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### PRESS RELEASE

**The interest rate on New Turkish Lira (YTL) required reserves is decreased to 10.12 percent, to be effective from January 4, 2006.**

With the aim of contributing to the efficient and effective functioning of banks by alleviating their financial intermediation costs, YTL required reserves and FX required reserves have begun to be remunerated starting from 8.8.2001 and from 24.5.2002 respectively, in order to reduce the funding costs of required reserves maintained in the Central Bank of Republic of Turkey (CBRT) without being remunerated.

The interest rate applied to YTL required reserves was decreased to 10.25 percent with a cut of 0.75 percentage points to be effective from 24.05.2005 and it was announced that the interest rate applied to YTL required reserves is to be held in the range between 75 and 80 percent of the simple weighted average interest rate for YTL denominated deposits and determined in line with the changes in interest rates applied by banks on deposits.

On the other hand, the European Central Bank (ECB) and national central banks of some EU member countries take their policy interest rates into consideration in remunerating required reserves. The harmonization of financial markets with European Union (EU) implementations has gained importance in the accession process of Turkey to the EU. Within this framework, in the determination of interest rate on YTL required reserves, instead of interest rate applied by banks on YTL deposits, the CBRT overnight borrowing interest rate, which is determined within the context of monetary policy objectives and macroeconomic developments, shall be taken into consideration henceforth. In this respect, by taking into account the balance sheet and monetary policy of the CBRT, it is decided that the interest rate on YTL required reserves is to be determined as 75 percent of overnight borrowing interest rate of the CBRT.

Consequently, this will help narrow the gap between the short-term interest rates and long-term interest rates and support the establishment of a more effective monetary transmission mechanism in 2006, when Inflation Targeting regime is being implemented.

Therefore, to be effective from January 4, 2006, interest rate on required reserves is determined as 10.12 percent, constituting 75 percent of overnight borrowing interest rate of the CBRT, which is currently set at 13.5 percent. Abovementioned interest rate shall hereinafter be recalculated in the same way when overnight borrowing interest rate of the CBRT is changed and also shall be announced on the CBRT website under the section "Data-Banking Data- Interest Rate on YTL Required Reserves".

As before, the interest rate applicable to FX required reserves, which is equivalent to the interest rate on 2-day notice FX deposits that banks hold as free deposits with the CBRT, shall continue to be determined weekly and to be announced in the same way.