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

In accordance with the decision taken by the Central Bank of the Republic of Turkey (CBRT) on 27 October 2011, the upper limit for FX reserves that might be held to meet Turkish lira reserve requirements was raised from 20 percent to 40 percent with a view to meeting the TL liquidity requirement of the Turkish banking system permanently and at a lower cost, as well as bolstering the build-up of the Central Bank's FX reserves. Since then, the banks have benefited from this facility considerably and steadily, with an across-the-sector utilization ratio around 90 percent.

This time, the upper limit of the above-mentioned facility has been raised to 45 percent, and the banks are 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 multiplied by a coefficient of "1.4".

The aim is to narrow the cost differential of meeting 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. Banks will be using this additional tranche of FX liquidity if and when need arises in the future.

At present, USD 10.9 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 2.1 billion and TL 2.8 billion, respectively. The new regulation will be effective as of the calculation period dated 8 June 2012 and the maintenance period will begin on 22 June 2012.