to 5 percent of Turkish lira reserve requirements by a coefficient of "1.5".

Currently, TL 10.4 billion corresponding to 112 ton gold is being held for Turkish lira reserve requirements. With the additional facility being used in a similar fashion, the expected figures for the increase in CBRT's FX reserves and the amount of permanent liquidity to be provided to the market are approximately USD 2.2 billion and TL 2.8 billion, respectively. The new regulation will be effective as of the calculation period dated 6 July 2012 and the maintenance period will begin on 20 July 2012.