

July 9, 2002

CENTRAL BANK OF THE REPUBLIC OF TURKEY

PRESS RELEASE

The interest rate on TL required reserves is raised to 25 percent, with a 3 percentage points increase, to be effective from 09.07.2002 (today).

Within the process of carrying out the banking reform effectively, with the aim of decreasing financial intermediation costs, starting from 08.08.2001 TL required reserves and starting from 24.05.2002 FX required reserves have begun to be remunerated to reduce the funding costs of required reserves maintained in the Central Bank without being remunerated.

The interest rate applied to TL required reserves which is determined by taking into consideration the interest rates banks apply to deposits as well as the balance sheet of the Central Bank and its monetary policy, was reduced to 22 percent to be effective from 24.05.2002, considering the expansion in the calculation base for required reserves brought along with the Communiqué on required reserves No: 2002/1 and the decrease in the interest rates on deposits. Also, it was announced that this rate would be revised in line with the developments in interest rates on deposits.

Although there is no significant change in interest rates applied to TL deposits, in order to contribute to the effective and efficient functioning of banks by decreasing the financial intermediation costs in the banking system, interest rate on TL required reserves is increased, by 3 percentage points, to 25 percent to be effective from 09.07.2002. In this regard, the interest rate on TL required reserves has converged to the market interest rates, and might be revised in parallel to the developments.

As before, the interest rate applicable to FX required reserves shall continue to be determined weekly and to be equivalent to the interest rate

on 2-days notice FX deposits that the banks hold as free deposits in the Central Bank.