DETAILS ON SUPPORT FOR CORE LIABILITIES

The Central Bank of the Republic of Turkey will provide further support for core liabilities in order to spur balanced growth and domestic savings. To this end, financial institutions whose core liability ratios (ratio of deposits and equity to loans) are higher than the sector average will be remunerated at a higher rate unless they worsen their own situation. The principles and procedures on the remuneration of the required reserves maintained in Turkish lira are stated below:

i) Turkish lira required reserves will be remunerated monthly for November and December 2014 period to be paid on the first business days of the following months, and quarterly commencing from 2015, to be paid on the first business day following the end of March, June, September and December.

ii) Remuneration rate of Turkish lira required reserves maintained in November and December 2014 will be equal to the weighted average cost of the CBRT funding minus 700 basis points.

iii) Since the first reserve requirement maintenance period in November 2014 begins on 24 October 2014, the remuneration rate will be 0 percent for the amounts maintained between 24 October 2014 and 31 October 2014.

iv) Starting from 2015, the remuneration rate for each quarterly period will be determined as the weighted average cost of the CBRT funding minus either 500 or 700 basis points, depending on the ratio of the sum of deposits (excluding public sector and interbank deposits) (D) and shareholders' equity (E) to total gross loans (L) 100x((D+E)/L), as explained below.

v) Institutions subject to reserve requirements will be classified into three groups as "deposit and participation banks", "development and investment banks" and "financing companies", and the weighted average 100x((D+E)/L) ratio will be calculated (by dividing each group’s total D and E to total L and multiplying by 100) for each group and the ratio will be rounded to the nearest whole number.

vi) For each bank and financing company, the reference period will commence with the July-September 2014 period, and in subsequent reference periods will be the period from July-September 2014 through to the quarter prior to the period under assessment for the calculation of their reference 100x((D+E)/L) ratios.

vii) The remuneration rate on the required reserves maintained in Turkish lira in the next quarter, will be the weighted average cost of the CBRT funding minus 500 basis points for those banks and financing companies having ratios equal or above its group average in the previous quarter provided that they maintain or increase their own 100x((D+E)/L) ratios with regard to the reference period.

viii) For the remaining banks and financing companies, the remuneration rate will continue to be the weighted average cost of CBRT funding minus 700 basis points.

ix) Therefore, the implementation for quarterly periods will start with the reference period and group averages of July-September 2014, and the first remuneration will be paid on 1 April 2015 for the amounts maintained starting from 1 January 2015.

x) Changes in the 100x((D+E)/L) ratios of institutions subject to reserve requirements will be taken into consideration by rounding changes to 0.1 percentage point and its multiples.

xi) Owing to the fact that the remuneration rate applied to some banks and financing companies will be negative when the weighted average cost of CBRT funding is less than 7 or 5 percent, the remuneration rate on the amounts maintained by those institutions will be applied as 0 percent for the corresponding days.

xii) Since the 100x((D+E)/L) ratio for an institution pertaining to a period cannot be calculated when that institution provided zero loans; this institution will be remunerated at the weighted average cost of CBRT funding minus 500, regardless of its ratio for the reference period.