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FINANCIAL MARKETS REPORT

- Economic Developments
- Financial Sector Assesment
- Banking Sector Risk Assesment

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For Information and Comments:

Department of Strategy Development

E-mail: fpr@bddk.org.tr
Tel: (312) 455 65 29
Fax: (312) 424 08 74

BANKING REGULATION AND SUPERVISION AGENCY
ATATÜRK BULVARI NO 191 06680 KAVAKLIDERE ANKARA-TÜRKİYE

FOR COMMUNICATION: DEPARTMENT OF STRATEGY DEVELOPMENT
TEL: (312) 455 65 29, FAX: (312) 424 08 74, E-mail: fpr@bddk.org.tr

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EXPLANATION

- The Banking Regulation and Supervision Agency of which its one of the main aim is providing trust and stability in financial markets, is publishing this Periodical Report including the evaluations relevant to the performances of banks and financial holding companies and financial leasing, factoring and financing companies and the significant developments experienced in financial sector pursuant to the Banking Law Nr. 5411, Article 97(3).

- This volume of Financial Markets Report is comprised of three parts. The Report is including the evaluations related to international and national economic developments, the performances of factoring and consumer finance institutions by group and sector basis , and risk level and capital adequacy of banking sector.

- Data related to banks included in Financial Markets Report is while comprising domestic branch offices of the banks and right along with branches abroad, is presented by consolidating thereof.

- The BRSA is not admitting responsibility by no manner of means on account of statements and charts published in Financial Markets Report.

- Any periodical information included in any volume of Financial Markets Report can undergo a change as a result of updating caused by various factors in the volumes following.

- In this issue information and evaluations about participation banks are included in Banking Sector chapters.

- This report is based on the March 5, 2007 data for banks and March 9, 2007 data for non bank financial institutions. The updates after these dates are not reflected.

GENERAL EVALUATION

World economy carried on the growth tendency continuing for four years in 2006; and strong growth performance has continued for the whole of the year. In the second part of the year while a housing sector origin slowdown was experienced in US economy, strong performance in Euro Area as well as Japan and the other developing countries recover the world growth by getting over this slowdown. Overheats of the economies because of continuing growth created pressure for price increases and increase in short term interest rates and tight monetary policies are used to control this pressure. Despite high energy prices and other input prices, inflationist pressures and the financial turbulence experienced in May-June in 2006, the world economy completed the year by 3.9% growth rate which is over 2005's growth rate. The effect of high liquidity and low interest rates in the global markets; the balanced levels of structural macroeconomic variables against the financial fluctuations in the main economies are elements which sustain the positive factors in the global economies. In this framework, it is expected that the world economy will continue its growth, with a diminishing rate, in 2007 and 2008. Nevertheless, international economic institutions mention in their reports the possibility of the recession and depression periods may follow the long term expansion and recovery periods. Beyond this business cycle view, there are presently macroeconomic risk elements in the world economies. These elements are strongly related to the high commodity and petrol prices and extreme fluctuations in these prices in future periods. Some financial asset prices especially the excessive bubbles in the housing sector can be an instability source in the case of sudden price decreases. Macro imbalances among countries are still a problem. Following contractionary policies in economies as a result of increasing inflationist pressures lead to excessive slowdown and stagnation is evaluated as a another demand sided-risk factor .

Turkish economy continues its positive outlook in 2006 which it has shown since 2002, and annual average growth rate of the last five year was 7.4%. It's observed a relative slowdown in growth rate in the last quarter of 2006. A clear deceleration especially observed in the private consumption expenditures results in the limited domestic demand increase. However, the realizations in the last quarter of 2006 and the expectations related to 2007 shows that the external demand will be strong. In this scope growth expectations of 2007 continue in the interval of 4.5-5%. Current account deficit continues to grow in 2006 and at the beginning of 2007. An important change compared to the previous periods is that the direct investments have taken the place of short term capital movements in the financing of the current account deficit. The positive expectations towards the developing economies as well as the privatization program implemented and the trends of foreign investors to Turkey as a result of the confident environment in Turkey are effective in the said development. Another important development observed in 2006 is an increase tendency in the ratio of total foreign debt to the national income, which had declined until the end of 2005.

Central government budget deficit decreased to TRY 4 billion and non-interest surplus realized as TRY 42 billion by the effect of privatization incomes and incomes for once only despite the increases in expenditures of public finance. Thus, while the ratio of non-interest surplus to national income is 7.3%, the ratio of program defined non-interest surplus to

GNP realized as 5.8% in 2006. When the budgetary practices of the first two months of 2006 are observed, it is seen that there is deterioration in budget balance especially as a result of the increases in expenditures. Likewise, budget deficit at the level of TRY 8.2 billion in the first two months of the year is 48.6% of the program aim of 2007.

Upwards pressure occurring on the prices by the effect of value lost of Turkish Lira dependent on the fluctuation experienced in May and June and the developments in unprocessed food and energy prices decreased in the last quarter of the year however the consumer prices realized as 9,65% by increasing above the target level of annual increase rate. At the end of the first three months of 2007, consumer price inflation increased by the effect of low base in the same period of the previous year and realized as 10.86%. It is expected that price increase speed will be in the tendency of decrease as of the first quarter of 2007, in the light of the monthly price and domestic demand developments. Increasing interest rates were stabilized afterwards by the effect of global fluctuation experienced in the second quarter of the previous year but nominal interests protect its level after CBRT interest increase. Besides, in the last week of February 2007, short-term fluctuation experienced in international markets increased uncertainties in the global financial market. Besides all these developments, the intensity of the political agenda on the year 2007 increase the importance of improving the investment environment and decisively implement other structural reforms, continuing prudent debt management and the tight monetary policy from the point of national economic outlook and financial stability.

It is seen that high increase rate observed since 2003 in the debt of household to the financial sector decelerated in 2006. Besides, the ratio of household debt to GDP increased from 8% to 10.4% in 2006. On the other hand, total nominal increase rate of household assets was 19% and financial leverage rate of household (the ratio of household liabilities to assets) increased from 22% to 27.1%.

When Turkish financial sector is generally observed, the sector continued to increase despite the negative impacts of fluctuation experienced in financial markets in 2006. As of December 2006 Turkish financial sector total asset size reached to the level of TRY 564.7 billion by increasing 20.2% compared to the previous year. While the ratio total financial sector assets to the GDP is 98%, the ratio banking sector assets to GDP is 86.7%. The ratio of assets of financial leasing companies, factoring companies and consumer finance companies which are under the scope of the surveillance and supervision of BRSA to GDP is 3.4%. The factors such as the high growth rate, indicators such as the population and total assets per branch are behind the developed countries' averages, the intensity of the foreign investors' interest are determined as the signs that the Turkish banking sector does not reach to the saturation rate and shows high growth potential for the future.

There 50 banks, 4 of which are participation banks, operating in the Turkish banking sector which is the largest component of Turkish financial sector as of December 2006. 33 of the 50 banks operating in the banking sector as of the end of 2006 are deposit banks, 4 of them are participation banks and 13 of them are development and investment banks. The share of the deposit banks is over 90% by personnel and ATM numbers.

Asset size of the banking sector realized as TRY 499,7 billion as of the end of 2006. Depending on the development in the asset size in banking sector, increase tendency in the branch and personnel number continues. However, while the total branch number became 7,296 as of December 2006, the employment of the sector reached to 150,793 persons. It is seen that the concentration rates for the first 5 banks and 10 banks decreased in certain amount, and when they are evaluated by their scale sizes, it is seen that the share of the large scale banks in the sector increased.

When they are observed according to the banking scale groups, the share of the branches and personnel of the large scale banks having the share of 75% within the total assets are 67%, 64% respectively. While the share of the medium scale banks within the total assets is 15%, the share of them in the branch and personnel is 21.3% and 22.3% respectively.

Financial soundness indicators on the banking sector shows that the sector works with CAR over the legal limits having high rate capital and increases the free capital. The decrease of 1 percentage point in the ratio of nonperforming loans to gross loans shows the improvement in the asset quality is continuing. While a positive trend s experienced in the profitability indicators in 2006, prudential approach continues in the fx risk management.

Sectoral efficiency indicators show that, with effect of the increasing competition the importance of efficiency has increased. It is seen that the policy of reducing operating expenditures continues, however the personnel expenses in the operational expenditures increase depending on the organic growth of the sector in 2006. By the effect of positive effect of the growth experienced in the loan portfolio in the overall sector, the rate of the commission incomes to meet operational expenditures increased.

While the Performance Index of BRSA decreased its base value 2003 by the effect of the fluctuations experienced in the financial markets in May and June, it shows a stable increase in the second part of the year.

36 banks of the 50 banks operating in Turkey have a rating from international rating institutions. More than half of the banks which do not have rating are the development and investment banks, and the share of the banks which do not have rating is 2,5% in the total assets.

As a result of more efficient fulfillment of financial intermediation function of the banking sector, loans/total assets increased to 43.8% as of December 2006 by increasing 5.4p within one year. Similarly, there was an increase of 9p in the rate of loans/deposit rate in the said period. The share of individual loans, which were in the tendency of increase for the last three years, has flat rate around 30% in 2006. It is thought that the high level of the consumer loan interest rates after May-June fluctuation was effective for this trend. It is expected that the probable decreases in the nominal interest rates depending on the inflation expectations in 2007 will affect the increase in loan portfolio of the banking sector positively. The share of the securities portfolio within the total assets realized as 31.8% as of the end of 2006.

The share of the deposit in the banking sector liabilities realized as 62%. After the fluctuation in the period May-June, it is seen that FX deposit preferences increased. Depending on this, there is a 2 p decline in TL liabilities in the liability structure of the sector compared to the end of the previous year and the share of TL liabilities in the total liabilities declined to 62.2%. The sources provided external markets continued to increase in 2006, new fund of USD 6,6 billion as syndication and securitization loans were provided. The ratio of off balance sheet transactions to the balance sheet increased to 55.5% by increasing 5p.

The after-tax profit of the banking sector in 2006 increased by 93% compared to the end of the previous year and realized as TRY 11.5 billion.

When the profitability of the sector is assessed, it is seen that the share of the interest incomes gained from securities and loans in the total incomes decreased compared to December 2005, the share of loan interest incomes realized over the securities and the difference increased within the whole year. The reason of the improvement seen in the profitability performance of the sector resulted from the improvement in the expenditure structure as well as the income performance. When the return on asset (ROA) and return on equities (ROE) as a important profitability indicators are observed, the asset profitability of the development and investment banks are higher than the sector and the deposit banks and the own fund profitability of them are lower. Both asset profitability and own-fund profitability in the participation banks are higher compared to the deposit banks. Besides, the own-fund profitability of the large scale banks increased and the said increase realized higher than small and medium scale banks. It is seen that small and medium scale banks have more efficient income generating capacity, and large scale banks have higher level cost efficiency in the period experienced.

The companies in the financial leasing, factoring and consumer finance sector which are examined under the title of non-bank financial sectors increase their assets and employment in 2006. While it is seen that there is an increase in the own fund and asset profitability of the financial leasing and factoring companies, there is a decrease in the said ratios of the consumer finance companies.

While the financial leasing sector and factoring sector receivables distributes in similar rates in different service and industry sectors, 2/3 of the loans in the consumer finance sector concentrates in transportation sector. On the other hand, there is an increase in the share of construction sector in all three sector transactions in 2006.

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ABBREVIATIONS

EU	European Union
USA	The United States of America
Basel II	The New Basel Capital Accord
BRSA	Banking Regulation and Supervision Agency
BP	Balance Sheet Position
ICC	Interbank Card Center
LSDB	Large Scale Deposit Banks
GS	Government Securities
FXDA	FX Deposit Account
CBE	Central Bank of Europe
EMBI	Emerging Markets Bond Index
FED	Central Bank of United States
GLB	Global Liquidity Index
GNP	Gross National Product
GDP	Gross Domestic Product
HH	Herfindahl Hirschman
TT	Turkish Treasury
IMF	International Monetary Fund
IFS	International Financial Statistics
IOI	International Oil Index
ISE	Istanbul Stock Exchange
IIC	Istanbul Industry Chamber
DIB	Development and Investment Bank
SSDB	Small Scale Deposit Banks
LİBOR	London Interbank Offered Rate
SP	Securities Portfolio
MSCI	Morgan Stanley Capital Index
OECD	Organization for Economic Cooperation and Development
MSDB	Medium Scale Deposit Banks
PI	Performance Index
RWA	Risk Weighted Assets
CMBT	Capital Market Boards of Turkey
S&P	Standard and Poors
CAR	Capital Adequacy Ratio
CBRT	Central Bank of the Republic of Turkey
NPL	Non Performing Loans
SDIF	Savings Deposit Insurance Fund
CPI	Consumer Price Index
TURKSTAT	Turkey Statistical Institution
TL	Turkish Lira
USD	American Dollar
PPI	Producer Price Index
HMS	Held-to-Maturity Securities
TURKDEX	Derivatives Exchange
FX	Foreign Exchange
FXNP	FX Net Position
TRY	New Turkish Lira

1. ECONOMIC FRAMEWORK AND DEVELOPMENTS

1.1. Global View

1.1.1. Macroeconomic Developments

In 2006, world economy has continued its growing tendency which had been experienced in the last four years; strong growth performance in the first half of the year (although decreased in some areas) continued in the second half of the year. Despite high commodity (especially oil) prices due to demand-supply pressures, increased short-term interest rates and the financial turbulence experienced between May-July, the world economy increased by 3.9% in 2006 from 3.5% growth rate in 2005 (Table 1.1-1). As foreseen in FMR September 2006, although a significant slackening occurred in world economy in the second half of the year, the growth dynamic has continued. High level of liquidity in global markets and low interest rates have impacts on the growth which continues for five years. The slow down experienced in the second half of the year mainly caused by tight monetary policies applied by countries as a result of high inflationist pressures due to the high growth rates. It's expected in 2007 and 2008, growth will continue although by decrease.

The decrease in housing sector expenditures in the USA in the third quarter of the year led to a sharp decrease in growth rate. The slowdown in housing sector is thought to continue in 2007 as well. While private consumption expenditures continue to increase, high profitability rates fed the strong motion of private sector fixed investment expenditures. When total volume of expenditures in economy is evaluated, the USA economy is foreseen to continue to grow although by decreasing in the last quarter. If inflationist pressures decrease due to the cooling in economy, slackening may be experienced in monetary policies.

The growth accelerated by investment and consumption expenditures in Euro zone in the first half of the year, decreased but continued in the third quarter. The said growth in whole year is observed in whole regional economies. France is the exception with the slowed down in growth performance due to investment expenditures and export in the third quarter. The strong demand is expected to continue in the fourth quarter and the growth in Euro zone including France is foreseen to be realized as 2.4%.

The growth which accelerated since 2005 in Japan continued by private sector investments, consumption expenditures and the positive conditions in labor markets. The slow down tendency occurred in the second quarter due to the decrease in export reversed in the third quarter. In Japan, zero interest policy is ended in June, it is decided to make an increase of 25 basis point as of February 2007. The developments in production indexes and price increase tendency were effective interest increase decision. However, decision shall be made carefully in Japan which still carries the deflation risk.

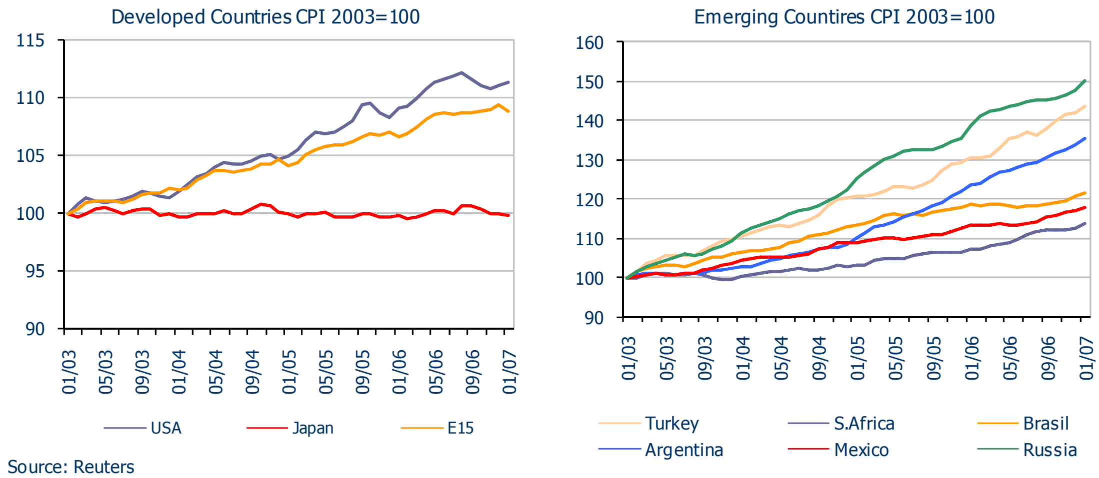
The growth in developing countries is realized higher than developed countries. A growth rate of 7% is expected in developing countries in 2006 by international economic institutions. (Table 1.1-1). China which is the locomotive of Asian region is expected to grow by 10-11%, and the expansion process is continuing in India. Russia experienced consumption and investment recovery and went beyond its weak performance in the first quarter of the year. Among developing countries, Brazil exceptionally could not catch the general growth trend due to the negativity in its economic conjuncture.

Table 1.1-1: World Economy Basic Economic Indicators

(Change %)	2004	2005	2006E	2007P	2008P
GDP Growth					
World	4,1	3,5	3,9	3,2	3,5
High Income	3,3	2,7	3,1	2,4	2,8
Euro Zone	1,7	1,4	2,4	1,9	1,9
Japan	2,7	2,6	2,9	2,4	2,5
USA	4,2	3,2	3,2	2,1	3,0
Developing Countries	7,2	6,6	7,0	6,4	6,1
East Asia – Pacific	9,0	9,0	9,2	8,7	8,1
China	10,1	10,2	10,4	9,6	8,7
Europe and Central Asia	7,2	6,0	6,4	5,7	5,5
Russia	7,2	6,4	6,8	6,0	5,5
Turkey	8,9	7,4	6,0	5,0	5,0
Poland	5,3	3,4	5,4	5,1	5,2
Latin America and Caribbean	6,0	4,5	5,0	4,2	4,0
Brazil	4,9	2,3	3,5	3,4	3,8
Mexico	4,4	3,0	4,5	3,5	3,5
Argentina	9,0	9,2	7,7	5,6	4,0
Middle East and N. Africa	4,8	4,4	4,9	4,9	4,8
Egypt	4,2	4,9	5,8	5,6	5,8
Iran	5,1	4,4	5,8	5,0	4,7
Algeria	5,2	5,3	3,0	4,5	4,3
South Asia	8,0	8,1	8,2	7,5	7,0
India	8,5	8,5	8,7	7,7	7,2
Pakistan	6,4	7,8	6,6	7,0	6,5
Bangladesh	6,3	6,2	6,7	6,2	6,5
Developing Countries					
Exc. Transition Economies	7,3	6,7	7,0	6,4	6,1
Exc. China and India	6,1	5,1	5,5	4,9	4,9
World Trade Volume	10,4	7,7	9,7	7,5	7,8
Consumer Prices					
G-7 Countries	1,8	2,2	2,5	2,1	1,7
USA	2,7	3,4	3,4	2,5	2,1
Product Prices (USD)					
Non-Oil Products	17,5	13,4	20,6	-4,5	-8,4
Oil Price (USD / Barrel)	37,7	53,4	64,0	55,9	52,7
Oil Price (Change %)	30,6	41,5	19,9	-12,7	-5,7
Interest Rates					
USD, 6 Months (%)	1,6	3,6	5,4	5,7	5,0
Euro, 6 Months (%)	2,1	2,2	3,0	3,6	4,2

Source: World Bank – Global Economic Prospects December 2006. Numbers for 2006 realization expectations and numbers for 2007 and 2008 year-end projections.

Chart 1.1-1: Price Developments in World Economies

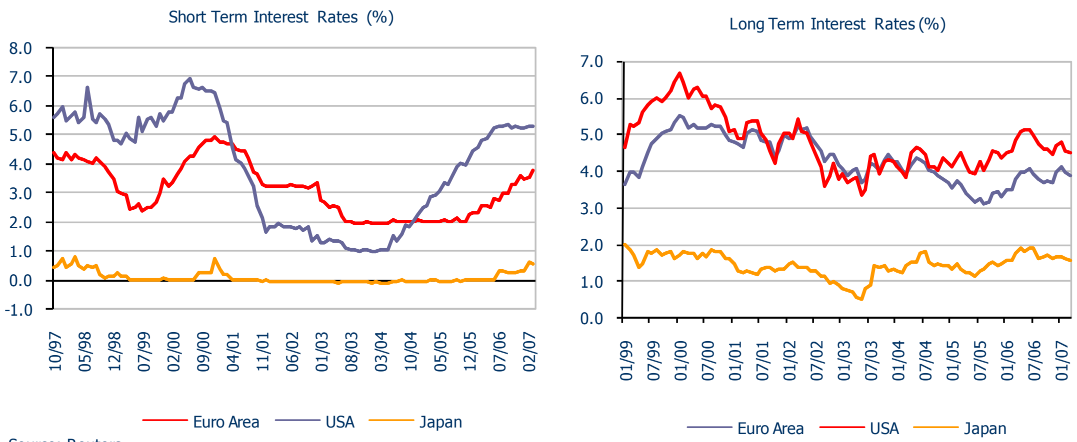


Source: Reuters

1.1.2. Developments in Financial Markets

High growth rates which were experienced during 2006, high oil and commodity prices as well as the signs of overheating in world economy led to inflationist pressures. Tight monetary policies and the decrease in oil prices subsequent to summer months led the inflation be in stable level in the USA, other developed countries and developing countries. In some developing countries including Turkey, Argentina, Bulgaria etc., long term growth trend and the high level in commodity prices leads inflationist pressures occur relatively high. Therefore, loose monetary policies observed in some developing countries increases the inflation risk. Despite the increase in short-term interest rates in general, the *stable trend in long-term interest rates* in world economies remarkable.

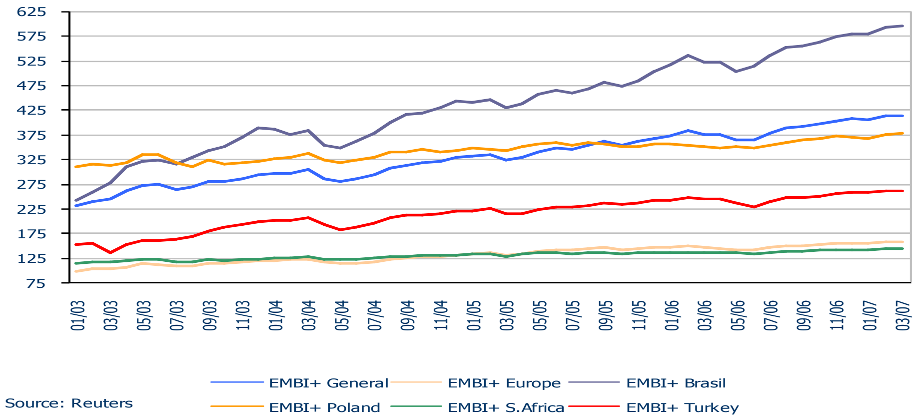
Chart 1.1-2: Interest Rates in Developed Countries



Source: Reuters

Despite the financial turbulence experienced in 2006, as a result of the consistency of structural variables and the monetary measures experienced in time, global economic balances is established again. Stability in equity, bill and asset markets in ensured in global economies, corrections in exchange rates are realized in reasonable levels, no excessive movements is experienced in capital flows. Negative developments experienced, as expected, did not lead to a permanent damage on real sector.

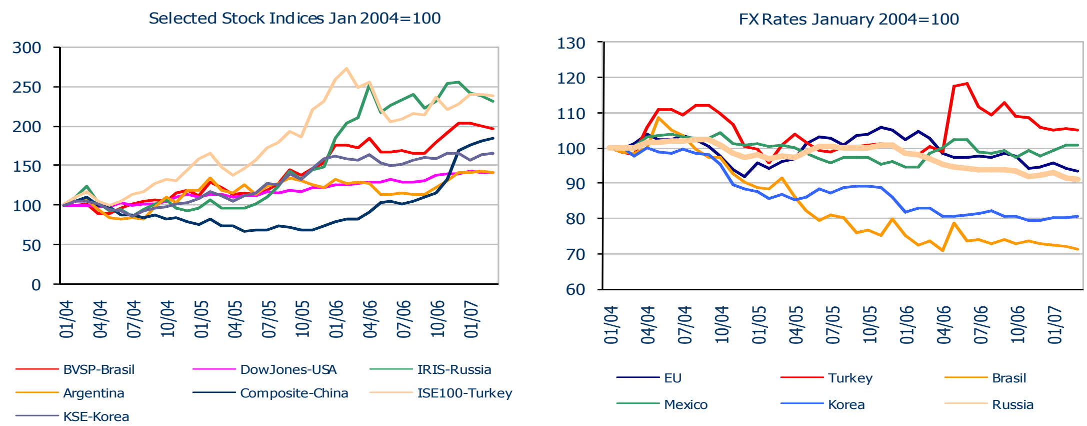
Chart 1.1-3: Developing Countries Bond Index



Source: Reuters

Despite the increasing short-term interest rates, liquidity abundance supports the positive foresight for future in global markets. Anyway, some country economies (developing countries such as Turkey and South Africa especially having high current account deficit and debt stock) have sensitivity against financial sector fluctuations. Ups-downs in market movements are expected developments in globalizing world. The important thing is that fundamental variables in economies shall be in balance and be ready to implement flexible policy practices.

Chart 1.1-4: Financial Indicators Relating to Developing Market Economies



Source: Reuters

1.1.3. Expectations and Risk in Short and Long Term

Rapid growth in world economy and high demand led commodity and energy prices to be realized high in 2006. In the following period, metal and mineral prices are expected to be far from excess volatility but in a high level since global growth is foreseen to continue although by decrease. Oil prices may fluctuate depending on the demand, and if the high prices rasps the demand then corrections towards down shall be made. The fact that ample production capacity is limited against the increasing demand and the continuation of the uncertainty relating to Middle East oils leads *oil markets to have the risk of sudden and sharp supply shock*.

A slow down based on housing sector is experienced in USA economy towards expectations; however, the strong performance in Euro zone and Japan as well as in developing countries compensated this slow down. These developments show that *demand-based* risks are balanced between markets in world economies. World economies are already in developments fitting the positive scenario in which risks are balanced with soft landing. In the following years, it is foreseen that developing countries such as China, India, Russia and Brazil will grow and drag the world growth.

However, macroeconomic disequilibrium mentioned in the previous issue of FMR is still continuing. Within this scope, it is known that there is high *current account deficit* in some countries while there is *current account surplus* in others. It is foreseen that especially the current account deficit which is about 6.5% of the GDP in USA economy cannot be sustained for a long time and a correction shall be made. Although it is not known that how such a correction will be made and for which reason now; its results will reflect on interest rates, exchange rates and demand structure, and show high transition to whole world markets according to the impetus of price and amount adjustments.

The bubbles *in housing sector prices* is another risk item since this sector dragging the growth in many countries such as the USA, Canada, France, Ireland, Spain. Sudden price decreases to be experienced in those countries is a basis for negative fundamental scenario results. Sudden price movements especially in the USA housing sector may spread to other sectors, affect consumption expenditures in economy and weaken the global expansion process.

Box 1: Developments in Housing Market

Rapid growth and strong demand in world economies in the last 5 years caused the prices in housing sector in developed countries to increase excessively by also the impact of low real estate loan interest rates and high liquidity. Besides the USA and Canada, this increasing process was also observed in European countries such as France, Spain, Denmark and Ireland. The problem in many countries is that real prices have a speculative balloon feature independent from macroeconomic variables. While housing prices decrease in some countries like Germany and Japan, the increase continues in other countries. Excessive price increase cause a risk in economies and have a potential basis for fluctuations.

Total investments in construction sector in the USA slowed down significantly in 2006 and had impacts on general slowdown process of the economy. In the following periods, sales in housing sector are thought to be effective on the growth trend. Housing sector expenditures have weakening signals also in Canada. Expenditures may slow down in Denmark and France.

Decrease probability of speculative prices in housing markets which increased excessively is one of the significant risk items on global economies. Even moderate price corrections may a demand narrowing impact in markets; sharp corrections have the potential for creating sudden price movements. Sharp decrease in stock exchange in Holland in 2000-2001 led to decrease in consumer demand, and simultaneously the price decreases in housing sector and the mistakes in monetary policies fed the crisis process. The correction in housing sector prices in Finland (2000-2001), England (after 2002), Australia (2004) was realized consistently and gradually, and was not a source of macroeconomic instability.

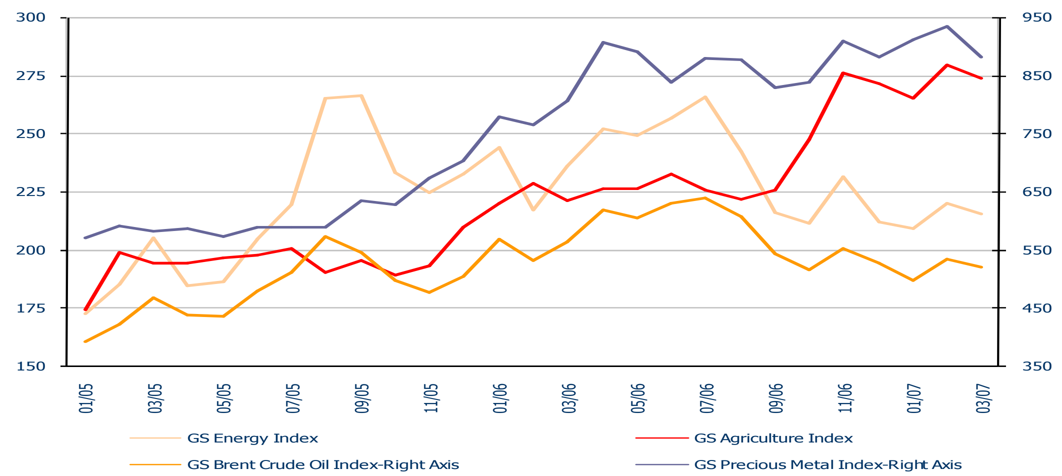
Changes in Housing Sector Prices

(%)	2004	2005	2006 (2)
USA	7,8	9,6	7,3
Euro Zone (1)	5,8	5,5	4,4
Germany	-3,8	-1,9	-2,0
France	12,6	13,2	10,9
Italy	7,5	5,2	4,4
Spain	14,8	10,9	6,9
Denmark	7,9	15,6	22,4
England	10,4	3,4	2,3
Japan	-6,1	-4,6	-4,4
Canada	7,5	7,6	9,1
Australia	4,1	-1,1	1,5

(1) Almanya, Fransa, İtalya, İspanya, Finlandiya, İrlanda, Hollanda.
(2) 2005 compare to first half of the year, 2006 growth rate in first half of the year.
Source: OECD-Economic Outlook, December 2006.

When the whole of global economies is considered, the strong growth experienced carries the overheating together. In this situation, some countries were able to implement a balanced and sustainable growth through appropriate monetary measures. In some other countries, policy weakness may feed the excessive issues and may lead economies to go into a fragile structure. Policy mistakes may sometimes lead crisis in countries; similarly, the practice of tight money policies against overheating may lead cooling, even narrowing in economies in the following periods. Although the optimism process is continuing in global economies and the realization of positive scenarios is expected, it must be considered that this current conjuncture may get reversed. "Hedge funds" trading internationally in globalizing markets amounts to USD 3-5 trillion recently while it reaches to USD 450 trillion by transaction volume. Investment decisions of those funds lead the fluctuations in financial market variables to create high amount fund movements in markets and to be contagious by herd behavior. In the case that these excessive movements in financial markets are not removed through correct macroeconomic decisions and internationally coordinated policies, may lead to results corrupting the macroeconomic stability, spreading to real sector and causing permanent destruction.

Chart 1.1-5: Commodity and Energy Prices



Source: Reuters

Box 2: February 2007 Fluctuations in Financial Markets

In the last days of February 2007, upon the news stipulating that the government would start inspection since improper benefit based on the speculations has obtained in the Stock Exchange of China as a result of the developments in Chinese economy, panic was experienced in Shanghai Stock Exchange; prices which provided income by 130% to the investors in 2006 decreased by 8,8% in the stock exchange in one day and led investors to loose USD 140 billion. In the same days, Greenspan, previous chairman of the FED (the Central Bank of the USA) made a comment pointing out the profit rates which obtained stability in American economy and stipulating that there are stagnation signals for 2007 increased the panic mood in global markets. Declaration of Rato, the Chairman of the IMF, stipulating that the decrease in Japan interest rates shall cause problems, interest increase demand of European Central Banks, increase in oil prices, stress occurred by Iran nuclear crisis are the other factors feeding the negative mood. Upon negative developments, market actors increased their cash assets in a short time and search for new positions.

In the first week of March, prices decreased this time in European, Asian, American markets (developed and developing countries). This decrease mostly affected the countries whose assets made high premium in financial markets and the current account deficit of which are in high levels. The reason for this sharp movement is the expectation of Japan Yen to gain value. Due to the interest rates about zero level in Japan economy for a long time, fund investors who become indebted from Japan markets with low costs invested those on high-return investment alternatives in other countries (carry-trade); and accordingly there was a liquidity surplus in the world. Since the increase of Yen shall increase the costs of Yen indebted actors, investors funds rapidly started to close Yen-denominated position, and this process fed the gaining value of Yen.

The impacts of global turbulence were felt also in Turkey; TRY lost value by about 10% and ISE index decreased. Other developing countries were affected similarly. Besides, down movement was limited in Turkey, in the middle of the second week the stock exchange started to get recover, bill interests decreased, value loss of the money stopped.

These recent developments shall be interpreted in two ways. According to the first one, liquidity abundance experienced for 5 years and the expansion period is over. According to the view of business cycles economies shall enter into a new down and recession period. In this period, Japan funds drew from world markets will have a significant effect. If these funds closed mostly their Yen positions then the liquidity shall narrow; and the narrowed volume must be compensated by the USA and the Europe. Nevertheless, since there is tight monetary policy in each region, these regions will get difficulties to takeover the said role. Second and the optimist scenario is soft landing scenario, may be interpreted as the relative decrease of the inflation occurred in asset prices up to today. Accordingly, the balance shall be implemented again by making certain price corrections on financial assets in countries. It is significant that impacts of recent developments are not only limited to developing countries but felt in all global markets.

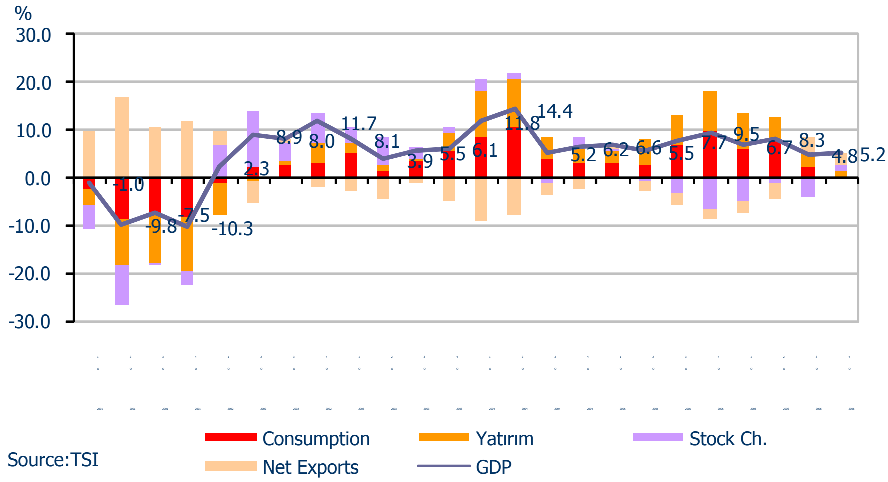
Countries which has the Most Currency Value Loss (nominal)	February 26, 2007	March 01, 2007	Change (%)
Turkey	1,385	1,425	-2,81
South Africa	7,0617	7,2438	-2,51
Brazil	2,0829	2,1204	-1,77
Hungary	191,1	193	-0,98
Indonesia	9,065	9,15	-0,93
Countries with Most Decreased Stock Exchange (Stock Exchange Index)			
Turkey	43.736	39.588	-9,48
Russia	1.970	1.797	-8,78
Argentina	2.219	2.038	-8,18
China (Shangri)	3.193	2.937	-8,02
Malaya	1.272	1.180	-7,23
Poland	55.339	51.503	-6,93
Singapore	3.307	3.092	-6,42

1.2. National Outlook

1.2.1. Growth, Production and Employment

Turkish economy maintained its growth performance in recent years by 6% in 2006. However, growth rates realized respectively by 4.3% and 4.6% especially in third and fourth quarter of the year, when compared to the same period of the previous year designates that there is a relative slowdown in the economy. The major factor of the slowdown is the sharp decrease experienced in growth rate of consumption expenditures. When demand side of GDP is examined, it is observed that the growth in fixed capital investment maintained high percentages until the last quarter of the year however decreased by 4.4% in the fourth quarter. When the growth rate of value added by sectors in 2006 is examined, it is observed that the increase by 19.4% in the construction sector which experiences an explicit recovery in recent years is striking.

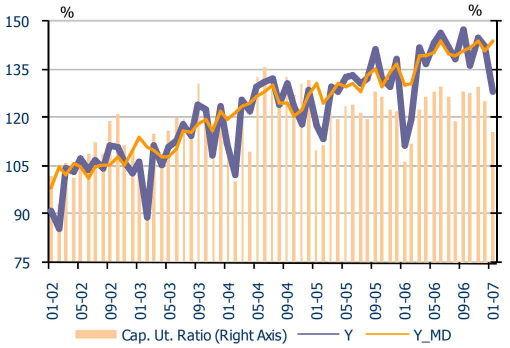
Chart 1.2-1: Growth and Contributions to Growth



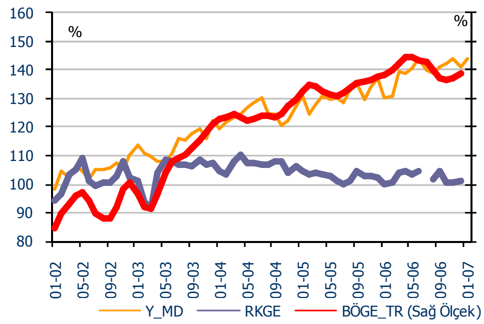
Source:TSI

In accordance with the monthly data, industry production index increased by 14.8% in January 2007 when compared to January 2006 and maintained its increase tendency. When the industry production index, which was effected by the change in the number of work days, especially due to religious holidays, is refined from seasonal effects, it is observed that the index increased by 2.1% in January 2007, when compared to the previous month. As of January, capacity utilization rate in manufacture industry was realized as 78.5%. CBRT-Real Sector Confidence Index which was modified in methodology in 2007 decreased by -0.6% in February, when compared to the previous month and was realized as 114.7%.

Chart 1.2-2 : Industry Production Index, Capacity Utilization Rate and Confidence Index



Source: TSI, BRSA
Y=TSI 1997=100 Total Industrial Production Index
Y_MD=Seasonal adjusted with Tramo-Seats



Sourrce:CBRT, BRSA
Y_MD=Seasonal Adjusted with Tramo-Seats
RKGE=Real Sector Confidence Index
BÖGE_TR=Composite Leading Indicators Inndex

When domestic demand indicators are examined as well as the Real Sector Confidence Index it is observed that the rate of domestic demand has come down. Hence, it is expected that the major factor of economic growth in 2007 to be developments in foreign demand. Thus, it is foreseen the Turkey, which demonstrated a performance over long run growth rate in recent years slow down relatively and the growth rate is realized as 5%.

Table1.2-1: Domestic Demand Indicators

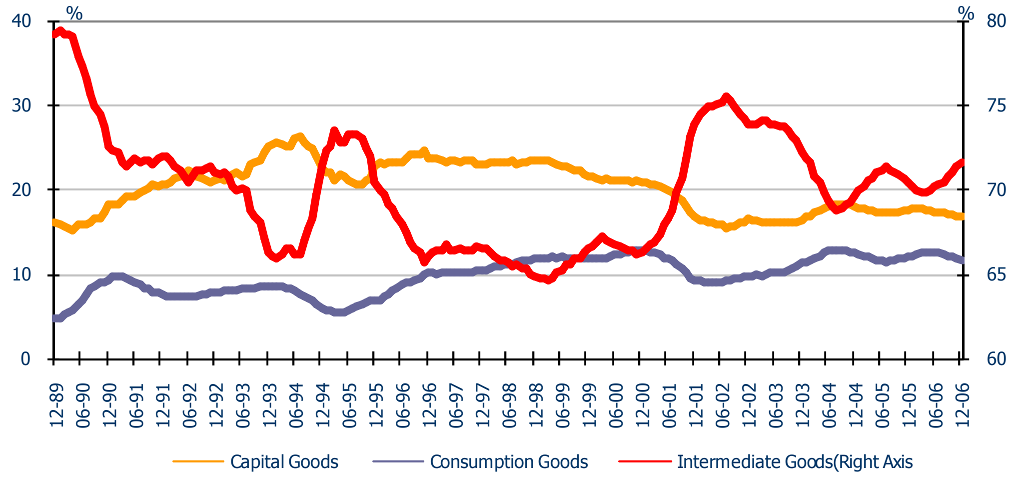
			2006			2007	
(% Change)	2005	2006	October	November	December	January	February
Non-Durable Goods Production	17,9	3,2	0,5	19,1	-15,7	-5,4	
Durable Consumer Goods Sale*	23,2	4,9	3,9	11,2	-16,5		
White Goods Domestic Sales**	2,9	5,1	20,9	11,2	-10,5		
Total Auto Sales	-2,8	-14,9	-39,3	-19,5	-29,2	-20,1	-31,0
Imported Auto Sales	-3,1	-15,4	-39,7	-23,4	-33,5	-27,5	-30,8
Cement Production	9,6	15	-4,9	33,5	23,0	29,9	
Loan Volume***	50,7	52,5	48,5	47,1	40,4	40,9	38,2
—Consumer Loans	124,8	125,9	72,9	68,3	60,5	57,2	49,4

Resource: SPO, AMA, BRSA Weekly Bulletin
*Sales include exportation. ** Includes four main white good products.
***Loan series, as of the last day of the month, includes the BRSA Weekly Bulletin Deposit and KY Banks.

1.2.2. Balance of Payments

Current account deficit, which has an increase tendency since 2002, was realized as USD 31.5 billion in 2006, while foreign trade deficit was realized as USD 40 billion. Current account deficit in January 2007 was realized as USD 2.248 million when compared to the same month of the previous year. Current account deficit in January 2007 by annual data was realized as USD 31.5 billion. It is observed that the annual current account deficit, which experienced its highest level in November 2006 by USD 33.4 billion decreased relatively.

Chart1.2-3: Distribution of Imports

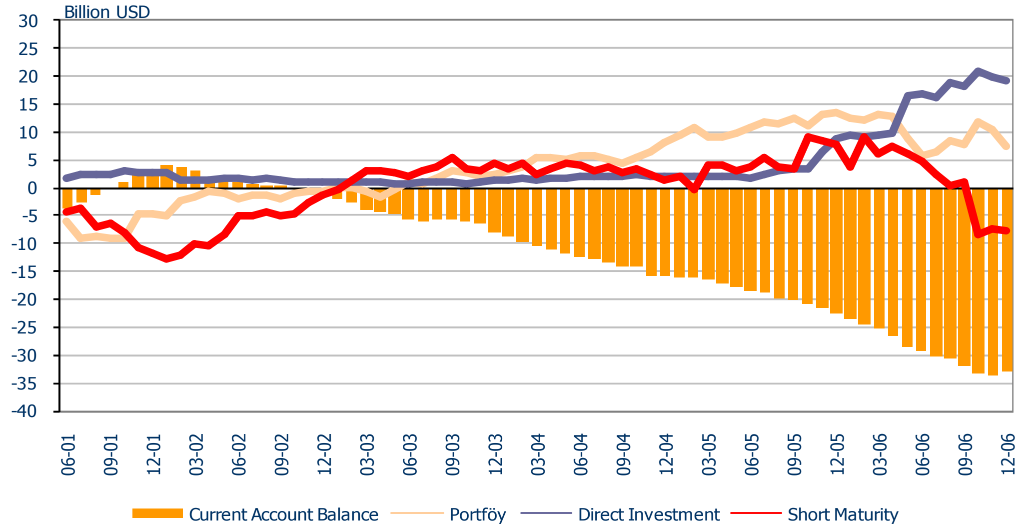


Source: TURKSTAT

High foreign trade deficit contributes to current account deficit most. Despite the increase experienced in export performance recently, increase in export which is influenced by buoyant domestic demand and real currency level and especially by the increase in energy prices caused the foreign trade deficit grow. According to temporary data, in February 2007; export, when compared to the same month of the previous year, increased by 25.7% and was realized as USD 7.6 billion, while import increased by 15.7% and was realized as USD 11.3 billion. Thus, export increased by 26.5% in January-February 2007 period, when compared to the same period of the previous year and was realized as USD 14.2 billion; while import increased by 21.5 % and was realized as USD 21.8 billion. Foreign trade deficit, within the same period, increased by 13.3% and was realized as USD 7.6 billion. When the development of export by economic groups is examined, it is observed that the export of intermediate goods group in which crude oil and natural gas import take place increased by 28.9%, when compared to the same period of the previous year. In the first two months of 2007, capital goods export increased by 2.8% when compared to the same month of previous year. It decreased by 2.1% in February 2007 when compared to 2006.

When capital and finance account of balance of payments is analyzed, dependent on the fact that expectations about the developing countries reverted to positive except the financial turbulence period in May-June 2006 period, it is observed that foreign investors interest to Turkey continue. As of the first quarter of 2005, weight of direct investments within capital accounts increased gradually. Financing of current account deficit which is constituted mostly of short-term capital inflow and portfolio investments in previous periods reverted into direct foreign investment in about two years period. The fact that EU membership negotiations calendar has initiated as well as economic and political stability is considered to be effective in this development. As of January 2007, while 27.2% of the annual net inflows were constituted of portfolio investments, the share of direct foreign investments was 72.8%. USD 2.8 billion of the direct investment item which increased by 20.3% in January 2007 when compared to the same period of the previous year and was realized as USD 22.4 billion was constituted of real estate purchases.

Chart1.2-4: Current Accounts Balance and Selected Capital Movements



Source: CBT

he said foreign investment inflow as of January 2007 enabled the international reserves increase by USD 2.5 billion. Total debt stock of the private sector and financial sector upon the positive development experienced in their borrowing possibilities increased by USD 206.5 billion as of end-2006. USD 121.2 billion of this amount belongs to private sector (58.7% of total) and the remaining USD 85.3 billion belongs to (41.3% of total) public sector. When the composition of foreign debt is analyzed, it is observed that the share of short-term debts increased relatively and the share of public sector which is the net debt payer in last two years continued to decrease, while the debts belonging to private sector, due to privatization and commercial loans, increased evidently by absolute value and rate.

Table 1.2-2: Foreign Debt Stock

USD Million	2002	2003	2004	2005	2006 Mart	2006 Haz.	2006 Eyl.	2006 Ara.
TOTAL FOREIGN DEBT STCOK	129,7	144,3	160,8	168,8	184,0	191,4	196,4	206,5
Public + CBRT	85,6	93,9	95,2	83,7	84,6	82,8	84,3	85,3
Private	44,1	50,4	65,6	85,1	99,5	108,6	112,1	121,2
Financial Institutions	11,1	14,8	22,9	33,6	38,0	41,9	42,3	48,6
Other Sectors	33,0	35,5	42,6	51,5	61,5	66,7	69,8	72,6
SHORT TERM FOREIGN DEBTS	16,4	23,0	31,9	37,1	40,0	42,4	41,8	42,0
Public + CBRT	1,7	2,9	3,3	2,8	2,8	2,8	2,6	2,6
Private	14,8	20,2	28,6	34,3	37,2	39,6	39,2	39,4
Commercial Banks	6,3	9,7	14,5	17,7	20,5	20,8	19,8	19,8
Other Sectors	8,4	10,5	14,1	16,6	16,8	18,8	19,4	19,6
ORTA-UZUN VADELİ DIŞ BORÇLAR	113,3	121,2	128,9	131,7	144,0	149,0	154,6	164,5
Public + CBRT	84,0	91,0	91,9	80,9	81,8	80,0	81,7	82,7
Financial Institutions (*)	3,8	3,6	3,1	2,1	1,9	1,4	1,4	1,6
Private	29,3	30,2	37,0	50,8	62,2	69,0	72,9	81,8
Financial Institutions	4,7	5,2	8,4	15,9	17,5	21,1	22,5	28,8
Commercial Banks	3,0	3,1	5,7	12,2	13,6	16,6	17,3	22,1
Other Sectors	24,6	25,1	28,5	34,9	44,7	47,9	50,4	53,0

Source: CBRT
(*)State commercial banks and state development and investment banks

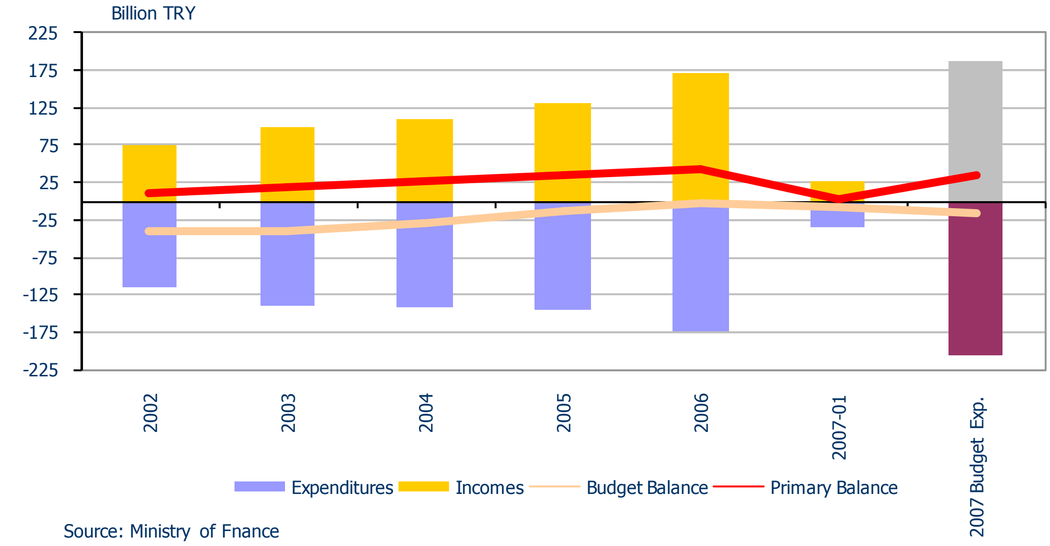
It is estimated in 2007 Program that export will reach USD 95 billion, while import will reach USD 149.7 billion. Thus, current account deficit is estimated to be realized as USD 30.4 billion. Upon the answers given for CBRT Expectation Survey "Current year-end current accounts balance expectation" was USD 31.6 billion, as of March 2007.

1.2.3. Public Finance

In 2006, central management budget incomes were realized as TRY 171.3 billion, while expenses were realized TRY 175.3 billion thus, budget balance had a deficiency by TRY 4 billion. Excluding interest expenditures by TRY 45.9 billion, central government non-interest balance was realized as TRY 42 billion, in a level above the budgetary target. While the ratio of 2006 non-interest surplus to national income was 7.3%, the ratio of program defined non-interest surplus to GDP was realized as 5.8%.

In accordance with providing macroeconomic stability in finance policy in 2007 as well, it is targeted that the ratio of public debt stock to national income and public deficits to be decreased permanently. In addition to this, upon this target, the importance of meeting the financing needs of public while experiencing non-interest surplus within the scope of the most convenient domestic and foreign market conditions was stated. Besides, it was specified that the finance policy shall be executed within the scope of supporting growth and employment policies and struggling with unregistered economy.

Chart1.2-5: Central Government Budget Realizations and 2007 Budget Estimation



Source: Ministry of Fnance

As a matter of fact, the estimated size of 2007 Central Government Budget was determined as TRY 205 billion. Moreover, the estimation of 2007 central government budget incomes was predicted to be realized as TRY 188.2 billion levels. Thus, it is expected that the central government budget in 2007 will experience a surplus by TRY 16.8 billion. Budget surplus target excluding interest expenses is TRY 36.1 billion. Within the scope of these budgetary targets central government budget incomes and expenses in the first two months of 2007 was realized as TRY 25.6 billion and TRY 33.8 billion, respectively. Interest expenses are TRY 12 billion. As a result of these developments, while the central government budget balance in January-February period experienced a deficit by TRY 8.2 billion, non-interest surplus was realized as TRY 3.8 billion. The fact that expenditures increased in the first two months of the year by 14.5% in real terms, while incomes decreased by 11.7% in real terms was main reason in the increase observed in the budget deficit.

It is foreseen that a debt service amounting to a total of TRY 166.5 billion, as TRY 140.3 billion is domestic and TRY 26.2 billion is foreign is estimated to be conducted by the Turkish Treasury in 2007. It is foreseen that TRY 122.9 billion of the domestic debt service which was foreseen to be realized as TRY 140.3 billion in 2007 constitute of payments to be made to domestic market. Within the scope of the targets concerning debt service projections and non-borrowing resources, TRY 122 billion was planned to be borrowed in 2007. It is foreseen that TRY 17.8 billion of this borrowing target shall be made by foreign borrowing and TRY 104.2 billion by domestic borrowing. Within this scope, it is foreseen that declining tendency of the share of foreign borrowing in public debt stock in recent years shall be maintained in 2007.

Table 1.2-3: Treasury Financing Program (I)

TRY billion	2005	2006 Est.	2007 Prog.
TOTAL DEBT SERVICE	188,6	170,8	166,5
Domestic Debt Service	167,4	145,4	140,3
Capital	128,2	107,2	99,6
Interest	39,2	38,2	40,7
Foreign Debt Service	21,2	25,4	26,2
Capital	14,9	18,6	18,2
Interest	6,3	6,8	8,0

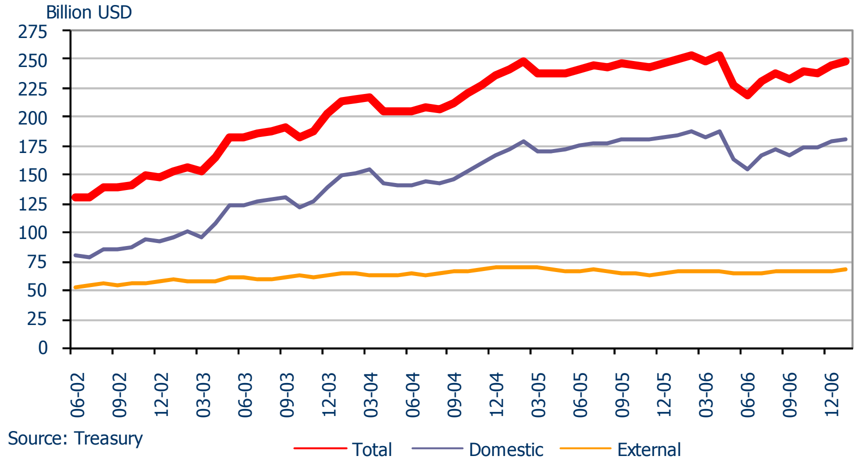
Table 1.2-4: Treasury Financing Program (II)

TRY billion	2005	2006 Est.	2007 Prog.
RESOURCES AND BORROWING	188,6	170,7	166,5
Non-borrowing Resources	36,3	49,6	41,8
Non-interest Surplus	32,3	38,4	34,3
Periodic/Guaranteed Debt Return	0,2	0,6	0,7
Other	3,8	10,6	6,8
Safe Bank Change	-9,6	-6,2	2,7
FX Account Exchange Gain/Loss	-0,1	1,4	-
Total Borrowing	162,0	125,9	122,0
Foreign Borrowing	12,4	15,0	17,8
Bond Issue	8,6	8,2	8,2
International Institutions	3,3	6,1	6,6
Other	0,5	0,6	3,0
Domestic Borrowing	149,6	111,0	104,2
TOTAL DOMESTIC BORROWING ROLLOVER RATIO (%)	89,4	76,3	74,2
NET BORROWING (Usage - Capital)	18,9	0,1	4,2
Net Domestic Borrowing	21,4	3,7	4,5
Net Foreign Borrowing	-2,5	-3,6	-0,4

Resource: TT

Upon the increases experienced in international energy and commodity prices, fluctuations experienced in international financial markets in May and June and capital outflow reflected on the public borrowing costs and caused domestic borrowing maturity shortened.

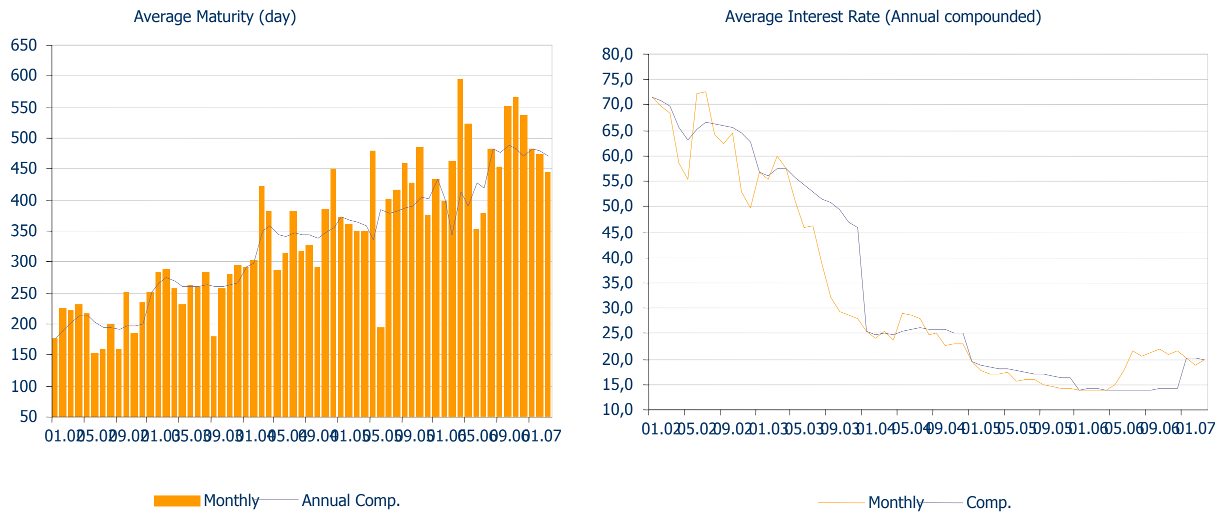
Chart1.2-6: Central Government Debt Stock



As a result of these developments, the total central government budget debt stock was realized as USD 247.8 billion, as USD 181 billion is domestic borrowing and USD 66.9 billion is foreign borrowing, as of end-January 2007. Composition of borrowing changed in favor of fixed-interest bills, while the share of non-cash domestic stock within total stock decreased.

As of end-March 2007, when Treasury domestic borrowing auctions are analyzed, it is observed that the annual composite interest rate increased by 0.96 points when compared to the previous year and was realized as 19.81% while the average maturity is 446 days. Thus, cumulative interest rate and average maturity in the first three months period of the year were realized as 20.01% and 470 days, respectively.

Chart 1.2-7: Domestic Borrowing Auctions Weighted Maturity and Interest Rate



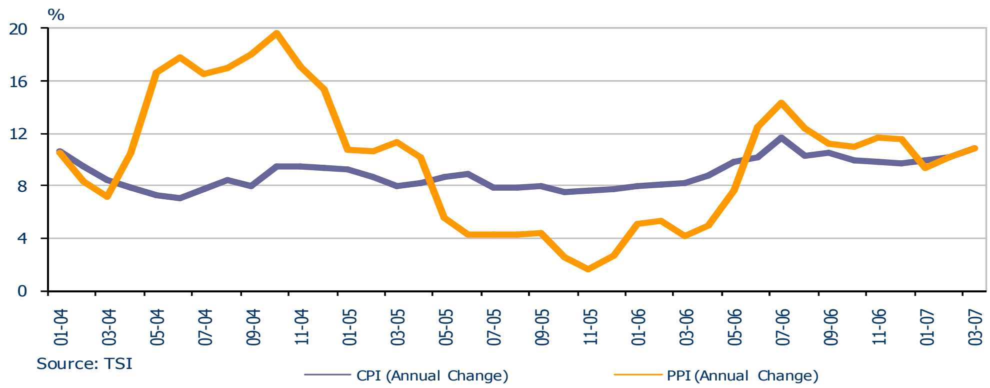
1.2.4. Inflation

Within the scope of providing price stability, which is the main target of the monetary policy being implemented, it was announced to public that open inflation targeting implementation will be carried out in 2007 as well. Accordingly, Central Bank, so as to manage the expectations and define the funding cost as in 2006, declared that it will continue to use short-term interest rates as the main policy instrument and will continue the floating exchange regime implementation.

Throughout 2006, consumer prices increase rate was realized as 9.65%, while producer price rate was realized as 11.58%. The fact that consumer prices inflation was realized above 5%, the determined target, in 2006 was effective in domestic prices diverged from target and uncertainty band especially due to the developments experienced in the second quarter of the year in international markets.

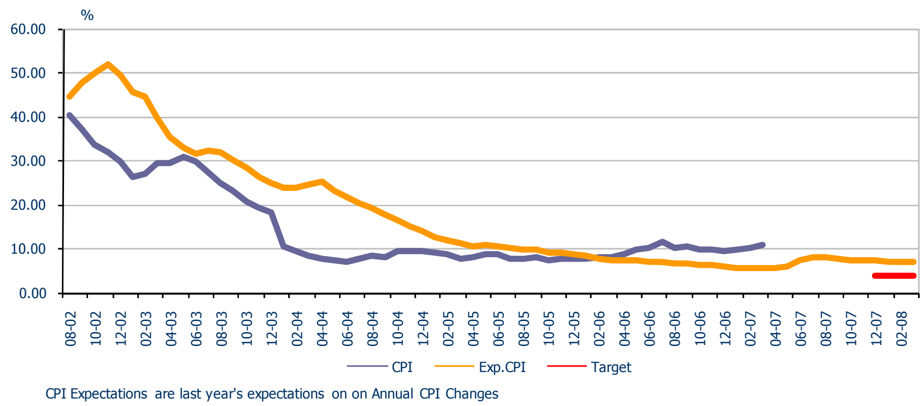
When monthly price developments in the first three months of 2007 are analyzed, it is observed that CPI increased by 0.92 in March when compared to the previous month and thus cumulative change was realized as 2.36% in January-March period. As of March, CPI 12-months rate of growth was realized as 10.86%. The rates were 0.97%, 1.88% and 10.92% for PPI respectively.

Chart 1.2-8: CPI and PPI Ratios



It is seen that the inflation expectations which was deteriorated relatively after the turbulence occurred in May- June 2006 and reached to two figures, was increased to 7% from September 2006 to March 2007, even if it's a slow rate. However, this rate is still upon the 6% which is the upper limit of uncertainty of the 2007 inflation target.

Chart 1.2-9: End-of- Year Expectations for CPI

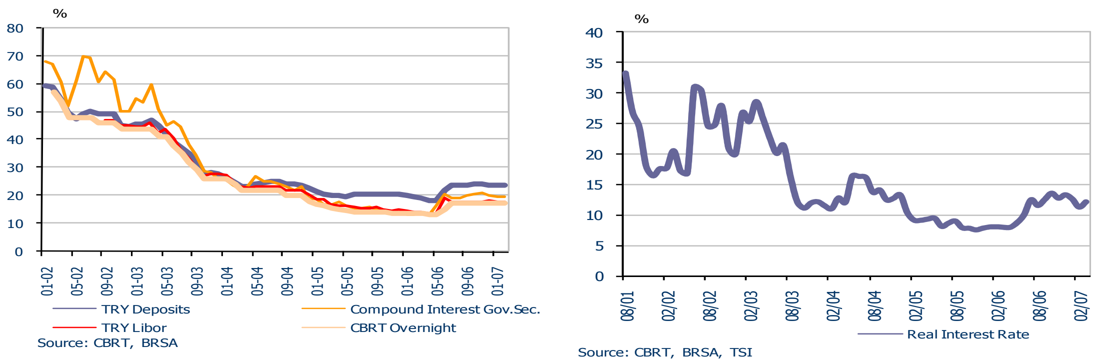


It is foreseen by the Monetary Policy Committee, that the total demand conditions would support the declining trend of the inflation and that this trend would be evident by the second quarter of year. However, the sudden changes seen in the global capital movements, the fact that the slowdown of the demand is smaller than the expected, the fact that the inflation would show a higher resistance than expected downwards, and the progress of oil and goods prices are still the main risk factors.

1.2.5. Money and Capital Markets

In face of the fluctuation seen in the second quarter of 2006 in developing countries causing the fast lose of value of NTL and disturbing the inflation expectations, CBRT increased the borrowing interest rates to 17.5% and the lending interest rates to 22.5%. After the increase in the interest rates, the stability is reestablished in markets, however, the nominal and real interest rates kept their high level within the following period.

Chart 1.2-10: Interest Rates

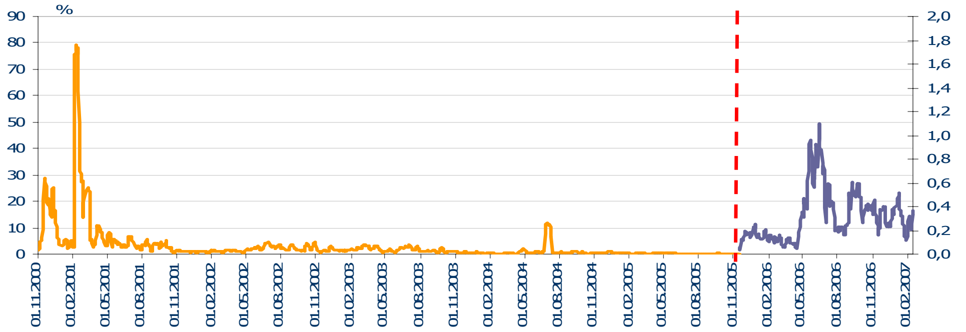


The Balance Sheet of the Central Bank showed a trend of increase in FX assets and decrease in NTL assets in 2006, as it was the case in previous years. In 2006, Central Bank Money increased by 8.7% when compared to previous year. Within this period, while the issue volume increased by NTL 7.2 billion, the debts from Open Market Operations (OMO) decreased by NTL 6.1 billion.

The growing trend of the FX assets within the CBRT balance sheet continued in January 2007. The increase in the external assets account emerged fundamentally from the fact that the regular FX purchase biddings realized by Central Bank and the FX purchase interventions raised the FX reserves of the Bank. In February 2007, the issue volume which is one of the main liabilities items of the Central Bank decreased by 19.6% comparing to the previous end-of-year and supplemented the Central Bank Money expansion by -12.6 points, the debts from OMO item increased by an absolute NTL 4.5 billion and supplemented the CB Money expansion by 10.6 points. Thus, the CB Money size increased by 4.7% compared to the previous end-of-year to NTL 43.9 billion within this period.

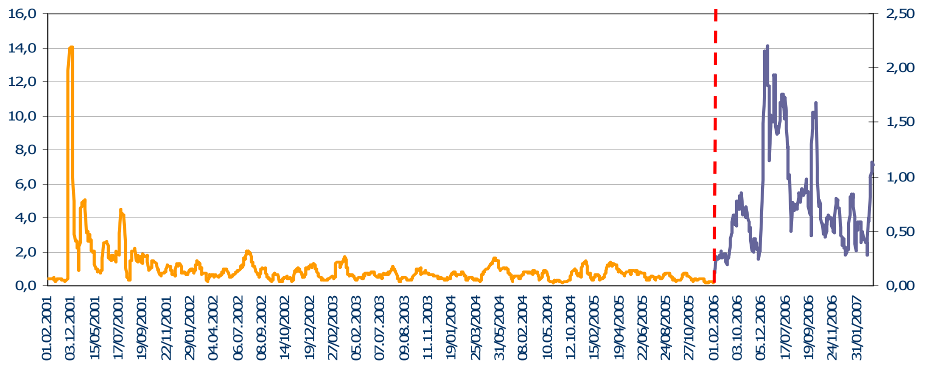
As a result of the fact that the fluctuation occurred in May and June increased the inflation expectations and the risk premium, the public domestic borrowing interest rates which reduced throughout 2005, showed a increasing trend by the second quarter of 2006 and also volatility within the interest rate is observed. The mentioned fluctuation is increased especially by summer and the Treasury auctions weighted average compound interest rate gain stability in level of 19-20%.

Chart 1.2-11: Secondary Market Domestic Government Bonds' (DGB) Interest Rate Volatility



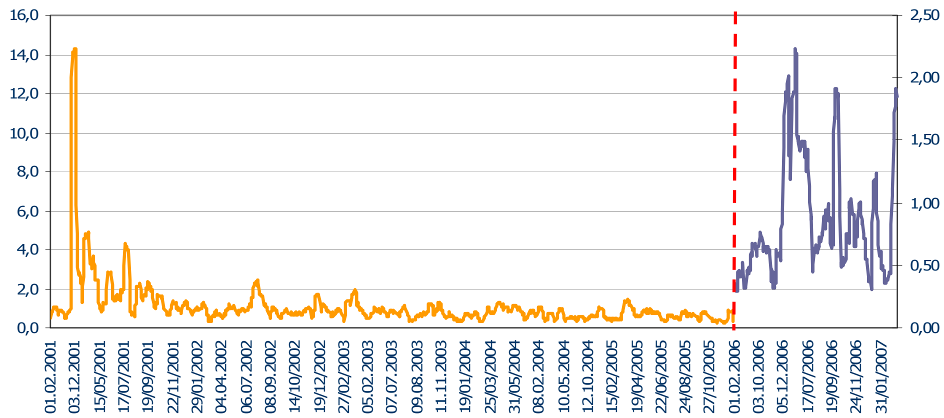
The fluctuation FX exchange rate regime, which is complementary to the monetary policy practiced, is kept continuing during 2006 and within the first two months of 2007 by also saving its framework including auctions and interventions. In the face of upwards movement seen in the exchange rates in May and June 2006, it is decided that the FX purchase auctions which were suspended in May shall be restarted by November with the relative stability provided.

Chart1.2-12: US Dollars Yield Volatility



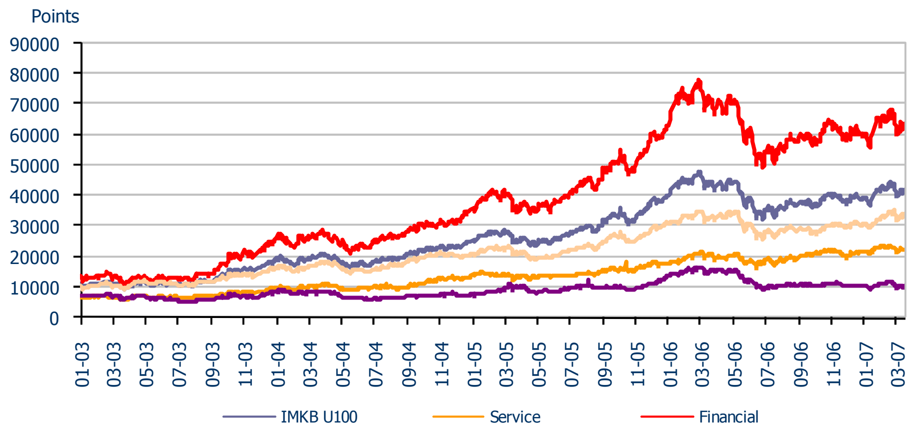
As a matter of fact, the US Dollar yield volatility decreased decisively by the May-June 2006 period. However, especially in the third week of February 2007, a new fluctuation is seen especially in exchange rates, due to the by Japanese Yen and the developments in the global financial markets.

Chart1.2-13: Japanese Yen Yield Volatility



These developments affected the domestic financial markets and especially the securities market. However, the developments occurred in February 2007 did not affect the Istanbul Stock Exchange (ISE) as much as the turbulence of May-June 2006. It is seen that the ISE 100 index, which was affected negatively from the fluctuations of May and June 2006, started to increase again by July and kept increasing until February, except September. As a matter of fact, the ISE 100 index which was at level of 43,256 points by the middle of February, affected negatively from the developments occurred in international markets at the end of February and declined to 41.431 points. The index pulled itself together by the middle of March and increased to 43.661 points by the end of month. Thus, The ISE 100 index, which lost value in 2006 end-of-year compared to the previous end-of-year by 1.7%, gained value by 11.6% in the first quarter of the year. The ISE financial index, which lost value by 4.2% in 2006, gained value by 9.9% within the first three months of 2007. Moreover, the market value of ISE companies which was NTL 230 billion (USD 163.8 billion) in 2006 end-of-year, reached to NTL 256 billion (USD 184.4 billion) by the middle of February.

Chart1.2-14: ISE Indexes



Source: ISE

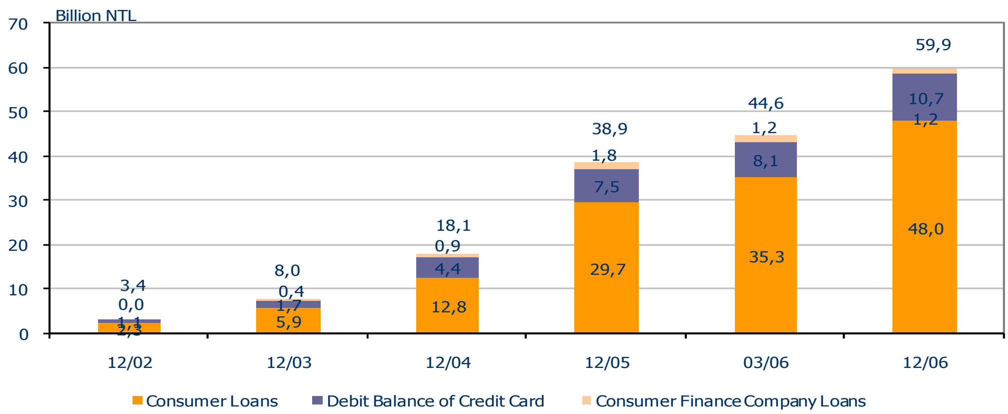
The developments summarized with their main tracks within this part are intended to strengthen the positive outlook within the national economic environment to be able to decrease to minimum the probable negative effects of the risk factors occurring especially in global economic and financial environment, by global international capital movements and relative prices, which are sharp and sudden in counties like Turkey. Alongside the risks which can occur from the global imbalances, to avoid that matters like high current account deficit and unemployment could compose important risks for the economy and finance sector; it is still vital that the financial discipline, the prudential approach and stability in borrowing management would be perpetuated, the tight monetary policy would be kept remaining, the investment environment would be improved, privatization and other structural reforms would be fastened.

1.3. Fund Demanding Sectors

1.3.1. Household

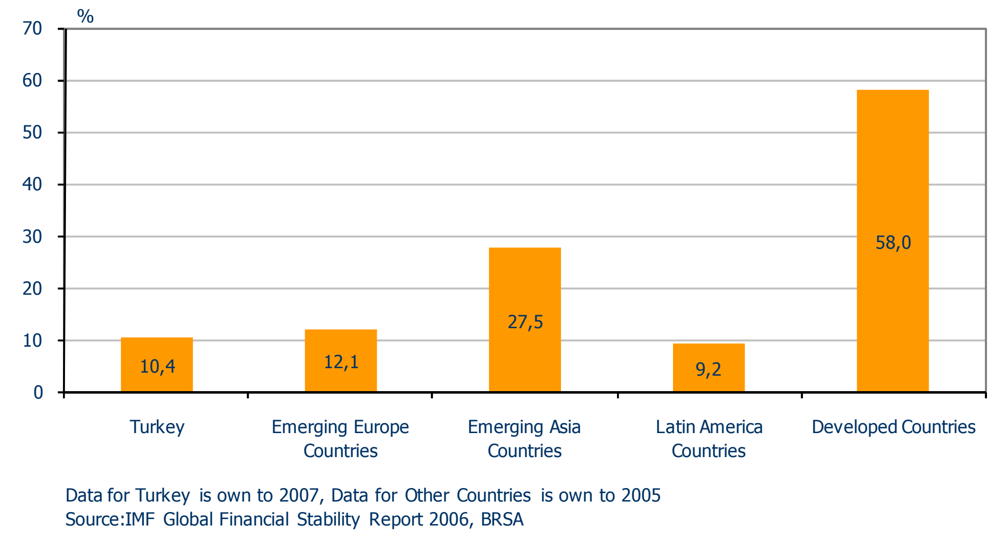
The rapid increase in household debt to the financial sector since 2003 slowed down in 2006. Total of debit balance of gross consumer loans and installment basis credit cards oriented to banks and consumer financing companies increased by 7.2% within the last quarter of 2006. Thus, the household debt burden which showed increase by 100% every year within 2003–2005 period and which was NTL 38.9 billion in 2005 end-of-year, reached to NTL 59.9 billion by an increase of 54% in 2006. (Chart 1.3-1).

Chart1.3-1: Development of Household Debt Burden



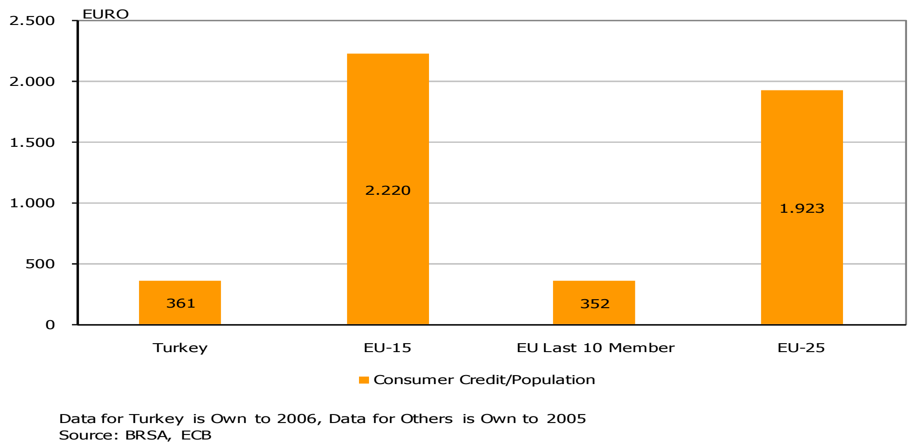
It is seen that, despite of the increase observed in the household debt in recent years, the household loans to GDP ratio is not high when compared to the other developed and developing countries. The said ratio for Turkey which was 8% in 2005 end-of-year, increased to 10.4% by the end of 2006. (Chart 1.3-2).

Chart1.3-2: Household Loans to GDP Ratio



Similarly, when the debt burden in the household is observed as consumer loans per person, it is seen that Turkey is behind the EU countries average, except the 10 new members (Chart 1.3-3). The fact that loan maturities are relatively short in Turkey than other countries is an important factor for the low level of this ratio in Turkey, and it is seen that prolongation occurring in recent years enables the mentioned ratio to rise.

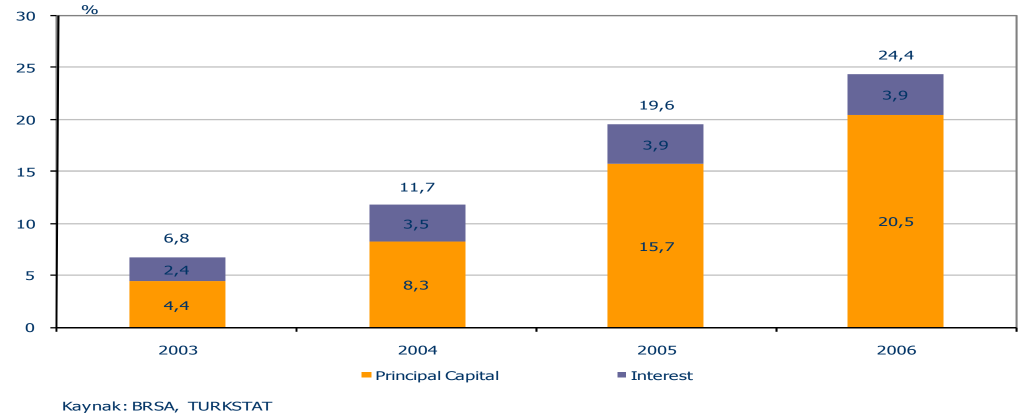
Chart1.3-3: Consumer Loan per Person



It is expected that the household liabilities (including interest payments) to the household disposable income[1] ratio showed also a low increase compared to previous years. This figure which is calculated upon the estimated household disposable income appears to increase from 19.6% in 2005 end-of-year to 24.4% by 4.8 points by the end of 2006. (Chart 1.3-4).

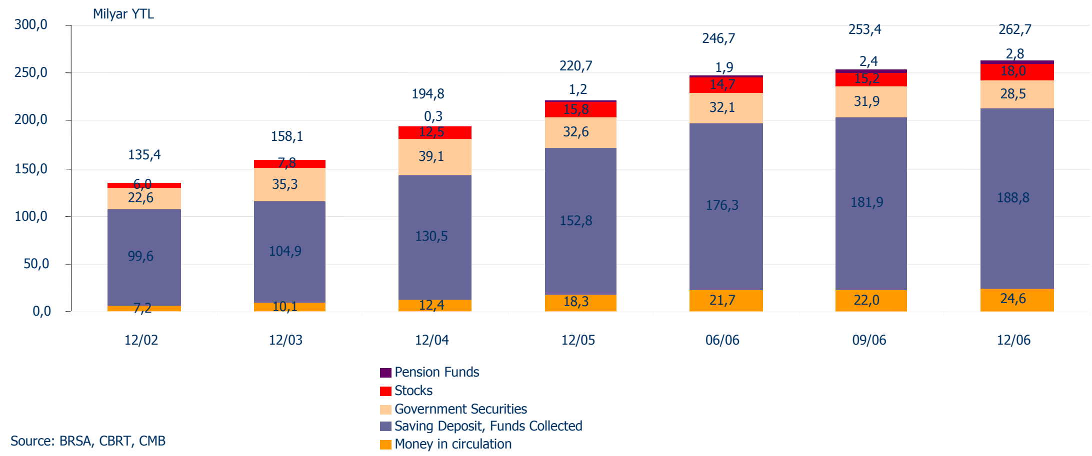
[1] The household disposable income, calculated based on the "Household Budget Poll" by Turkish Statistical Institute (TUIK) is composed of total of yearly disposable personal income of one individual within the household. Within this framework, the household disposable income includes; monetary income like income of which household individuals earn from their works, capital and property (salary, profit, interest, rent) income and retirement salary, survivor's benefits and payments made to old people, not reciprocated scholarships and transfer income, and earnings in kind.

Chart1.3-4: Household Debts Liability to Household Disposable Income Ratio



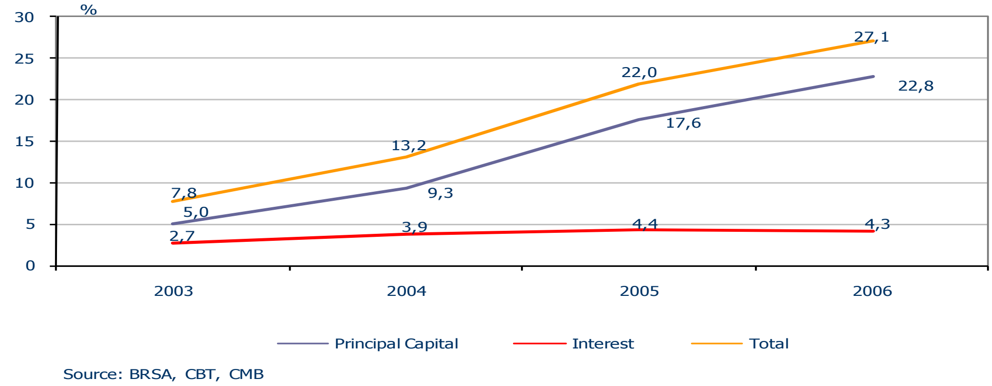
When the progress of fundamental financial assets belonging to the household is observed, it is seen that the total value of the assets, composed of currencies in circulation, savings deposit, profit sharing fund, current account, domestic government bonds (DGBs and Eurobonds), stocks and private pension plan savings, increased nominally by 13.3% in 2005, and by 3.7% within the last quarter of 2006 (Chart 1.3-5). Thus, total nominal increase rate of the household assets in 2006 appears to be 19%.

Chart1.3-5: Development of Household Financial Assets



Within this framework; the increase observed in recent years in the household financial leverage ratio (household liabilities to assets ratio) kept continuing in 2006 too, the liabilities including interest to the financial assets ratio which was 22% by the end of 2005 realized as 27.1% by the end of 2006. (Chart 1.3-6).

Chart1.3-6: Household Financial Leverage Ratio

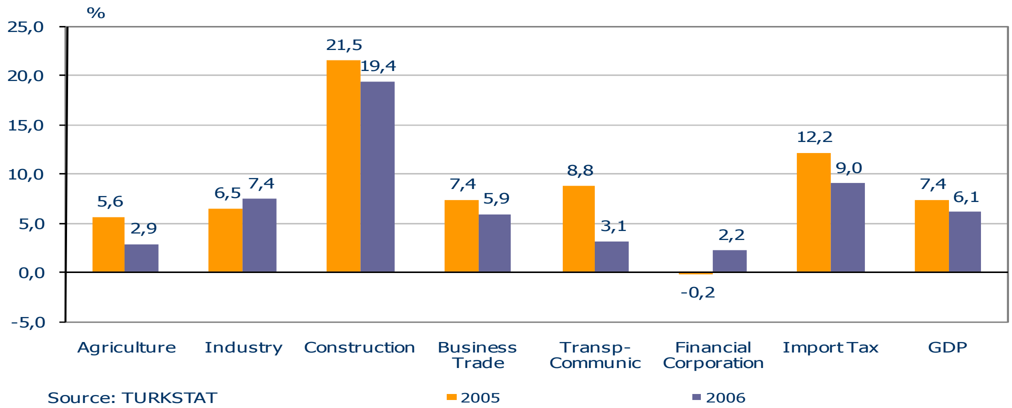


1.3.2. Sector of Companies

1.3.2.1 Growth and Production

The growth figures which are an important indicator relating to the performances of the real sector and the companies sector indicate a decline in almost every sectors, even if it's not with a high rate, in 2006. As a result of the real growth figures of agriculture, construction, trade, transportation- communication sectors and import tax item realizing lower than the ones of previous year, the real GDP growth rate which was 7.4% in 2005 decreased to 6.1% in 2006. This significant slowdown of growth rate within these sectors is balanced largely with the contribution of the industry sector of which the growth rate increased from 6.5% in 2005 to 7.4% in 2006. While the slowdown of the real growth rates of agriculture, construction, trade, transportation- communication sectors and import tax item indicates a narrowing in domestic demand; the relative growth within the industry sector creates impression that the growth did not slowdown because of the external demand and/or inventory increase within this sector, despite the contraction in the domestic demand within other sectors.

Chart1.3-7: Growth Rates by Main Sectors

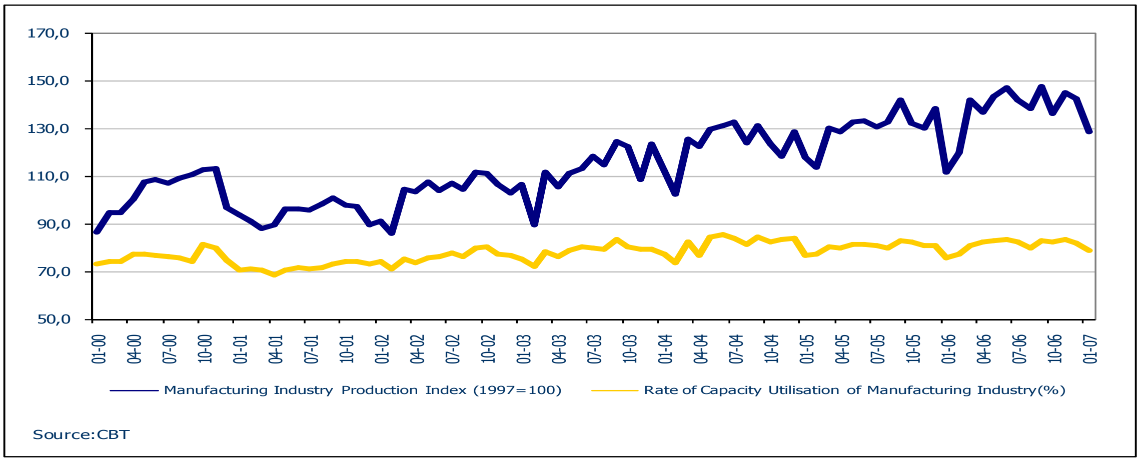


After 0.2% decline in 2005 of financial institutions value added, it increased by 2.2% in 2006 mainly due to the 74.4% raise in foreign capital inflows to the banking sector in 2006 comparing to previous year.

Another important indicator for the performance of the sector of companies, the manufacturing industry production index kept the growing trend it caught in 2003 in 2006 too. The index which showed a regular trend except the seasonal decreases especially in January and February, increased by 2.3% in December 2006 when compared to the previous year.

As parallel to the steady increase of the production index, capacity utilization ratio of manufacturing industry keeps fluctuating in a small band around 80%s since 2003. Despite the differences observed for capacity utilization in the sub-sectors of the manufacturing industry (Annex Table 1.2-1), within 2006, capacity utilization ratios followed a buoyant trend in every chosen sub-sectors the capacity utilization within the other chosen sub-sectors showed ratios over 80%s, except the food and beverages sub-sector.

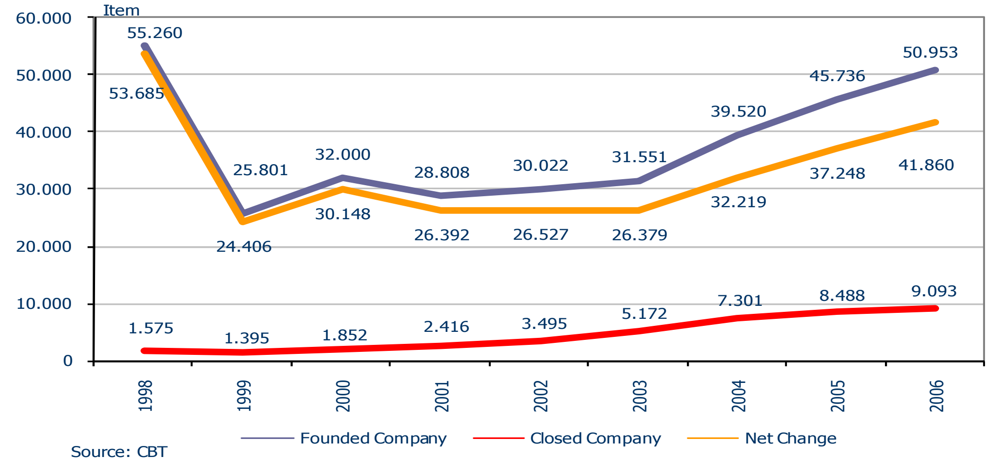
Chart1.3-8: Developments in Industrial Production



1.3.2.2 Company Demography

The positive growth rates since 2003 influenced the company demography too. The newly opened company number which showed increases by 25.3%, 15.7% and 11.4% in 2004 and 2006 respectively, has reached to 50.593 in 2006 as a result of this growth. The growth rate of the closed companies is in a slowdown trend within the last three years and the rate which was increase 41.2% in 2004 decreased by 7.1% in 2006. When the number of opened and closed companies is considered, the net change of the company number which was 26.379 in 2003 increased to 32.219 in 2004, to 37.248 in 2005, and to 41.860 in 2006.

Chart1.3-9: Number of Companies Opened and Closed



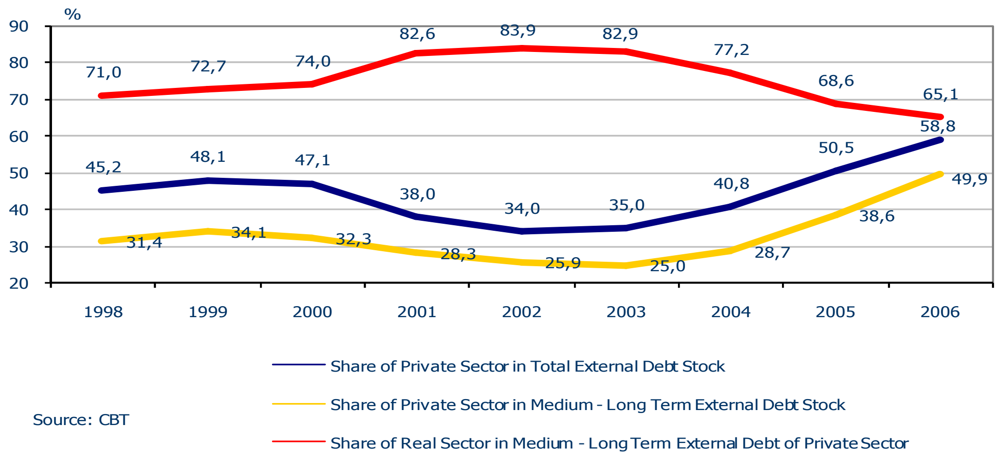
Source: CBT

Within the framework which is summarized above, growth, production index, capacity utilization ratios and the net changes of the company numbers indicate that, in 2006, economy and indirectly the sector of companies keep growing, but also designate that when compared to the previous year, the growth and especially the domestic demand growth is slowing down.

1.3.2.3 Foreign Debt

Total foreign debt has increased since macroeconomic stability established in 2003. Turkey's total foreign debt stock which reduced to USD 113.6 billion in 2001, increased significantly within the following period and reached to USD 168.8 billion in 2005, and to USD 206.5 billion by the end of 2006. The share of the private sector within the total foreign debt stock keeps increasing since 2003. While the share of private sector within the total foreign debt stock was 34.9% in 2003, this ratio increased to 58.7% in 2006 and the total foreign debt stock of the private sector rose to USD 121.2 billion.

Chart1.3-10: The Share of Private Sector and Real Sector in Total Foreign Debt Stock



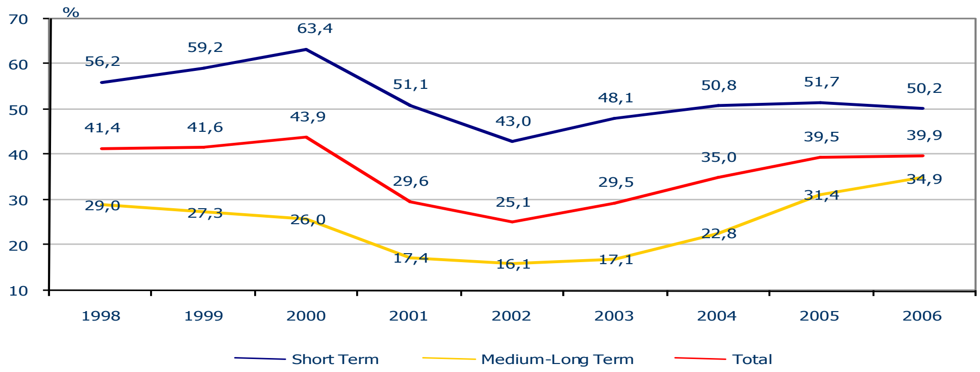
Source: CBT

While the share of the private sector within total foreign debt stock increased after 2003, the share of the real sector within the private sector medium and long-term foreign debt stock keeps decreasing since 2003. The share of the real sector which increased to 83.9% in 2002, entered into a reducing trend within following years and decreased to 68.7% in 2005 and to 64.8% in 2006. However, this trend is correct only as rate; the situation seems pretty different as absolute values. The real sector medium and long-term foreign debt stock which was USD 25.1 billion in 2003 increased by more than twice in 2006 to USD 58.7 billion.

Within the medium and long-term foreign debt stock, the share of real sector decreased and the share of financial sector increased by twice between 2003 and 2006 from 17% to 35.2%. The increase in the share of financial sector indicates to a bigger growth in means of absolute values. The medium and long-term foreign debt of the financial sector which was USD 5.2 billion in 2003, increased more than 5.5 times in 2006 to USD 28.8 billion.

When the short-term foreign debt stock figures are observed, the share of financial sector within the private sector short-term foreign debt stock did not change significantly after 2003 remained its around 50% share and realized as 50.3% in 2006.

Chart1.3-11: The Share of Financial Sector within the Private Sector Foreign Debt Stock

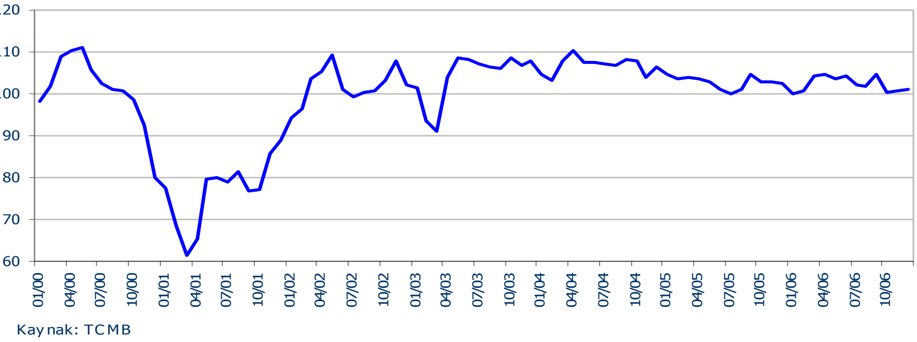


Source: CBT

1.3.2.4 Real Sector Confidence Index

The CBRT real sector confidence index, which is an important indicator for the development experienced in corporate sector kept its stable movement since April 2003 in 2006 too. Despite the index value was close to 100 in July 2005, January and October 2006, the index moved above 100 in 2006, and this indicates that the real sector maintains its positive look over the macroeconomic outlook in 2006.

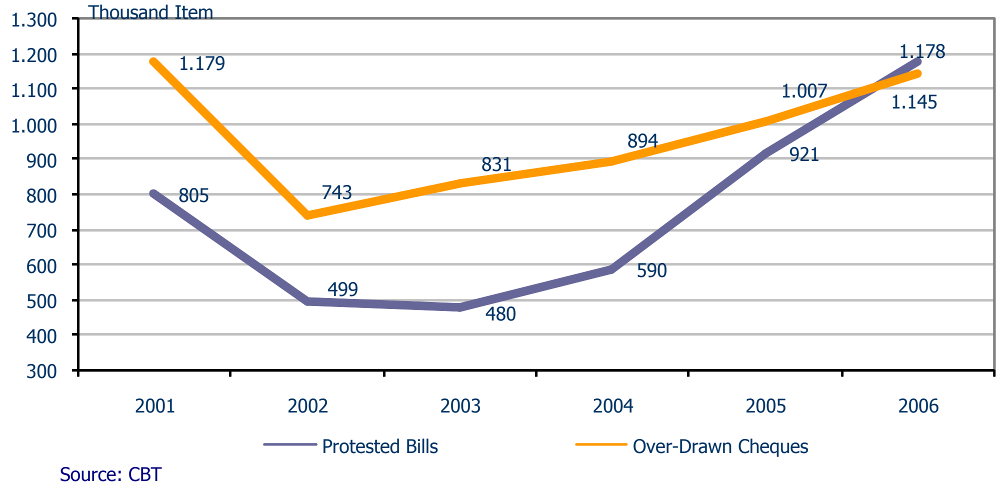
Chart1.3-12: Real Sector Confidence Index



1.1.1.1. Protested Bills and Over-Drawn Cheques

According to the CBRT data, in 2006, the number of protested bills was 1,178 and the number of over-drawn cheques was 1,145. These data are important indicators for observing the changes of the general debt payment behavior in the economy, express that the level of 2001 has caught for over-drawn cheques, and that the number of protested bills is 46.4% more than the figure of 2001, which was the year of crisis. These values which seem to indicate negativity for debt payment behavior when considered alone seem in a compatible structure with the growth of economy, when considered the general positive and stable development of the economy.

Chart1.3-13: Protested Bills and Over-Drawn Cheques



2. FINANCIAL SECTOR ASSESSMENT

2.1. General Outlook of the Financial Sector

2.1.1. Asset Size of the Financial Sector

As of December 2006, the size of the Turkish financial (CBRT and ISE market capitalizations excluded) increased by 20.2% to TRY 564.7 billion, compared to the previous year. Alongside to the banking sector, the fast asset growths of financial leasing and factoring companies were also effective in financial sector growth. When the ratio to National income is considered, it is seen that the total assets of the Turkish banking sector to GDP ratio is 98%. Moreover, banking sector constitutes the majority of the sector with 86.7% share in financial sector as of December 2006. Non-banking assets GDP ratio is equivalent to 11.3% and within non banking assets, the total assets of companies under BRSA's surveillance and supervision (leasing, factoring companies and consumer finance companies) to GDP ratio is 3.4%.

Table 2.1-1 : Asset Size of the Financial Sector

(NTL Billion)	2001	2002	2003	2004	2005	2006	Asset/GNP (%) (2006)
Banks	171,9	216,7	255	313,8	406,9	499,7	86,7
Leasing Companies	2,8	3,8	5,0	6,7	6,1	10,0	1,7
Factoring Companies	1,5	2,1	2,9	4,1	5,3	6,3	1,1
Consumer Finance Companies	0,7	0,5	0,8	1,5	2,5	3,4	0,6
Insurance Companies	4,4	5,4	7,6	9,8	14,4	17,4	3,0
Retirement Companies	*0,0*	*0,0*	*3,3*	*4,2*	5,7	7,1	1,2
Securities Intermediary Ins.(1)	0,9	1,0	1,3	1,0	2,6	2,9	0,5
Securities Investments Associations	0,1	0,1	0,2	0,3	0,5	0,5	0,1
Securities Investments Funds	4,8	9,3	19,9	24,4	29,4	22,0	3,8
Real Estate Investment Trust	0,9	1,1	1,2	1,4	2,2	2,5	0,4
Total	188,0	240,1	293,7	363,0	469,9	564,7	98,0

Source: BRSA, Turkish Treasury, CMB, Association of the Insurance and Reinsurance Companies of Turkey, Association of Capital Markets Intermediary Institutions of Turkey, Turkish Statistical Institute
(1) September 2006.

2.1.2. Structural Outlook of the Financial Sector

In the Turkish financial sector, 176,123 people is employed (including insurance agents) as of 2006. The distribution of employment presents similar structure to the asset size and it is seen that the highest level of employment is created by the banking sector (85.6%). It is observed that the financial sector increases its employment level in a stable way depending on its growth in the asset volume and that this trend continued along 2006.

Table 2.1-2 : Structure of Institution- Branch- Personnel of Financial Sector

	Number of Institutions			Number of Personnel (1)			Number of Branches (2)		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Banks	53	51	50	127.944	132.973	150.793	6.219	6.276	7.296
Leasing Companies	82	84	81	987	1.146	1.311	4	4	5
Factoring Companies	92	88	86	1.500	2.053	2.425	0	0	3
Consumer Finance Companies	7	9	9	-	414	443	4	4	6
Insurance Companies	39	35	35	12.140	12.837	15.156	13.719	14.453	15.322
Private Pension Companies	11	11	11	-	-	-	-	-	-
Securities Investments Associations	23	26	30						
Securities Intermediary Ins. (3)	112	108	106	5.906	5.916	5.995	224	234	244
Real Estate Investment Trust	9	10	11						
Total	428	422	419	148.477	155.339	176.123	20.170	20.971	22.876

Source: BRSA, Turkish Treasury, CMB, Association of the Insurance and Reinsurance Companies of Turkey, Association of Capital Markets Intermediary Institutions of Turkey, Turkish Statistical Institute.
(1)In the insurance (and retirement) companies, the personnel number stands for the experts, brokers and the total personnel number working by the agents.
(2)The branch and personnel numbers data was not available for the Securities Intermediary Institutions, so the data of September 2006 is used. For the Insurance Companies, the branch number stands for the number of agents.
(3) The number of Institutions shows the members of the Association of Capital Markets Intermediary Institutions of Turkey (banks are excluded).

The institution and branch numbers of the financial sector differ in parallel with the differentiation in range of activities. This structural situation reflects also to the sector's concentration indicators. Within the calculations realized by asset size, the sector in which the first 5 companies by their asset sizes within their own sector having the highest share are the consumer finance companies with 95%. Within the banking sector, this ratio is 60.9%.

Table 2.1-3 : Market Structure of the Financial Sector

By the Asset Size	2004			2005			2006		
	First 5 (%)	First 10 (%)	HHI(*)	First 5 (%)	First 10 (%)	HHI(*)	First 5 (%)	First 10 (%)	HHI(*)
Banks	58.1	82.0	906.0	61.4	82.9	934.7	60.9	83.5	911.1
Leasing Companies	44.7	68.9	604.9	49.0	72.0	688.0	53.8	77.7	812.0
Factoring Companies	33.4	49.9	420.5	35.0	55.0	419.2	43.5	59.8	521.3
Cons. Finance Comp. **				95.4	99.3	3,613.3	95.0	100	3,088.5
Insurance Companies	48.0	72.9	643.5	57.5	78.3	972.1	41.9	61.3	882.0
Private Pension Comp.	85.9	99.3	2.192.6	80.6	99.0	1,877.7	77.1	98.7	1,691.7
Securities Inv. Ass.	-	-	-	36.9	49.3	443.8	43.8	57.2	596.7
Real Estate Inv. Trust	69.4	85.2	1,721.1	62.0	81.8	1,364.2	62.0	80.0	1,305.5

Source: BRSA, Turkish Treasury, CMB, Association of the Insurance and Reinsurance Companies of Turkey, Association of Capital Markets Intermediary Institutions of Turkey, Turkish Statistical Institute.
* Herfindahl-Hirschman Index, **Calculated for the First 3 and First 5 companies.

When the Herfindahl-Hirschman Index, a market concentration indicator, is considered similar progress is seen. As of end- 2006, the market concentration in consumer finance and private pension companies and in real estate investment companies are relatively high. In factoring, leasing and banking, the mentioned index indicates a more moderate concentration.

2.1.3. The Performance Indicators of the Financial Sector

The institutions operating in Turkish financial sector showed a growth trend thanks to the macroeconomic environment and financial stability which were ameliorated significantly since 2002 with the contribution of the structural reforms. Alongside to the strong growth in total asset size, the profitability of the financial institutions is also positive. The financial sector which is open to the global competition is taking direct foreign investments for the last two years and with also the influence of domestic demand expansion, the growth trend is continuing. At the same time, it makes a success of maintain its profitability, despite the increasing competitive atmosphere triggered by foreign investments. Within this framework, banks, the biggest components of the financial sector by asset size, maintained higher return on assets than non-bank financial institutions in 2006 similar to their historical trend..

Table 2.1-4 : Profits of Institutions Within the Financial Sector

(NTL Billion)	2002	2003	2004	2005	2006	ROA (%)
Banks	2,90	5,61	6,45	5,96	8,73	11,5
Leasing Companies	0,07	0,58	0,12	0,26	0,28	0,38
Factoring Companies	0,06	0,16	0,13	0,23	0,42	0,49
Consumer Finance Companies	0,02	0,06	0,04	0,05	0,04	0,05
Insurance Companies	0,28	0,27	0,38	0,35	0,17	0,24
Securities Intermediary Ins. (1)(2)	0,1	0,14	0,12	0,27	0,16	0,19
Total	3,41	6,82	7,24	7,12	9,80	12,8

Source: BRSA, Turkish Treasury, CMB, Association of the Insurance and Reinsurance Companies of Turkey, Association of Capital Markets Intermediary Institutions of Turkey, Turkish Statistical Institute
(1) September 2006 (2) Includes the institutions member of the ACMIIT.

2.1.4. Investment Preferences of the Domestic and Foreign Residents

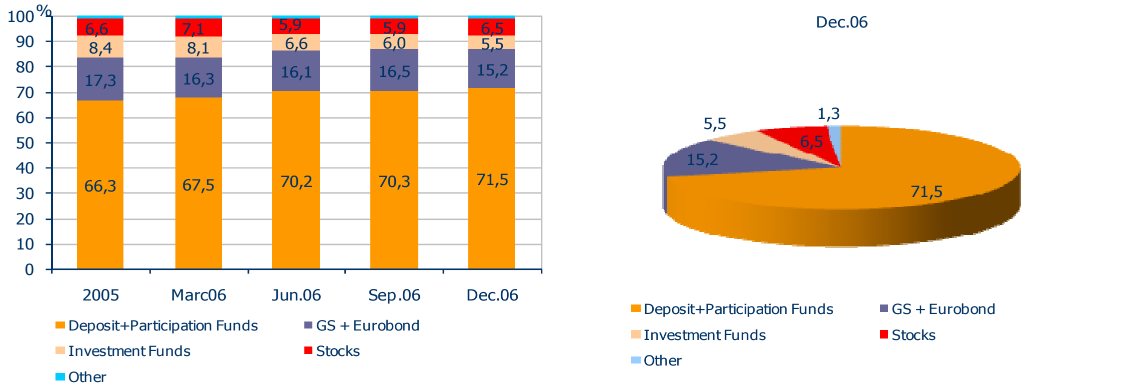
As of December 2006, the total portfolio size belonging to the domestic residents increased to NTL 403 billion. When the distribution of the portfolio is considered, it is seen that the total deposit composes 68.9% of the total portfolio. Within the same period, the share of Domestic Government Bonds (DGB) holding by domestic residents within the total portfolio is 13.8%, while the shares of investments and the investment funds are respectively 6.5% and 55.5%. When compared to the period of September 2006, a significant nominal growth rate was realized in the pension investment fund and equity preferences (18.3% and 13.8%), and in the mean time, the financial fluctuation occurred in 2006 influenced the savings behavior of domestic residents and caused that the FX deposit increase rapidly than TRY deposit.

Table 2.1-5 : Investment Preferences of Domestic Residents

(NTL Million)	2005	2006/3	2006/6	2006/9	2006/12	December2006 Distribution%	Dec.- Sept. 2006 Change%
NTL Deposit	141,716	152,460	163,590	163,137	168,943	41.9	3.6
FX Account	82,128	83,051	96,746	101,762	108,754	27.0	6.9
Precious Metal Accounts	96	135	291	282	250,07	0.1	-11.3
Funds Collected from Participation Banks	8,369	8,494	9,885	10,263	10,788	2.7	5.1
DGB	55,276	53,618	55,857	58,138	55,781	13.8	-4.1
Eurobond	5,348	5,335	6,304	6,258	5,413	1.3	-13.5
Investment Funds	29,374	29,263	25,350	23,579	22,012	5.5	-6.6
Repo	1,486	2,145	2,632	2,321	2,202	0.5	-5.1
Pension Investment Funds	1,219	1,570	1,883	2,385	2,821	0.7	18.3
Shares	23,020	25,612	22,572	23,077	26,256	6.5	13.8
Total	348,032	361,683	385,110	391,202	403,220	100	3.1

Source: BRSA, CMB, ISE, CBRT, Central Registry Agency.

Chart 2.1-1: Investment Preferences of Domestic Residents



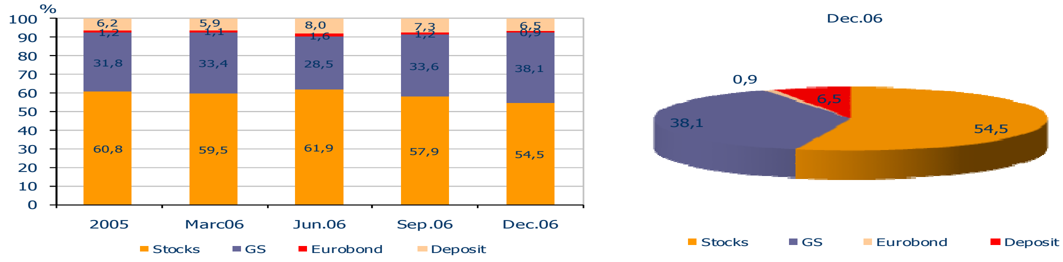
In December 2006, the portfolio investments of foreign residents increased by USD 11.9 billion and realized as USD 64.3 billion. The facts that the influence of the fluctuation occurred in May and June 2006 was reduced and that the foreigners continued to trust the Turkish economy and they rose the DGB and share investments were effective on this increase. As a matter of fact, the highest shares between the investment preferences of foreign residents are the placements in ISE (54.5%) and DGB (38.1%).

Table 2.1-6 : Investment Preferences of Foreign Residents

USD Million	2005	2006/3	2006/6	2006/9	2006/12	December2006 Distribution%	Dec.- Sept. 2006 Change%
Shares	33.483	33.491	28.054	30.390	35.083	54,5	15,4
DGB	17.528	18.790	12.910	17.623	24.512	38,1	39,1
Eurobond	634	638	727	624	555	0,9	-11,1
Deposit	3.434	3.339	3.646	3.814	4.186	6,5	9,8
TOTAL	55.079	56.258	45.337	52.451	64.336	100	22,7

Source: BRSA, CMB, ISE, CBRT, Central Registry Agency.

Chart2.1-2: Investment Preferences of Foreign Residents



2.2. Banking Sector

2.2.1. Outlook of Market Structure

2.2.1.1. General Outlook

As of 2006 end-of-year, 50 banks are operating in the banking sector. 33 of these banks are deposit banks, 4 of them are participation banks and 13 of them are development and investment banks. Within 2006, in which the sector experienced an organic growth, the total branch number reached to 7,296, the personnel number to 150,793 and the number of ATMs to 16,513. It is seen that in the three indicators, the deposit banks have a dominant share with more than 90% in the sector.

Table 2.2-1: Structural Indicators of Banking Sector

	2002	2003	2004	2005	Mar.06	June 06	Sept.06	Dec.06
Number of Banks	59	55	53	51	51	51	51	50
Public Banks	3	3	3	3	3	3	3	3
Private Banks	20	18	18	17	17	17	16	14
SDIF	2	2	1	1	1	1	1	1
Foreign Banks	15	13	13	13	13	13	14	15
Development and Investment	14	14	13	13	13	13	13	13
Participation Banks	5	5	5	4	4	4	4	4
Number of Deposit Accounts	67,993	78,790	80,087	82,958	84,828	86,669	87,513	86,131
Number of Participation Accounts				1,202	1,214	1,287	1,348	1,414
Total Credit Client Number (Thousand)	15,784	18,707	25,168	29,153	29,528	29,078	29,921	30,685
Deposit Banks			25,166	28,860	29,226	28,752	29,591	29,992
Development and Investment			3	3	3	12	13	14
Participation Banks				291	299	314	317	679
Number of Credit Card Clients				25,155	24,806	25,723	25,174	26,673
Deposit Banks	11,752	13,518	22,634	24,771	24,418	25,296	24,718	26,168
Participation Banks				384	389	427	456	505
Number of Branches	6,203	6,078	6,219	6,568	6,697	6,989	7,113	7,296
Deposit Banks	6,169	6,046	6,186	6,241	6,368	6,642	6,746	6898
Development and Investment	34	32	33	35	35	37	40	42
Participation Banks				292	294	310	327	356
Number of Personnel	124,009	124,030	127,944	138,724	140,240	145,702	148,252	150,793
Deposit Banks	118,321	118,603	122,592	127,851	129,211	134,132	136,780	138,426
Development and Investment	5,688	5,427	5,352	5,126	5,117	5,223	4,843	5,255
Participation Banks				5,747	5,912	6,347	6,629	7,112
Number of ATMs	12,035	12,726	13,556	14,836	15,022	15,523	16,036	16,513
Deposit Banks	12,035	12,726	13,556	14,529	14,713	15,211	15,703	16,133
Participation Banks				307	309	312	333	380
Number of POS (Thousand)		662	912	1,141	1,166	1,240	1,289	1,283

Source: BRSA, Interbank Card Center (ICC)

When the structural indicators are considered as their scale size[2], it is seen that the large scale banks, which possess a share of 75% within the total assets, own 67% of total branches, 64% of total personnel and 74% of total ATMs. It is interesting that the share of medium scale banks within total branch and personnel number (22%) is above their share within the total assets (15%).

Table 2.2-2 : Structural Indicators By Bank Scale Groups

2006 (Person, number)	Large Scaled	Medium Scaled	Small Scaled
Number of Banks	7	7	36
Domestic Branches	4,873	1,541	836
Branches Abroad	31	13	2
Domestic Personnel	95,277	33,558	21,446
Personnel Abroad	417	88	7
ATM	12,291	3,424	798
Number of Deposit Accounts (Thousand)	79,001	5,964	2,580
Total Number of Credit Card Client (Thousand)	21,892	7,908	886
Number of Credit Card Clients (Thousand)	19,235	6,521	917

2.2.1.2. Concentration in the Banking Sector

When the asset concentration indicators in the Turkish banking sector are analyzed for first 5 banks and the first 10 banks, it is seen that in 2006, the concentration has reduced even if it's a small reduce, and when it's analyzed as the scale size, it is seen that the share of large scale banks increased in the sector. The dominant share of deposit banks in this structure is still continuing.

Table 2.2-3: Concentration Indicators by Total Assets

Asset (%)	2005	Mar.06	June06	Sept.06	Dec.06
HHI	935	914	873	871	911
First 5 Banks	61.4	60.7	58.7	58.7	60.9
First 10 Banks	82.9	82.4	81.8	81.8	83.5
Distribution by Scale					
Large Scaled	74.0	73.4	71.6	71.8	75.3
Medium Scaled	16.0	16.2	18.0	17.5	14.9
Small Scaled	10.1	10.4	10.4	10.7	9.8
Total	100.0	100.0	100.0	100.0	100.0
Distribution by Groups					
Deposit Banks	94.4	94.4	94.2	94.2	94.2
Development and Investment B.	3.2	3.2	3.2	3.1	3.1
Participation Banks	2.4	2.4	2.6	2.7	2.7
Total	100.0	100.0	100.0	100.0	100.0

[2] According to scale, the large banks' asset share are 5% and above, medium banks' are 5%-1% and small banks' are under 1% in the sector.

Box 3: Analysis of the Capital Structure in Turkish Banking Sector

Table: Capital Structure (Total Assets, December 2006)

Bank	Share within Total Assets (%)	Public, Private and Foreign Distribution of Shareholders (%)		Foreign Share (%)		
		Public Share (%)	Private Share (%) [1]	Proportional Share (*)	Stock market Share	Total (**)
ABN AMRO BANK	0,1	0,0	0,0	100,0	0,0	100,0
ADABANK	0,0	100,0	0,0	0,0	0,0	0,0
AKBANK T.A.Ş.	11,5	0,0	57,2	20,0	22,8	42,8
ALTERNATİFBANK	0,4	0,0	98,9	0,0	1,1	1,1
ANADOLUBANK A.Ş.	0,6	0,0	100,0	0,0	0,0	0,0
ARAP TÜRK B.	0,1	15,0	20,0	65,0	0,0	65,0
BANCA DI ROMA	0,0	0,0	0,0	100,0	0,0	100,0
BANK MELLAT	0,0	0,0	0,0	100,0	0,0	100,0
BANKPOZİTİF KREDİ VE KALKINMA BANKASI A.Ş.	0,1	0,0	42,5	57,6	0,0	57,6
BİRLEŞİK FON BANKASI A.Ş.	0,2	100,0	0,0	0,0	0,0	0,0
CALYON BANK T.A.Ş.	0,1	0,0	0,0	100,0	0,0	100,0
CITIBANK	1,2	0,0	0,0	100,0	0,0	100,0
ÇALIK YATIRIM	0,0	0,0	100,0	0,0	0,0	0,0
DENİZBANK	2,3	0,0	0,0	99,7	0,3	100,0
DEUTSCHE BANK A.Ş.	0,2	0,0	0,0	100,0	0,0	100,0
DİLER YATIRIM	0,0	0,0	100,0	0,0	0,0	0,0
FİNANSBANK A.Ş.	3,6	0,0	9,7	89,4	0,9	90,3
FORTIS BANK A.Ş.	1,7	0,0	3,0	93,3	3,7	97,0
GSD YATIRIM B.	0,0	0,0	100,0	0,0	0,0	0,0
HABİB BANK	0,0	0,0	0,0	100,0	0,0	100,0
HSBC BANK	2,1	0,0	0,0	100,0	0,0	100,0
İLLER B.	0,9	100,0	0,0	0,0	0,0	0,0
JP MORGAN CHASE BANK	0,0	0,0	0,0	100,0	0,0	100,0
MERRILL LYNCH	0,0	0,0	0,0	100,0	0,0	100,0
MILLENIUM BANK	0,2	0,0	0,0	100,0	0,0	100,0
MNG BANK	0,1	0,0	9,0	91,0	0,0	91,0
NUROL YATIRIM B.	0,0	0,0	100,0	0,0	0,0	0,0
OYAKBANK	2,4	0,0	100,0	0,0	0,0	0,0
SOCIETE GENERALE	0,1	0,0	0,0	100,0	0,0	100,0
ŞEKERBANK	0,8	0,0	52,4	34,0	13,7	47,7
T.C.ZİRAAT B.	14,5	100,0	0,0	0,0	0,0	0,0
T.EKONOMİ B.	1,7	0,0	43,9	42,1	14,0	56,1
T.GARANTİ B.	10,1	0,0	28,8	25,5	45,7	71,2
T.HALK B.	6,9	100,0	0,0	0,0	0,0	0,0
T.İŞ BANKASI	15,1	0,0	77,0	0,0	23,0	23,0
T.KALKINMA B.	0,2	99,1	0,9	0,0	0,0	0,0
T.SINAİ KALKINMA B.	0,8	8,4	62,2	0,0	29,5	29,5
T.VAKIFLAR B.	7,4	58,6	29,3	0,0	12,0	12,0
TAIB YATIRIM BANK	0,0	0,0	1,0	99,0	0,0	99,0
TAKASBANK IMKB	0,1	0,0	90,1	9,9	0,0	9,9
TEKFENBANK A.Ş.	0,2	0,0	30,0	70,0	0,0	70,0
TEKSTİL BANKASI A.Ş.	0,6	0,0	88,4	0,0	11,6	11,6
TURKISH BANK	0,1	0,0	94,2	5,8	0,0	5,8
TÜRK EXIMBANK	0,8	100,0	0,0	0,0	0,0	0,0
WESTLB AG	0,1	0,0	0,0	100,0	0,0	100,0
YAPI VE KREDİ B.	9,8	0,0	49,4	40,1	10,5	50,6
ALBARAKA TÜRK KATILIM BANKASI A.Ş.	0,5	0,0	22,4	77,6	0,0	77,6
ASYA KATILIM BANKASI A.Ş.	0,8	0,0	73,6	0,0	26,4	26,4
KUVEYT TÜRK EVKAF FİNANS KURUMU A.Ş.	0,6	0,0	19,8	80,2	0,0	80,2
TÜRKİYE FİNANS KATILIM BANKASI A.Ş.	0,8	0,0	100,0	0,0	0,0	0,0
Total (%)	100,0	28,0	36,0	22,4	13,6	35,9

(1) Share excluding the shares of foreigner (proportional and stock market) and public (Turkey) and including the shares of stock market not holding by real persons, foundations, supplementary funds, foreign residents and similar shareholders.
(*) Proportional Calculation = (foreign share rate in the bank * bank's assets) / total assets of the sector
(**) Total = Proportional calculation + stock market shares
Not: The distribution of the stock market shares is as of January 2007. The banks of which permission process related to takeover is completed in BRSA are used to find the proportional shares.
Source: BRSA (HS200AS), CRA, Data from Banks. The monthly data is temporary; there might be some mistakes emanating from rounding off and differences between information resources.

Relating to the ownership and capital structure in the Turkish banking sector, an analysis has been made alternatively to the distribution by majority shareholding used within the framework of BRSA-BRS (Banking Reporting System), based on the portion of shares, the shares open to public also considered. In this analysis, additionally to the BDDK-BRS HS200AS form which the banks declare to BRSA within the scope of their reporting, the information provided from the banks and the data from Central Registry Agency for the stock market shares are used. Within this scope, the rates presented here are different from the capital shares presented within the other parts of the report, in accordance with the character f the analysis.

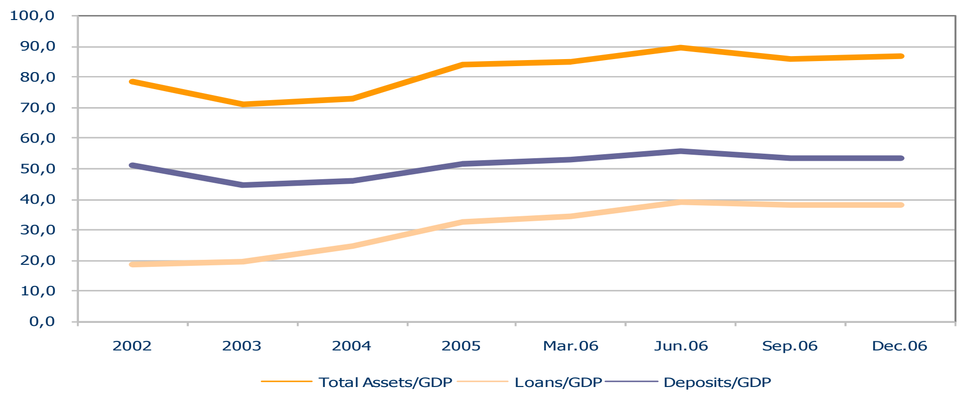
Pursuant the analysis made within this framework, and the asset sizes of December 2006, in the Turkish banking sector, the share of "public" capital is 28% and the share of "private" capital is 36%. On the other hand, according the calculations made regarding the banks of which stock transfer process is over by March 2007 and considering the new foreign capital investments made in different rates, the proportional share of the foreign capital within the Turkish banking system is 22.4%. When the stocks holding by foreign residents (13.6% stock market shares) are added to this rate, the total foreign capital share becomes 35.9%.

2.2.2. Performance Indicators

2.2.2.1. Financial Deepening

When the development of financial deepening indicators in the period of 2002-2006 is analyzed, it is seen that the deepening is significantly increased, and that the banking sector executed its intermediation function more effectively within this period. When the financial deepening indicators are compared to the ones of EU member countries, it is seen that they remain low and show that the Turkish banking sector has a high potential for growth.

Chart2.2-1: Financial Deepening



2.2.2.2. Financial Soundness

The financial soundness indicators are composed within the aim of monitoring and evaluating the probable vulnerabilities and strong aspects of the banking sector. These indicators are monitored for whole sector and peer groups.

It is seen that the total banking sector has a high level capital and working with a CAR highly above the prudential limits, and that its free capital is still increasing. The ratio of non-performing loans to gross loans, an important indicator of the asset quality, decreased by one points. A positive movement is occurred in the profitability indicators in 2006, the share of 41 banks which realized profits within the total assets is more than 99%. Prudential approach to the exchange risk is continued throughout the sector.

Table 2.2-4 : Financial Soundness Indicators of the Total Banking Sector

%	2005	Mar.06	June06	Sept.06	Dec.06
Capital Adequacy Standard Ratio	23.7	23.1	18.4	20.3	22.3
Tier I Capital/Risk Weighted Assets	24.3	23.2	20.2	21.4	21.6
Free Capital/Total Own Funds	65.7	67.0	63.4	65.7	72.6
FX Net General Position /Own Funds	-0.2	-1.6	-1.2	0.3	0.5
NPLs/Gross Loans	4.8	4.5	3.8	3.8	3.8
Consumer Loans/Total Loans	31.1	32.0	31.6	31.9	32.3
Assets/ Liabilities with a Maturity up to 3 Months	48.6	45.4	42.3	43.5	47.4
Banks Making Profits	45/51	41/51	35/51	39/51	41/50
Assets of the Banks Making Profits/ Total Assets	93.9	99.1	92.2	98.9	99.4
After-Tax Return on Assets (ROA)	1.7	1.7	1.7	2.4	2.5
After-Tax Return on Equity (ROE)	10.9	11.4	13.1	18.1	19.2
Net Interest Income After Provision/Total Gross Income (1)	30.8	27.4	26.0	26.7	26.9
Non-Interest Income/Non-Interest Expenses	52.0	79.4	101.8	88.6	79.3

(1) Total Gross Income= Interest Income+ Non-Interest Income

It is thought that monitoring of the financial soundness indicators by their function groups is necessary for the comparative analysis. For this purpose, financial soundness indicators by peer groups are presented below.

A small rate decrease is occurring in the CAR of deposit banks due to the fluctuation of the last year's second quarter, but also the said ratio is still highly above the prudential limits. 2006 has been a year in which profitability increased, exchange rate risk managed successfully in general, and the share of consumer loans within the total loans is increased while the share of nonperforming loans to gross loans decreased for deposit banks.

Table 2.2-5 : Financial Soundness Indicators of Deposit Banks

%	2005	Mar.06	Jun.06	Sep.06	Dec.06
Capital Adequacy Standard Ratio	21,6	21,1	16,3	18,1	20,0
Tier I Capital/Risk Weighted Assets	22.4	21.3	18.3	19.4	19.3
Free Capital/Total Own Funds	62.1	63.5	58.5	61.4	69.1
FX Net General Position /Own Funds	-0.5	-2.1	-1.6	0.2	0.5
NPLs/Gross Loans	4.9	4.6	3.8	3.8	3.8
Consumer Loans/Total Loans	31.8	32.7	32.7	33.0	33.4
Assets/ Liabilities with a Maturity up to 3 Months	47.9	44.6	40.9	42.3	46.4
Banks Making Profits	30/34	28/34	23/34	27/34	28/33
Assets of the Banks Making Profits/ Total Assets	93.6	99.1	92	98.9	99.5
After-Tax Return on Assets (ROA)	1.5	1.5	1.5	2.3	2.4
After-Tax Return on Equity (ROE)	10.6	11.0	12.9	18.9	20.4
Net Interest Income After Provision/Total Gross Income (1)	30.1	27.1	25.9	26.2	26.3
Non-Interest Income/Non-Interest Expenses	51.1	74.8	94.2	85.0	77.3

(1) Total Gross Income = Interest Income +Non-Interest Income

It is seen that development and investment banks have a high capital base and the ratio of their NPLs to gross loans are below the sector average. It is significant that the profitability decreased in the said bank group in 2006.

Table 2.2-6 : Financial Soundness Indicators of Development and Investment Banks

%	2005	Mar.06	Jun.06	Sep.06	Dec.06
Capital Adequacy Standard Ratio	104.3	105.1	97.4	102.9	139.9
Tier I Capital/Risk Weighted Assets	99.3	101.7	94.8	100.0	138.8
Free Capital/Total Own Funds	92.5	92.5	93.4	93.7	94.2
FX Net General Position /Own Funds	2.1	1.0	1.1	0.8	1.6
NPLs/Gross Loans	2.6	2.4	2.3	2.4	2.5
Consumer Loans/Total Loans	0.4	0.5	0.5	0.7	0.8
Assets/ Liabilities with a Maturity up to 3 Months	155.1	195.1	321.9	242.1	263.8
Banks Making Profits	11/13	9/13	8/13	8/13	9/13
Assets of the Banks Making Profits/ Total Assets	99	98.5	92.4	96.1	95.7
After-Tax Return on Assets (ROA)	5.8	6.6	6.1	5.6	5.2
After-Tax Return on Equity (ROE)	10.9	12.8	12.0	11.0	9.7
Net Interest Income After Provision/Total Gross Income (1)	59.0	41.9	44.5	51.2	52.4
Non-Interest Income/Non-Interest Expenses	89.6	213.4	168.1	123.4	99.0

(1) Total Gross Income = Interest Income +Non-interest Income

There was a significant increase in CAR of participation banks last year. The share of consumer loans in loans portfolio increased in the first half of the year while it decreased in the second half. Although it is thought that 4 banks in the group made profit last year but there was not a significant recovery in their profitability indicators, the fact that non-interest income increased to a level to meet whole of non-interest expenditures is considered as a positive development.

Table 2.2-7 : Financial Soundness Indicators of Participation Banks

%	2005	Mar.06	Jun.06	Sep.06	Dec.06
Capital Adequacy Standard Ratio	12.5	12.2	14.1	14.8	16.5
Tier I Capital/Risk Weighted Assets	12.7	12.4	14.2	14.8	16.7
Free Capital/Total Own Funds	69.6	73.3	78.2	79.7	79.6
FX Net General Position /Own Funds	4.8	3.1	0.7	0.8	-4.1
NPLs/Gross Loans	4.6	4.4	4.2	4.1	3.8
Consumer Loans/Total Loans	13.6	15.2	14.7	13.8	12.3
Assets/ Liabilities with a Maturity up to 3 Months	48.0	43.5	46.1	48.3	47.1
Banks Making Profits	4/4	4/4	4/4	4/4	4/4
Assets of the Banks Making Profits/ Total Assets	100	100	100	100	100
After-Tax Return on Assets (ROA)	3.0	2.9	3.2	3.3	2.9
After-Tax Return on Equity (ROE)	26.3	26.4	23.9	25.0	25.3
Net Interest Income After Provision/Total Gross Income (1)	29.2	19.1	15.9	21.8	24.4
Non-Interest Income/Non-Interest Expenses	57.0	97.3	254.0	155.2	112.7

2.2.2.3. Productivity Indicators

Generally accepted ratios are used to monitor the development of the productivity of the sector. Within this context, the importance of productivity is increased by the impact of the increasing competition in sector general. Although it is seen that policies to reduce operating cost are continued, the share of personnel expenditures in operating costs increased due to the organic growth of the sector in 2006. By also the positive impact of the growth experienced in loan portfolio in sector general, the ratio of commission income to cover operating costs increased.

Table 2.2-8 : Productivity Indicators of Banking Sector

%	2005	Mar.06	Haz.06	Eyl.06	Ara.06
Total Operating Costs /Total Income (1)	65.5	51.1	45.8	48.1	50.4
Personnel Expenditures /Total Operating Costs	28.9	35.8	35.4	36.4	36.0
Commission Income /Total Operating Costs (2)	35.5	45.6	45.6	46.4	46.0
Net Interest Income /Total Income	64.8	58.5	51.5	56.0	58.7

(1) Total Operating Costs = Non-interest Expenditures -General Provisions; Total Income = Net Interest Income +Non-interest Income,
(2) Commission Income = Commissions from Loans + Banking Services Income

When productivity indicators of deposit banks are analyzed, it is seen that the policies for reducing the share of operating costs in total income in the sector are mostly originated by this bank group. Generally, productivity indicators of 2006 have a positive trend for deposit banks.

Table 2.2-9 : Productivity Indicators of Deposit Banks

%	2005	Mar.06	Haz.06	Eyl.06	Ara.06
Total Operating Costs /Total Income (1)	66.7	52.5	47.9	49.3	51.2
Personnel Expenditures /Total Operating Costs	28.3	35.6	35.1	36.2	35.8
Commission Income /Total Operating Costs (2)	35.4	46.4	46.0	46.8	46.6
Net Interest Income /Total Income	64.7	59.7	53.1	56.7	59.1

(1) Total Operating Costs = Non-interest Expenditures -General Provisions; Total Income = Net Interest Income +Non-interest Income,
(2) Commission Income = Commissions from Loans + Banking Services Income

It is thought that development and investment banks have a stagnant structure in terms of productivity indicators and did not experience a significant change during 2006.

Table 2.2-10 : Productivity Indicators of Development and Investment Banks

%	2005	Mar.06	Haz.06	Eyl.06	Ara.06
Total Operating Costs /Total Income (1)	31.0	23.5	26.7	29.1	32.6
Personnel Expenditures /Total Operating Costs	52.7	45.3	44.4	46.8	44.0
Commission Income /Total Operating Costs (2)	20.7	15.5	14.5	15.3	14.6
Net Interest Income /Total Income	71.9	48.6	53.7	63.3	67.0

Participation banks seems successful in especially rationalizing operating costs in 2006 but had a relatively low performance although there was a positive motion in the ratio of commission income to cover operating costs.

Table 2.2-11 : Productivity Indicators of Participation Banks

%	2005	Mar.06	Haz.06	Eyl.06	Ara.06
Total Operating Costs /Total Income (1)	76.8	57.4	28.5	40.0	49.3
Personnel Expenditures /Total Operating Costs	30.9	34.3	37.3	35.7	34.5
Commission Income /Total Operating Costs (2)	46.9	46.8	57.8	57.1	52.4
Net Dividend Income /Total Income	55.1	43.4	25.3	36.5	43.0

(1) Total Operating Costs = Non-dividend Expenditures -General Provisions; Total Income = Net Dividend Income +Non-dividend Income,
(2) Commission Income = Commissions from Loans + Banking Services Income

2.2.2.4. Development of Efficiency in Banking Sector

Efficiency is defined as the ratio of current values of input and output to their optimal values. In an efficient functioning banking system, competition helps intermediation costs to reduce while transparency increase and information flow is provided in the system. In the Turkish disinflation, fall in interest and inflation rates is experienced, since banks' income and expenditures depending on nominal interest rates decreased, increase of net non-interest income and keep efficiency in activities are important for the maintaining profitability. Within this context, practices for increasing the efficiency such as decreasing operational cost, expansion/improvement of product and service network increases the survival of banks in such a competitive environment.

Development of efficiency of deposit banks operating in banking sector during 2002-2006 are analyzed through data envelopment method.[3]

Efficiency analysis is made according to the three approaches and selected inputs and outputs for these approaches are given below table.

Table 2.2-12 : Inputs and Outputs

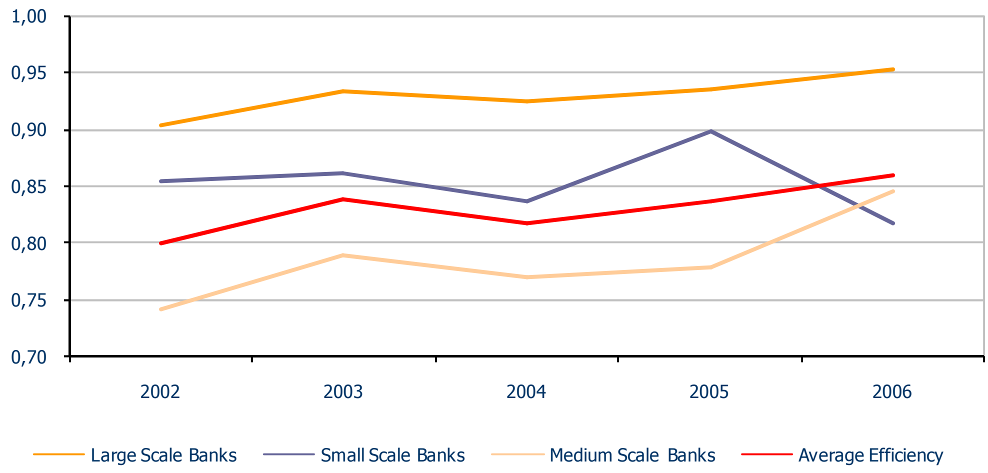
Approach	Input	Output
Production Approach	1. Personnel expenditures / Total assets 2. Non-interest expenditures other than personnel expenditures / Total assets 3. Number of personnel per branch	1. Total deposits / Total assets 2. Total loans/ Total assets
Profit Approach	1. Personnel expenditures / Total assets 2. Non-interest expenditures other than personnel expenditures / Total assets	1. Interest income/ Total assets 2. Non-Interest income / Total assets
Intermediation Approach	1. Deposit / Total assets 2. Non-deposit foreign resources / Total assets, 3. Interest expenditures/ Total assets, 4. Non-interest expenditures / Total assets	1. Total loans / Total assets 2. Interest income / Total assets

In the measurement of efficiency input orientated approach was selected, and variable returns to scale is assumed. In and after 2002, improvement is observed in efficiency performance. Efforts to restructure banking sector and the disinflation environment are

[3] Further information on data enveloping may be find in Berger, A. and Humprey, D.Humprey (1997), "Efficiency of Financial Institutions: International Survey and Directions for Future Research", Wharton School, Financial Institutions Center, Working Paper Nr:97-05. Data envolopment analysis in this study is made by using intermediation approach, further information as well as input and output may be find in the previous version of the study which is Y.T.Kaya and E.Doğan (2005), "Development of Efficiency in Turkish Banking Sector in Disinflation Period", BRSA Research Department Working Reports 2005:10.

effective in this situation. According to scale sizes[5] big-scale banks are observed to operate more efficiently. Efficiency values of medium-scale banks had a fluctuating motion and decreased in 2006 while efficiency of small-scale banks increased.

Chart2.2-2: Efficiency According to Scale Sizes



2.2.2.5. Banking Sector Capacity Indicators

Capacity indicators of the banking sector are created by using personnel, branch and per person development in the sector. Accordingly, it is thought that the increase of per bank values points out the capacity increase in the sector.

Table 2.2-13 : Capacity Indicators

	2005	Mar.06	Jun.06	Sep.06	Dec.06
Asset per Bank, TRY Million	7,979	8,288	9,167	9,288	9,993
Branch per Bank	129	131	137	139	146
Number of Personnel per Bank	2,720	2,750	2,857	2,907	3,016
ATM per bank	291	295	304	314	330
Asset per One Branch, TRY Million	62.0	63.1	66.9	66.6	68.5
Number of Personnel per One Branch	21	21	21	21	21
1000 person per Bank	1,413	1,417	1,422	1,426	1,459
Person Per One Branch	10,972	10,795	10,376	10,227	10,002
Person Per One Bank Personnel	519	515	498	491	484

2.2.2.6. Banking Sector Performance Index

Developments experienced in 2006 relating to Banking Regulation and Supervision Agency Performance Index (BRSA-PI) in order to monitor the performance of the banking sector is as follows.

[5] According to scale, the large banks' asset share are 5% and above, medium banks' are 5%-1% and small banks' are under 1% in the sector.

- BRSA-PE completed 2004 and 2005 over its base period, December 2003, decreased below its base level by the impact of the fluctuations experienced in May and June 2006, had a stable increase in the second half of the year.
- Of the index components, profitability had a positive trend over its base value during 2006. The facts that the sector carried out the intermediation function in an efficient manner and accordingly the increase in commission and interest income as well as the rationalization of operational costs had effects on this development.
- Similarly, 2006 was a positive year in terms of asset quality. Increase of loans/deposit ratio due to the decrease in fixed assets of the sector, decrease in the ratio of NPLs to gross loans and the expansion in loan portfolio was effective in this development.
- The sector had a good performance in fx risk administration in the second half of the year.
- Banks preferences to stay liquid in short-term decreased due to the the increase in nominal interest rates in the first half of 2006 while their preferences to stay liquid increased in the second half.
- While own fund adequacy had a fluctuative motion in, it had a better performance in the last quarter of the year.
- Index value of private banks which decreased by the impact of financial fluctuation experienced in the first half of the year had a stable increase in general in the second half of the year. Performance index value of state banks went beyond its base value in the last four months of the year.

Chart2.2-3: Banking Sector Performance Index

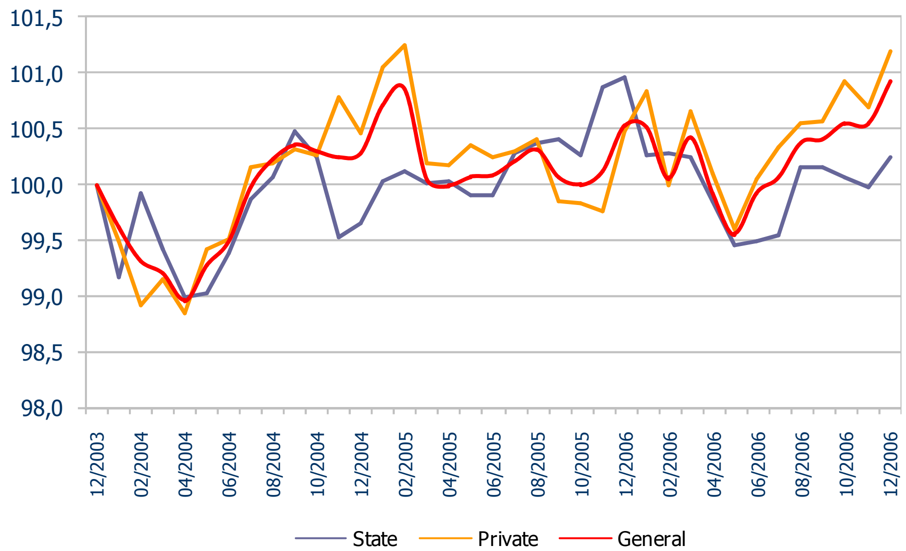


Table 2.2-14 : Banking Sector Performance Index

	PI	Liquidty	Equity	Exchange Rate Risk	Profitability	Asset Quality
12/2003	100.0	100.0	100.0	100.0	100.0	100.0
12/2004	100.3	100.6	99.6	100.1	99.8	101.3
12/2005	100.5	102.2	99.5	99.8	98.6	102.4
01/2006	100.5	100.2	99.9	99.4	100.7	102.4
02/2006	100.1	100.1	99.9	97.5	100.3	102.5
03/2006	100.4	100.7	99.6	98.3	100.9	102.6
04/2006	99.9	99.5	99.4	97.4	100.7	102.6
05/2006	99.6	98.9	97.9	97.6	100.5	102.8
06/2006	99.9	99.3	97.6	99.2	100.5	103.0
07/2006	100.1	99.1	98.3	99.2	100.6	103.1
08/2006	100.4	99.7	98.7	99.6	100.9	103.1
09/2006	100.4	99.8	98.6	99.8	100.8	103.1
10/2006	100.5	100.1	99.3	99.3	100.9	103.2
11/2006	100.5	99.6	99.4	99.9	100.7	103.3
12/2006	100.9	101.4	99.2	100.1	100.5	103.3

2.2.2.7 Development of Banks' Credit Rating

It is seen that 14 banks out of 50 banks operating in Turkey ere not assigned credit ratings from an international rating institutions by December 2006. More than half of those banks are development and investment banks. Share of banks which do not have rating grade in total assets is 2.5% as of end- 2006.

Table 2.2-15 : Banks Having Credit Rating

	S&P	Fitch	Moody's	Banks not Having Credit Rating
Deposit	16	27	22	5
Development and Investment	2	4	3	8
Participation	-	3	-	1
Total	18	34	25	14

PS: Credit ratings are as of March 21, 2007 and taken from the internet pages of credit rating institutions.

In order to make comparison of the grades of different rating institutions, linear transformation is made from the highest grade to the lowest one (See Annex Table 2.2-3). Accordingly, grades of banks operating in Turkey are as follows. According to the table, the grades granted by S&P and Fitch are in and over the country point level while the grades granted by Moody's are concentrated below the country grade.

Table 2.2-16 : Number of Banks As to Their Numerical Grades

Numerical Grades	S&P	Fitch	Moody's
6	-	2	-
7	-	4	-
8	-	1	15
9	8	7	-
10	1	8	-
15	1	1	-
16	1	1	1
17	1	1	2
18	4	5	2
19	1	3	2
20	1	1	1
21	-	-	2

Source: S&P, Ficth Ratings, Moody's

PS: Grades given by S&P which is a rating company are credit rating, grades given by Moody's long term bank deposits rating, grades given by Fitch are given as long term rating. Numerical correspondence of country rating of Turkey is 10 for S&P, 9 for Moodys and Fitch.

When average numerical grades of banks are evaluated by function groups, it is seen that average grade of development and investment banks is relatively high while grades of participation banks are below the sector average. Especially the fact that rating grades of foreign banks are above the investable level are effective for the increase of sector average.

Table 2.2-17 : Average Numerical Grades

	S&P	Fitch	Moody's
Deposit	13	12	12
Development and Investment	14	14	15
Participation	-	8	-
Average	13	12	12
Grade of Turkey	10	9	9

Source: S&P, Ficth Ratings, Moody's

2.2.2.8. Developments in Intermediation Costs

The table relating to the measurement of fiscal liabilities faced during the process of granting the deposit collected from depositors to the investors as loan in banking sector is as follows. As seen in the table, fiscal liabilities increased as a result of the increase of nominal interest rates experienced in the second quarter of the year indirectly although there was no change in tax rates in the calculation.

Table 2.2-18 : Developments in Intermediation Costs

(%)	2003	2004	2005	06/2006	09/2006	12/2006
(a) Net interest paid to depositor (c-b)	30.9	19.0	16.4	15.9	17.0	17.6
(b) Tax paid by depositor (point)	6.6	4.1	3.7	3.5	3.7	3.8
(c) Interest paid by Bank	37.5	23.1	20.1	19.4	20.7	21.4
(d) Public liability on deposit (point)	1.6	1.3	1.1	1.1	1.2	1.2
(e) Loan interest rate (c+d)	39.1	24.4	21.2	20.5	21.9	22.6
(f) Tax paid by loan customer (point)	5.3	1.6	1.3	1.2	1.3	1.4
(g) Total loan cost over client (e+f)	44.4	26.0	22.5	21.7	23.2	24.0
(h) Interest margin (point) (g-a)	13.5	7.0	6.1	5.9	6.2	7.0
(i) Share of public liability in total loan cost (h/g)	30.4	26.9	27.2	27.0	26.8	29.2

(a) Net interest rate the depositor obtains subsequent to the reduction of public liabilities in the said period.
(b) Public liabilities on savings owners which are taken as income tax withholding, private transaction tax.
(c) 1-month matured annual TRY deposit interest rate granted by bank to the depositor.
(d) Public-featured payments comprised of the SDIF premium on funds collected from depositors by banks, participation to BRSA expenditures, liquid position and legal provisions liabilities.
(e) Loan interest rate calculated by bank through assuming profit and operational margins as zero.
(f) Public liabilities such as banking Sector Transaction Tax, Resource Utilization Fund Support, stamp duty on corporate loan customer as well as corporate tax paid over taxes due to expenditure restriction are added and cost reducing impact of deduction of taxes which are assumed as expenditure from tax base is taken into consideration.

2.2.3. Financial Statements Analysis

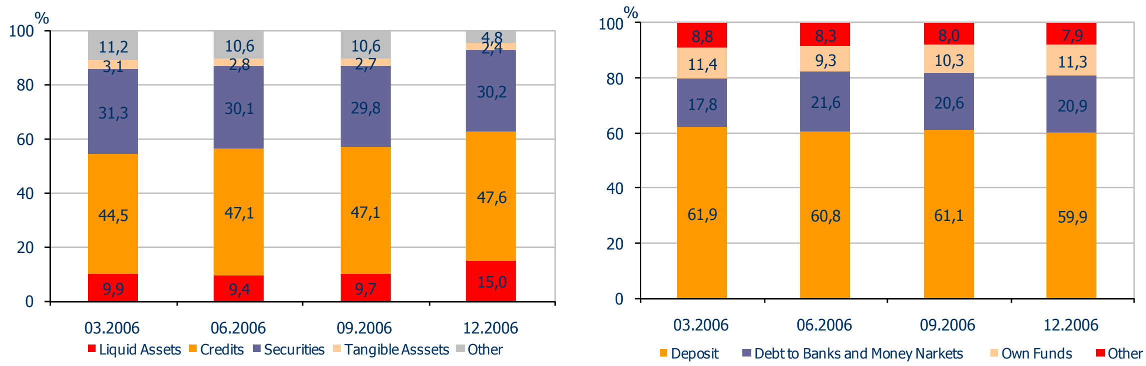
2.2.3.1 Consolidated Financial Statements[6]

Information and analysis relating to consolidated financial statements prepared by banks pursuant to Articles 38 and 39 of the Banking Law NR. 5411 and reported to the BRSA as of March, June, September and December reported by banks in this section are included in this section. Consolidated Financial Statements are defined as " financial statements in which financial statements of a group is presented as if it is a single enterprise" in the Communiqué on Turkey Accounting Standard Relating to Consolidated and Solo Financial Statements and it is stated that the mentioned statements shall cover all affiliates of the parent company.

When consolidated balance sheet of the banking sector is analyzed as of September 2006, it is seen that asset size thereof decreased by 1% when compared to the second quarter of the year to TRY 399 billion. In the second quarter of the year, FX assets (share of which in total assets increased by the impact of the fluctuations experienced in Exchange rates) had a reverse development in the third quarter and the share of FX assets in total decreased by 1,8 points to 39,7% when compared to the previous period.

The increase in the share of loans which is observed as the most evident development in asset structure of the sector in recent years is basically observed in consolidated financial statements as well. However, the mentioned tendency decelerated due to the negative effect of the fluctuation experienced in May-August 2006 and the share of loans in total consolidated asset is realized as 47.1% in the third quarter.

Chart 2.2-1: Asset and Liability Composition



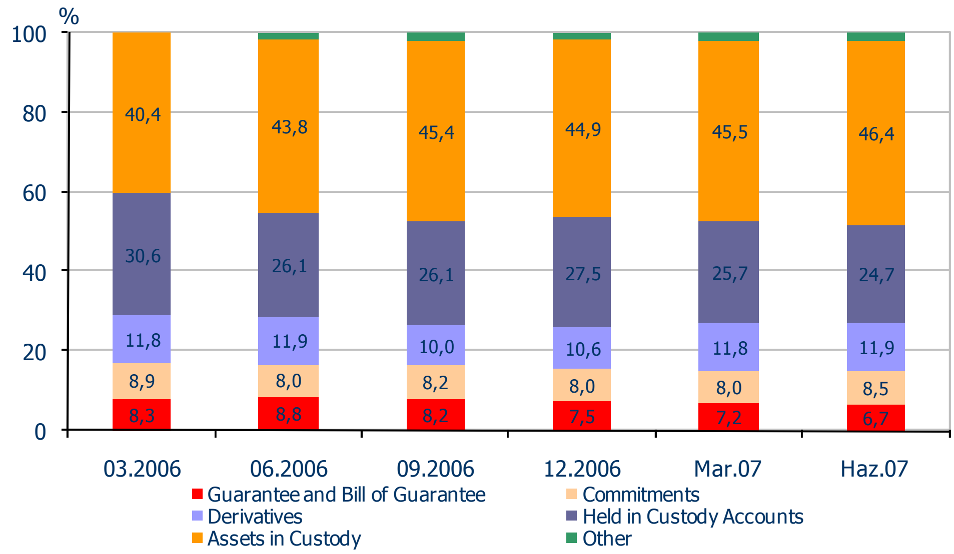
[6] Data included in this section was collected from the forms included in the reporting sets belonging to Development and Investment Banks and Deposit Banks. Consolidated financial statements of Participation Banks are not included.

When the liability of consolidated balance sheet is analyzed, it is observed that the share of FX liabilities in total liabilities decreased by 1.3 points to 44.7% by September. The major factor in the mentioned decrease is the decrease experienced in the nominal exchange rates in this period.

When the consolidated balance sheet of the banking sector is analyzed, it is seen that, as of September 2006 the off-balance sheet transactions have increased by 2.5% when compared to June 2006 to TRY 868.9 billion. In the said period, the increase by 7 points in the ratio of off-balance sheet transactions to the balance sheet size is remarkable.

When the structure of off-balance sheet transactions is analyzed, it is observed that the mortgaged assets have the biggest share by 45.4%. The share of the mentioned item has increased by 5% when compared to March 2006 and by 1.6% when compared to June 2006. Meanwhile, the shares of derivative financial instruments as well as guarantees and bails items in off-balance sheet transactions decreased by 1.9% and 0.6% respectively in September 2006, when compared to the previous period.

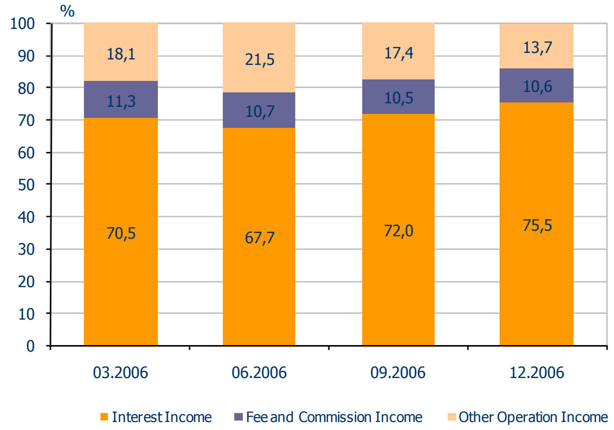
Chart 2.2-2: Off-Balance Sheet Transactions

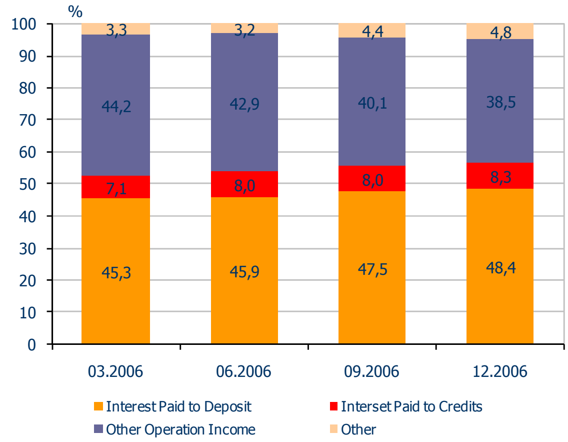


When consolidated profit/loss statement of banking sector is analyzed, it can be observed that net period profit increased by 61% to TRY 5.8 billion as of September when compared to June. The asset profitability increased to 1.9% in September from 1.8% in June due to the decrease in assets. On the contrary, the own funds profitability decreased from 19.2%to 18.3% in the same period.

When the structure of income statement is analyzed, the share of Other Activity Incomes in total incomes decreased in June-September period and in parallel, the share of Interest Income in total income increased by 4.3%. It can be observed that the said change was emanated from the fact that interest income has shown a more rapid increase when compared to Other Activity Income as a result of May-June fluctuation. Therefore, the share of interest accrued on deposits in total expenditures increased but other activity expenditures decreased by 2.8% in June-September period.

Chart 2.2-3: Income Statement Composition





2.2.3.2. Flow of Funds

When September-December 2006 flow of fund is evaluated, it is seen that an increase amounting to TRY 30,4 billion is realized in total fund inflows to banking sector. In this period, 42,2% of the increase in reallocated funds is sourced from the increase in deposits and 14,9% thereof is sourced from the increase in various liabilities. Furthermore, provisions increased by TRY 1,1 billion in September-December period. This amount corresponds to 7.2% of the total increase realized in funds.

When the areas in which those funds are used in this period is analyzed, it is seen that receivables from banks and other financial institutions comprises 39,6% of the change in total placement. This item is followed up by loans by 34,4%. Although the placement share of securities portfolio in total resources increased when compared to the previous period, placement trend of total funds in favor of loans also continued in the last quarter of the year. The change in securities comprises 4,4% of the change in total placement in the said period. There is an increase in whole of liability items in the last quarter of the year. In this period, the increase in deposit volume kept its weighted position in total increase (42,2%). 14,9% of total usable fund increase sourced from the increase in other various liabilities item. The share of equity increase is 6,3%.

Table 2.2-19 : Banking Sector Flow of Funds

September 2006- December 2006 Fund Flows –TRY Million					
	Total	Percentage		Total	Percentage
Asset Increases	30,351	100,0	Asset Decreases	4,299	14.2
Cash Assets	1,270	4.2	Subsidiaries (net)	3,371	11.1
Receivables from Banks (including CBRT, Money Markets)	12,014	39.6	Leasing Receivables	54	0.2
Securities Portfolio (net)	1,345	4.4	Legal Provisions	873	2.9
Loans	10,443	34.4			
Fixed Assets (net)	207	0.7			
NPLs (net)	25	0.1			
Various Receivables	272	0.9			
Interest (Dividend) and Incom. Acc. And Redis.	3,136	10.3			
Other Assets	1,638	5.4			
Liability Decreases			Liability Increases	26,052	85.8
			Funds	147	0.5
			Taxes, Duties, Charges and Premium Payable	114	0.4
			Deposit (Funds Collected)	12,803	42.2
			Debts to Banks (Including CBRT, Money Markets)	2,314	7.6
			Various Liabilities	4,511	14.9
			Leasing Liabilities (net)	53	0.2
			Interest (Dividend) and Exp. Rediscounts	537	1.8
			Provisions	2,191	7.2
			Tier-II Capital	111	0.4
			Equities	1,918	6.3
			Other Foreign Resources	1,353	4.5
Total	30,351	100.0	Total	30,351	100.0

Asset Structure

Asset size of the banking sector was realized as TRY 499.7 billion in the last quarter of the year. According to the real calculation made by using PPI with 2003=100 base year, total asset size is seen to be increased by 5.5% in the last quarter of the year. When considered by functional groups, share of deposit, development and investment as well as participation banks in total assets did not change in the last quarter when compared to the previous period. Additionally, share of FX assets in total assets did not change as well and realized as 33.2%.

Table 2.2-20 : Asset Structure by Groups

	TRY Billion					% Pay				
	Dec.05	Mar.06	Jun.06	Sep.06	Dec.06	Dec.05	Mar.06	Jun.06	Sep.06	Dec.06
Deposit B.	384,1	399,0	440,4	446,3	470,6	94.4	94.4	94.2	94.2	94.2
-TL	262,6	277,2	288,4	295,9	312,3	68.4	69.5	65.5	66.3	66.4
-FX	121,5	121,8	152,0	150,4	158,3	31.6	30.5	34.5	33.7	33.6
Dev and Inv.B.	12,9	13,4	14,8	14,7	15,3	3.2	3.2	3.2	3.1	3.1
-TL	8,7	9,2	9,7	9,9	10,5	67.7	68.7	65.4	67.3	68.4
-FX	4,2	4,2	5,1	4,8	4,8	32.3	31.3	34.6	32.7	31.6
Participation B.	9,9	10,2	12,3	12,7	13,7	2.4	2.4	2.6	2.7	2.7
-TL	8,4	8,9	10,7	10,6	11,2	84.8	87.6	86.8	83.4	81.8
-FX	1,5	1,3	1,6	2,1	2,5	15.2	12.4	13.2	16.6	18.2
TOTAL	406,9	422,7	467,5	473,6	499,7	100.0	100.0	100.0	100.0	100.0
-TL	279,7	295,4	308,8	316,3	334	68.7	69.9	66.1	66.8	66.8
-FX	127,2	127,3	158,7	157,3	165,7	31.3	30.1	33.9	33.2	33.2

It is seen that banking sector tends from an asset structure which finances the public sector to a placement structure which prefers to finance companies and household, in parallel with the stability in economic activities and positive developments in other economic indicators. In recent years, there is a general increase trend in loans in asset structure of the sector. However, in the last quarter of the year, this trend slowed down by also the impact of domestic demand developments and the share of loans in total assets decreased in a very small rate when compared to the previous quarter. In this period, decreases occurred also in securities portfolio (SP). Securities portfolio of banking sector decreased by 0.9% in December 2006 when compared to September 2006 and realized as TRY 158.9 billion. Furthermore, the share of SP in total assets decreased by 1,5% in this period and realized as 31,8%.

As of December 2006, a relative increase is observed in liquid assets item (Cash Values, Receivables from the Central Bank, Receivables from Money Markets, Receivables from Banks). In addition, share of total of NPLs, subsidiaries, affiliated and jointly controlled partnerships as well as fixed assets which are in asset accounts decreased in a low level and other assets increased in this period.

Chart2.2-4: Asset Composition

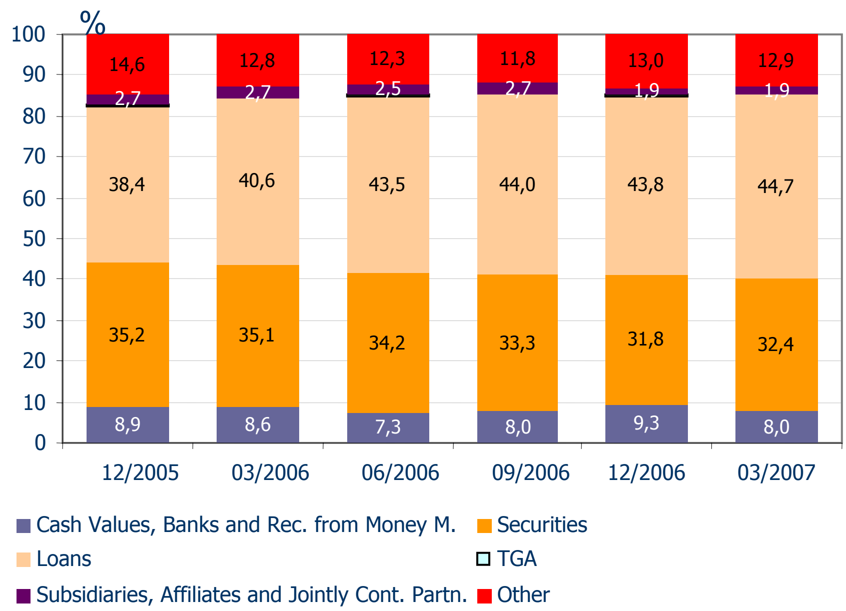


Table 2.2-21 : Securities Portfolio Structure by Groups

	TRY Billion						Share (%)					
	Dec.05	Mar.06	Jun.06	Sep.06	Dec.06	Mar.07	Dec.05	Mar.06	Jun.06	Sep.06	Dec.06	Mar.07
Deposit B.	140.9	146.5	157.9	155.8	157.2	165.0	98.4	98.7	98.9	98.9	98.9	98.8
Held for Trading	16.8	17.4	17.5	17.1	14	13.7	11.9	11.9	11.1	11.0	8.9	8.3
Available for Sale	76.6	82.3	88.3	89.6	94.9	105.7	54.4	56.2	55.9	57.5	60.4	64.1
Held to maturity	47.4	46.8	52.1	49.1	48.3	45.6	33.6	31.9	33.0	31.5	30.8	27.7
Dev & Inv. B.	2.2	1.9	1.7	1.8	1.7	1.9	1.5	1.3	1.1	1.1	1.1	1.2
Held for Trading	0.5	0.7	0.6	0.4	0.3	0.3	22.7	36.8	35.3	20.9	16.1	15.2
Available for Sale	1.3	0.9	0.8	1.2	1.3	1.4	59.1	47.4	47.1	64.1	71.6	74.0
Held to maturity	0.3	0.3	0.3	0.3	0.2	0.2	13.6	15.8	17.6	14.9	12.3	10.9
Part. B. (TRY Million)	19.3	19.3	5.4	5.4	5.3	13.4	0.0	0.0	0.0	0.0	0.0	0.0
Held for Trading	1.6	1.6	0.6	0.9	0.9	2.1	8.3	8.3	11.1	15.7	16.5	15.9
Available for Sale	17.7	17.7	4.8	4.6	4.4	4.4	91.7	91.7	88.9	84.3	83.5	32.5
Held to maturity	-	-	-	-	-	6.9	-	-	-	-	-	51.6
TOTAL	143.12	148.42	159.61	157.61	158.91	180.3	100.0	100.0	100.0	100.0	100.0	100.0
Held for Trading	17.30	18.10	18.10	17.50	14.30	16.1	12.1	12.2	11.3	11.1	9.0	8.4
Available for Sale	77.92	83.22	89.10	90.80	96.20	111.5	54.4	56.1	55.8	57.6	60.5	64.2
Held to maturity	47.70	47.10	52.40	49.40	48.50	52.7	33.3	31.7	32.8	31.3	30.5	27.5

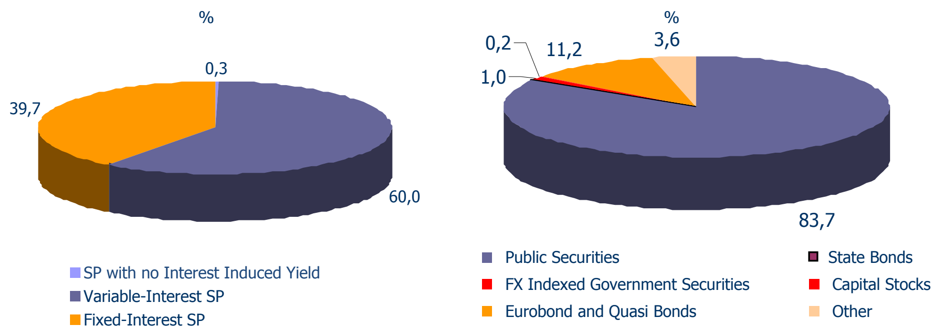
When the structure of SP by groups is analyzed, it is observed that deposit banks hold 98.9% of total securities portfolio. 9% of SP was constituted of Securities Held for Trading, while 60.5% was constituted of Securities Available for Sale. 30.5% of SP was constituted of Securities Held to Maturity.

Table 2.2-22: Distribution of Securities Portfolio by Types

	Dec05	Mar06	Jun06	Sep06	Dec 06			Dec06 % Share		
					TRY	FX	Total	TRY	FX	Total
Dep. Banks (TRY Billion)	140.8	146.4	157.7	155.6	111.8	45.3	157.2	71.2	28.8	100.0
Government Securities	138.0	144.0	155.1	152.6	105.9	45.3	151.1	67.4	28.8	96.2
Government Bonds	115.9	120.4	132.6	131.2	103.9	27.6	131.5	66.2	17.6	83.7
Treasury Bills	3.1	4.0	2.2	2.1	0.4	-	0.4	0.3	0.0	0.3
FX-indexed Bills	5.2	4.7	1.6	1.6	1.6	-	1.6	1.0	0.0	1.0
Eurobond	13.9	14.8	18.6	17.7	-	17.7	17.6	0.0	11.3	11.3
Stocks	0.8	0.6	0.6	0.3	0.3	0.0	0.3	0.2	0.0	0.2
Other	1.9	1.8	2.0	2.7	5.6	0.0	5.6	3.6	0.0	3.6
Dev. &Inv. Banks (TRY Billion)	2.2	1.9	1.7	1.8	1.3	0.4	1.7	75.5	24.5	100.0
Government Securities	1.9	1.8	1.7	1.7	1.2	0.4	1.6	71.9	20.9	92.8
Government Bonds	1.5	1.2	1.3	1.4	1.2	0.2	1.4	70.6	10.8	81.4
Treasury Bills	0.2	0.4	0.1	0.1	0.0	-	0.0	1.3	-	1.3
FX-indexed Bills										
Eurobond	0.2	0.2	0.2	0.2	-	0.2	0.2	-	10.0	10.0
Stocks	0.2	0.0	0.0	0.0	0.0	0.0	0.0	3.6	0.1	3.7
Other					0.0	0.0	0.1	-	3.5	3.5
Participation B. (TRY Million)	19.3	19.3	5.4	5.4	2.5	2.8	5.3	47.2	52.8	100.0
Stock	15.7	15.7	2.7	2.9	2.2	0.7	2.9	41.5	13.2	54.7
Inv. Fund Part. Certificate	1.6	1.6	0.3	0.3	0.3		0.3	5.7	0.0	5.7
P/L Part. Cert. Issued Abroad	2.0	2.0	2.4	2.2		2.1	2.1	0.0	39.6	39.6

When the distribution of SP is analyzed by groups, it is observed that the government securities continue to dominate structure. The total size of securities portfolio of deposit banks was TRY 157.2 billion, while government securities constitute 96.2% of the portfolio by TRY 151.1 billion. The share of stocks within the portfolio was at 0.2%. The size of securities portfolio of development and investment banks within the period in question was TRY 1.7 billion. 92.8% hereof was constituted of government securities by TRY 1.6 billion. The size of securities portfolio of participation banks was TRY 5.3 million. 54.7% of the portfolio was constituted of shares and 39.6% was constituted of Profit/Loss Partnership Documents issued in abroad.

Chart2.2-5: Securities Portfolio Structure



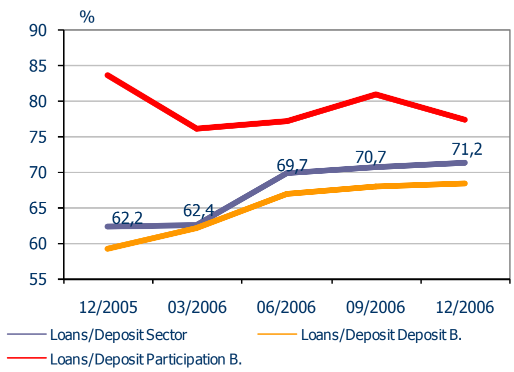
As of the last quarter of 2006, interest structure of total securities portfolio experienced no evident change and it is observed that 39.7% of the portfolio is constituted of fixed interest securities while 60% is constituted of variable interest securities. The share of securities with no interest yield was 0.3%. Moreover, 66.7% of SP as of December 2006 was constituted of TL-denominated securities while 33.2% was constituted FX-denominated securities.

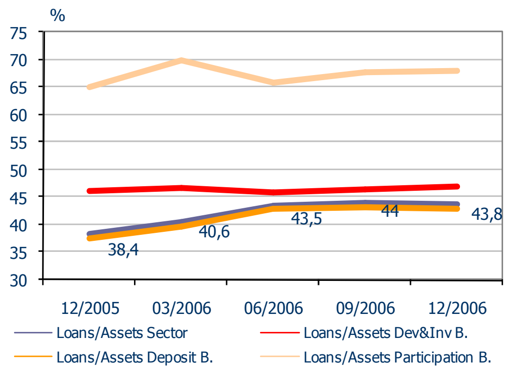
Table 2.2-23: Securities Portfolio Interest Structure

TRY Billion	Dec.05	Mar.06	Jun.06	Sep.06	Dec.06			Dec.06 % Share		
					TL	FX	Total	TL	FX	Total
Fixed-Interest	51.2	56.9	62.1	61.4	34.7	28.3	63.1	21.8	17.8	39.7
Variable-Interest	90.5	90.5	96.5	95.4	70.9	24.4	95.3	44.6	15.4	60.0
Not Dep. on Int. Rate	1.3	0.9	0.9	0.6	0.4	0.06	0.5	0.3	0.0	0.3
Total	143.0	148.3	159.5	157.4	106.0	52.8	158.9	66.7	33.2	100

As of December 2006, total loan volume increased by 5% when compared to September 2006 and amounted to TRY 218 billion. The share of loans within total assets decreased by 0.2 points and was realized as 43.8%. When the share of loans within total assets are considered by functional groups, it is observed that the decrease realized in loans within deposit banks by 0.3 points was determining in this development. Increases by 0.3 and 0.4 points were realized in participation banks and development and investment Banks groups, respectively.

Chart2.2-6: The Share of Loans in Total Assets and Loans/Deposits by Groups





When it is analyzed by loan volume types, it is observed that the share of retail loans constituted of credit cards and consumer loans within total asset followed a steady movement by 30% in 2006. Similarly, no significant change in the shares of major loan types is observed lately.

Chart2.2-7: Distribution of Loans by Types

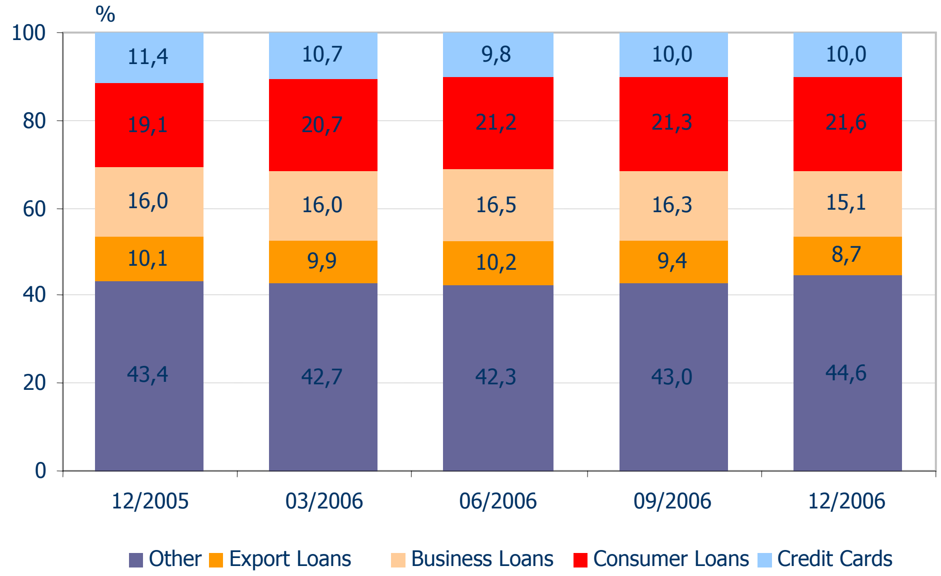
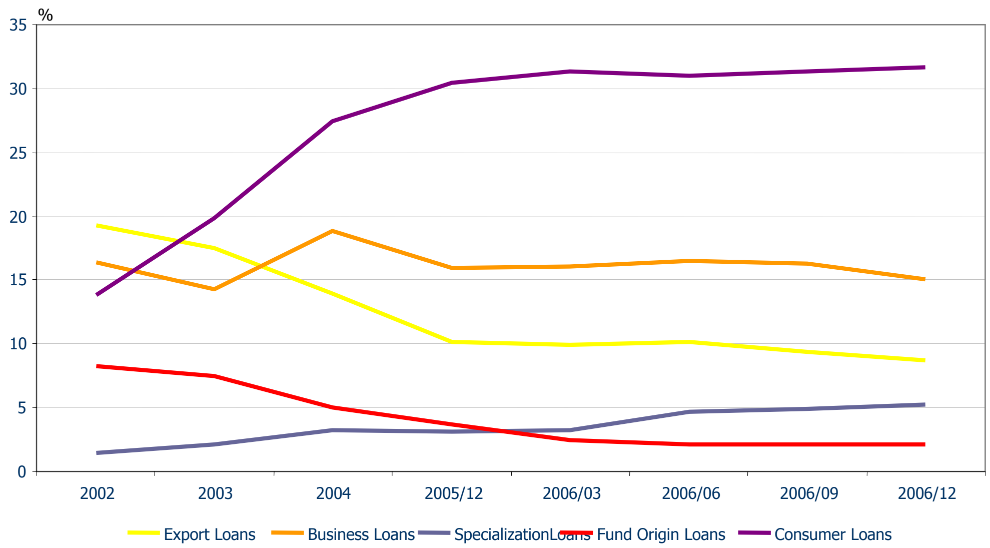
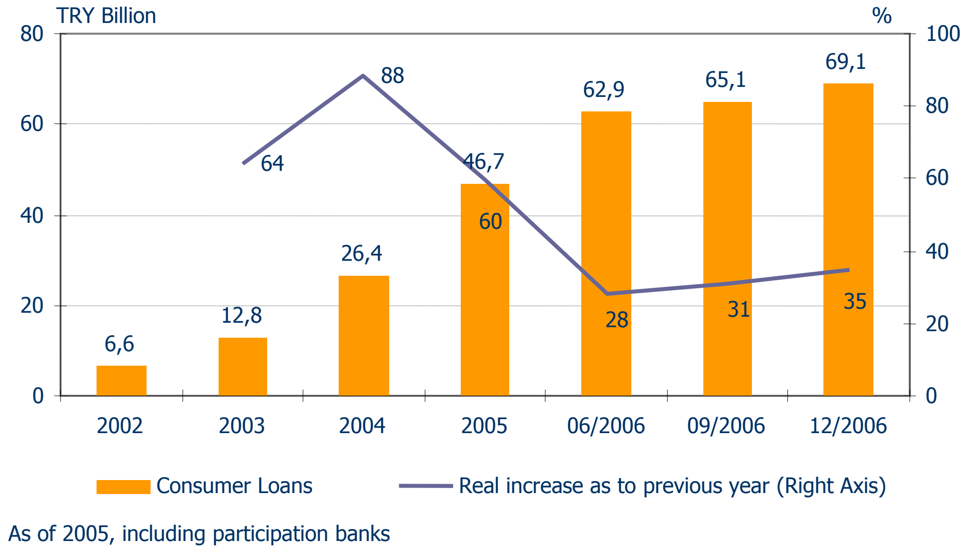


Chart2.2-8: Development of Loans by Types



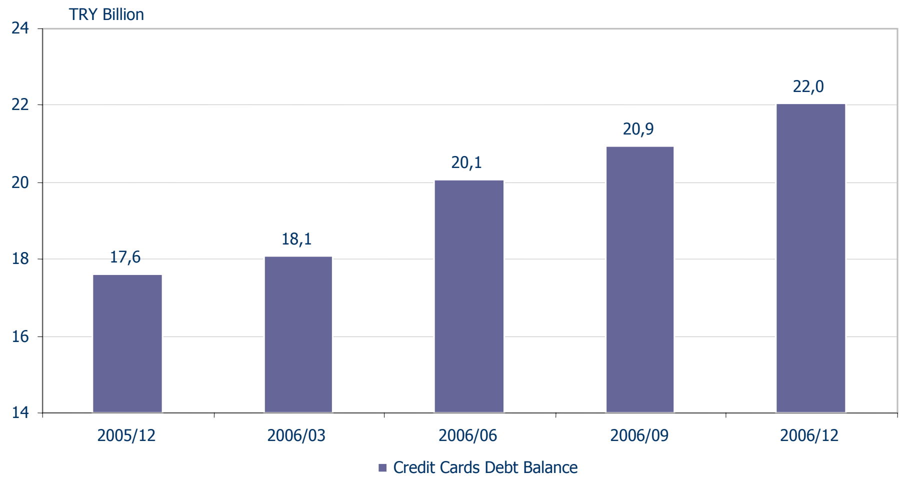
Retail loan volume was realized as TRY 69.1 billion as of December 2006. This figure is equivalent to a growth by 34.3% in real terms, when compared to end-2005. Housing loans have the biggest share within retail loans by 33.8%, followed by consumer credit cards, personal needs loans and vehicle loans by 31.2% 22.7% and 9.6%, respectively. The most rapidly growing item among consumer loans when compared to the previous year was personal needs loans with real growth rate by 63.8%, followed by housing loans and individual credit cards with real growth rate by 2.9% and 13.3%, respectively. Vehicle loans in the same period decreased in real terms by 6.1%.

Chart2.2-9: Development of Consumer Loans Volume



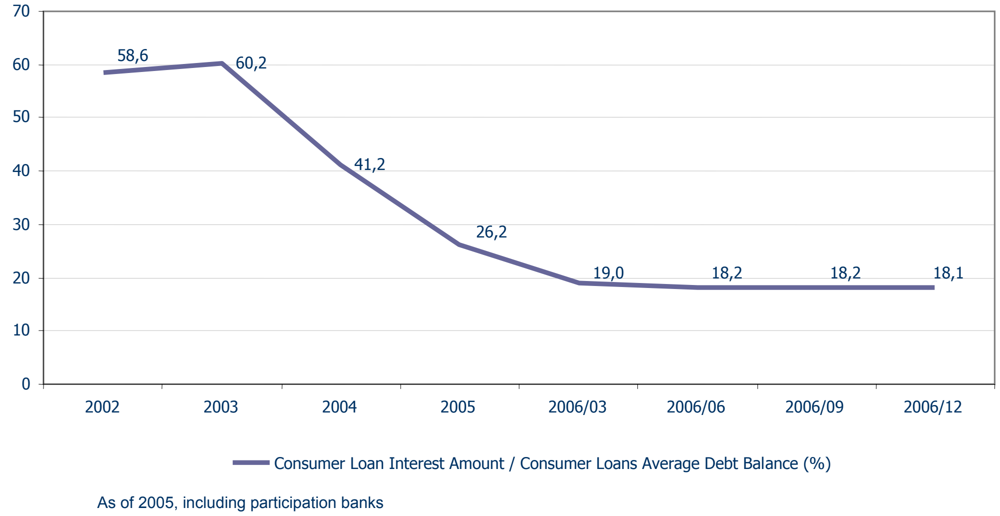
It is observed that the increase experienced in the credit card debt balance slowed down in recent years. As of December 2006, credit cards debt balance which increased in real terms by 14.6%, when compared to end-2005 amounted to TRY 22 billion (Chart 2.2-13).

Chart2.2-10: Development of Credit Cards Debt Balance



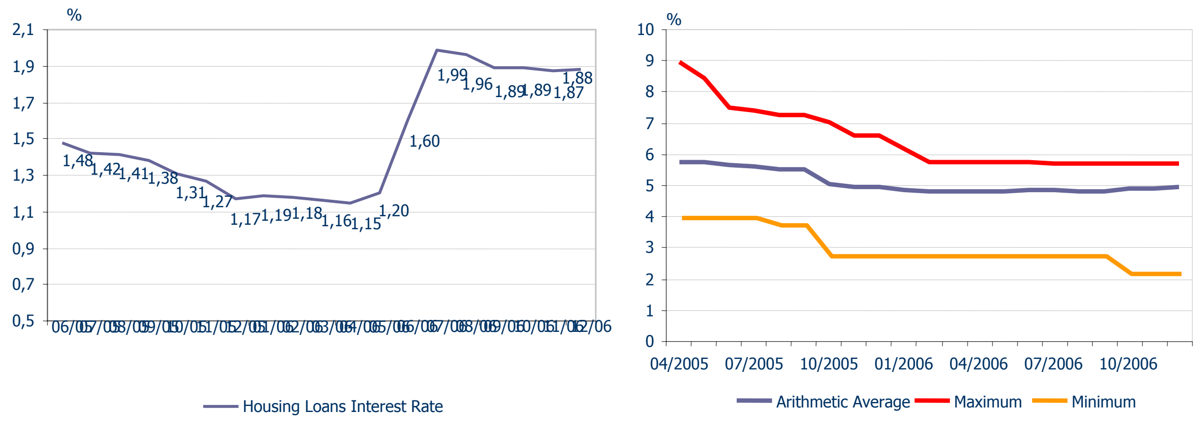
The decrease experienced effective consumer loan burden which is of importance in household financing balance maintained, yet limited, as of December 2006. As it can be seen in the Chart 2.2-14, “the ratio of consumer loan interest payments to average consumer loan debt balance” decreased slightly by 18.1% from 18.2% in September 2006. The decreasing interest burden against consumer interest rates which increased remarkably in mid-year designates that the weight of consumer loans obtained at preceding low interest rates in total consumer loans maintain. It can be foreseen in following months that the interest burden increases relatively by paying these debts.

Chart2.2-11: Consumer Loans' Interest Burden



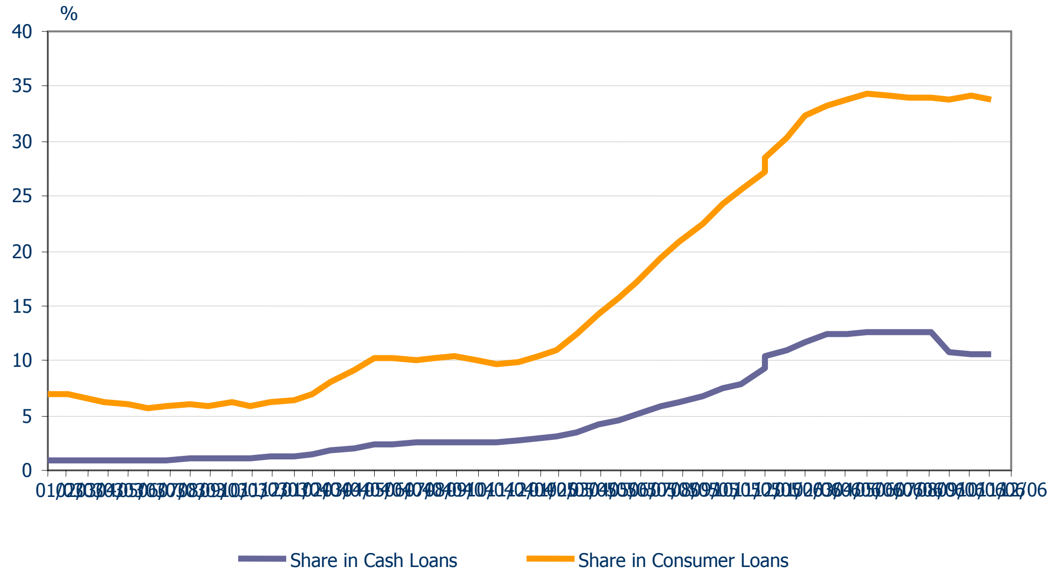
On the other hand, housing loans average interest ratio which had a tendency to decrease until May 2006 amounted to 1.99% in July. Housing loans average interest rate, which decreased slightly afterwards and realized 1.88% as of December (Chart 2.2-15).

Chart2.2-12: Housing Loans and Credit Cards Monthly Interest Rates



The horizontal movement experienced in credit cards interest rates in the first half of 2006 maintained. Arithmetic average of credit cards interest rates was realized as 4.97%, as of December (Chart 2.2-15).

Chart2.2-13: Share of Housing Loans in Cash Loans and Retail Loans



As a result of macroeconomic indicators improved, it is observed that the increase speed of housing loans, which experienced a rapid increase in 2005, decreased in the second half of 2006. As it is seen in the Chart 2.2-19, in parallel with the increase observed in loan interest rates in recent months, the share of housing loans in cash loans and retail loans followed a horizontal movement.

In Table 2.2-24, presented developments in housing loans. As of December 2006, the share of housing loans in total assets was realized as 4.7%. Supply and demand for housing loans are considered in current market conditions to remain under pressure for a while, leading the volume of housing loan increase in a low speed in short-term.

Table 2.2-24 : Housing Loans

Period	Housing Loans TRY Million	Increase as to End of Previous Year %	Share in Total Assets %	Share in Total Loans %	Housing Loans Under Follow-Up TRY Million	Ratio of NPL * %	Provisions Made to Housing Loans TRY Million
Dec.02	460	-	0.2	0.9	11	2,3	4
Dec.03	786	70.9	0.3	1.2	10	1,2	5
Dec.04	2,631	234.8	0.9	2.7	14	0,5	11
Dec.05	12,407	371.5	3.1	8.4	16	0,1	13
Mar.06	17,039	37.3	4.3	11.4	20	0,1	13
Jun.06	21,551	73.7	4.6	12.6	26	0,1	19
Sep.06	22,183	78.8	4.7	12.5	37	0,2	29
Dec.06	23,377	88.4	4.7	10.7	56	0,2	42

* Gross NPL / (Live Loans+ Gross NPL)

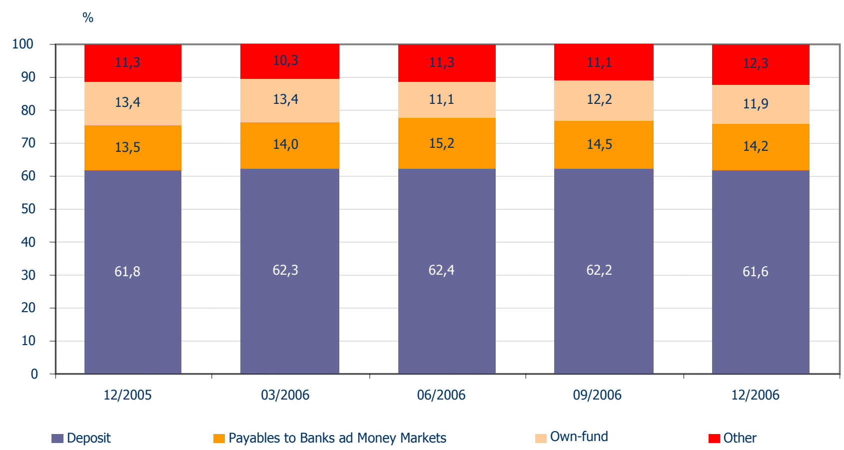
2.2.3.4. Liability Structure

In the last quarter of the year total liabilities of the banking sector increased 5.5%. As of December, the share of TL liabilities within total liabilities was 62.2%, while the share of FX liabilities was realized as 37.8%.

Table 2.2-25 : Liability Structure by Groups

	TRY Billion					%Share				
	Dec.05	Mar.06	Jun.06	Sep.06	Dec.06	Dec.05	Mar.06	Jun.06	Sep.06	Dec.06
Deposit Banks	384.1	399	440.4	446.2	470.6	94.4	94.4	94.2	94.2	94.2
-TL	137.5	257.3	267.9	275.3	293.3	64.2	64.5	60.8	61.7	62.3
-FX	246.6	141.7	172.5	170.9	177.3	35.8	35.5	39.2	38.3	37.7
Dev. and Inv. Banks	12.8	13.4	14.8	14.6	15.3	3.2	3.2	3.2	3.1	3.1
-TL	8.5	8.5	9	9.4	10.2	66.5	63.7	60.9	64.4	66.7
-FX	4.3	4.9	5.8	5.2	5.1	33.5	36.3	39.1	35.6	33.3
Participation Banks	9.9	10.2	12.3	12.7	13.7	2.4	2.4	2.6	2.7	2.7
-TL	5.7	6.2	7.6	7.4	7.3	57.8	61	61.8	58.3	53
-FX	4.2	4	4.7	5.3	6.4	42.2	39	38.2	41.7	47
TOTAL	406.9	422.7	467.5	473.6	499.7	100	100	100	100	100
-TL	260.9	272.1	284.5	292.1	310.8	64.1	64.4	60.8	61.7	62.2
-FX	146	150.6	183	181.5	188.9	35.9	35.6	39.2	38.3	37.8

Chart2.2-14: Structure of Liabilities



When the deposits are considered, it is observed that total volume of deposits in the last quarter of the year experienced an increase by TRY 12.8 billion and 4.3%. Deposits volume in this period increased by 4.2, while the volume of participation banks increased by 8.8%.

When the TL-FX decomposition of deposits is analyzed, it is observed that the pause in the reverse currency substitution process, though declined, continue in the last quarter of the year, with the effect of the fluctuation observed in foreign exchanges in May and June period. While TL deposits increased nominally by 2.6% in the last quarter of the year, FX deposits increased nominally by 6.7%. Thus, the share of TL deposit in total deposit was realized as 60.6%. This ratio in the end of the previous year was realized as 63.2%.

Table 2.2-26 : TL-FX Decomposition of Deposits

	TRY Billion					%Share				
	Dec.05	Mar.06	Jun.06	Sep.06	Dec.06	Ara.05	Mar.06	Jun.06	Sep.06	Dec.06
Deposit	243.1	254.7	281.7	284.6	296.5	96.7	96.8	96.6	96.5	96.4
-TL	154.6	165.7	177.9	176.5	181.1	63.6	65	63.1	62	61.1
-FX	88.5	89	103.8	108.1	115.4	36.4	35	36.9	38	38.9
Participation	8.3	8.5	9.8	10.2	11.1	3.3	3.2	3.4	3.5	3.6
-TL	4.4	4.8	5.6	5.5	5.2	53.1	56.5	57.3	53.8	46.6
-FX	3.9	3.7	4.2	4.7	5.9	46.9	43.5	42.7	46.2	53.4
Total	251.5	263.2	291.6	294.8	307.6	100	100	100	100	100
-TL	159	170.5	183.6	182	186.3	63.2	64.8	63	61.7	60.6
-FX	92.5	92.7	108	112.8	121.3	36.8	35.2	37	38.3	39.4

When the distribution of deposits by account size is analyzed, approximately 1 point increase is seen in deposits higher than 51 thousand TRY bracket. Thus, the share of accounts amounting to higher than TRY 1 million YTL within total deposits was realized as 39.1% in end of the year, while the share of TRY 250 thousand-TRY 1 million bracket as 13.6% and the shares within the TRY 1thousand-TRY 250 thousand bracket was realized as 21.2%. While small increases are observed in similar brackets in the distribution of deposits in terms of number of depositors within the same period, main structure demonstrated no change. Hence, deposits amount per depositor increased by TRY 4.2 thousand in end-2006 from TRY 3.5 thousand in end-2005.

Table 2.2-27 : Distribution of Deposit According to Size and Number of Depositors

	Total Deposit (%)			Number of Depositors			Deposit Per Depositor (TRY		
	Dec.0	Sep.0	Dec.0	Dec.05	Sep.06	Dec.06	Dec.05	Sep.06	Dec.06
More than TRY 1 million	38.3	38.8	39.1	0.02	0.02	0.02	7.266.5	6.839.3	6.912.1
TRY 250 thousand –TRY 1 million	12.9	13.3	13.6	0.09	0.12	0.13	526.1	442.2	442.5
TRY 51 thousand - TRY 250	20.2	21.1	21.2	0.67	0.96	0.99	106.7	89.1	89.6
TRY 11 thousand – TRY 50	18.5	17.8	17.4	2.74	3.26	3.26	23.8	22.2	22.2
Less than TRY 10 thousand	10.1	8.9	8.7	96.48	95.64	95.59	0.4	0.4	0.4
General Total	100.0	100.0	100.0	100.00	100.00	100.00	3.5	4.1	4.2

The share of payables to banks, another fund resource of the banking sector, within total liabilities was realized 14.2% in end-December 2006 decreasing 0.2 points, when compared to the previous period. Funds the banking sector obtained from foreign bank and near bank institutions which have increased remarkably and steadily in recent couple of years when compared to previous periods increased relatively in the last quarter of the year was effective in this development. The increase tendency began in the share of the liabilities of securitization loans obtained from external markets as of 2006 decelerated in the last quarter of the year. Syndicated loans increased in this period.

Chart2.2-15: Distribution of Liabilities Procured from External Markets

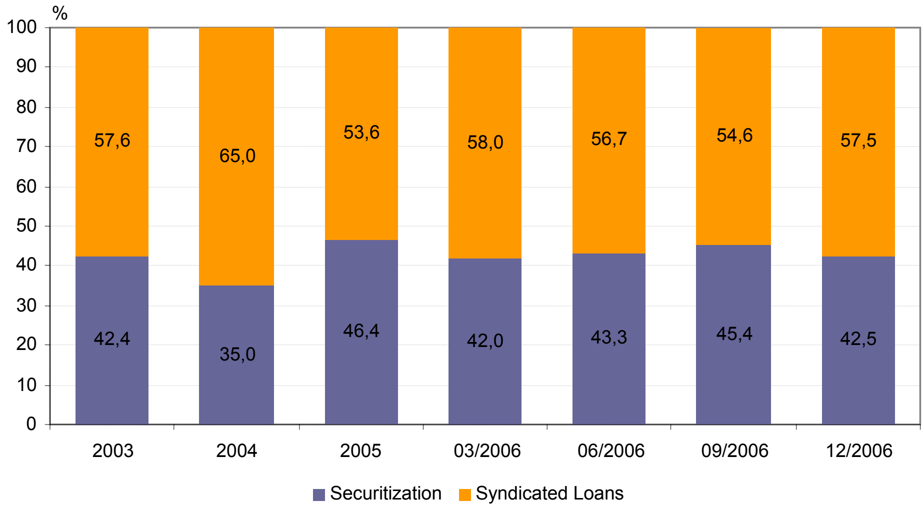


Table 2.2-28 : Amount and Maturity of Liabilities from External Markets

USD Billion	2003	2004	2005	Mar.06	Jun.06	Sep.06	Dec.06	Weighted Average Maturity(Year)
Syndicated Loans	3.8	6.5	8.1	10.5	11.2	11.3	12.5	2.1
Securitization Loans	2.8	3.5	7.0	7.6	8.6	9.4	9.2	7.5
Total	6.6	10.0	15.1	18.1	19.8	20.7	21.7	4.7

When the TL-FX composition of the account in question is analyzed; it is observed that 75.7% of payables to banks item was FX denominated in December 2006 which was 82.2% in end-2005.

Own-funds increased by TRY 59.5 billion as of December from TRY 57.6 billion in September 2006. Despite the increase in the own-fund amount, the share of this item within total liabilities decreased when compared to the previous quarter and the end of the previous year and was realized as 11.9%. This ratio was 12.2% as of September 2006 which was 13.4% in end-2005.

It is observed that the increase by TRY 2.8 billion in the profit of the period and the increase by TRY 1.6 billion in components of own-funds as of December 2006, when compared to the previous period in the increase experienced in total own-funds.

Table 2.2-29 : Own-fund

TRY Billion	Dec.05	Mar.06	Jun.06	Sep.06	Dec.06
Paid-Up Capital	20.9	22.2	23.6	24.6	26.2
Reserves	42.6	41.1	41.4	40.7	38.6
Profit (Loss) of the Period	6.0	2.8	5.2	8.7	11.5
Other	-14.7	-9.4	-18.1	-16.4	-16.8
Total Own-funds	54.7	56.7	52.2	57.6	59.5

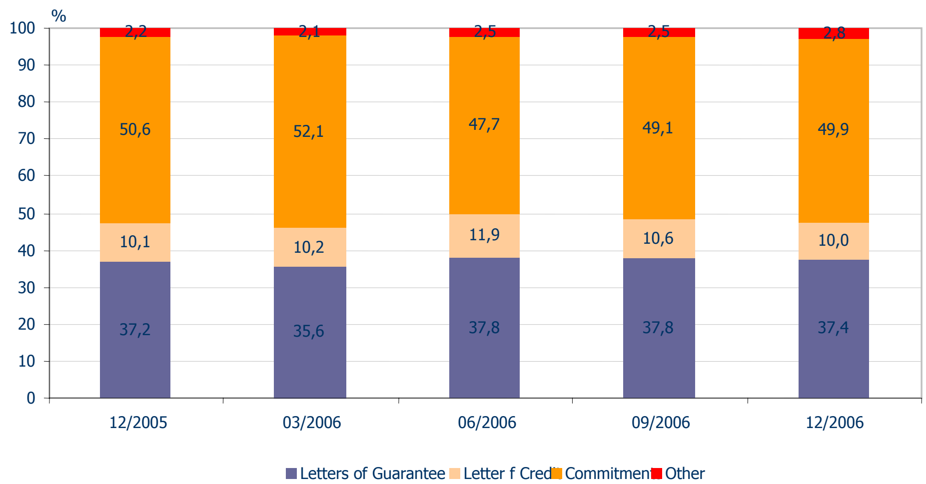
2.2.3.5. Off-Balance Sheet Transactions

When the off-balance sheet transactions are analyzed as of December 2006, it is observed that an increase by 8% was realized when compared to September 2006. While total assets in the last quarter of the year increased by 5.5%; the ratio of off-balance sheet transactions to balance size increased by 1.3 points and amounted to 55.5%. When the distribution is analyzed by peer groups, it is observed that the ratio of off-balance sheet transactions to balance size increased in the groups excluding development and investment banks group in September-December period. It is observed that off-balance sheet transactions belonging to deposit banks constitute 92.9% of total off-balance sheet transactions. The share of non-cash loans in total loans was 29.2%.

Table 2.2-30 : Off-Balance Sheet Transactions

	TRY Billion					Ratio to Balance Sheet (%)					Share in Total
	Dec.05	Mar.06	Jun.06	Sep.06	Dec.06	Dec.05	Mar.06	Jun.06	Sep.06	Dec.06	Dec.06
Deposit Banks	191.3	211.9	237.5	236.7	257.6	49.8	53.1	53.9	53.0	54.7	92.9
Non-cash Loans & Liabilities	63.1	64.3	76.0	74.6	75.0	16.4	16.1	17.3	16.7	15.9	86.5
Commitments	128.2	147.6	161.4	162.1	182.6	33.4	37.0	36.7	36.3	38.8	95.8
Development and Investment B.	7.6	7.8	11.1	9.0	7.3	59.2	58.5	75.1	61.0	47.3	2.6
Non-cash Loans & Liabilities	1.7	2.0	1.9	2.2	2.0	13.4	14.6	13.0	14.7	13.2	2.3
Commitments	5.9	5.9	9.2	6.8	5.2	45.8	43.9	62.1	46.3	34.1	2.7
Participation Banks	7.1	8.5	10.6	11.1	12.5	71.6	83.4	86.7	87.1	91.3	4.5
Non-cash Loans & Liabilities	5.7	6.0	7.8	8.6	9.7	57.8	58.8	63.7	67.5	70.6	11.2
Commitments	1.4	2.5	2.8	2.5	2.8	13.8	24.5	23.0	19.6	20.7	1.5
Total	206.0	228.3	259.3	256.7	277.4	50.6	54.0	55.5	54.2	55.5	100.0
Non-cash Loans & Liabilities	70.6	72.3	85.8	85.3	86.7	87.6	89.5	93.9	98.9	99.7	100.0
Commitments	135.4	156.0	173.5	171.4	190.7	93.0	105.4	121.8	102.3	93.6	100.0

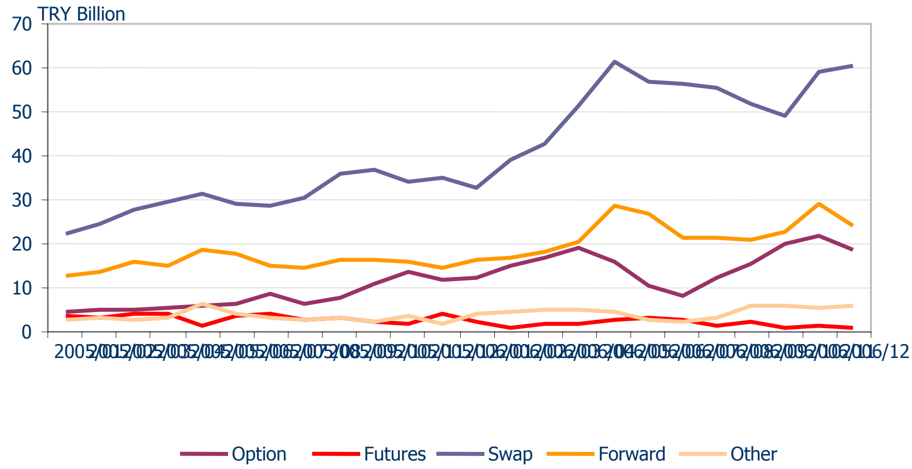
Chart2.2-16: Off-Balance Sheet Liabilities



While commitments within off-balance sheet transactions as of December 2006 have the biggest share by 49.9%, the biggest share in commitments amounting to TRY 83.6 billion belongs to credit card expenditure limit commitments by TRY 43.4 billion.

Total derivative transaction, which was TRY 96.5 billion in September experienced an increase tendency in September-December period and amounted to TRY 106.2 billion.

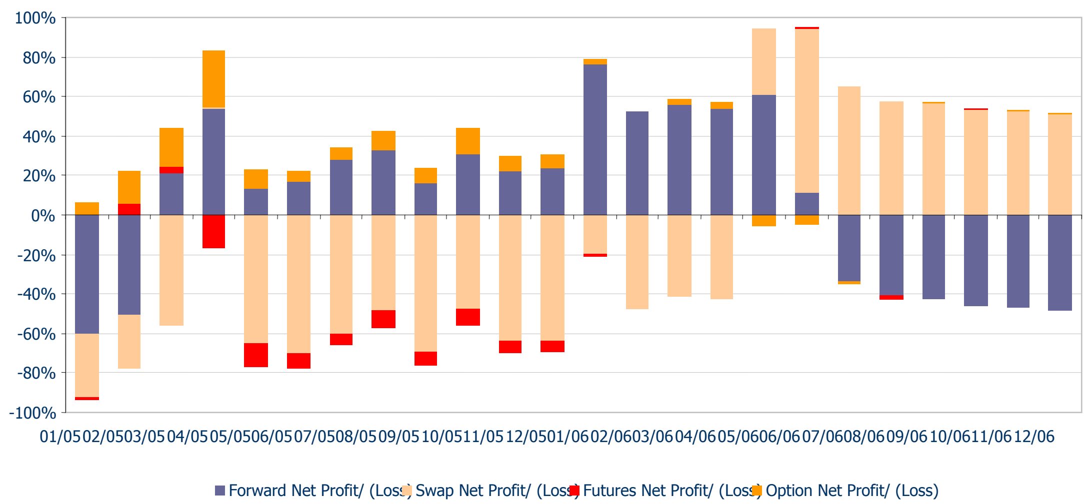
Chart2.2-17: Development of Derivative Transactions



When derivative transactions are analyzed by types, it is observed that swap transactions had the biggest share from derivative transactions by 55% followed by forward transactions by 21.8% in December 2006. It attracts the attention that swap transactions increased by 73% when compared to December 2005 and amounted to TRY 60.6 billion. In the period in question, forward transactions increased by 67% and amounted to TRY 24 billion; while option transactions increased by 57.6% and amounted to TRY 18.6 billion.

The resource of profitability in derivative transaction basis was swap transaction in December. However, while TRY 1.2 billion was profited from derivative transactions in June, this amount decreased by TRY 0.6 billion in September and by TRY 0.2 billion in December. The decrease in question is the consequent of the fact that it was profited from forward transaction in June, while a loss experienced in September and December.

Chart2.2-18: Profitability in Derivative Transactions



2.2.3.6. Income Statement Analysis

As of December 2006, total net profit in banking sector increased by 31.6% and amounted to TRY 11.5 billion. When compared to the previous period, in December 2006, the change in total interest incomes and total interest expenses was parallel. Nevermore, a higher increase was experienced in non-interest expenses, when compared to non-interest incomes. In the period in question, non-interest incomes increased by 22.7%, while non-interest expenses increased by 37.8%.

Table 2.2-31 : Income Statement

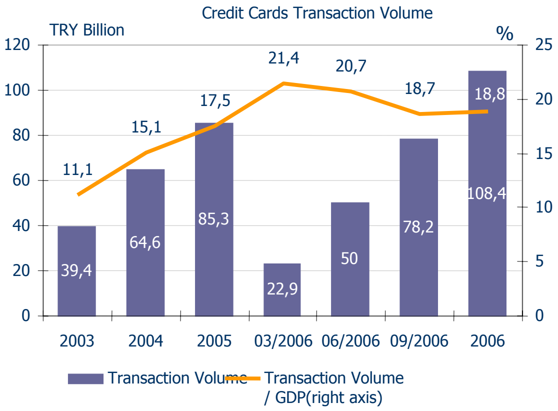
	TRY Million		% Distribution		% Change
	Sep.06	Dec.06	Sep.06	Dec.06	Dec.06
Interests from Loans (Shares of Profit)	20,487	28,902	51.3	51.7	41.1
Interests from Securities Held for Trading	1,288	1,732	3.2	3.1	34.4
Interests from Securities Available for Sale	8,670	12,296	21.7	22.0	41.8
Interests from Securities Held to Maturity (Incomes from Securities)	5,622	7,597	14.1	13.6	35.1
Other Interest and Quasi Interest Incomes (Other Incomes)	1,490	2,133	3.7	3.8	43.2
Total Interest (Share of Profit) Incomes	39,904	55,867	100.0	100.0	40.0
Interests to Deposit (Shares of Profit paid to Funds Collected)	19,923	28,027	81.3	80.9	40.7
Interest to Banks (Expenses)	3,135	4,320	12.8	12.5	37.8
Interest to Repos Transactions	1,315	2,112	5.4	6.1	60.6
Diğer Faiz ve Faiz Benzeri Giderler (Other Expenses)	77	111	0.3	0.3	45.0
Total Interest (Share of Profit) Expenses	24,506	34,644	100.0	100.0	41.4
Net Interest (Share of Profit) Income Expense)	15,399	21,223	-	-	37.8
Kredilerden Alınan Ücret ve Komisyonlar	1,253	1,725	10.4	11.6	37.7
Shares of Profit Obtained	418	499	3.5	7.6	19.3
Banking Services Expenses	4,886	6,649	40.4	271.6	36.1
Other Non-Interest (Excluding Share of Profit) Incomes	4,375	4,736	36.2	71.0	8.3
Total Non-Interest (Excluding Share of Profit) Incomes	12,096	14,838	100.0	79.0	22.7
Personnel Expenses	4,811	6,552	35.2	34.9	36.2
Provisions	2,060	2,448	15.1	13.0	18.9
Other Non-Interest (Excluding Share of Profit) Expenses	4,537	6,669	33.2	35.5	47.0
Total Non-Interest (Excluding Share of Profit) Expenses	13,650	18,789	100.0	100.0	37.7
Capital Market Transactions Profits (Expenses) (Net)	1,347	1,246	-99.4	-261.8	-7.5
Exchange Profit (Expenses) (Net)	(2,683)	(1,688)	198.0	354.8	-37.1
Total Non-Interest (Excluding Share of Profit) Incomes (Expenses)	(1,355)	(476)	100.0	100.0	-64.9
Pre-Tax Profit (Loss)	10,989	14,589	-	-	32.8
Tax Provision	2,264	3,106	-	-	37.2
Net Profit (Loss) of the Period	8,726	11,482	-	-	31.6

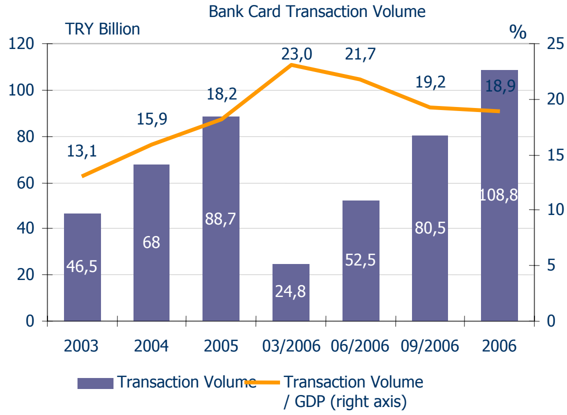
The increase experienced in the tax provision by 37.2%, as of December is one of the factors limiting the increase in net profit. On the other hand, although the fluctuation observed in rates in May and June 2006 decreased and the sector was exposed to exchange loss, as of December 2006. However, exchange loss decreased by 37.1% in last quarter.

While interest incomes of deposit banks in the last quarter of the year increased by 28.9% and non-interest incomes by 40.1%; net profit of the period increased by 103.5% and amounted to TRY 10.2billion. Net profit of period of development and investment banks in the same period increased by 7.1% and amounted to TRY 731 million. Net shares of profit of participation banks increased by 44% while the incomes except share of profit increased by 136.2%. Net profit of period of participation banks in the period in question was TRY 391 million.

2.2.4. Small Value Payments System

Chart2.2-19: Credit Card and Bank Card Transaction Volume

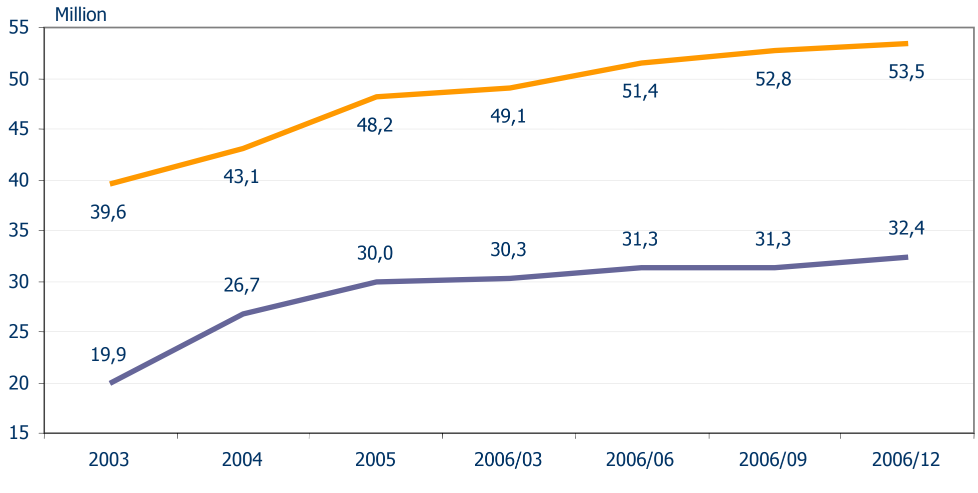




Resource: BKM, TSI

According to the data obtained from the Interbank Card Center (BKM), the number of banks and credit cards increased by 10.8% and 8.2% when compared to end of the previous year and amounted to TRY 53.5 and 32.4 million, respectively. The ratio of credit card and bank card transaction volumes to GDP increased by 19% as of December 2006 while a slowdown is observed in the increase tendency of the ratios in question when compared to previous years. Given credit cards debt balance amounted to TRY 22 billion, it is observed that TRY 86 billion of credit cards transaction volume is used basically with payment purposes, while the remaining part used with loan purposes.

Chart2.2-20: Change of Numbers of Credit Cards and Banks Cards



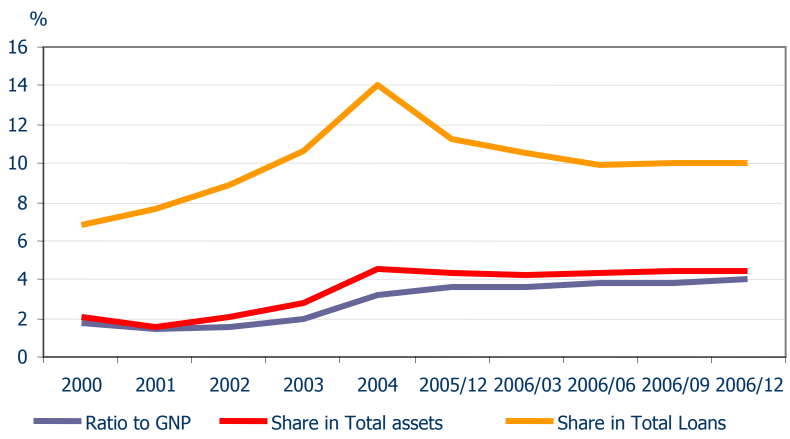
Source: BAT

In parallel, Interbank Card Center data shows that number of POS machines belonging to member business places reached to 1,282,658 as of December 2006. Transactions made with virtual POS machine and "credit card transactions subject to e-commerce" made with virtual cards have a significant development in recent years. While volume of credit card transactions subject to e-commerce amounted to TRY 1,567 million as of September, it was realized as TRY 2,412 million in September-December period. Number of transactions in September-December period increased by 65.6% and reached to 21.7 million.

Credit and bank card usage is becoming widespread in performing commercial activities. Business places using this payment instrument increased over 850,000 as of December 2006 from 750,000 in 2005.

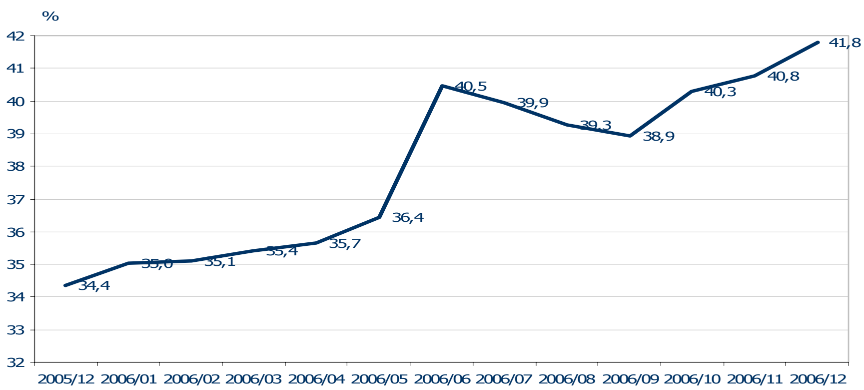
Ratio of credit card receivables to national income as well as its share in banking system credits and assets are seen to have no significant change in recent months. (Chart 2.2-24). Share of credit card receivables in total loans which was about 7-8% in the beginning of 2000's reached to its highest level in recent years by 14% in 2004, and decreased to 10.1% level in December 2006. Similarly, share in total assets which was 2% in the beginning of 2000's increased to 4.5% in end-2004 and decreased to 4.4% in December 2006.

Chart2.2-21: Share of Credit Card Receivables in GNP and Banking



Inc. Participation banks as of 2005

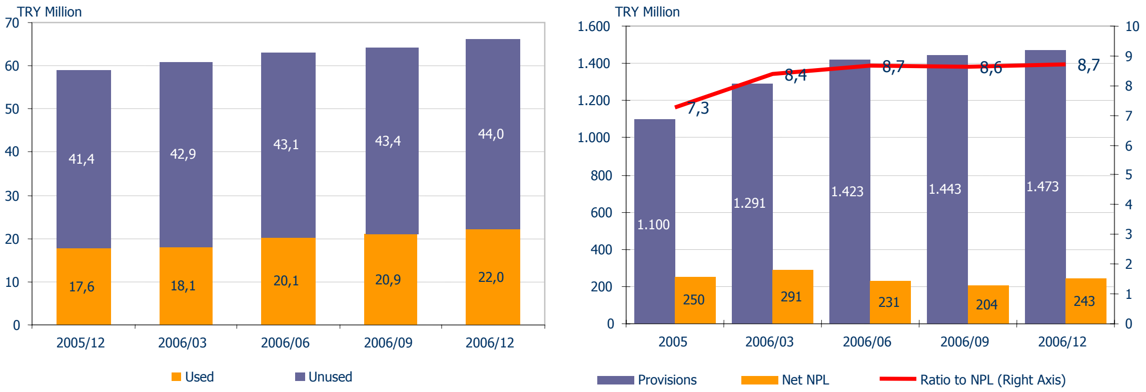
Chart2.2-22: Ratio of Installment Credit Card Receivables to Credit Card



Ratio of installment credit card receivables to credit card receivables which was 34.4% in end-2005 increased by 7.4 points to 41.8% in end-2006. Beside the reflection of competition in the market to customer preferences, developments in household debt burden and consumer confidence are also effective in this development.

When the motion of credit card limits is analyzed, it is seen that limit amount increased rather slowly in 2006 following the rapid increases experienced in 2003 and 2004 and in contrast, the limit usage ratio increased. (Chart 2.2-26). Accordingly, limit usage ratio which was 29,9% in end-2005 increased to 33,3% in December 2006.

Chart2.2-23: Credit Card Limits and Non-Performing Credit Card Receivables



While non-performing credit card receivables which have increased more rapidly when compared to total credit card receivables since 2004 had a limited fall in June-September period, it increased in September-December period and reached to TRY 243 million. (Chart 2.2-26). In parallel, ratio of NPLs to gross loans which was 7.3% in end-2005 is realized as 8.7% as of December 2006. Provision is set aside for the portion amounting to about TRY 1.5 billion of gross NPLs which amounted to TRY 1.7 billion as of December 2006.

When the payments made by using internet banking services is analyzed, it is seen that number of registered individual consumers reached to 16.6 million as of December 2006. At least one internet banking transaction was made by about 3 million individual consumers in this period. 18% of the registered clients are benefiting from internet banking services.

Table 2.2-32 : Number of Customers Using Internet Banking

	2005	Mart 2006	Jun. 2006	Sep. 2006	Dec. 2006	Annual Change
Number of Individual Customers	20,9	22,2	23,6	24,6		26.2
Active	2,803,482	2,350,461	2,478,523	2,686,697	2,976,292	6.2
Registered	13,319,566	14,741,561	15,368,206	15,676,090	16,613,873	24.7
Ratio of Active / Registered Customers	21	16	16	17	18	

Source: BAT
Comprised of data of 26 BAT member banks.

Total number of financial transactions other than investment transactions by using internet banking was 150.937 thousand and amounted to TRY 391.325 million in 2006. While number of transactions increased by 28% when compared to 2005, increase in transaction volume was limited by 3.3%. EFT, transfer and FX transfer transactions comprises 89.2% of financial transactions volume as of 2006.

Table 2.2-33 : Financial Transactions in Internet Banking

Nr of Trans. (Thousand)	2005	03/2006	06/2006	09/2006	12/2006
Money Transfers	79,938	21,893	24,372	24,466	24,300
Payments	22,487	8,300	8,534	9,441	10,232
Credit Card Transactions	11,652	3,472	3,891	4,135	4,058
Other financial trans.	3,791	840	916	857	1,231
Total	117,867	34,505	37,713	38,898	39,821
Trans. Volume(TRY Million)					
Money Transfers	286,555	66,740	93,996	97,260	90,935
Payments	6,127	1,520	1,584	1,886	1,921
Credit Card Transactions	6,223	1,871	2,386	2,514	4,819
Other financial trans.	79,931	4,495	5,760	6,079	7,559
Total	378,836	74,626	103,726	107,739	105,234

Source: BAT
Comprised of data of 26 BAT member banks.

2.3. Non-Banking Financial Sectors

Fundamental indicators relating to leasing, factoring and financing companies under the supervision and monitoring of the Banking Regulation and Supervision Agency are given below.

As of December 2006, there exist a total of 176 non-bank financial company as 81 leasing[8], 86 factoring and 9 consumer finance companies and the share thereof in whole financial sector is 3.4%.

In this section, leasing, factoring and consumer finance companies are analyzed according to their total asset shares in their sectors. Companies shares of which is less than 1% in total assets are grouped as small scale companies; shares of which are between 1% and 5% are medium scale and shares of which are more than 5% are grouped as large scale companies.

2.3.1. Leasing Sector Activities

2.3.1.1. Market Structure

As of December 2006, it is seen that the concentration in the sector increased as a result of merger of two companies, one of which is small and one is large scale, in leasing sector.

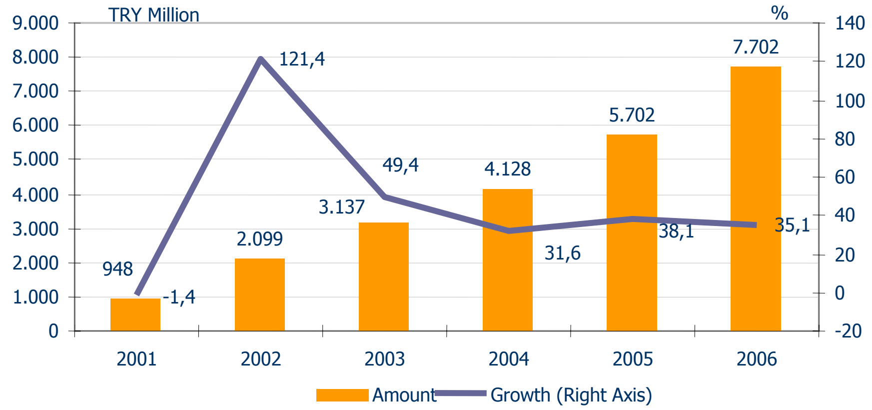
[8] Furthermore, there exist 10 development-investment banks and 4 participation banks making leasing transactions under their structure.

Table 2.3-1 : Main Figures in Leasing Sector

Structural Indicators	2005	Mar.06	Jun.06	Sep.06	Dec.06
Number of Companies	84	83	83	83	81
Number of Branches	5	5	5	5	5
Number of Personnel	1,146	1,194	1,273	1,285	1,311
HH Index	688	722	700	672	812
Asset Concentration (First 5 Company Share %)	49.0	52.0	50.9	48.3	53.8
Asset Concentration (First 10 Company Share %)	72.0				77.7

Transactions made by leasing companies in 2006 increased by 35.1% when compared to the previous year and realized as TRY 7,702 million.

Chart2.3-1: Leasing Transactions and Their Growth Rates

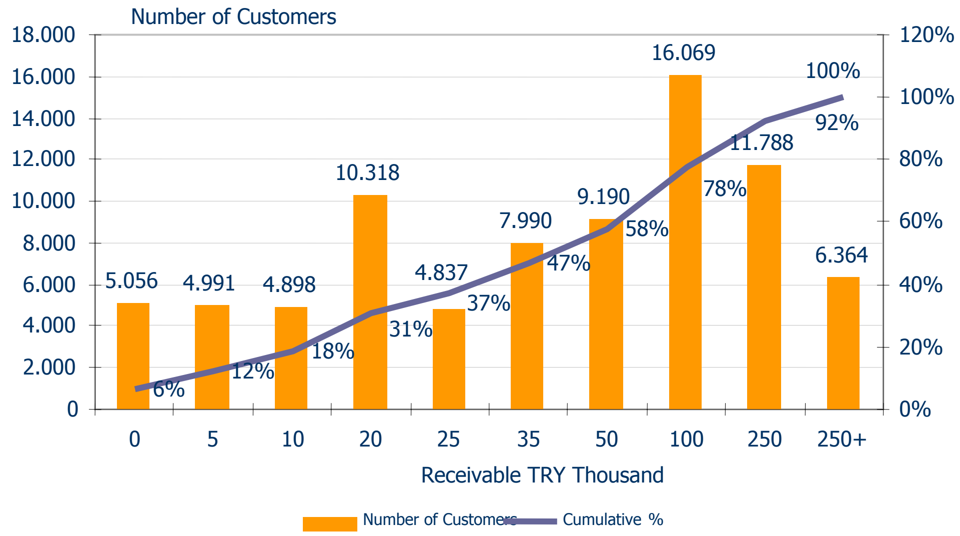


Source: BRSA, Turkish Leasing Association

Distribution of transactions of leasing companies on goods basis is given in Annex Table 2.3-5. Share of machine and equipments in goods groups increased by 10.4% when compared to the previous period and realized as 25.5%. Share of land vehicles increased by 9.7% and realized as 12.3%. The highest growth is observed in medical diagnosis vehicles by 53.6% as of December 2006. Share of goods classified under other goods group decreased by 27.6%.

As seen in the Chart 2.3-2, 38.090 of leasing customers (46,7% of leasing customers) are in receivables group up to TRY 50 thousand in the receivables groups. Customers mostly concentrated in receivables group amounting between TRY 100 thousand-250 thousand by 16,069 customers.

Chart2.3-2: Distribution of Leasing Customers by Receivables Groups



While leasing transactions is distributed in industry sector equally, it concentrates on construction and transportation, warehousing and communication sectors in service sector.

As seen in Table 2.3-2, while textile industry lost its weight in leasing transactions, construction sector started to get importance between 2002-2006 periods and reached to share of 27% in 2006. The increase in agriculture sector is also significant in leasing transactions.

Table 2.3-2 : Sectoral Distribution of Leasing Transactions

(TRY Million)	2002	2003	2004	2005	2006
Construction	155	277	518	1,081	2,486
Transportation, Warehousing and Communication	132	166	342	392	812
Textile and Textile Products Ind.	580	739	642	588	652
Agriculture, Livestock and Forestry	25	49	171	406	577
Health and Social Services	78	147	167	285	500
Hotels and Restaurants (Tourism)	67	85	88	102	434
Food, Beverage and Tobacco Ind..	95	290	297	338	409
Financial Intermediation	113	124	284	221	389
Metal main Ind. And Manufactured Goods Prod.	45	103	179	253	382
Other	809	1,157	1,440	2,035	2,576
Total	2,099	3,137	4,128	5,702	9,217

2.3.1.2 Performance Indicators

Leasing sector performance indicators display a positive appearance. As of December 2006, asset and own-fund profitability increased, while the number of loss-making companies decreased.

Table 2.3-3 : Main Figures on Leasing Sector Performance

	2005	Mar.06	Jun.06	Sep.06	Dec.06
Non-Performing Loans/Gross Receivables %	2.9	3.3	2.9	2.9	3.1
Number of Loss-making Companies	24	20	17	19	18
Profit of Period/ Total Own-Funds %	5.6	5.3	9	14.6	19.1
Profit of Period / Total Assets %	2	1.3	1.9	3	3.8
FX- Net Position/ Own-Funds%		-13	-11	-9	-5.5
Asset Per Company (TRY Million)	73	85	110	114	123
Employee Per Company (Person)	14	14	15	15	16
Transaction Limit Ratio(< 30)	3.6	3.3	4.0	4.0	4.7
Number of ompanies with Costs/Incomes >0,8 *		35	41	36	40

*Costs are calculated excluding interest.

Assets and profit of period of leasing companies grew in 2006. However, the share of receivables in total assets decreased by 1 point, while the share of own-funds in assets decreased by 9 points, when compared to the end of the previous year. On the other hand, as it can be seen in the table below, number of customers of leasing companies amounted to 116.003.

Table 2.3-4 : Main Figures on Leasing Sector Trend

	2005	Mar.06	Jun.06	Sep.06	Dec.06
Total Assets (TRY Million)	6.092	7.051	9.096	9.453	9.968
Profit of Period	128	90	169	284	381
Receivables or Loans/Total Assets %	86	82	82	83	85
Own-Funds/ Total Liabilities %	29	24	21	21	20
Number of Customers		93.889	110.454	109.776	116.003

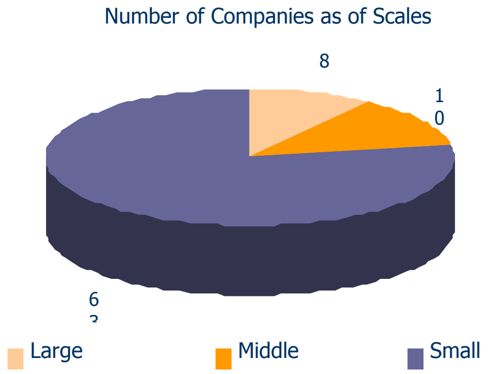
2.3.1.3. Financial Tables Analysis

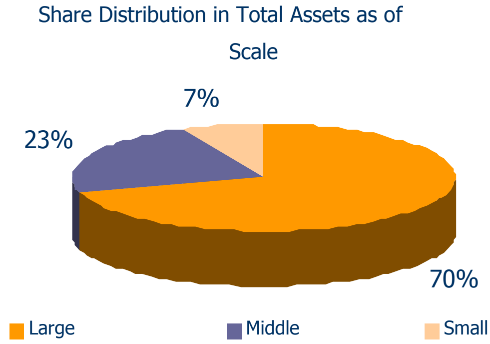
When the balance sheet dated December 2006 is analyzed, it is observed that assets, when compared to end-2005 grew nominally by 63.6%, and by 49.2% by fixed prices (by using PPI, 2003=100) (Annex Table 2.3.1). This growth is the highest growth the leasing sector displayed in last five years. When compared to September 2006, no considerable share change is experienced, excluding the increases observed in the share of leasing (net) receivables, which have a significant share in balance sheet, in total assets and in the share of financial debts by 2.3 points and 2.6 points, respectively. Although non-performing loans item does not have a significant share in balance sheet and no major change in this share, it grew by 37.2% when compared to the previous period is remarkable. On the other hand, merger of two companies, one small scale and the other medium scale, increased the concentration in the sector.

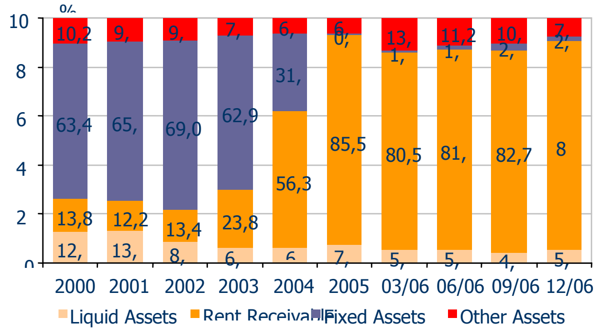
Leasing companies got fund inflows by TRY 992.3 million, when compared to September period (Annex Table 2.3-2). 84.4% of the funds derived from decreases in assets, while 15.6% derived from increase in liabilities. 62.4% of the obtained funds were used in decreasing financial debts while 25.9% was used in the increase of other assets. Unlike previous periods, a predominantly asset originated fund inflow was obtained in this period, and the funds were used in decreasing the debts.

When balance sheet is analyzed as of company groups, it is observed that medium and large-scale companies, as of the share of asset and liability items, continue to display similar compositions. The share of large-scale, medium-scale and small-scale companies in total assets were realized as 70.3%, 22.8% and 6.9%, respectively.

Chart2.3-3: Leasing Asset Composition







That the share of leasing receivables grew was realized slightly above the growth rate of balance sheet. Within this scope, the share of leasing receivables in balance sheet increased by 2.3%. While the share of leasing receivables in their assets was 85%-86% in medium and large scale companies, it was 65% in small-scale companies (Annex Table 2.3-1).

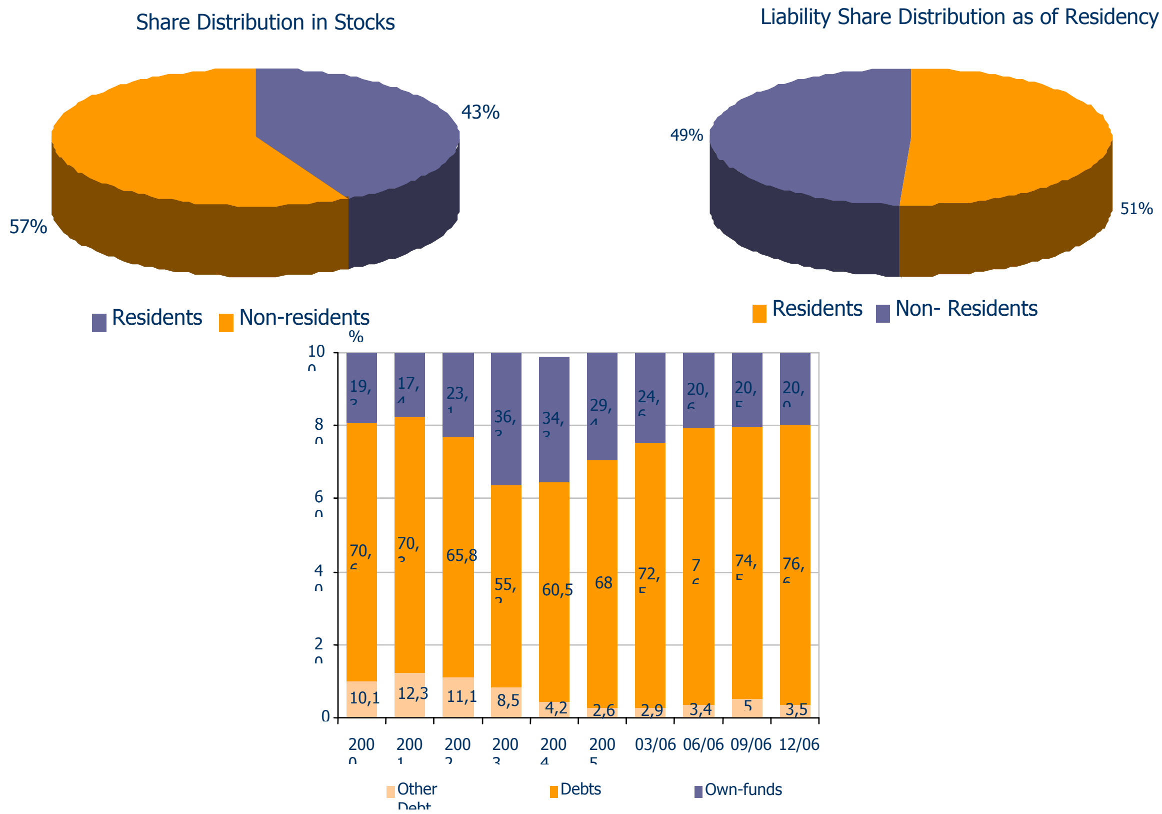
In December 2006, the share of non-performing loans increased by 37.2%, when compared to previous period and was realized as 1.3%. While the ratio in question is considered within acceptable limits in risk management of the sector, the growth rate is high. Leasing receivables followed a similar structure when compared to previous periods and was realized as 44.3% and 47.6% in industry goods and services, respectively (Annex Table 2.3-3).

When the distribution of receivables by groups is analyzed, it is observed that large scale companies has a share of 74.6%, while medium and small scale companies have shares by 18.9% and 6.5%, respectively. 95% of receivables are long-term. Weighted average maturity of receivables of leasing companies is 1,166 days, weighted average maturity of their debts are 499 days. That 85% of share of receivables is higher than the share of debts by 76.5% is not a level to heal payable-receivable maturity mismatch in leasing companies.

Ratio of receivables to NPL is 0.9%. The sector the highest NPL was experienced in this period was "food, beverage and tobacco" sector.

In respect of customer types, receivables distributed by 71.4%, 23.2% and 3.7% in business firms, individual companies and banks, respectively. Among receivables in business firms, construction sector holds the biggest share by 18.1%.

Chart2.3-4: Leasing Liability Composition



The most significant item in liabilities of leasing companies is debts item by 76.5%. Debts (financial and commercial) experienced a growth by 8.4%, when compared to previous period (Annex Table 2.3-1). When debts are analyzed as of groups, it is observed that medium and large-scale companies group went into high rate of debt by 77%-80%, while small-scale companies group went into low rate of debt by 55.3%.

As it can be seen in the Annex Table 2.3-1, the increase rate of paid-up capital of leasing companies (16.1%) was realized above the growth rate of liabilities and accordingly the relative share of this item in liabilities increased, when compared to previous period.

When leasing companies group and their own-fund and borrowing are analyzed together in the Annex Table 2.3.1, it is observed that medium and large-scale companies operate by means of higher borrowing, while small- scale companies operate by means of higher own-fund and lower borrowing. On the other hand, as the scale of the company decreases, proportionally share of reserve funds increases; as the scale decreases, addition of reserve funds to capital is less preferred. The share of previous years' losses in liabilities of small enterprises is high, and these losses thereof decreases as the company group grow, transforming into profit in large-scale companies group.

When TL-FX composition of balance sheet of the period of leasing companies is analyzed (Table 2.3-5), it is observed that they carry very low in balance sheet position risk as sector. While medium and small-scale companies have FX assets 4% and 16% more than liabilities, large-scale companies carry open position by 5%.

Table2.3-5: Balance Sheet of Leasing Companies TL-FX Composition

(% Share)	Sector				In Group Basis		
Asset	Mar.06	Jun.06	Sep.06	Dec.06	Large	Middle	Small
TL	35	31	30	29	32	19	37
FX	65	69	70	71	68	81	63
Liability							
TL	31	28	28	28	27	23	53
FX	69	72	72	72	73	77	47

2.3.1.4. Income Statement Analysis

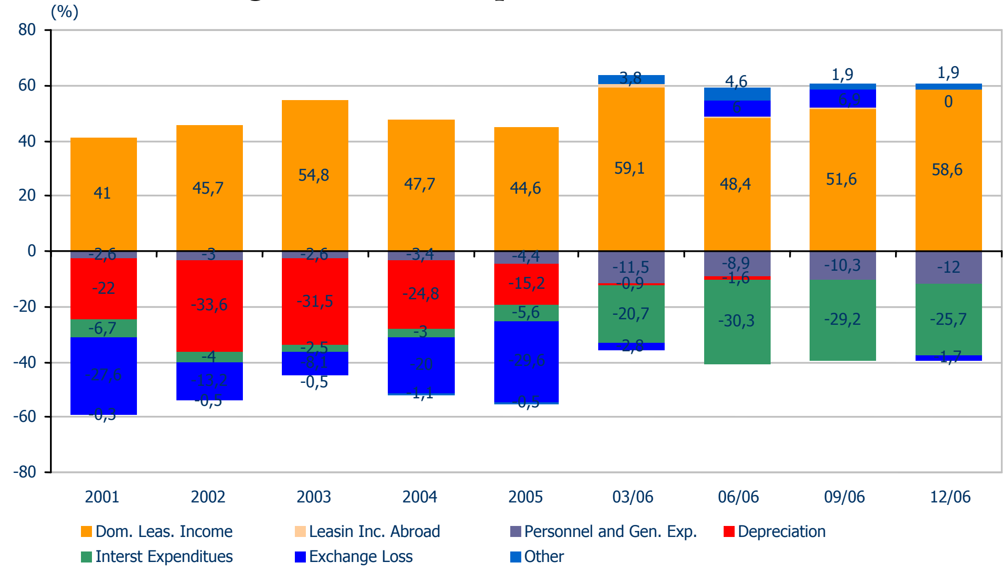
According to the income statement in Annex Table 2.3-4, total incomes of leasing companies increased by 20.6%, when compared to previous period. Leasing incomes in September-December 2006 experienced a growth by 36.8% and the share in total incomes increased by 4 points.

On the other hand, interest expenditures experienced a growth by 4.6% in December 2006 period, when compared to previous period and its share in total income slightly decreased (2.2%). It is observed that exchange profits experienced a growth by 11.7% and decreased approximately by 5 points, while exchange losses grew by 19.5% and its share decreased about by 0.5 points. It is observed that the decrease tendency of exchange effect, which creates inflation in incomes and expenditures in previous period continue.

When income statement is analyzed as of company groups, it is observed, in this period, that the share of operation incomes in total incomes of middle-scale companies is high, when compared to other groups; while medium and long-term borrowing expenditures of large-scale companies are less (3%), short-term borrowing expenditures are high (10.4%). In large scale companies, while the ratio of exchange losses to total incomes is above exchange profits, it is controversy in small scale companies. Consequently, while the ratio of profit of period to total incomes in large and small-scale company groups was about 14-15%, it was realized as -1.3% in small-scale companies due to high operational expenditures.

Leasing companies, as of end-December 2006 increased nominally by 34.1%, when compared to previous period and amounted to TRY 381 million. The source of the increase in question is the growth experienced in leasing expenditures. The increase in provision expenditures did not create a change in proportional share. As a result of this, the ratio of profit of period to total incomes increased by 13.7%from 12.3%.

Chart2.3-5: Leasing Incomes and Expenses



2.3.2. Factoring Sector Activities

2.3.2.1. Market Structure Outlook

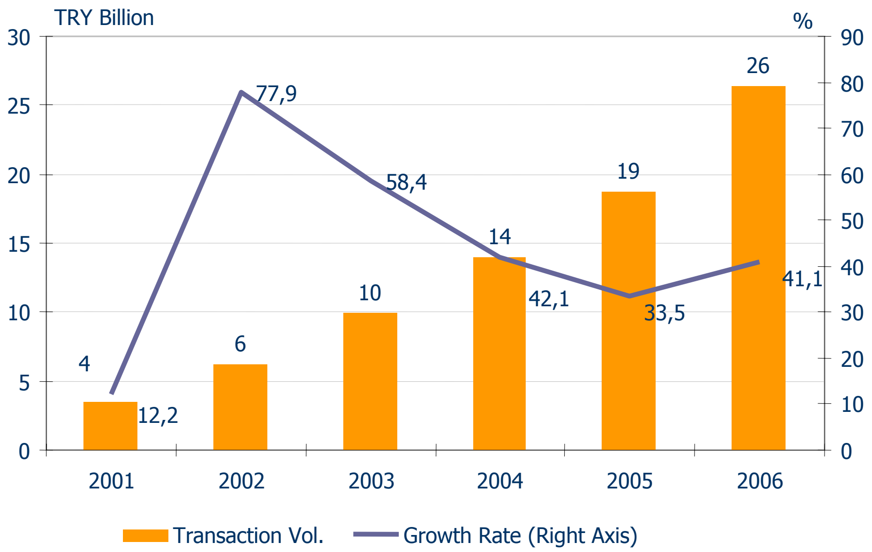
It is observed that as of December 2006, the merger of a medium scaled company with a large scaled one had increased the concentration within the sector.

Table2.3-6: Main Structural Numbers within the Factoring Sector

	2005	Mar.06	June06	Sept.06	Dec.06
Number of Companies	88	88	87	87	86
Number of Branches	0	0	0	0	3
Number of Personnel	2,053	2,164	2,247	2,323	2,425
HH Index	419	426.3	415.5	424.8	521.3
Asset Concentration (First 5 Sector Share)	35	37.7	37.3	37.8	43.5
Asset Concentration (First 10 Sector Share)	55.0				59.8

The amount of transactions realized by factoring companies in 2006 is NTL 26,434 million, and it is an increase by 41.1% when compared to the previous year. (Chart 2.3-6).

Chart2.3-6: Factoring Transactions and Growth Rates



As it can be seen in the Annex Table 2.3-10, related to the transactions realized, 85.8% of the transactions are composed of domestic ones. The share of foreign transactions is 14.2%. 71.8% of the transactions were realized within the industrial sector, 23.9% of them in the services sector, 1.3% in agricultural sector and 3% in other sectors. Within the industrial sector, the the highest share is textile and textile products sector with 17.2%, and within the industry and services sector, the highest share is construction with 7.3%.

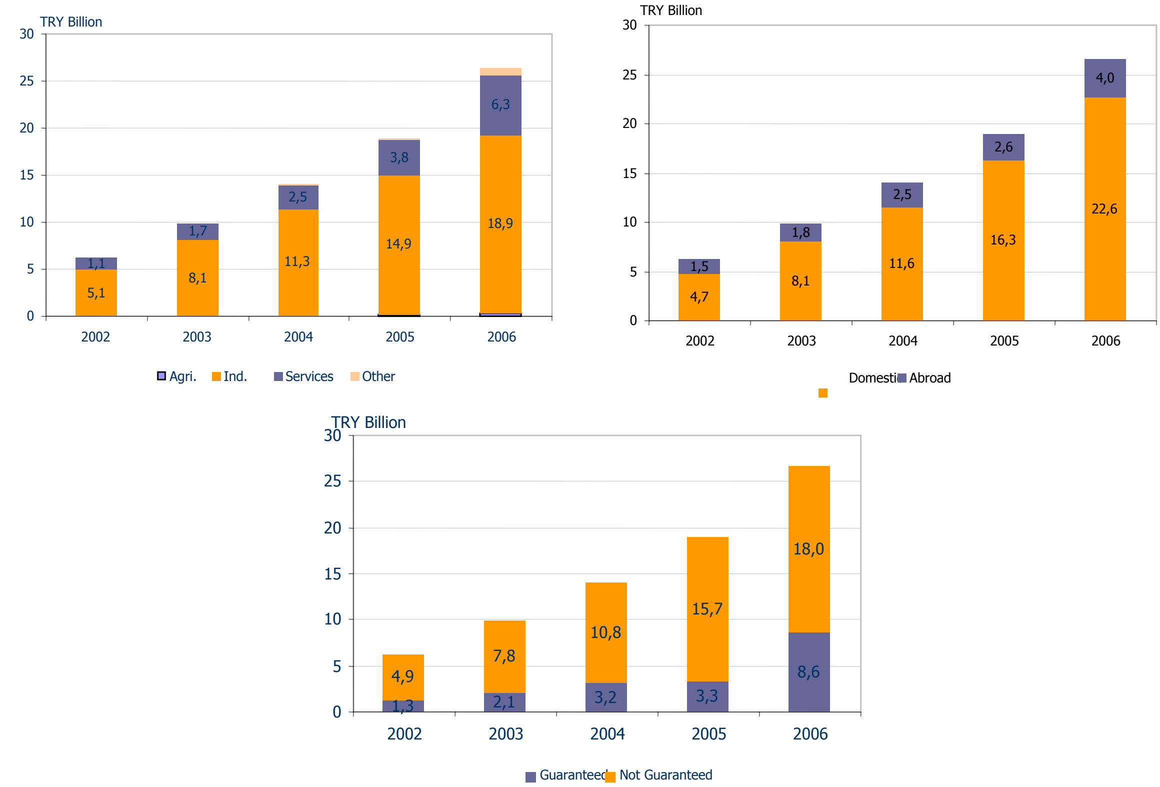
As it can be seen in the Table 2.3-7 below, the textile sector remains its leader position in factoring transactions, but in recent years, the increase of the share of construction and electric and optic goods is significant. Another matter drawing attention in factoring transactions is that the concentration in specific sectors reduces within the process.

Table2.3-7: Sectoral Distribution of Factoring Transactions

(Million YTL)	2002	2003	2004	2005	2006
Textile and Textile Products Industry	1,214	1,890	2,703	3,329	4,532
Construction	77	182	325	650	1,930
Transport Vehicles Industry	479	956	1,720	1,922	1,786
Wholesale and Retail Trade Mot. Veh. Services.	545	705	1,213	1,282	1,611
Metal Main Industry and Manufactured Material Production	413	752	967	1,512	1,550
Food, Beverages and Tobacco Industry	445	672	1,054	1,345	1,550
Paper Raw Mat. And Paper Products Print Industry	442	595	858	1,232	1,365
Chemistry and Chemistry Goods and Synthetic Fiber Industry	731	925	838	893	1,292
Machines and Equipment Industry	198	261	418	781	1,163
Electric and Optic Goods Industry	65	273	177	245	1,095
Other	1,628	2,667	3,762	5,755	8,740
Total	6,238	9,878	14,035	18,946	26,612

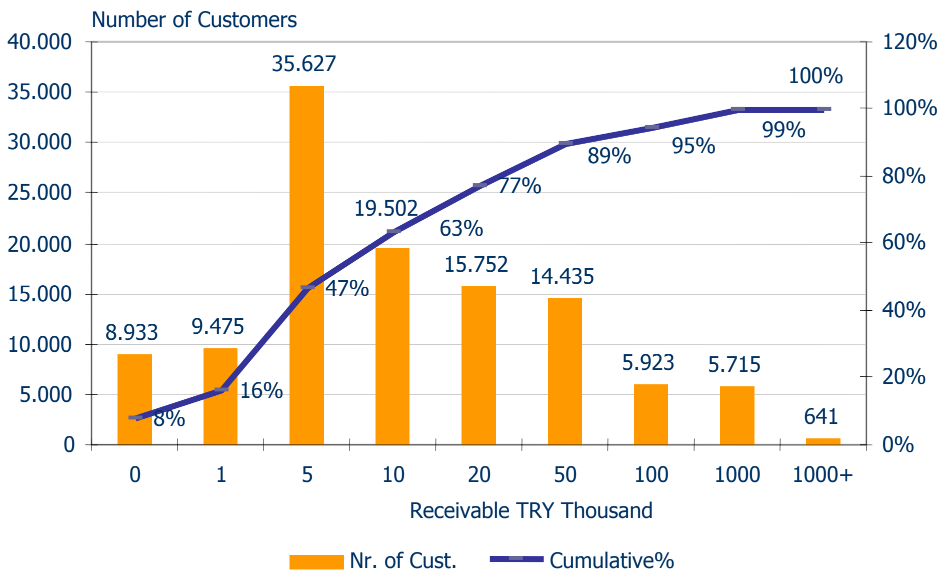
The distribution as economic sectors of the transactions realized by factoring companies in 2006 is given in the Chart 2.3-7 below. 67% of the transactions take place in the industry sector. The share of services is 28%, while the shares of agriculture and other sectors are respectively 2% and 3%. In the same Chart, it is seen that the share of factoring transactions without guarantee function within the total transactions is 81%.

Chart2.3-7: Distribution of Factoring Transactions



As it can be seen in the chart below, 47% of the factoring clients (54,035 people) is accumulated on the receivable group up to NTL 10 thousand. 31% of the clients (35,627 people) are accumulated on the receivable group up to NTL 5 to 10 thousand.

Chart2.3-8: Distribution of Clients by Receivable Groups



2.3.2.2. Performance Indicators

As it can be seen in the Tables 2.3-8 and 2.3-9 below, as of the period, the performance indicators of factoring companies are generally positive. Asset and own fund profitability of companies raised. The number of making loss remained the same, but the share of NPLs within the total receivables increased by 0.2 points.

Table2.3-8: Main Figures on Factoring Sector Performance

	2005	Mar.06	June06	Sept.06	Dec.06
NPLs/Gross Receivables %	2,3	2,5	2	2,1	2,3
Number of Companies Bearing Loss	6	10	18	11	11
Profit of Period/Total Own Funds %	18	4,4	3,4	25,1	28
Profit of Period/ Total Asset %	4,5	1,3	0,8	7,4	7,8
FX Net Position/ Own Funds %		-37	-45	-35,1	-43,3
Asset Per Company (NTL Million)	60,7	51,7	58,5	65,2	72
Worker by Company (Person)	23,3	24,6	25,8	26,4	28,3
Transaction Limit Ratio (< 30)	3,5	2,8	3,3	2,8	3,0
Costs / Income Rate > 0,80 Number of Circ. Circ.		12	16	10	12

***Costs are taken excluding interest.**

Table2.3-9: Main Figures on Factoring Sector Trend

	2005	Mar.06	June06	Sept.06	Dec.06
Total Assets (NTL Million)	5.340	4.552	5.087	5.672	6.332
Profit of Period	224	57	43	421	494
Receivables or Loans / Total Assets %	82	78	81	81	81
Own Funds/ Total Liabilities %	23	28	24	29	28
Number of Clients		66.025	72.465	77.019	81.501

The factoring companies have made important developments in 2006 and increased their asset size and profit of period. However, when compared to the previous end-of-year, a decrease by 1 point has realized in the share of receivables within the assets. As it can be seen in the table above, they increased their clients to 81,501 by the end of 2006. .

2.3.2.3. Financial Tables Analysis

The factoring sector grew nominally by 11.6% within the September-December 2006 and by 8.1% compared to previous year as fixed prices (Producer Price Index 2003=100). As it can be seen in the Annex Table 2.3.6, there is no significant increase in the proportional distribution of balance sheet items among themselves. When compared to the previous period; the share of factoring receivables which grew a little underneath the growth rate of the assets (10.7%) within the balance sheet decreased from 81.2% to 80.6%. As of the period, the increase by 57.3% in the assets held in banks is drawing attention, despite its small share within the balance sheet. On the other hand, it is seen that the NPLs increased by 22.4% compared to the previous period.

As it can be seen in the Annex Table 2.3-7, factoring companies realized a fund inflows of NTL1,339 million in the period of September- December 2006. 48.6% of the fund realized is from financial debts and 38.6% is from own fund (mostly profit of period). 74% of this fund realized is used in factoring receivables and 24% is in banks.

Chart2.3-9: Asset Composition of the Factoring Companies' Balance Sheet

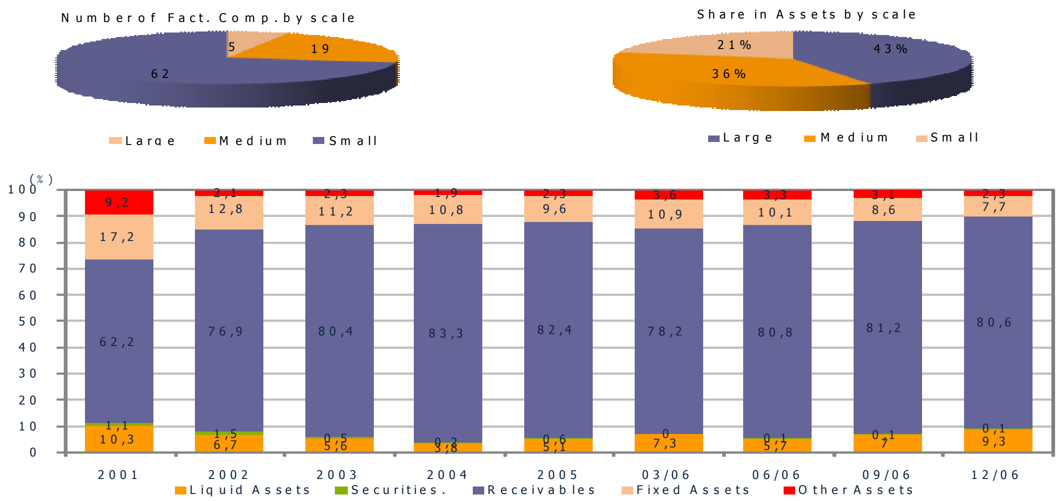


Table2.3-10: TL-FX Composition of Factoring Companies' Balance Sheet

(Share%)	Sector				By Groups		
Assets	Mar.06	June06	Sept.06	Dec.06	Large	Medium	Small
TL	89	86	86	88	80	94	97
FX	11	14	14	11	20	6	3
Liabilities							
TL	75	70	76	76	57	90	94
FX	25	30	24	24	43	10	6

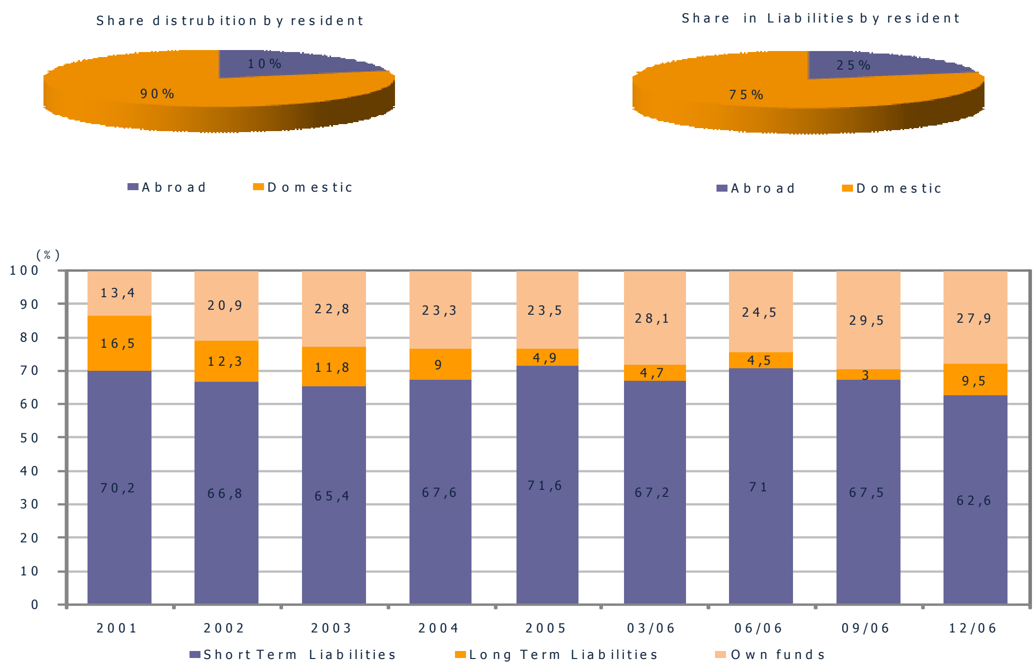
When the balance sheets of factoring companies taken place in the Annex Table 2.3-6 are analyzed by company groups, the following remarks are made:

- The share of assets of the large scale companies is 43.5%, the share of assets of medium scale companies is 35.9% and the share of assets of small scale companies is 20.6%; so the share of large and small scale companies is increasing, while the share of medium scale companies is decreasing.
- The share of "factoring receivables" item, which has the biggest share within the assets of factoring companies, is respectively 76.9% and 88.3% within the balance sheets of large and medium scale companies and that this share is 74.8% for small scale companies. The share of NPLs is decreasing, as the company scale is increasing in the factoring companies.

When the Annex Table 2.3-8 is analyzed; there are no significant changes in the sectoral distribution of factoring receivables. 72.3% of the receivables concentrate in industry and 25.4% is in services. When compared to the previous period, under the industrial sector, a small increase is seen in the metal main industry and machines and equipment sector, while a decrease by 3.5 points is observed in the share of electric and optic goods. Differently to the previous two periods, within this one, the share of large scale companies within receivables exceeded the share of medium scaled companies. 81.7% of the receivables is with short maturity (up to 1 year). The weighted average maturity of factoring receivables is 134 days. The NPLs ratio is 1.8%, the highest ratio by sub sectors is in the textile, leather and clothing sectors, similar to previous periods. It is seen that 85.8% of factoring receivables concentrate in commercial (non financial) companies.

When the liabilities item of factoring companies is analyzed, as it can be seen in the Annex Table 2.3-6, there a no significant changes in December 2006, besides the increase by 1.5 points in the share of financial debts and the decrease by one point in the share of own funds. In the same table, it is seen that, as the company scale grows, the share of outsourcing within the balance sheet of companies is still increasing and the share of own funds is still decreasing.

Chart2.3-10: Liability Composition in the Factoring Companies' Balance Sheets



While the weighted average maturity of factoring companies is 134 days; the weighted average maturity of debts is 143 days. When compared to September 2006, a significant lengthening has realized in the maturity of debts. Additionally, the fact that the share of receivables within the balance sheet is 80.6% and the share of debts is 66.5%, contributes to the maturity harmony between the debts and receivables of factoring companies.

As it is presented in the Table 2.3-8; it is seen that open positions is held as 13% of total asset throughout the sector, and that the open positions to assets ratio is 23% in large scaled companies. This ratio is respectively 4% and 3% for medium and small scale companies.

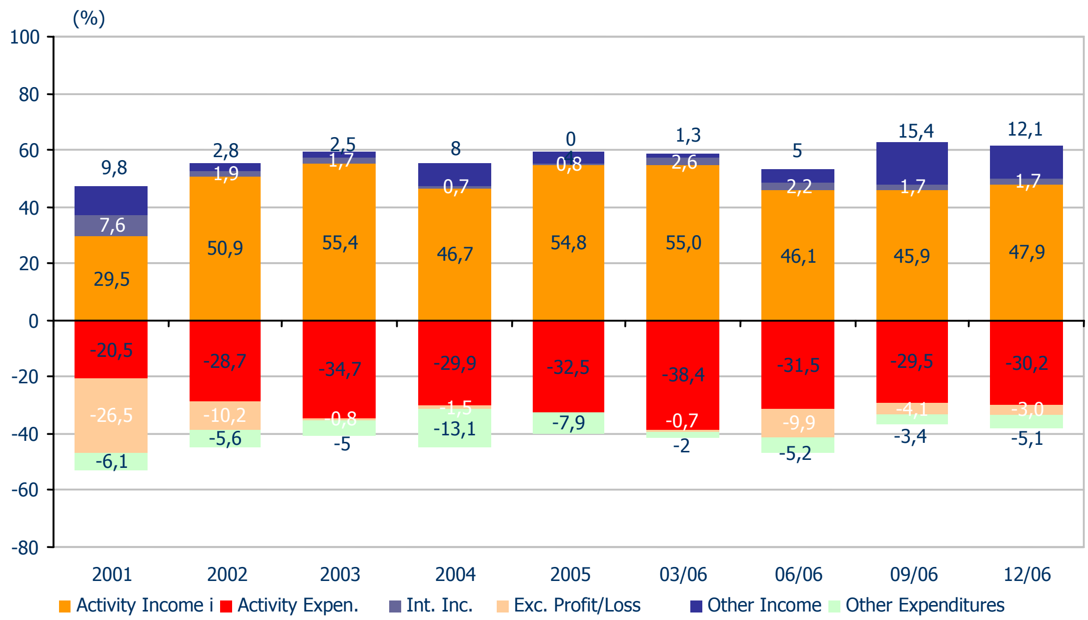
2.3.2.4. Income Statements Analysis

The total income of factoring companies increased by 85.7% when compared to previous period, while profit of period increased by 108.9%. When this increase is expressed by fixed prices (as 2003=100), it is seen that total income increased by 69.3% and profit of period by 90.5%.

According to the income statement of factoring companies in the Annex Table 2.3-9, the total income increased by 31.3% when compared to September 2006 to NTL 2,146.3 million. The income item making the biggest contribution to total income is activity income, which increased by 45.1%. Parallel to the external sources provided, the short-termed borrowing expenses increased by 43.9%. As of the period, the increase rate of exchange profit realized as 2.1 points higher than exchange losses, while NPL expenses increased by 96.5% and other provision expenses increased by 720.5%. Another significant matter is that the profit shares taken item increased by 453.6%, despite its proportionally small share within the total income.

As of the period, the activity income increased by 44% compared to the previous period, while activity expenses increased by 43.5%.

Chart2.3-11: Income-Expenses of Factoring Companies, by Their Share in Total Income



On the other hand, when the Annex Table 2.3-9 presenting the income statement of factoring companies is analyzed by groups, following statements are made:

- The share of activity income within the total income of the large scale companies is left behind those of medium and small scaled companies.
- The activity expenses to total income ratio is increasing as the scale of company is decreasing, and the activity expenses to activity income ratio is decreasing too.

- It is seen that the income that large companies provide from other activities realize among the expenses related to these activities, while for medium and small scale companies it is the contrary.
- While all groups make profits, the profit of period to total income ratio is increasing as the scale of the company increases.

The increase of profit of period to total income ratio by 16.7% of the factoring companies is provided 0.5% from activity profit, and 11.3% from extraordinary activities, and the remaining 4.9% from other activity profit.

2.3.3. Consumer Finance Sector Activities

2.3.3.1. Market Structure Outlook

In 2006, the number of consumer finance companies did not change, but the number of their branches increased while the concentration within the sector decreased.

Table2.3-11: Main Figures on Consumer Finance Sector

	2005	Mar.06	June06	Sept.06	Dec.06
Number of Companies	9	9	9	9	9
Number of Branches	4	4	4	4	6
Number of Personnel	414	417	433	436	443
HH Index	3.613	3.554	3.390	3.194	3.088,5
Asset Concentration (First 5 sector shares)	99,9	98,7	97,7	96,1	95

The number of personnel working in the consumer financing companies increased from 414 by the end of 2005 to 443 by the end of 2006.

2.3.3.2. Performance Indicators

As of December 2006, return of equity and return of assets, main performance indicators of consumer finance companies, displayed no positive picture. These indicators decreased when compared to the end of the previous year. On the other hand, there remained no loss making company in the sector.

Table2.3-12: Main Sizes Concerning the Performance of Consumer Finance Sector

	2005	Mar.06	Jun.06	Sep.06	Dec.06
NPL/Gross Receivables%	0,4	1,4	1,6	1,7	2,4
Number of Loss making Companies	1	2	-	1	-
Profit of the Period /Equity Total %	26	4	10	16	19
Profit of the Period / Asset Total %	2,1	0,3	0,7	1,2	1,4
FX net Position/ Equities %		-167	-211	-113	-153
Asset per Company (TRY million)	280	295	343	353	376
Employee per Company (person)	46	46	48	48	49
Transaction Limit Ratio (< 30)	11,7	13,1	14,2	13,3	13,6
Costs / Income rate > 0,80 Number of Companies*	1	2	1	1	-

*Costs have been calculated exclusive of interest.

As it can be seen in the Table 2.3.11 below, it is observed that the share of receivables and equities of consumer finance companies in balance sheet decreased by 1 points each, while the number of customers increased by 123.594 as of end of the period.

Table 2.3-13: Main Sizes Concerning the Development of Consumer Finance Sector

	2005	Mar.06	Jun.06	Sep.06	Dec.06
Profit of the Period	53	7	21	37	46
Total Assets (TRY million)	2.516	2.659	3.085	3.181	3.384
Receivables or Loans / Total Assets %	96	95	98	95	95
Equities/ Total Liabilities %	8	7	7	7	7
Number of Customers		98.582	116.325	127.235	123.594

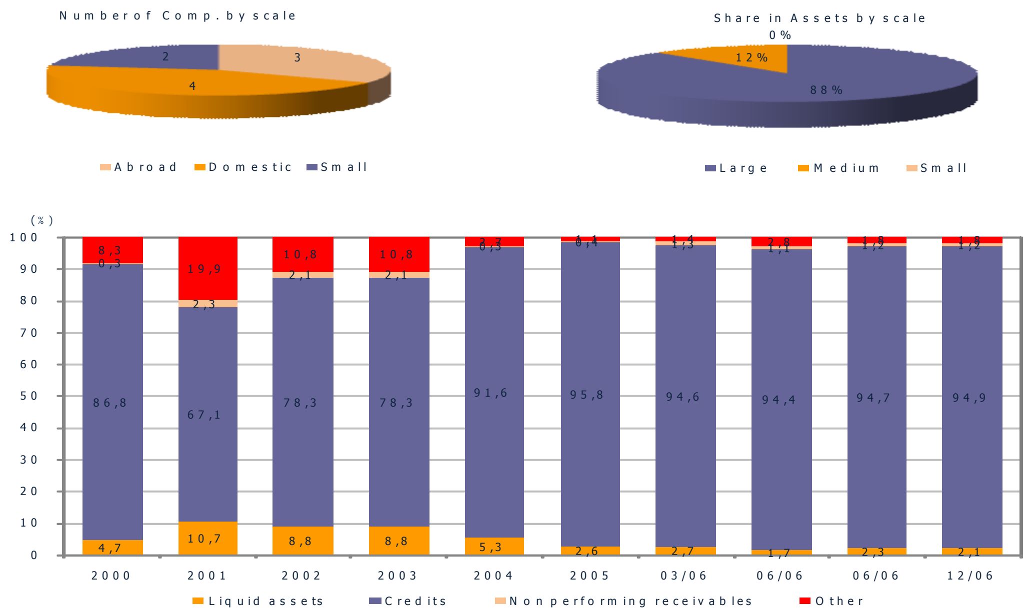
2.3.3.3.Financial Tables Analysis

Assets of consumer finance companies, as of end- 2006, grew nominally by 5.4% when compared to September period and by 63.3% when compared to end-2005; while they grew at constant prices by 2.6% when compared to September period and by 49.2% when compared to end-2005 (Annex Table 2.3-11). Growth rate of loans which has a share by 94.9% within assets was realized as 3.5% when compared to the previous year and 22.7 when compared to end-2005.

As it can be seen in the fund inflow table takes place in Annex Table 2.3-12, finance companies as of September-December 2006 period, secured fund inflow by TRY 221.3 million; 68.4% of the funds secured was originated from financial debts while 16.3% was originated from interest and expense rediscounts and 5.5% was originated from equity increase. 90% of the funds secured were extended as loan.

When consumer finance companies are classified as of size, it is observed that 3 companies classified as large-scale hold 87.6% of the asset size of the sector and 84.2% of the loans extended. The share of 4 companies classified as middle-scale is 12.2% and their share in loans is10.7%.

Chart2.3-12: Asset Composition of Balance Sheet of Finance Companies

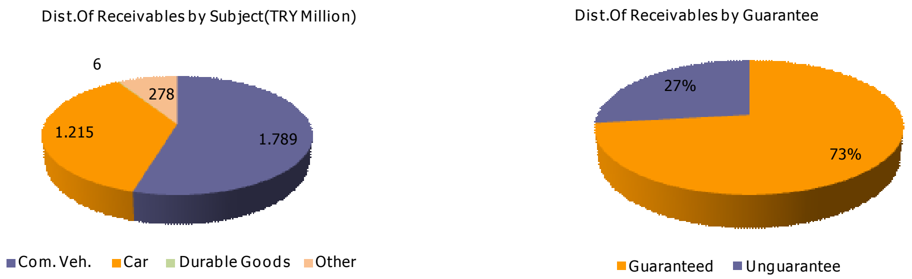


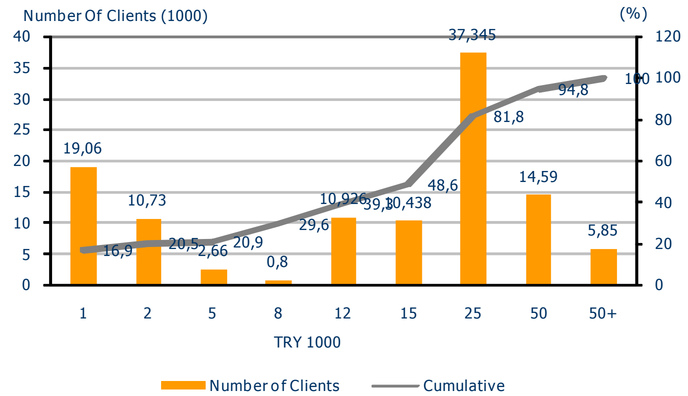
Current loans of consumer finance companies were TRY 3.288 in end-2006 and increased by 36% when compared to the end of the previous year. 67.4% of current loans majored in transportation means. 90% of loans were extended by large-scale companies. 67% of loans were with maturities more than one year, 10% are short-term and 23% was not matured, while ratio of non-performing loans was pretty low (0.9%).

When current loans are classified as of customer groups; it is observed that 37.3% of loans were extended to household, 32% by non-financial business companies, 8.9% by SMEs and 21.8% by other persons. As of period, the share of household use of loan decreased by 2.5 points. As of sectors, the proportional share of industry sector leading transport means sector decreased when compared to previous period, while the share of service sector, distinctly transporting, and communication and construction sector increased.

On the other hand, an increase by 1.3 points was realized in the share of middle-scale companies when compared to the previous period, while large-scale comapnies experienced a decrease by 1.3%.

Chart2.3-13: Distribution of Finance Companies Loans and Clients





Annex Table As it can be conceived from 2.3-11, in the liabilities of financing companies it can be observed a contraction in the proportional shares of financial debts and own funds as to the previous period. By period, concurrently with there were not observed a share change exceeding 1% in the proportional share of any liability items, it can be seen that as it was by the end of the year, tax to be paid and such like liabilities and the period profit were increased upon the rate of the increase of the liabilities. The weighted average of the receivables of consumer finance companies is 724 days and the weighted average maturity of their debts is 301 days.

Chart2.3-14: Liability composition of Financing Companies' Balance Sheet

Even if the share of the receivables (94.7%) is higher than the share of the debts (85.1%), the maturity of the receivables' being longer as to the debts is causing a maturity dispute in between the debt and the receivables of consumer financing companies.

The number of large scaled firms', in balance-sheet, being quite close to sector averages is indicating the condensation in the sector.

Table2.3-13: FX Composition of Financing Companies' Balance Sheet

	Sector				By group basis		
(Share %)	06,March	06,June	06, September	06, December	Large	Medium	Small
Asset -TL	89	83	83	82	84	67	97
-FX	11	17	17	18	16	33	3
Liability-TL	75	71	75	71	71	68	100
-FX	25	29	25	29	29	32	0

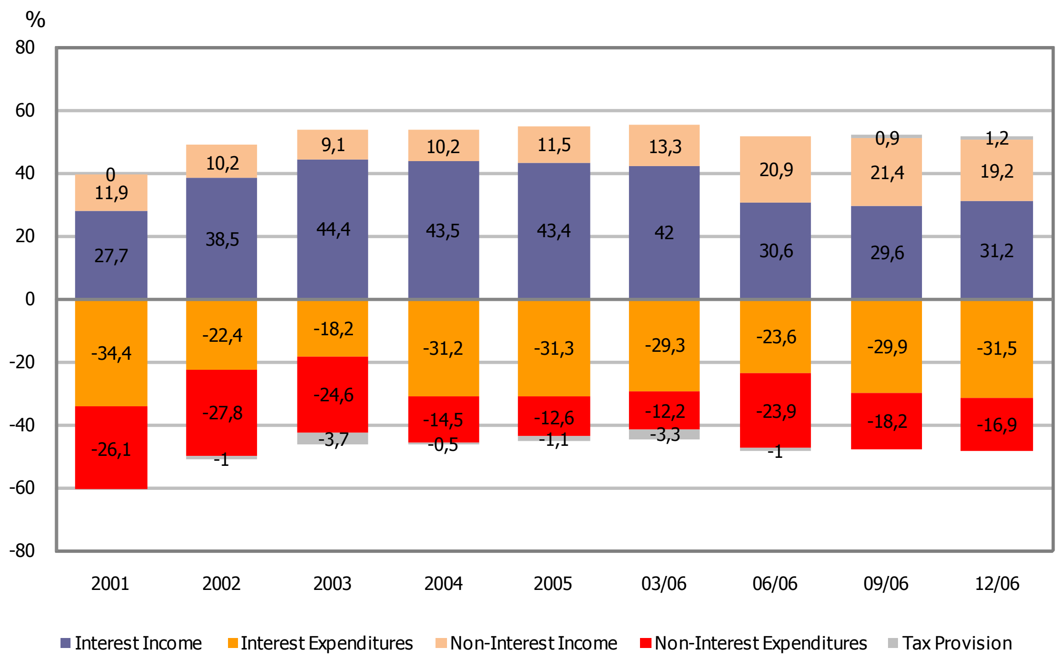
When observed Table 2.3-14 relating to TL-FX composition of the consumer financing companies' balance-sheet, it can be seen that there existing an FX liability amounting to

29% in return for FX assets amounting to 17%. Sector is continuing on to entertain rate of exchange risk with its current structure.

2.3.3.4. Income Statement Analysis

When income statement of financing companies is observed, interest incomes constituting the basic income resource has shown an increase amounting to 28.9% as to the end of the previous year and 40.3% as to September 2006. While the total incomes has shown an increase amounting to 31.2% when compared to the previous period, 64.2% of the incomes thereof was emanated from activities and 35.8% thereof is emanating from non-activity incomes.

Chart2.3-15: Incomes and Expenditures of Financing Companies



Among the financing companies, the shares of the those, which are small scaled in the sector, are quite low in every means. The share of activity incomes of the medium scaled firms in total incomes is higher than large scaled firms. While the ratio of short term borrowing expenditures of large scaled firms to total expenditures is high, the ratio of medium scaled firms' medium and long term borrowing expenditures to total expenditures is high. As large scaled firms benefit from economies of scale, the ratio of personnel expenditures and non performing loans provision to total expenditures are lower as compared to medium scaled firms.

As a result of the analyze of the financing companies' income statements dated September 2006 ; it can be seen that the ratio of activity incomes to total expenditures was 59.6% and the total activity expenditures including interest expenditure was 55.3% and that financing companies were displaying activity in profitable manner. However, when compared with 2005 year-end, it can be seen that the period profit was decreased by 13%.

When taken into account that the ratio of financing companies' period profit to total expenditures was 6%, it observed that the 4.3 points of the profit thereof was emanated from activity profit, and 1.7 points was emanated from other activities.

3. BANKING SECTOR RISK ASSESMENT

3.1. Credit Risk

Credit risk refers to the loss risk, which emanates when the loan customer could not in part or in full meet the liabilities stemming from a loan contract, leading to a negative effect on the current and future capitals and incomes of banks.

In order to determine the exposure amount of the sector subject to loan risk, total loans and non performing loans are analyzed and sensitivity of positions to loan risk factors in various aspects are investigated. Moreover, scenario analyses upon the development of risk factors relating to loss amount when loans are non-performing in various amounts are provided.

3.1.1. Position Amount Exposed to Risk

Loans extended are the main source of the loan risk the banks are exposed to. In this section, performing loans portfolio and non performing loans portfolio are analyzed in order to determine the position amount subject to risk within the sector.

3.1.1.1 Loans

Total loans are on the top among the items comprising the positions subject to loan risk. Throughout 2006, loans, although experienced a pause in June-August period with the influence of increased exchange rates in May-June period, increased by 40% in December 2005-December 2006 period and reached to TRY 219 billion from TRY 156 billion. As a result of the decrease experienced in FX loans, loans which increased only by TRY 5 billion in the third quarter, inclined by TRY 11 billion in the fourth quarter of the year . This increase experienced in total loans is the result of the increase experienced in TRY loans and FX indexed loans. On the other hand, as TRY appreciated nominally against US Dollar and TRY provision declined in the second quarter of the year, the increase in FX loans in terms of Dollar continued . (Chart3.1-1).

Chart 3.1-1: Development of TL and FX Loan Volume

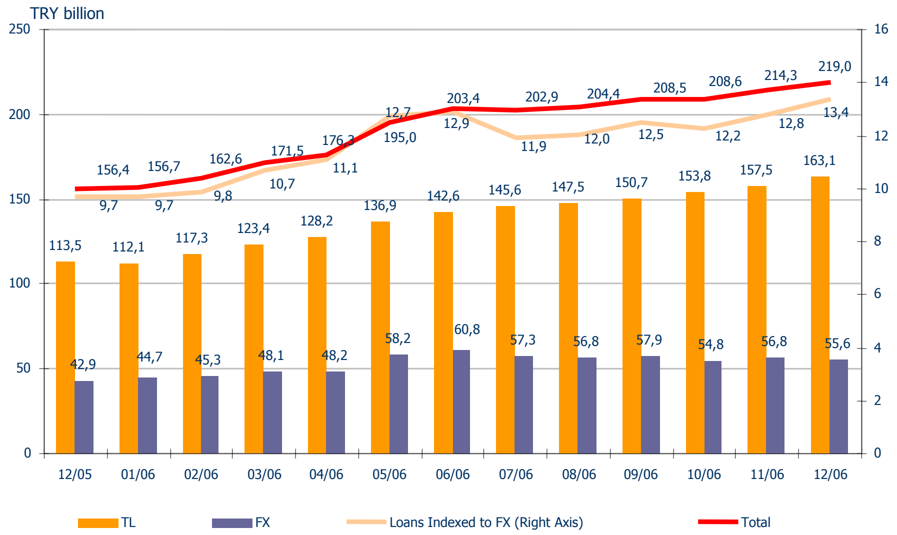
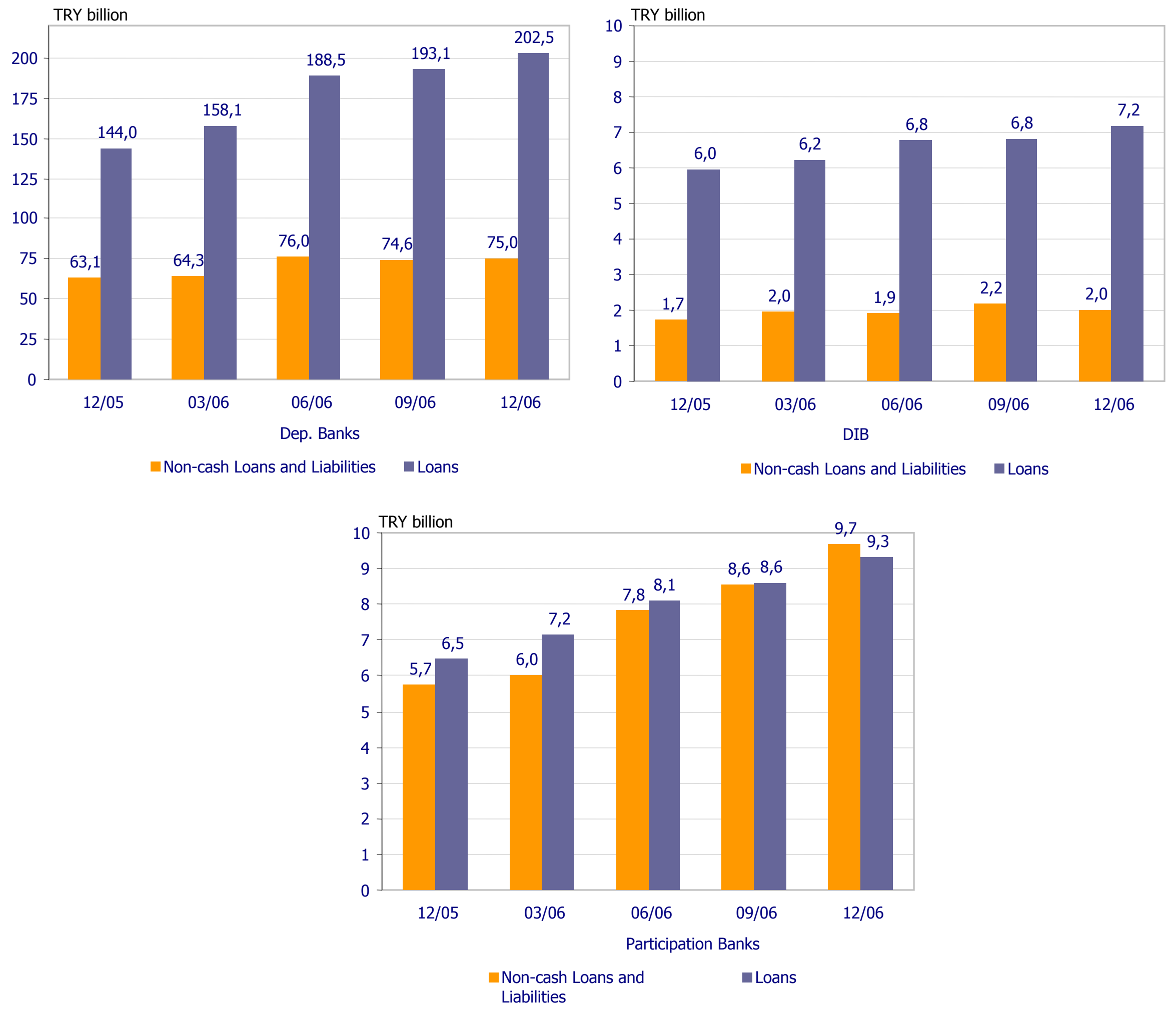


Chart3.1-2: Cash and Non-cash Loans in Bank Groups Basis



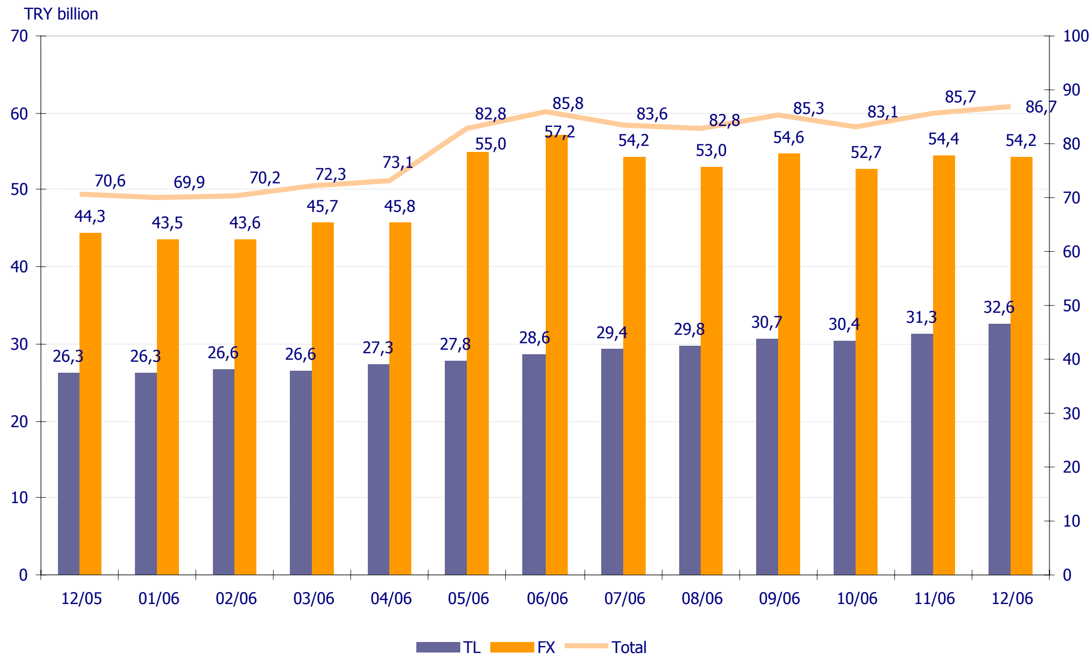
Non-cash loans which is another item composing the position subject to loan risk needs also to be analyzed. In the examination period, non-cash loan amount decreased in development and investment bank group, while it increased in deposit and participation banks (Chart3.1-2). As of December 2006, it is observed that letters of guarantee in non-cash loans has the biggest share with 36.9%, while credit cards has a share of 26% (Table 3.1-1).

Table3.1.-1: Non-cash Loan Components

	December 05		September 06		December 06	
%	TL	FX	TL	FX	TL	FX
Letters of Guarantee	18,0	18,7	17,8	19,5	18,3	18,6
Bank Acceptance	0,0	1,9	0,0	1,8	0,0	1,6
Import Credit	0,2	9,8	0,1	10,3	0,0	9,9
Pre-export Credits	0,0	0,0	0,0	0,0	0,0	0,0
Credit Cards	29,3	0,5	26,1	0,5	25,6	0,4
Other Commitments	17,0	2,5	18,1	3,2	19,1	3,7
Other Guarantee and Bails	0,6	1,5	0,8	1,7	0,9	1,9
Total	100	100	100	100	100	100

It is observed that FX loans maintain their relative weight in the distribution of non-cash loans as of currency. FX non-cash loans decreased by TRY 400 million and was realized as TRY 54.2 billion in September-December period, while TRY non-cash loans increased by TRY 1.9 billion and was realized as TRY 32.6 billion (Chart3.1-3).

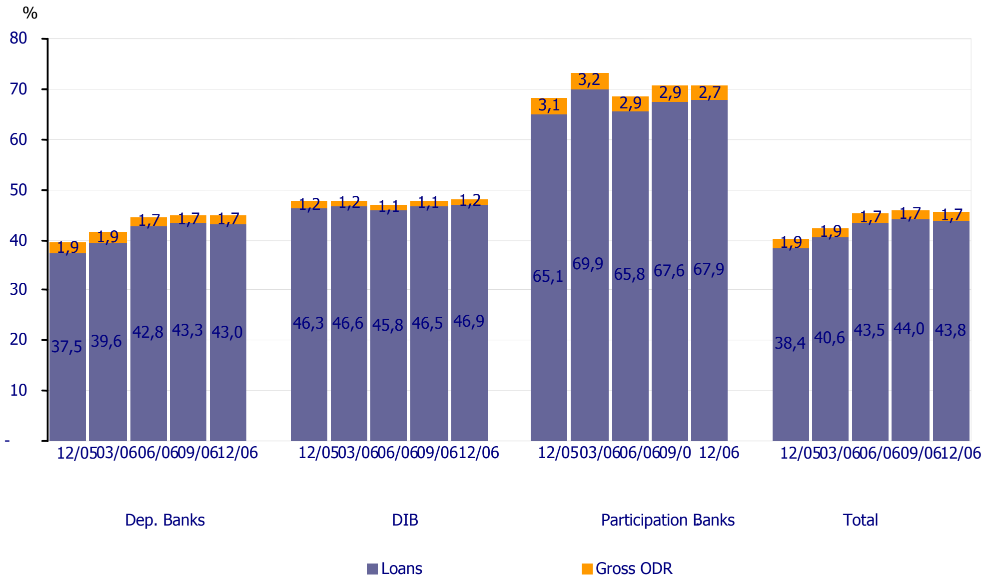
Chart 3.1-3: Non-cash Loans



3.1.1.2. Non Performing Loans (NPL)

It is observed that the share of loans in total assets declined by 0.2 points and decreased to 43.8% as of December 2006. The growth rate of loans in the period in question is slower than the growth rate of total assets. When the ratio of gross NPL amount to total assets is analyzed, it is observed that the said ratio did not change and remained as 1.7%. This situation derives from the fact that growth rates of gross NPL and total assets were same in the related period. It is observed that among the banking groups the most loan extended in proportion to total assets is the participation banks group. The said ratio increased by 0.3 and 0.4 points for participation banks and development and investment banks, respectively, while it decreased by 0.3 points for deposit banks group. Given the share of loans in total assets in total decreased and the share of gross NPL amount in total assets remained same, loan risk which has relatively high importance when compared to other risks did not display an increase tendency in this period (Chart 3.1-4).

Chart 3.1-4: Share of Loans and Gross Over-Due Receivables in Total Assets



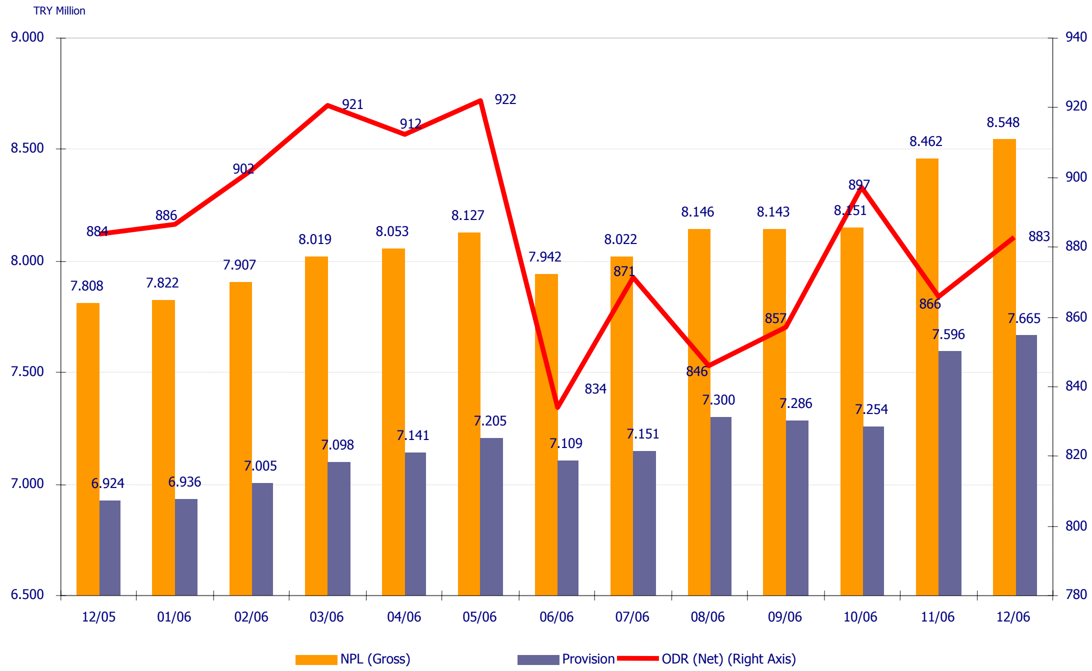
It is observed in September-December 2006 period that gross NPL amount increased by 4.9% and amounted to TRY 8,550 thousand, while provision amount increased by 5.2% to TRY 7,665 thousand. The increases in question largely derive from deposit banks. This situation is due to the fact that loans subject to loan risk increased mostly in deposit banks. In the period in question, it is observed that the gross NPL amount decreased only in participation banks group (Table 3.1–2).

Table3.1-1: Development of Over-Due Receivables

TRY thousand	Non-performing Loans (Gross)			Provision for NPL			Reserves / Gross ODR (%)		
	Dec.05	Sep.06	Dec.06	Dec.05	Sep.06	Dec.06	Dec.05	Sep.06	Dec.06
Deposit	7.340	7.607	7.997	6.585	6.895	7.251	89,7	90,6	90,7
DIB	157	166	184	146	150	175	93,4	89,9	95,0
Participation	311	370	369	192	241	239	61,7	65,1	64,9
Total	7.808	8.143	8.550	6.924	7.286	7.665	88,7	89,5	89,7

The policy of allocating high provision adopted in the first three quarter of 2006 continued in the last quarter. Development investment banks have the highest provision ratio by 95.0%, followed by deposit banks and participation banks by 90.7% and 64.9%, respectively.

Chart3.1-5: Development of Gross and Net NPL Amounts



Gross and net NPL amount, which experienced an increase tendency until May 2006, decreased as of June and followed by a fluctuating process in the following period. Throughout the year, the highest value of gross NPL peaked in December, while the highest net NPL value peaked in May (Chart3.1-5). Net NPL amount which decreased by 5.5% as of June increased and reached its December level in the following period though it experienced decreases in August and November. Upon this development, the fact that provision ratio in sector did not change substantially prevented any noteworthy development to be experienced in loan risk.

3.1.2. Sensitivity to Risk Factors

In this section, maturity and currency unit distribution of loans which have the biggest share in positions subject to loan risk, level of concentrations observed in different aspects in the portfolio are analyzed by means of ratios of non-performing loans which are determinants of default possibilities and collateral levels.

3.1.2.1. Distribution of Maturity and Currency Unit

In September-December 2006 period, it is observed that the average maturity of loans shortened a little. The share of short-term total loans increased by 0.7 points to 46.8%, while medium and long-term loans decreased at the same rate and was realized as 53.2% (Table 3.1-3). The share of TRY loans in total loans increased by 2.5 points and was realized as 74.6%, when compared to December 2005 period. This situation indicates that loan risk, which might stem from FX loans and arise due to possible fluctuating in exchange rates, decreased relatively throughout 2006.

In the period examined, the share of medium and long-term TRY loans increased by 0.6 points, while the share of FX loans decreased by 1.3 points and the share of total medium and long-term loans decreased by 0.7 points.

Table3.1-2: Maturity and Currency Unit Distribution in Loans

Maturity and Currency Unit Distribution of Loans (%)	December 05	Eylül 06	December 06
Short-term Total	51,8	46,1	46,8
TL	40,9	36,1	37,7
FX	10,9	10,1	9,1
Medium and Long-term Total	48,2	53,9	53,2
TL	31,2	36,2	36,8
FX	17,0	17,7	16,4
Total	100,0	100,0	100,0
TL	72,1	72,3	74,6
FX	27,9	27,7	25,4

Table3.1-3: Maturity Distribution of Credit Cards and Consumer Loans

	Credit Cards		Consumer Loans	
	September 06	December 06	September 06	December06
Short-term Total	94,8	94,9	9,3	9,8
TL	94,7	94,7	9,3	9,8
FX	0,2	0,2	0,0	0,0
Long-term Total	5,2	5,1	90,7	90,2
TL	5,2	5,1	90,7	90,2
FX	0,0	0,0	0,0	0,0
Total	100,0	100,0	100,0	100,0
TL	99,8	99,8	100,0	100,0
FX	0,2	0,2	0,0	0,0

Information on the maturities of credit cards and consumer loans is illustrated in Table 3.1-4. It is observed that credit cards are concentrated on short term, while consumer loans are concentrated on long term (such as housing loans) since they are used in long term.. Both loan types are extended predominantly as TRY denominated. Accordingly, as of December 2006 94.9% of credit cards were extended in short-term and 99.8% as FX denominated, while 90.2% of consumer loans were extended in long-term and almost all as FX denominated.

3.1.2.2. Concentration in Loan Size

When the proportional distribution of number of customers are analyzed, it is observed that the number of customers in each loan scale increased proportionally, however the increase experienced in the number of customers do not display equal distribution. It is observed that loans less than TRY 51 thousand TRY compose an important part of the increase with 96.3%. While 37.2% of the increase stem from loans greater than TRY 1 million, loan amount per customer and consequently loan risk amount being exposed has increased, as the number of customers in this loan scale increased less than the loan size as percentage. Moreover, while the decrease of concentration of the loans excluding those less than TRY 51 thousand and loans between TRY 51 thousand-TRY 100 thousand is considered as a positive development for loan risk, no noteworthy decrease was experienced in loans per customer excluding those more than TRY 1 million when compared to June (Table 3.1-5).

Table 3.1-4: Distribution of Loans as of Size and Number of Customer

	Loan Total (%)			Number of Customer (%)			Loan Amount Per Customer (TRY thousand)		
	Dec.0	Sep.0	Dec.0	Dec.05	Sep.06	Dec.06	Dec.05	Sep.06	Dec.06
More than TRY 1 million	40,98	42,61	42,36	0,04	0,05	0,05	5.824	5.957	6.146
TRY 501 thousand-TRY 1 million	4,69	4,82	4,87	0,03	0,05	0,05	718	685	710
TRY 101 thousand-TRY 500	11,05	11,95	12,48	0,28	0,42	0,45	206	199	199
TRY 51 thousand-TRY 100	5,77	6,55	6,75	0,42	0,65	0,69	73	70	70
Less than TRY 51 thousand	37,51	34,06	33,55	99,23	98,83	98,77	2	2	2
General Total	100	100	100	100	100	100	5	7	7

3.1.2.3. Structure of the Portfolio as of Loans Types

The proportional shares of loan types experienced no considerable increase in December 2005- December 2006. The highest increases in the period examined were realized in consumer loans and specialization loans by 2.6 points and 2.2 points, respectively. It is observed that the share of consumer loans in total loans amounted to 21.9% from 19.3% and 2.1 points of the increase thereof stem from housing loans. The main reason of the said increase is the increase by TRY 17.5 billion observed in consumer loans.

Table3.1-5: Composition of Loans

Loan Types (%)	Dec.05	Sep.06	Dec.06
Business Loans	15,0	15,5	14,2
Export Loans	10,5	9,8	9,0
Consumer Loans	19,3	21,6	21,9
Housing	8,4	10,5	10,6
Vehicle	4,2	3,3	3,1
Consumer	5,9	7,0	7,5
Other	0,8	0,8	0,8
Credit Cards	11,8	10,3	10,4
Fund Resourced Loans	3,9	2,2	2,2
Other Investment Loans	3,4	4,9	4,9
Specialization Loans	3,2	5,1	5,5
Export Guarantee Investment Loans	1,4	1,0	0,9
Discount and Redemption Bills	0,5	0,5	0,4
Precious Metal Loans	0,2	0,2	0,2
Receivables from Factoring Transactions	0,2	0,0	0,0
Securities Purchasing Loans on behalf of Customer	0,1	0,0	0,1
Import Loans	0,1	0,1	0,1
Other Loans	30,4	28,8	30,3
Total Loans	100	100	100

3.1.2.4. Distribution of Loans in Sectoral Basis

When the sectoral distribution of loans is analyzed, it is observed that the sectoral distributions of short and long-term cash loans are different. Among short-term loans, short-term loans extended to industry sector is on the top with a share by 49.1%, followed by services sector by 43.50%, while services sector granted the highest rated loan by 63% in medium and long-term loans and industry sector has a share by 32.6%. In total loans, services sector remained in the first place. And 93% of loans extended to industry sector in total were extended to manufacturing industry (Table 3.1-7).

When rates of NPL are analyzed on a sectoral basis, it is observed that the loans extended to agriculture sector leads with a NPL share of 6.8%, above the average level of 3.7%, different from September 2006 period. Compared to September 2006, although the rate of NPL of the industry sector decreased, , it remained above the average level. Although, a small part of total corporate and commercial loans, when compared to services sector, were extended to agriculture and industry sectors, the ratios of NPL of these sectors in question are above the services sector. In non-cash loans, as in total non-cash loans, services sector has the biggest share followed by industry sector (Table 3.1-7).

Table3.1-6: Sectoral Distribution of Corporate and Commercial Loans

%, Dec.06	Sectoral Distribution of Cash Loans			Ratio of NPL	Non-cash Loans
	Short-term	Medium-Long-term	Total (Gross)		
Agriculture	7,38	4,34	6,13	6,78	1,67
Industry	49,12	32,64	41,64	4,57	43,13
Mining	1,99	1,20	1,59	0,09	2,18
Manufacturing Industry	46,42	29,29	38,71	4,47	38,82
Electricity-Gas-Water	0,71	2,15	1,34	0,01	2,13
Services	43,50	63,02	52,23	2,89	55,20
Total	100,00	100,00	100,00	3,71	100,00
Total Ins. and Bus. Loans (TRY billion)	79,48	73,63	153,10	6,43	86,72
Ins. and Bus. Loans /Total Loans	76,02	62,58	66,35	75,18	66,35

3.1.2.5. Distribution of Non Performing Loans in Sectoral Basis

In December 2005- December 2006 period, when over-due receivables are analyzed as of sub-sectors, it is observed that the shares of NPL of sub-sectors excluding textile sector, wholesale trade and brokerage sector and food, beverage and tobacco sector increased (Table 3.1-8).

Table3.1-7: Sub-sectors with Highest Share in ODR

	Dec.05			Dec.06		
	Share in ODR (%)	ODR / Total Loans (%)	Share and Ordering in Cash Loans (%)ı	Share in ODR (%)	ODR / Total Loans (%)	Share and Ordering in Cash Loans (%)
Credit Cards	17,7	7,2	11,1 (1)	20,1	7,4	11,1 (2)
Textile and Textile Goods Industry	17,6	15,6	4,6 (7)	14,2	11,5	4,6 (6)
Other	7,1	3,4	9,7 (2)	12,5	6,0	9,7 (4)
Construction	4,7	6,0	3,6 (11)	5,0	4,5	3,6 (7)
Wholesale Trade and Brokerage	5,4	4,1	6,1 (5)	4,7	3,0	6,1 (5)
Food, Beverage and Tobacco Industry	5,5	6,9	3,6 (10)	4,1	4,4	3,6 (10)
Agriculture	2,0	2,1	4,3 (8)	3,9	4,2	4,3 (11)
Fishing	0,2	14,0	0,0 (51)	2,6	59,1	0,0 (51)

The shares of credit cards and textile sector in NPL take the first place, while the NPL ratio and the share of other sub-sector in total NPL increased. Moreover, shares of sectors in total cash loans displayed no change when compared to September.

3.1.2.6. Distribution of Collateral in Non Performing Roles Over-Due Receivables

In December 2005- December 2006, total non performing receivables increased by 95% and amounted to TRY 8,550 million (Table 3.1-9). However, the fact that a considerable part of the increase in question was experienced in loans holding 2nd and 3rd Group collaterals limits the losses which might be stem from the loans in question. The decrease experienced in the indemnification ratios of loans in the period examined throughout December 2005- December 2006 can be considered a negative situation.

Table3.1-8: ODR Caution and Guarantee Information

	Gross Balance (TRY Million)			Proportional Distribution by Caution (%)			Total Caution/Loan (%)		
Items	Dec 05	Sep 06	Dec 06	Dec 05	Sep 06	Dec 06	Dec 05	Sep 06	Dec 06
Total bad receivables	7.808	8.143	8.550	100	100	100	46	39	38
a) Holders of 1st Group Caution	13	8	19	0	0	0	88	80	53
b) Holders of 2nd Group Caution	3.242	3.066	3.386	42	38	40	76	76	71
c) Holders of 3rd Group Caution	1.183	1.268	1.376	15	16	16	82	52	51
d) Holders of 4th Group Caution	233	222	224	3	3	3	68	72	61
e)Unsecured	3.137	3.578	3.546	40	44	41	103		
Restructured Receivables	1.358	1.429	1.477						
Receivables Depending on New Redemption Plan	905	694	583						

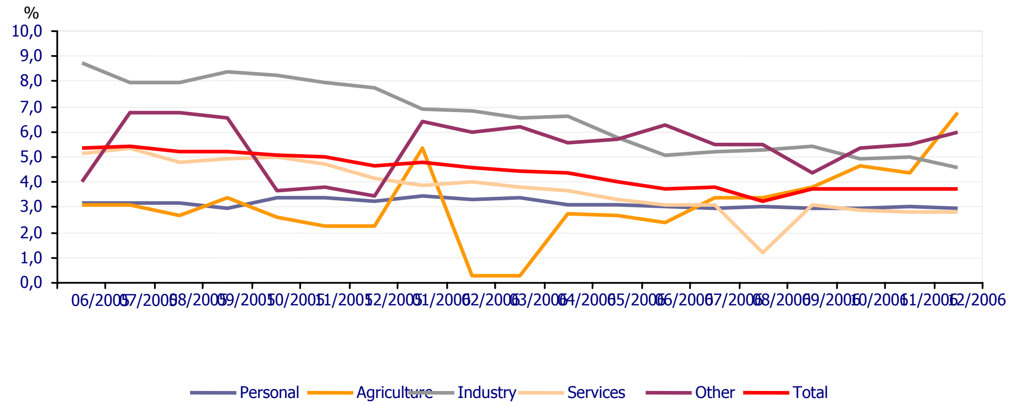
3.1.3. Development of Risk Factors

Risk factors for loan risk are probability of default, loss given default and default amount. In this section, sectoral rates of NPL, which are estimators of default possibilities, the main risk factor in loan risk, are analyzed.

3.1.3.1. Rates of NPL

As a result of the positive developments experienced in economy in recent years and stable growth, rates of NPL, throughout sector, decreased. Hence, rate of NPL decreased to 3.71% as of December 2006 from 4.65% in the same month of the previous year.

Chart3.1-6: Sectoral Rates of NPL



Moderate decrease tendency which are observed in the rate of NPL in the first two quarters of the year throughout sectors, changed to fluctuations beginning from summer months with the effect of seasonality. It is observed that the volatility of only agriculture and other sectors are relatively high.

3.1.4. Risk Level

In this section, risk level of the sector is analyzed by using various scenarios. Within the context of the scenarios , in case cash and non-cash loans experience a loss by 1% and 5%, the sector capital adequacy ratio and loss amounts have been calculated. When the scenario analyses are examined, it is observed that June, September and December 2006 period results are quite similar. In case 1% of cash loans changed into loss as of December 2006, CAR decreases by 0.59 points while in a 5% of loss case, CAR decreases by 2.97 points. In case non-cash loans changed into loss by 1% and 5%, CAR decreases by 0.15 and 0.75 points, respectively.

Table3.1-9: Loan Risk Scenario Analysis Results

Scenario	Jun 06			Sep 06			Dec 2006		
	Loss	CAR (%)	CAR Change (Points)*	Loss	CAR (%)	CAR Change (Points)**	Loss	CAR (%)	CAR Change (Points)***
1% of Cash Loans to turn into NPL	1.647	16,64	-0,59	1.686	18,46	-0,59	1.758	20,36	-0,59
5% of Cash Loans to turn into NPL	8.235	14,24	-2,99	8.429	16,07	-2,98	8.790	17,97	-2,97
15 of Non-cash Loans to turn into NPL	166	17,17	-0,06	146	19,00	-0,05	450	20,79	-0,15
5% of Non-cash Loans to turn into NPL	829	16,94	-0,30	734	18,79	-0,26	2.255	20,19	-0,75

Note: Excluding İller Bankası data.
* Average CAR of June 2006 period is 17.23%.
** Average CAR of September 2006 period is 19.05%.
*** Average CAR of December 2006 period is 20.94%

3.2. Market Risk

One of the most important risks that the banks bear is market risk, certainly. Market risk, depending on interest, exchange and share price changes stemming from fluctuations and shocks in financial markets, is defined as possibility to make loss occur in the positions the banks recorded in on-balance and off-balance sheet accounts. The risk thereof is more important especially for the markets in which high variability is observed.

On the other hand, while interest rate analyzed within market risk in this section of the report, comprise only of securities held for trading, structural interest ratio risk to be analyzed in the following sections of the report covers of all in-balance and off-balance sheet positions.

Within this scope, developments in position amounts subject to market risk, sensitivities of positions to risk factors and risk factors shall be analyzed in the following sections.

As it is well known, pursuant to the Regulation on Measurement and Evaluation of Capital Adequacy of Banks entered into force as of November 1, 2006, securities held for trading is enabled to be classified among the positions subject to loan risk. Accordingly, there are differences in the portfolios taken as a basis in September and December 2006 period reports. Hence, in the analysis below, only securities held for trading is taken into consideration in the tables excluding those concerning legal capital liability.

3.2.1. Market Interest Rate Risk

Market interest rate risk refers to the loss possibility which may arise, due to the changes experienced in interest rates, in the value of financial instruments, which are monitored in the business accounts of banks and whose yield is associated with interest rates and positions relating to derivative instruments based on the instruments thereof and in cash positions relating to derivatives based on shares.

Market interest rate risk is analyzed within the scope of positions subject to risk, sensitivities of the positions thereof to risk factors and development of risk factors.

3.2.1.1. Position Amount Subject to Risk

Interest rate risk which is evaluated within the scope of market risk arises depending on the financial instruments included in the business portfolio and whose value/cash flows is related with market interests.

The change experienced in the amounts of business portfolio and derivative financial instruments, of the positions subject to market interest ratio risk December 2005-December 2006 period is displayed in Chart 3.2-1. It is observed that business portfolio amount was realized in TRY 17-18 billion levels however, decreased to TRY 14 billion in the last quarter of the year. Derivative financial instruments displayed a substantial increase when compared to business portfolio in the first half of the year, nevertheless declined rapidly in May and followed a stable trend in the second half of the year. The increase derivative financial instruments experienced in November strikes the attention. Analyzing the change in the position amounts subject to risk is not solely considered as an indicator in determining the change of the risk level. To assess the change in the risk level, development of risk factor and sensitivities to the factors therein need to be analyzed.

Chart3.2-1: Development of Business Portfolio and Derivative Financial Transactions

3.2.1.2. Sensitivity to Risk Factors

Residual terms up to repricing dates of positions and distribution of securities by types are taken into consideration in the evaluation of the sensitivity to risk factors in market interest ratio risk.

When data in Table 3.2-1 is analyzed, it is observed that significant changes were experienced throughout sector in the distribution of items that is composed of long and short-term positions in September-December period. Within long positions, the share of securities decreased by 34 points, while the share of repos and derivative transactions increased by 6 and 27 points, respectively. The main reason of the decrease in question is that different portfolios are taken into consideration in calculation of capital adequacy within the scope of the change mentioned above. This situation was mainly effective in deposit and development and investment banks. Within short positions, the share of repos decreased by 12 points, while the share of derivative transactions increased by 10 points. Deposit and development and investment banks were effective in the change experienced in the items included in short positions.

Table3.2-1: Positions whose Interest Rate is Subject to General Market Risk

	Deposit		DIB		Participation		Total	
%	Sep.06	Dec.06	Sep.06	Dec.06	Sep.06	Dec.06	Sep.06	Dec.06
Long Position	100	100	100	100	100	100	100	100
SP	64	30	27	12	2	2	63	29
Repos	13	19	11	1	0	0	13	19
Derivative	20	47	62	83	98	98	21	48
Other	3	4	1	4	0	0	3	4
Short Positions	100	100	100	100	100	100	100	100
Repos	31	19	14	2	0	0	30	18
Derivative	63	75	85	94	100	100	65	75
Other	6	6	1	4	0	0	6	6

As of November 2006, similar to previous periods, long positions that represents claims for banks were realized above short positions, which are in liability character. This situation may cause the banking system may be influenced negatively from possible interest increases in positions whose interest rate is subject to general market risk.

Table3.2-2: Net Positions by Residual Term up to Repricing Date

December 2006(%)	Deposit Banks	DIBB	Participation Banks	Total
1 Months	-4,2	-16,2	2,8	-4,3
1-3 Months	48,6	18,4	0,0	48,3
3-6 Months	27,4	38,4	0,0	27,5
6-12 Months	12,9	33,8	0,0	13,1
1-2 Years	17,7	25,6	97,2	17,8
2-3 Years	-1,2	3,2	0,0	-1,2
3-4 Years	0,6	2,9	0,0	0,7
4-5 Years	-4,2	-3,6	0,0	-4,2
5-7 Years	0,2	-0,9	0,0	0,2
7-10 Years	-0,8	-6,4	0,0	-0,8
10-15 Years	0,9	2,2	0,0	0,9
15-20 Years	0,6	0,0	0,0	0,6
20+ Years	1,3	2,4	0,0	1,3
Total	100,0	100,0	100,0	100,0

As of December 2006, Total Long Positions/Total Short Positions ratio was realized as 1.6. It is observed that the difference between long and short terms positions has decreased in the calculations relating to the table as mentioned. In this assessment , it should be noted that different portfolios are taken into consideration in calculation of capital adequacy within the scope of the change mentioned above.

When Table 3.2-2 is analyzed, it is observed that throughout the sector 71.6% of net positions are within the maturities of shorter than 6 months. The said concentration stems from deposit banks. On the other hand, development and investment banks bear negative net position in 1 month maturity bracket. This situation causes the banking system may be influenced negatively from possible interest increases in positions whose interest rate is subject to general market risk.

Financial instruments may have various properties depending on the credit quality of the issuer, currency type of the issue and the market liquidity of the financial instrument. . For this reason , even though financial instruments may be totally same in terms of time to maturity or their quality, they are not always influenced at the equal speed and in equal rate from the changes experienced in interest rates. Thus, although they have same condition/maturity and are of the same currency unit, government securities and private sector bonds and TL and FX-denominated Government Securities issued by the Treasury have to be considered individually in interest risk analysis..

When Table 3.2-3 is analyzed, it is observed that an increase was experienced in the share of FX assets, while a decrease was experienced in the share of TL assets in September-December 2006 period. It is considered that this situation was realized independent from exchange effect due to the fact that consequential change was observed in the exchange rates in the period examined. The share of public securities within total securities increased by 99.51% from 99.47%. Moreover, the share of variable interest securities in portfolio increased, while the share of fixed interest securities decreased.

Table3.2-3: Distribution of Business Portfolio by Securities Type

	TL (%)		FX (%)		Total (%)	
	Sep.06	Dec.06	Sep.06	Dec.06	Sep.06	Dec.06
Government Securities	46,40	39,80	45,20	52,10	91,60	91,90
Variable Interest	11,07	9,43	36,84	42,51	47,91	51,93
Fixed Interest	35,33	30,38	8,36	9,59	43,70	39,97
Eurobond	0,00	0,00	7,87	7,61	7,87	7,61
Variable Interest	0,00	0,00	0,00	0,00	0,00	0,00
Fixed Interest	0,00	0,00	7,87	7,61	7,87	7,61
Stock and Investment Fund	0,27	0,18	0,00	0,00	0,27	0,18
Other – Fixed Interest	0,07	0,09	0,18	0,22	0,25	0,31
Total	46,74	40,07	53,26	59,93	100,00	100,00
Variable Interest	11,07	9,43	36,84	42,51	47,91	51,93
Fixed Interest	35,40	30,47	16,42	17,42	51,82	47,89
Other	0,27	0,18	0,00	0,00	0,27	0,18

In addition to the risk factors discussed above, specific risk, composing the positions subject to risk, needs to be analyzed which is defined as the loss risk which may occur due to the changes in the credibility of the institutions issuing or guaranteeing or undertaking the payment liability of the financial instruments. When Table 3.2-4 is analyzed, it is observed that concentrations continue and positions subject to specific risk are composed largely of public securities. While this situation is a factor that increases general market risk, owing to the fact that it increases concentration, it is considered as positive in specific risk as the loan quality of public institutions is high.

Table3.2-4: Proportional Distribution of Items Subject to Specific Risk

December 06 (%)	Specific Risk Liability	Deposit B.	DIB	Participation B.	Sector
Government Securities	0	99,7	100,0	0,0	99,7
Qualified Securities	0,0025 - 0,01 - 0,016*	0,2	0,0	100,0	0,2
Other	0,08	0,1	0,0	0,0	0,1

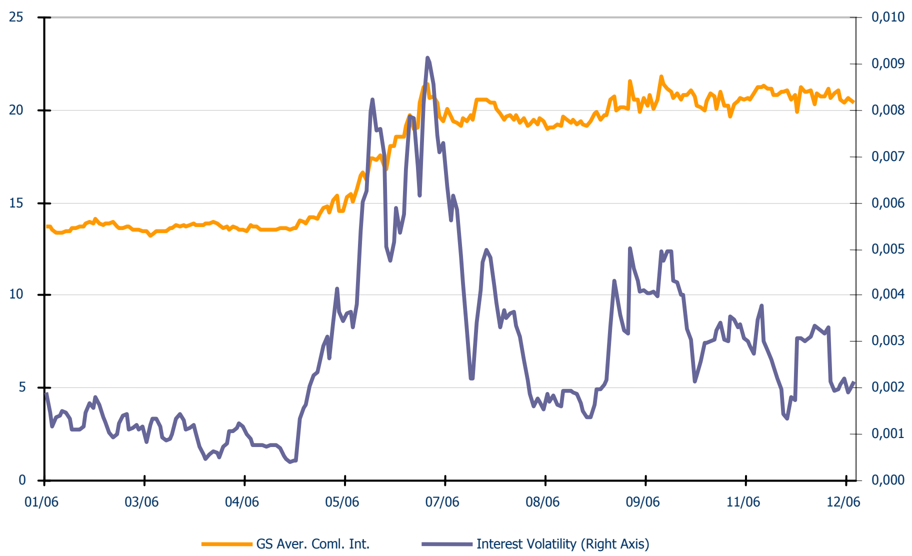
* The coefficients in question is determined by considering the number of residual days of the security up to maturity. Residual dates up to maturities in government securities and other securities item are not taken into consideration.

3.2.1.3. Development of Risk Factors

Government Securities (GS) interest rates are the foremost risk factor affecting the value of the items exposed to interest rate risk both indirectly as a leader and determiner of the tendencies in market interest rates or directly as forming a significant part of the investments of the banks of the country.

When Chart 3.2-2 is analyzed, it is observed that average composite interests realized in secondary market for GS followed a horizontal process in the rest of the year after an increase by 20% in May-June 2006 period, while it was realized below 20% in June-September 2006 period and above 20% in September-December 2006 period. Moreover, in June-December period the volatility in interest rate decreased considerably when compared to May-June period. This situation is a development of decreasing the market interest rate risk the sector is exposed to.

Chart3.2-2: Average Composite Interest and Volatility in Second-hand GS Market



3.2.1.4. Risk Level

In the subsection, the aim is to estimate the changes which may arise in capital through scenarios relating to the possible changes that may occur in interest rates.

When Table 3.2-5 is analyzed, it is observed that deposit banks whose ratio of GS to total capital is high, shall be most influenced from the changes in GS prices. Moreover, when compared to September 2006 period results, fixed interest GS total in business portfolio decreased relatively more than own funds amounts. This situation brought about the scenario results were realized relatively more positively.

Table3.2-5: Effects of Possible Changes in Second-hand GS Markets

As of December 2006 (TRY Million)				Change in Second-hand GS Interests					
				-10	-5	-1	1	5	10
	Business Portfolio	Fixed Interest GS	Own funds	Effect of Changes in Interests to Capital (%)					
Deposit	13.957	5.429	51.218	-1,1	-0,5	-0,1	0,1	0,5	1,1
DIB	281	256	7.624	-0,3	-0,2	0,0	0,0	0,2	0,3
Total	14.238	5.685	58.842	-1,0	-0,5	-0,1	0,1	0,5	1,0

As of September 2006 (TRY Million)				Change in Second-hand GS Interests					
				-10	-5	-1	1	5	10
	Business Portfolio	Fixed Interest GS	Own funds	Effect of Changes in Interests to Capital (%)					
Deposit	17.101	7.280	53.067	-1,4	-0,7	-0,1	0,1	0,7	1,4
DIB	379	335	3.865	-0,9	-0,4	-0,1	0,1	0,4	0,9
Total	17.481	7.615	56.932	-1,3	-0,7	-0,1	0,1	0,7	1,3

When Table 3.2-6 is analyzed, it is observed that the assessments given above for GS prices are also valid for Eurobond prices. Moreover, when compared to September 2006 period, the fact that fixed interest Eurobond total included in business portfolio increased relatively more than own funds amounts caused the scenario results to be realized more positively.

The maximum decrease in Eurobond amounts was realized in deposit banks. When December 2006 period results are analyzed, it is observed that the most sensitive group to the changes that may occur in Eurobond prices was deposit banks.

Table3.2-6: Effects of Possible Changes in Eurobond Prices

As of December 2006 (TRY Million)				Change in Eurobond Interests					
				-10	-5	-1	1	5	10
	Business Portfolio	Fixed Interest	Own funds	Effect of Changes in Interests to Capital (%)					
Deposit Bank	13.957	1.061	51.218	-0,2	-0,1	0,0	0,0	0,1	0,2
DIB	281	22	7.624	0,0	0,0	0,0	0,0	0,0	0,0
Total	14.238	1.083	58.842	-0,2	-0,1	0,0	0,0	0,1	0,2
As of September 2006 (TRY Million)				Change in Eurobond Interests					
				-10	-5	-1	1	5	10
	Business Portfolio	Fixed Interest	Own funds	Effect of Changes in Interests to Capital (%)					
Deposit Bank	17.101	1.330	53.067	-0,3	-0,1	0,0	0,0	0,1	0,3
DIB	379	41	3.865	-0,1	-0,1	0,0	0,0	0,1	0,1
Total	17.481	1.372	56.932	-0,2	-0,1	0,0	0,0	0,1	0,2

3.2.2. Stock Price Risk

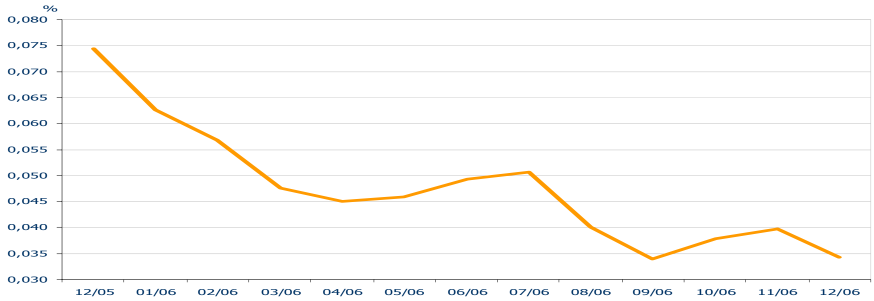
Stock price risk refers to the possibility of loss to be exposed due to unexpected changes in market prices of stocks and derivative transactions based on stocks that the banks monitor in their trading book.

In this section, stocks price risk is analyzed within the scope of positions subject to risk, sensitivities of the positions therein to risk factors and development of risk factors.

3.2.2.1. Risk Exposure

The share of stocks and investment funds in trading portfolio was 0.5% in September-December 2006 period, while it decreased in June-September 2006 period. Hence, negative developments which may occur in the prices of these values that have a 0.5% share in portfolio would not cause significant loss or profit in banking sector.

Chart3.2-3: The Share of Stock and Shares and Investment Funds in Business Portfolio



3.2.2.2. Sensitivity to Risk Factors

Risk in stocks is composed of two main components; systematic risk derived from the changes in general level of stocks prices and non-systematic stemming from fluctuations that occur in stocks prices depending on typical features of an individual company.

Having regard to these matters, sensitivities of stocks positions to risk factors need to be analyzed by considering the concentrations of these assets in stock exchanges basis and whether these stocks are included in a main index.

When Table 3.2-7 is analyzed, as of December 2006 period it is observed that the share of the stocks of the banking sector effecting transaction in ISE increased in total stock portfolio. The high share indicates the concentration and the height of the level of stock price risk being exposed in the stock portfolio, accordingly. In the comparisons between two periods relating to the table, it should be noted that different portfolios are taken into consideration in calculation of capital adequacy.

Table3.2-7: Distribution of Stocks by Country Markets

(%)	Deposit B.		DIB		Participation B.		Total	
	Sep.06	Dec.06	Sep.06	Dec.06	Sep.06	Dec.06	Sep.06	Dec.06
Turkey	42,7	94,1	58,1	100,0	100,0	100,0	44,6	94,3
Other	57,3	5,9	41,9	0,0	0,0	0,0	55,4	5,7

Liquidity of stocks which are included in a main index are considered higher and market prices thereof is more stable and these stocks are considered especially as assets bearing lower specific risk. When Table 3.2-8 is analyzed, the share of stocks included in a main index throughout the sector in stock portfolio is observed. In comparisons between two periods relating to the table in question, it should be noted that different portfolios are taken into consideration in calculation of capital adequacy. The increase experienced in the share of stocks included in main indexes is regarded as a development decreasing stock position risk.

Table3.2-8: Distribution of Stocks by Indexes

(%)	Stocks Included in Index		Stocks not Included in Index	
	Eyl.06	Ara.06	Eyl.06	Ara.06
Deposit	62,2	81,4	37,8	18,6
DIB	19,7	0,0	80,3	100,0
Participation	34,9	35,4	65,1	64,6
Sector Total	57,9	79,9	42,1	20,1

3.2.2.3. Development of Risk Factors

ISE price movements of which considerable part of the investments take place in stock portfolio of banks effect transactions is the most significant risk factor determining stock prices and the value of positions formed of these stocks. Hence, ISE-100 index yield ratios and volatility observed in the ratios thereof should be considered in analysis relating to stock risk.

When Chart 3.2-4 is analyzed, it is observed that the index, after the substantial decrease experienced in May-June 2006 period, followed a horizontal process in June-September period, began to increase in September-December period and was occasionally realized above 40.000 and was realized about 39.000 at the end of the year. Similarly, the index yield volatility which was low in June-September 2006 period increased occasionally in September-December period. The volatility amounted above 3% in end-year from 1.5% in September 2006 period (Chart 3.2-5). The increase experienced in volatility is considered as a development of increasing risk.

Chart3.2-4: Development of ISE-100 Index and Daily Yields

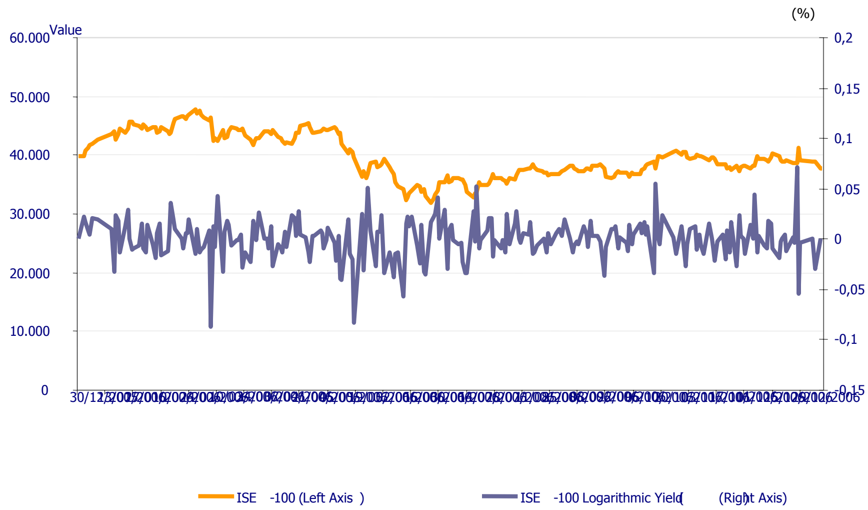
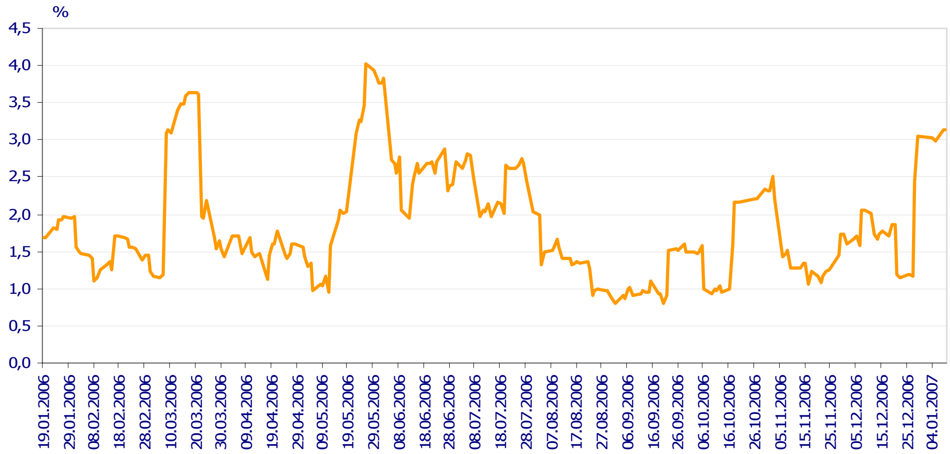


Chart3.2-5: ISE-100 Index Daily Yield Volatility



3.2.2.4. Risk Level

In this section aimed the changes which may arise in capital to be calculated through scenarios relating to the changes possible to occur in the prices of stocks and investment funds.

When Table 3.2-9 is analyzed, it is observed that changes of price of stock and investment funds do not constitute a considerable risk on the profitability of the sector. December 2006 period risk level analyses displayed more positive results when compared to September 2006 since significant decrease observed in the stock and investment fund positions between two periods and increases experienced in own funds.

Table3.2-9: Effect of Possible Changes in Stock and Investment Funds Prices

As of December 2006 (TRY Million)				Change in S+IF Prices (%)					
				-10	-5	-1	1	5	10
	Business Portfolio	Stock and Investment Fund	Own funds	Effect of the Changes in Prices to Capital (%)					
Deposit	13.957	25	51.218	0,00	0,00	0,00	0,00	0,00	0,00
DIB	281	1	7.624	0,00	0,00	0,00	0,00	0,00	0,00
Total	14.238	25	58.842	0,00	0,00	0,00	0,00	0,00	0,00
As of September 2006 (TRY Million)				Change in S+IF Prices (%)					
				-10	-5	-1	1	5	10
	Business Portfolio	Stock and Investment Fund	Own funds	Effect of the Changes in Prices to Capital (%)					
Deposit	17.101	46	53.067	-0,01	0,00	0,00	0,00	0,00	0,01
DIB	379	1	3.865	0,00	0,00	0,00	0,00	0,00	0,00
Total	17.481	48	56.932	-0,01	0,00	0,00	0,00	0,00	0,01

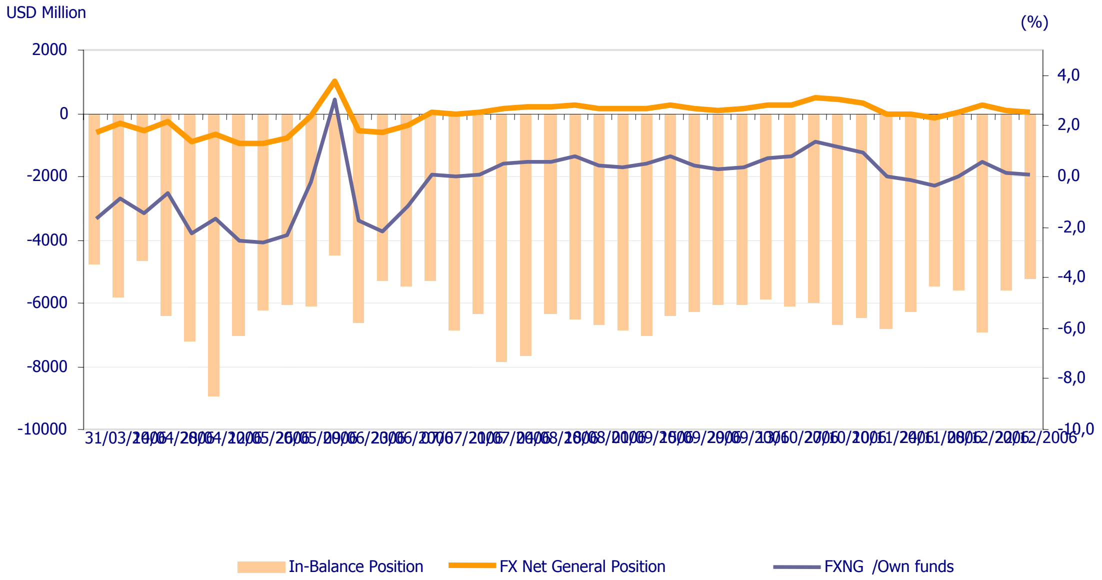
3.2.3. Foreign Exchange Risk

Banks are obliged to hold capital enough to compute derivative contracts bearing exchange risk such as all current assets and liabilities, forward exchange transactions and swaps, for exchange risk signifying the loss possibility to be exposed due to the changes which may occur in exchange rates. Within this scope, position amount subject to risk for foreign exchange risk is in-balance and off-balance sheet FX open positions.

3.2.3.1. Position Amount Subject to Risk

When the development of in-balance sheet and general FX open position is analyzed (Chart 3.2-6), it is observed that, in-balance open position (IBOP), which was realized as USD 5 billion as of April 2006, increased by USD 9 billion due to the fluctuation experienced in May, decreased by USD 5 billion again in the second week of June and was amounted to USD 8 billion in end-July. It was realized as USD 5 billion at the end of analysis period. Throughout sector, FX net general position (FXNGP) which converted to positive in the first week of May, maintained the positive value until the end of the analysis period and had a surplus by USD 78 million as of December 22.

Chart3.2-6: In-Balance Sheet Position and FX Net General Position



When Chart 3.2-6 is analyzed, it is observed that the ratio of FXNGP/Own funds, which was ± 3% in April-June 2006 period fluctuated in ± 1.5% band in June-December 2006 period.

3.2.3.2. Sensitivity to Risk Factors

When the distribution of FX position of the sector is analyzed as of various exchange types, it is observed that about 65% of long and short positions as of December 2006 was comprised of USD and about 32% was comprised of EUR; and a relative decrease in the share of USD and an increase in the share of EUR in September-December 2006 period. Although this situation causes the risks stem from concentration decrease, the foreign exchange risk being exposed presently can be explained mainly by changes which may occur in USD and EUR exchanges. Distribution of FX positions in money currency basis is included in the Table 3.2-10.

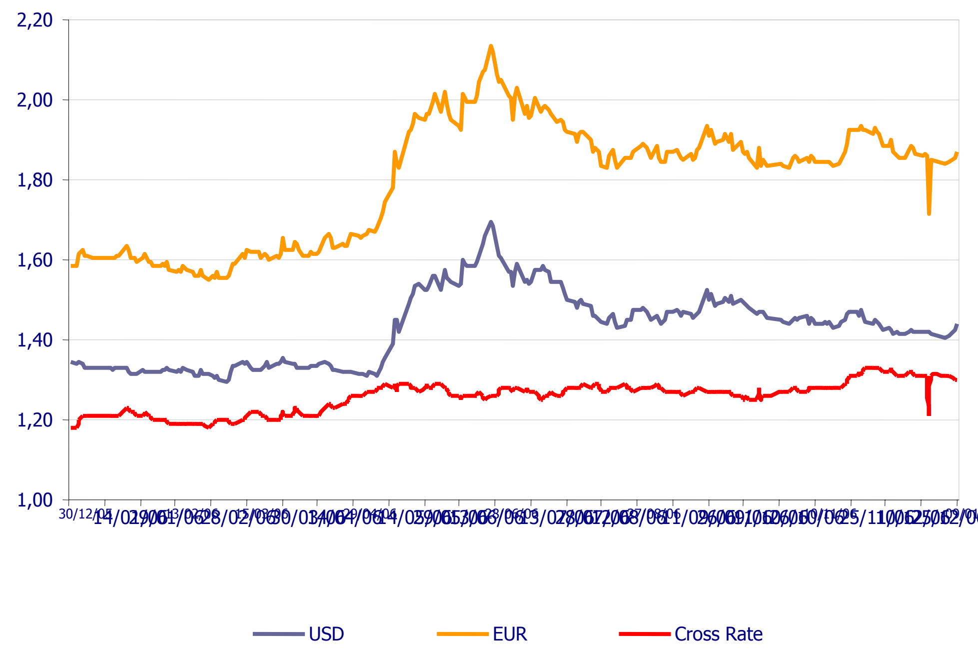
Table3.2-10: Distribution of FX Positions in Currency Units Basis

	Long Positions								Short Positions								Net Position	
	(Distribution as to Total Long Position)								(Distribution as to Total Short Position)								(Distribution as to Total Net Position)	
	In-Balance Position		Off-Balance Forward Transactions		Non-cash Loans		Total Long Position		In-Balance Position		Off-Balance Forward Transactions		Non-cash Loans		Total Short Position			
FX Code	Sep 06	Dec 06	Sep 06	Dec 06	Sep 06	Dec 06	Sep 06	Dec 06	Sep 06	Dec 06	Sep 06	Dec 06	Sep 06	Dec 06	Sep 06	Dec 06	Sep 06	Dec 06
USD	43,3	42,0	8,9	9,6	14,5	13,4	67,0	65,3	46,9	46,1	4,3	4,9	15,0	14,0	66,4	65,2	-1,6	-51,6
EUR	22,2	23,9	2,0	2,4	5,7	5,6	30,0	32,0	21,3	21,6	3,3	4,4	6,1	6,0	30,7	32,1	-105,2	-51,2
Other	1,2	1,1	1,0	1,0	0,8	0,7	3,0	2,8	1,6	1,5	0,5	0,5	0,8	0,7	2,9	2,7	6,8	2,8
Total	66,7	67,0	11,9	13,0	21,0	19,8	100,0	100,0	69,7	69,2	8,1	9,8	21,8	20,7	100,0	100,0	-100,0	-100,0

3.2.3.3. Development of Risk Factors

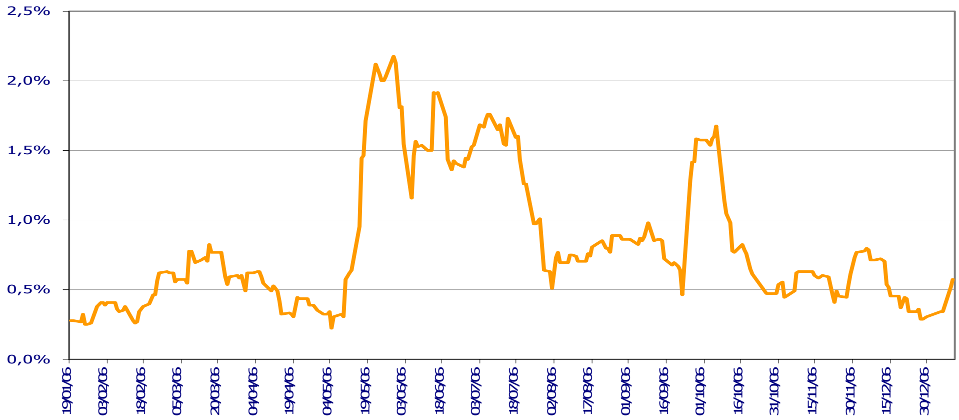
Main risk indicators for the foreign exchange risk the sector is exposed to is USD and EUR exchanges. When price change of exchanges is analyzed, it is observed that volatility in exchanges decreased when compared to previous period, after the fluctuation experienced in May. USD and EUR exchanges and USD yield volatility is displayed in Chart 3.2-8 and in Chart 3.2-9.

Chart3.2-7: Development of YTL/USD and YTL/EUR and EUR/USD Cross Rate



When Chart 3.2-8 is analyzed, it is observed that USD yield volatility which increased in May due to the fluctuations experienced worldwide decreased until end-year. When the decrease of the volatility is evaluated with the decrease experienced in USD exchanges, it is considered as a development decreasing the foreign exchange risk being exposed due to USD denominated items.

Chart3.2-8: Development of USD Yield Volatility



3.2.3.4. Risk Level

In this section is analyzed the effects of the changes in exchange rates in capital through scenarios.

In December 2006, changes which possible exchange changes may cause in capital decreased in absolute value in all scenarios, when compared to September 2006 period (Table 3.2-11). On the other hand, it is observed that the deposit banks, whose ratio of in-balance position amounts to own funds, despite the decrease, is high, are the most sensitive group to exchange increases.

Table3.2-11: Effects of Possible Changes in Rates

						Change Rate in Exchanges (%)					
As of December 29, 2006 (USD Million)						-20	-10	1	5	25	50
	In-Balance Position (IBP)	Own funds	IBP/Own funds (%)	FXNGP	FXNGP/Own funds (%)	Effect of Changes in Rates to Capital (%)					
Deposit	-5.666	35.807	-15,8	4	0,0	3,16	1,58	-0,16	-0,79	-3,96	-7,91
Development	114	5.424	2,1	74	1,4	-0,42	-0,21	0,02	0,11	0,53	1,05
Participation	3	1.102	0,3	-43	-3,9	-0,05	-0,03	0,00	0,01	0,07	0,14
Total	-5.549	42.333	-13,1	35	0,1	2,62	1,31	-0,13	-0,66	-3,28	-6,55

*End of period Central Bank rate is used.

3.3. Structural Interest Rate Risk

Structural interest rate risk, different from the interest rate risk taken into consideration within the scope of market risk, is a risk emanating from the repricing mismatch between all the asset and liability items of the bank. In case there is a mismatch in repricing periods among asset and liability items, changes experienced in interest rates do not reflect to the interest income and expense simultaneously, leading profit or loss. For instance, if the reprising period of asset items is longer than the reprising period of liability items, profit is experienced in case interests decrease, while in case interests increase loss is experienced.

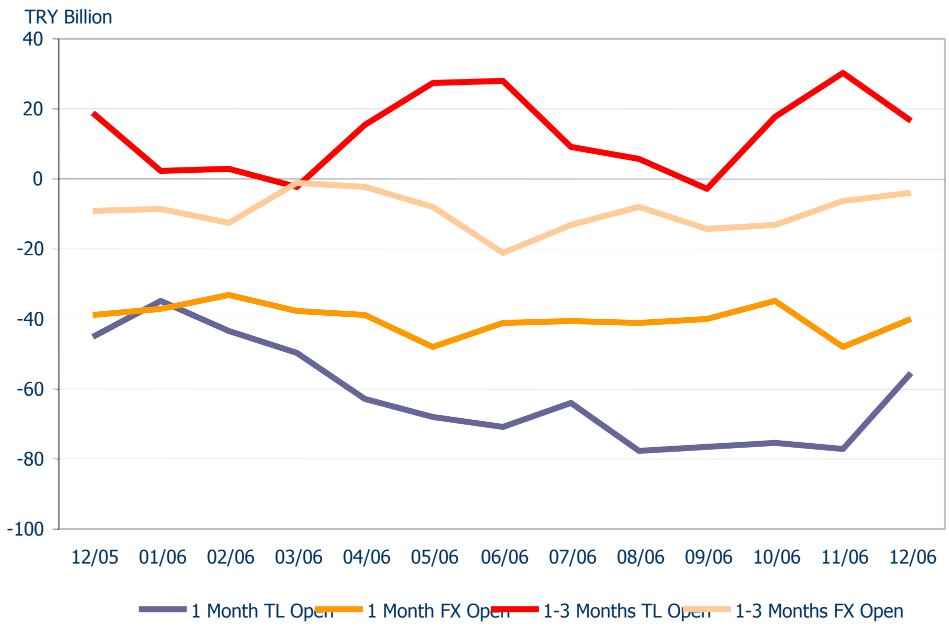
Two main approaches are adopted in the analysis of structural interest rate risk. In the first approach are analyzed the changes arise in the present value of own funds as possible increases or decreases in interest rates change the present value of asset and liability. In the second approach, the effects of interest rate changes on interest income and expenses are analyzed. Having regard to the limitations relating to the data introduced in the Report, the second approach is adopted.

3.3.1. Position Amount Subject to Risk

Position subject to risk for structural interest rate risk is interest deficits defined as the difference between assets and liabilities to be repriced in the related maturity buckets. While 1 month TL gap increased by TRY 18 billion and was realized as TRY -63.1 billion in January 2006-December 2006 period, 1-3 months surplus increased by TRY 6 billion and amounted by TRY 24.7 billion. In the related period, while 1 month FX gap increased by TRY 0.9 billion and was realized as TRY -39.5 billion, 1-3 months gap decreased by 1.7 and was realized as TRY -7.7 billion (Chart 3.3-1).

When the change experienced during period is analyzed, it is observed that 1 month gap increased in absolute value in the first three quarter of the year; however a considerable decrease was experienced in the gap in the last quarter of the year. No important change was experienced in 1 month FX gap and 1-3 months FX deficit levels throughout the year. 1-3 Months TL surpluses increased considerably in the last quarter of the year, similar to May-June 2006 period, and as of December 2006 was realized slightly above the level in December 2005.

Chart3.3-1: Development of Interest Rate Gaps



3.3.2. Sensitivity to Risk Factors

3.3.2.1. Interest Structure of Assets and Liabilities

In September-December 2006 period, the share of fixed interest FX assets increased by 3.4 points and amounted to 64.1%, while the share of variable interest positions decreased by 3.2 points and was realized as 34.1 (Table 3.3-1). In the same period, the share of fixed interest positions within FX liabilities decreased by 1.8 points and was realized as 85.8%, while the share of variable interest positions increased by 2 points and amounted to 13.5%. The change experienced in FX assets in September-December 2006 period was realized generally on the contrary to the realizations in December 2005-September 2006 period.

When TL assets and liabilities are analyzed in September-December 2006 period, it is observed that no important change was experienced in the share of fixed and variable interest positions. As of December 2006, the share of fixed interest positions within TL assets was 57.8%, while the share of fixed interest positions within TL liabilities was realized as 94.4%.

When the developments experienced in TL and FX assets in September-December 2006 period is analyzed, it is observed that the share of fixed interest positions within assets increased, while the share of variable interest positions decreased; on the other hand a contrary development was observed for liabilities. This situation, in future periods, is a development decreasing the bank's profitability in case interest increases are experienced, yet increasing the bank's profitability in case interest decreases are experienced.

Table3.3-1: Interest Structure of Assets and Liabilities

(%) 05,December		Asset			Liability		
		Fixed Interest	Variable rate	Other	Fixed Interest	Variable rate	Other
Deposit	TL	58,1	32,6	9,3	96,0	0,1	3,9
	FX	69,4	28,5	2,1	89,5	9,9	0,6
IDB	TL	76,8	12,1	11,1	74,8	0,0	25,2
	FX	44,1	55,5	0,4	43,7	52,4	3,9
Sector	TL	58,4	32,2	9,3	95,7	0,1	4,1
	FX	68,3	29,6	2,1	87,9	11,4	0,7
(%) 06,September		Asset			Liabilities		
		Fixed Interest	Variable rate	Other	Fixed Interest	Variable rate	Other
Deposit	TL	56,0	36,2	7,8	95,7	0,1	4,2
	FX	61,3	36,6	2,1	89,5	9,8	0,8
IDB	TL	90,0	3,4	6,7	49,4	0,0	50,6
	FX	44,5	55,0	0,5	35,8	59,5	4,7
Sector	TL	57,2	35,1	7,8	95,0	0,1	4,8
	FX	60,7	37,3	2,0	87,6	11,5	0,9
(%) 06,December		Asset			Liabilities		
		Fixed Interest	Variable rate	Other	Fixed Interest	Variable rate	Other
Deposit	TL	56,7	36,2	7,1	95,0	0,5	4,4
	FX	65,1	33,1	1,8	87,5	11,9	0,7
IDB	TL	88,3	5,1	6,6	42,5	0,0	57,5
	FX	35,6	63,9	0,5	32,9	63,6	3,5
Sector	TL	57,8	35,2	7,1	94,4	0,5	5,1
	FX	64,1	34,1	1,8	85,8	13,5	0,7

3.3.2.2. Differences Between Assets and Liabilities by the Repricing Dates

When analyzed Table 3.3-2, it is observed that, the ratio of the difference in between assets and liabilities to own-funds, by re-pricing date in analysis period, is negative in maturities up to one-month in deposit banks, and the said ratio in investment and development banks is positive in general in all maturities. When evaluated the sector in general, it can be seen that the ratio of the difference in between the assets and liabilities, in TL and FX denominated items in the maturities up to three months, to own-funds was decreased. By December 2006, in sector general, the ratio of the own-funds to the difference between TL denominated assets and liabilities, in the maturities up to one month, appearing absolutely higher is an indicator that the banks are more sensitive to the change in TL interests in short-term as to the change in FX interests.

Table3.3-2: Difference between Asset-Liability by Repricing Dates

(%) As to own-funds	Money type	September,06					December 06				
		1 Ay	1-3 Ay	3-6 Ay	6-12 Ay	12+ Ay	1 Ay	1-3 Ay	3-6 Ay	6-12 Ay	12+ Ay
Deposit	TP	-158.0	-6.6	102.3	48.7	88.5	-126.6	46.4	32.2	39.0	86.4
	YP	-80.0	-29.8	28.7	11.4	58.9	-77.4	-14.1	39.3	3.5	42.2
IDB	TP	12.7	5.4	2.2	2.2	3.4	27.2	9.6	10.8	15.3	46.4
	YP	26.4	30.6	28.9	3.3	8.6	1.6	-9.3	-1.6	12.9	4.7
Sector	TP	-135.3	-4.5	91.3	44.3	83.4	-106.7	41.6	29.5	36.0	81.2
	YP	-71.0	-25.9	24.7	10.9	53.1	-67.2	-13.5	34.0	4.7	37.3

The decrease observed in the difference between TL denominated assets and liabilities as to repricing date is evaluated as a development decreasing the sensivity of the sector against interest changes and accordingly thereof structural interest rate risk.

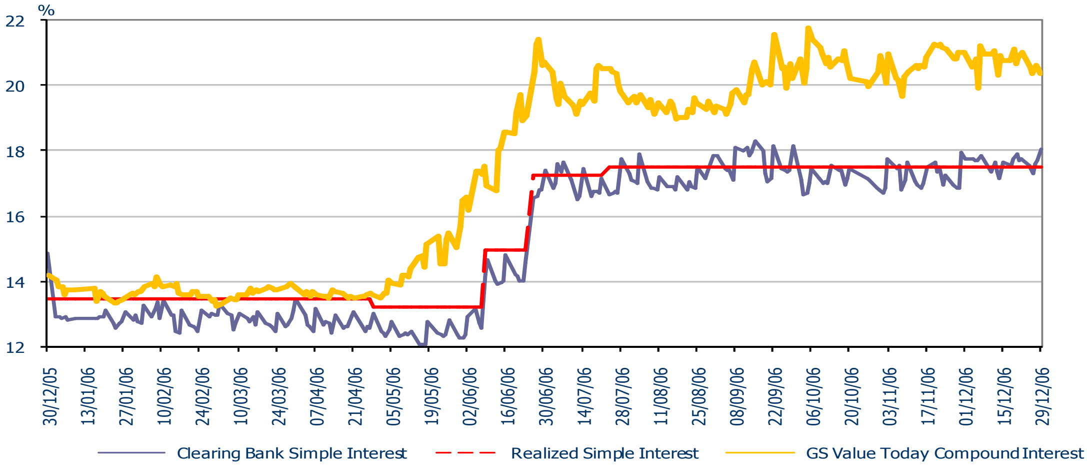
3.3.3. Development of Risk Factors

In this section, fundamental risk factors for the structural interest rate risk, TL and FX interest rates, are analyzed.

3.3.3.1. Development of Interest Rates

Interest rates increased as a result of the fluctuation initiated in financial markets in May, is continuing on to its movement in high levels (Chart 3.3-2). Takasbank ordinary interest has carried on to its movement by 17.5-18.5% in September-December period, Domestic government bonds same day value compound interest has reached to 20.5% from 19%. Central Bank of the Republic of Turkey Monetary Policy Committee did not make any changes in short-term interest ratios in September-December period and decided that the interests shall be fixed.

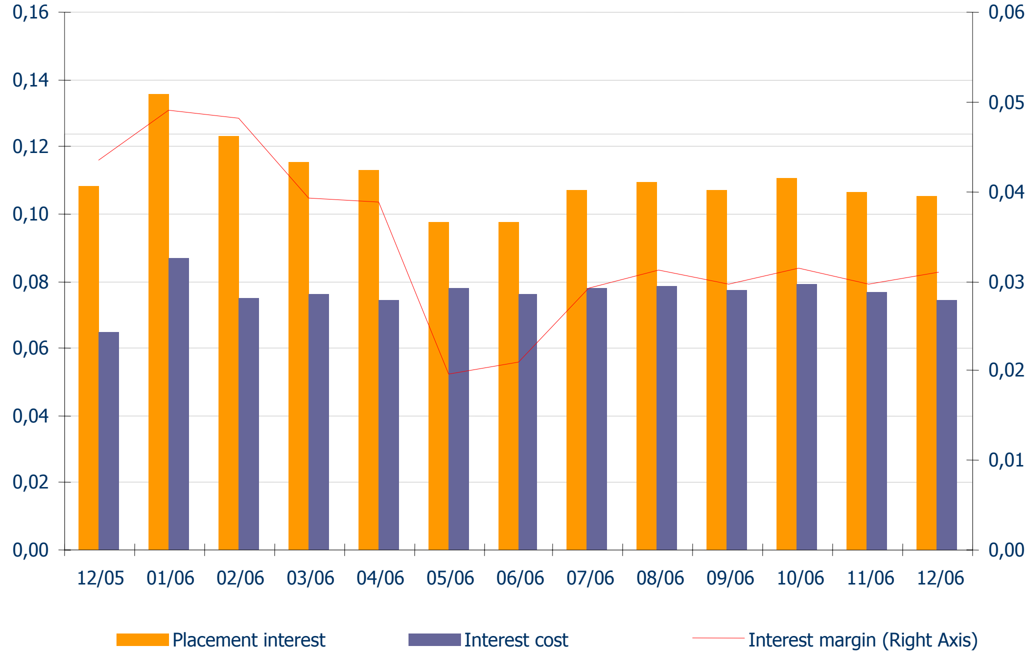
Chart3.3-2: Development of Interest Rates



3.3.3.2. Development of Interest Margin and Its Components

The changes in interest rates, due to repricing date of assets and liabilities, could be reflected to the interest incomes and expenditures in different dates. Within the scope of that, in structural interest rate risk analysis, as well as the developments in interest rates, developments in interest margin and its components shall be analyzed. When analyzed Chart 3.3-3, it can be observed that the average interest revenue was decreased to 10.5% by a decrease approximately amounting to 0.2 points and the average interest expense was decreased to 7.4% by a decrease amounting to 0.4%. The realized interest margin which was 3% by September was reached to 3.1% by December.

Chart3.3-3: Development of Interest Margin and Components



3.3.4. Risk Level

In this section, various scenario analyses made with a view to determine the risk level of structural interest rates to which the sector is exposed is included. In the analysis, the effect of interest rate changes in bank profitability is calculated using the repricing dates of the bank's assets and liabilities, average interest revenue and interest expense as inputs. In calculations, it is assumed that the sensitivity of assets and the liabilities of the bank to interest do not change during analysis period. Besides, in analyses, it was assumed that there were not any inflows and time value of money was disregarded. The interest changes applied to relating periods are included in Table 3.3-3. For example TRY interests are increasing 1 point after one month, 2 points in the period in between 1 to three months, 3 points in the period in between 3 to 6 months, and 6 points in the period in between 6 to 12 months.

Table 3.3-3: Scenarios relating to structural Interest Ratio

Scenarios	Change in TL Interests (point)				Change in FX Interests (point)			
	1 month	1-3 months	3-6 months	6-12 months	1 month	1-3 months	3-6 months	6-12 months
Scenario 1	1,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Scenario 2	0,00	0,00	0,00	0,00	1,00	0,00	0,00	0,00
Scenario 3	1,00	2,00	3,00	6,00	0,00	0,00	0,00	0,00
Scenario 4	0,00	0,00	0,00	0,00	0,25	0,50	0,75	1,50
Scenario 5	1,00	1,00	1,00	1,00	0,50	0,50	0,50	0,50
Scenario 6	10,00	0,00	0,00	0,00	5,00	0,00	0,00	0,00
Scenario 7	0,00	0,00	10,00	0,00	0,00	0,00	5,00	0,00
Scenario 8	-1,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Scenario 9	0,00	0,00	0,00	0,00	-1,00	0,00	0,00	0,00
Scenario 10	-1,00	-2,00	-3,00	-6,00	-0,25	-0,50	-0,75	-1,50

As a result of the scenarios implemented, the alternative profits and losses arose in TL and FX items were included in Table 3.3-4. When the results are evaluated, it can be observed that total profit and loss values are lower as value in December 2006 in all scenarios when compared to September 2006.

Table3.3-4: Scenario Results Relating to Structural Interest Rate Risk

Profit /Loss	June 06			September 06			December 06		
(TRY Million)	TL	Fx	Total	TL	FX	Total	TL	FX	Total
Scenario 1	-1.060	0	-1.060	-1.140	0	-1.140	-940	0	-940
Scenario 2	0	-619	-619	0	-598	-598	0	-591	-591
Scenario 3	-8.969	0	-8.969	-9.163	0	-9.163	-5.476	0	-5.476
Scenario 4	0	-4.726	-4.726	0	-3.747	-3.747	0	-2.732	-2.732
Scenario 5	-3.825	-2.942	-6.767	-4.400	-2.408	-6.809	-2.787	-1.850	-4.638
Scenario 6	-10.602	-3.098	-13.700	-11.407	-2.993	-14.400	-9.406	-2.959	-12.365
Scenario 7	-14.878	-11.754	-26.632	-12.259	-9.124	-21.383	-9.214	-6.013	-15.227
Scenario 8	1.060	0	1.060	1.140	0	1.140	940	0	940
Scenario 9	0	619	619	0	598	598	0	591	591
Scenario 10	8.969	4.726	13.695	9.163	3.747	12.910	5.476	2.732	8.208

When analyzed the scenarios indicating unit increases in interests , while the total loss arising in Scenario 1, which representing TL interest ratio increase amounting to 1 point in 1 month period, was accounted as TRY 1.140 million in September 2006 period, it was accounted as TRY 940 million in December 2006. Similar to thereof, The loss amounts arisen in Scenario 2 , representing USD interest ratio risk amounting to 1 point in one month period, was realized as TRY 591 million in December 2006 period while it was TRY 598 million in September 2006.

3.4. Liquidity Risk

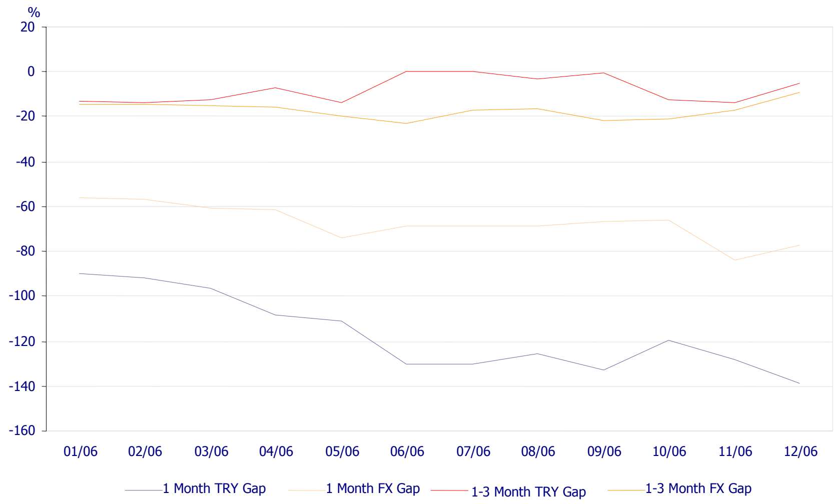
The liquidity risk, which appears when the banks do not possess cash entry or cash opportunity in quality and in level to cover completely and in time the cash outflow, because of the imbalance in cash flows, has two basic components. The liquidity risk, relating to the market which defines loss probability arising in case that the bank could not close its positions in fair rate and in sufficient amounts and quickly, due to entrance barriers to markets and shallow or segmented market structure in certain products, is a risk concerning the development level of the market of which they are included rather than the choices of the several banks in respect of funding structure. Meanwhile, the funding liquidity risk presents the possibility of a bank to not to fulfill its obligation to funding potentially with a reasonable price because of the disequilibria of cash entrances and inconsistent cash flows and maturity mismatches.

In this section, by assuming that assets and liabilities shall be converted into cash in due date and amount as determined in their contract, liquidity risk relating to market shall be excluded and by maturity mismatch in between assets and liabilities, funding liquidity risk shall be analyzed. Following thereof, respects relating to risk factors and components of the deficit, the development of liquidity deficit shall be explicated and finally be studied to determine risk level exposed on alternative scenarios.

3.4.1. Position Amount Exposed to Risk

For determining the effects of risk factors, such as collection ability of loans, concentrations in fund resources, depth of securities market, intensify and growth strategies of banks in various products, maturities of the liabilities, their sensitivity to interest, their concentration, the renewal rates in maturity, on banks' liquidity, it is urgent to analyze these items exposed to liquidity risk. The level of liquidity deficits, which are position exposed to risk for liquidity risk in banking system, is included in Chart 3.4-1.

Chart3.4-1: Development of Liquidity Gaps



In one year period, it can be observed that TRY gap 1-3 months has followed floating process and FX deficit for one month has followed a horizontal process. While FX gaps 1-

3 months and TRY deficits 1-3 months were proceeded in contrary trends to each other in June-September period, the gaps were proceeded together in the direction of supplying following November. By December 2006, TL gap for one month has reached to, peak value, TRY 138.7 billion, and FX gap for one month has reached to, peak value, TRY 77.5 billion (Chart 3.4-1).

3.4.2. Sensivity to Risk Factors

The distribution of maturity and currency of liquidity deficits which it is aimed to analyze the sensibilities to various risk factors, by analyzing the distribution by maturity and currency of the liquidity gaps, and the items forming the gaps by maturities and the funding structure subject to liquidity risk in this section.

The results appeared in case that the general liquidity level of banking system be calculated as to the transactions' contractual maturities and to their amounts are included in Table 3.4-1.

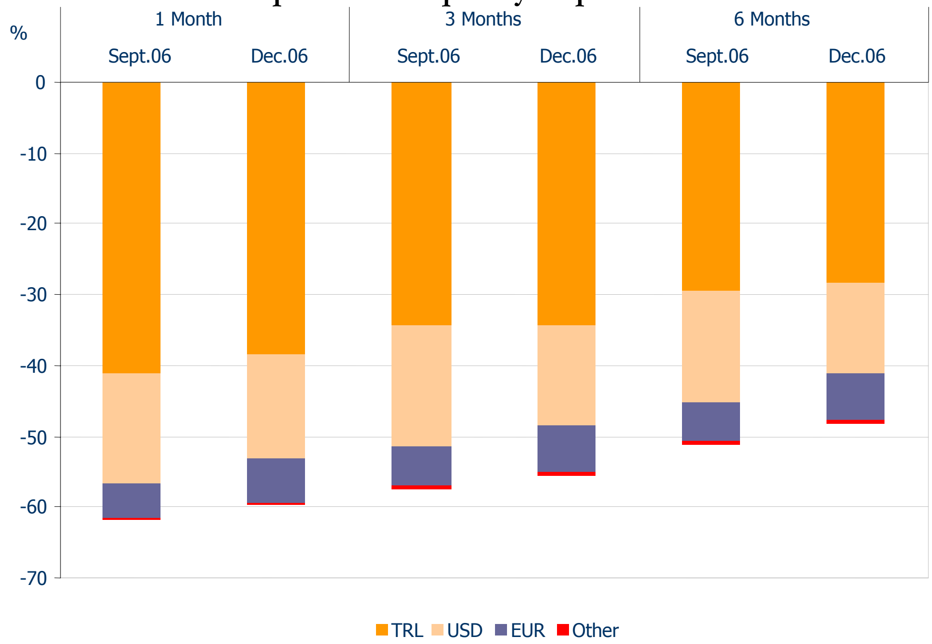
It can be observed that the ratio of the sector's TRY denominated positions within the assets and liabilities with a maturity up to one, three and six months were in interval of 51-55% on average and furthermore, it can be seen that the amounts of currency units other than TRY, USD, and EUR, in between assets and liability items, have followed quite a slow process.

Table3.4-1: Cumulative Liquidity Levels in Various Maturity Tranches

Currency	Distribution of Assets in currency basis (%)		Distribution of Liabilities in currency basis (%)		Assets/ Liabilities (%)		Pro rata Liquidity Deficit (%)		Liquidity Deficit (TRY trillion)	
	September.06	Dec.06	Sep.06	Dec.06	Sep.06	Dec.06	Sep l.06	Dec.06	Sep.06	Dec.06
					With a maturity up to one month					
TRY	49,2	51,4	60,0	59,0	31,4	35,1	-41,2	-38,3	-133.051	-138.677
USD	26,6	27,4	25,7	25,8	39,6	42,8	-15,5	-14,8	-50.213	-53.422
EUR	20,9	18,4	12,8	13,6	62,3	54,4	-4,8	-6,2	-15.584	-22.480
Other	3,3	2,7	1,5	1,5	86,2	70,9	-0,2	-0,4	-650	-1.589
Total	100,0	100,0	100,0	100,0	38,3	40,2	-61,7	-59,8	-199.497	-216.168
					With a maturity up to three months					
TRY	54,8	53,4	57,7	58,2	40,5	40,9	-34,3	-34,4	-148.885	-149.551
USD	24,9	27,5	27,6	26,4	38,4	46,4	-17,0	-14,2	-80.103	-61.596
EUR	17,6	16,9	13,2	13,9	56,9	54,0	-5,7	-6,4	-27.368	-27.713
Other	2,7	2,2	1,5	1,5	78,4	65,5	-0,3	-0,5	-2.016	-2.280
Total	100,0	100,0	100,0	100,0	42,6	44,5	-57,4	-55,5	-258.371	-241.140
					With a maturity up to six months					
TRY	55,6	54,6	56,7	56,7	48,1	49,9	-29,3	-28,4	-126.319	-131.772
USD	25,8	27,7	27,0	27,0	44,1	53,1	-16,0	-12,7	-68.738	-58.710
EUR	16,2	15,7	14,7	14,7	59,2	55,2	-5,5	-6,6	-23.536	-30.588
Other	2,4	2,0	1,5	1,5	75,6	67,1	-0,4	-0,5	-1.620	-2.366
Total	100,0	100,0	100,0	100,0	48,8	51,8	-51,2	-48,2	-220.212	-223.435

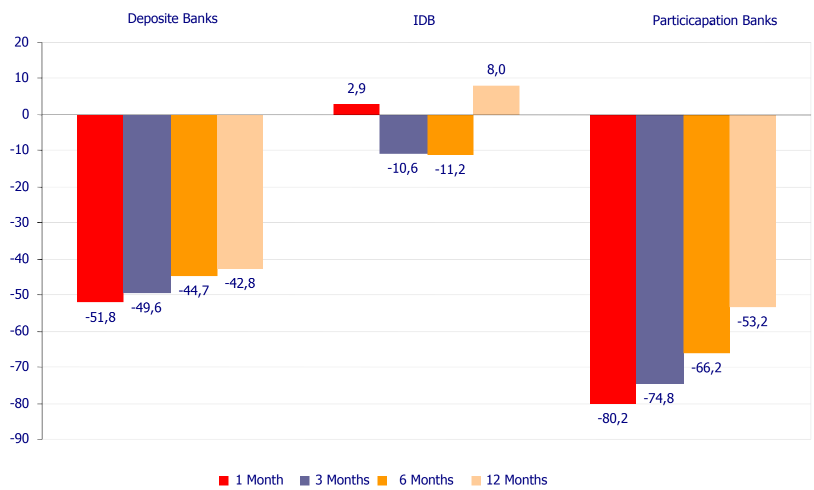
When observed cumulative liquidity in various maturity buckets for banking sector, , it can be seen that by all maturity tranches , the ratio of TRY in one month maturity within the distribution as to various currencies of assets and liabilities was even little increased , but in 3 and 6 months maturity, it was decreased. TRY denominated proportional rata liquidity gap's being still the most important item, is due to the fact that the said currency unit has the biggest share within the total liabilities.

Chart3.4-2: Cumulative Proportional Liquidity Gaps in Currencies



In one-year period observed , while the deficits ,in total, in all maturity tranches were decreased, it can be observed ,in currency basis, an increase in EUR deficits with a maturity up to 1,3 and 6 months, and a decrease in TRY and USD deficits. (Chart 3.4-2)

Chart3.4-3: Cumulative Liquidity Gaps by Maturities and Bank Groups



It can be observed that participation and deposit banks are showing negative proportional liquidity gaps in all maturities. Meanwhile, participation banks have shown positive proportional gaps with maturities up to 1 and 12 months, and negative proportional liquidity gaps with maturities 1-3 months and 3-6 months. The decrease realized in sector in total on proportional gaps in September-December 2006 period was evaluated as a positive development in respect of liquidity risk. (Chart 3.4-3)

Table3.4-2: Proportional Shares of Liquid Assets and Liabilities

December 2006 (%)	With a Maturity up to one month	With a Maturity up to 1-3 months	With a Maturity up to 3-6 months	With a Maturity up to 6-12 months
Assets	100,0	100,0	100,0	100,0
Markets	36,0	2,0	2,0	2,4
Loans	28,7	62,9	49,1	49,9
Securities	2,6	11,7	26,8	37,2
Other on-balance sheet	16,6	7,2	4,8	3,4
Derivatives	16,1	16,2	17,2	7,2
Liabilities	100,0	100,0	100,0	100,0
Deposit	65,9	69,8	22,8	20,8
Markets	10,4	8,5	23,6	36,6
Other on-balance sheet	2,7	1,4	7,3	5,0
Non-cash loans	14,6	8,5	17,3	24,2
Derivatives	6,4	11,8	28,9	13,4

When the banks' liquidity structure in respect of maturity tranches concerned and the distribution of liabilities are considered, it can be observed that a significant change did not occurred in liquid asset and liability composition for total banking system as to the previous period. Within the scope of that, it can be seen that the share of the receivables from the markets within the maturity with one month tranche has increased to 36% from 33.2% and share of the loans has decreased to 28.7% from 29%. Meanwhile, from the liabilities, the share of the markets has increased to 10.4% from 9.8% and the share of the deposit has decreased to 65.9% from 69.8%. When analyzed the resources of liquid assets and liabilities for banking system in general, it can be observed that the placement made to markets and to loans with maturity exceeding to one month were funded by deposit and by liabilities collected from the markets.

It can be observed that a substantial portion of funding in maturity up to 1-3 months were made by deposit and in placements, loans were predominant, and in maturities up to 3-6 months, the funds provided from deposits, non-cash loans and markets were placed to loans and securities. Liability structure relating to liquid assets and liabilities by selected items was included in Table 3.4-2

Table3.4-3: Distribution of Selected Items by Maturities

December 2006 (%)	Up to one month	1-3 months	3-6 Months	6-12 Month	More than one year	TOTAL
Assets						
Receivables from the markets	89,4	1,7	1,6	2,6	3,4	100
Loans	19,1	14,1	10,7	15,0	41,0	100
Securities	2,4	3,6	8,1	15,4	70,5	100
Derivatives	44,5	15,0	15,6	8,9	16,0	100
Liabilities						
Deposit	78,6	15,8	2,2	2,4	0,3	100
Debts to Markets	39,5	6,1	7,1	13,3	34,0	100
Derivatives	43,7	15,1	15,5	8,7	17,0	100

While the ratio of loans with a maturity up to one month was realized as 19.1% with an increase amounting to 1.4 points, the ratio of loans with a maturity more than one year was realized as 41% with an increase amounting to 1.5 points. (Table 3.4-3).

Table3.4-4: FX Liquidity Balance by Groups

Bank Groups	Liquidity Deficit (TRY Million)	Assets /Liabilities (%)	Pro rata Deficit (%)
1 Month			
Deposit	-73.107	48,0	-52,0
IDB	33	102,1	2,1
Participation	-5.552	25,4	-74,6
Total	-78.626	47,4	-52,6
3 Months (Cumulative)			
Deposit	-86.592	49,9	-50,1
IDB	-374	84,5	-15,5
Participation	-6.340	23,4	-76,6
Total	-93.305	49,2	-50,8
6 Months (Cumulative)			
Deposit	-86.304	54,8	-45,2
IDB	-539	82,3	-17,7
Participation	-6.685	22,9	-77,1
Total	-93.528	53,9	-46,1
12 Months (Cumulative)			
Deposit	-92.256	57,2	-42,8
IDB	14	100,4	0,4
Participation	-7.220	22,2	-77,8
Total	-99.462	56,5	-43,5

On the other hand, approximately 94% of deposit's being with a maturity up to 3 months and approximately 66% of the loans' being with a maturity more than three months causing maturity mismatch in between deposit and loans. This state is evaluated as negative development in respect of liquidity risk.

When analyzed banking system's FX liquidity gaps calculated in cumulative basis, it can be observed that FX gaps were increased significantly in absolute value basis and total FX gap of the sector was emanated especially from deficits of deposit banks. On the other hand, FX liquidity deficit was increased in all maturity tranches in the period observed. While the coverage ratio of assets to liabilities was decreased in all maturity tranches, there observed increases in proportional liquidity gaps. This state is assessed as negative development in respect of FX liquidity equilibrium.

3.4.3. Development of Risk Factors

As the liquidity risk is dependent on liquidity equilibrium in between the bank's assets and liabilities, risk factors relating to liquidity risk, comprises all risk factors affecting the amounts of assets and liabilities. Within the scope of that, risk factors such as various respects affecting the prices of assets (market risk factors), respects affecting collection ability of assets (loan risk factors) , various respects affecting the coming into demand ratios of liabilities(coming into demand ratios of call deposits), are liquidity risk factor indeed. While it was included certain factors thereof in this report, some of them were not included to the analyses due to data inadequacy.

3.4.4. Risk Level

All analyses made, up to this section concerning liquidity are the analyses made by taking basis as data of the items' amounts and maturities as provided in the contract.

Fundamentally, in determining the real liquidity level of banks not the contractual maturities of the items such as securities, deposit, and loan are important but behavioral maturities showing that for how long effectively these items thereof stayed in the balance sheet of the bank is important. While the analyses above were made by taking into basis as contractual maturities due to difficulty in determining behavioral periods ,respects such as ,even if the securities available for sale and purchase and sale purposed securities' maturity is long, its' being disposed off easily, the effective maturities of call deposits' being more than one month or all of the non-cash loans' not being able to be converted into cash and renewing the deposit expired could affect the liquidity levels of the banks significantly.

In this section, the effect of scenarios of securities in commercial portfolio within the scope of assets and within the scope of liabilities the effect of scenarios relating to behavioral maturities of deposit on pro rata liquidity deficit shall be analyzed, as the most important item determining the liquidity level of the sector. Within the scope of that, 10 different scenarios' effects on the sector's pro rata liquidity deficit, such as how much of the behavioral maturity of the demand deposit was more than 1 month, how much of the securities, included in commercial portfolio and of which have more than one month to its maturity, could be sold in second hand market, are included in Table 3.4-5 and Table 3.4-6.

Table3.4-5: Proportional Liquidity Gaps for Various Scenarios

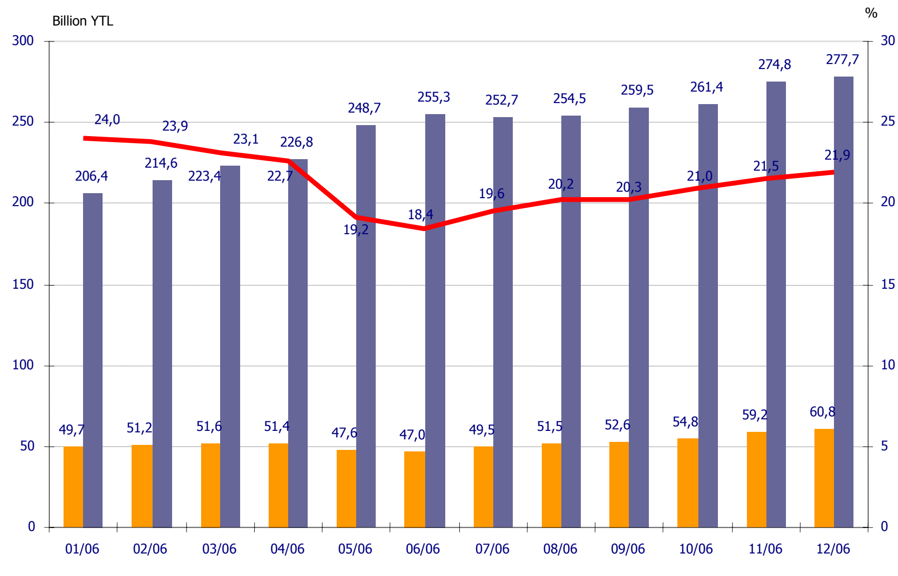
Sept.06		How much of the demand deposit is with more than one month maturity									
		10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
How much of the securities ,of which have more than one month to its maturity in commercial portfolio , could be converted into cash in second hand market	1	-57,7	-57,0	-56,2	-55,4	-54,6	-53,7	-52,8	-51,9	-50,9	-49,9
	2	-54,3	-53,5	-52,7	-51,9	-51,0	-50,0	-49,1	-48,1	-47,0	-45,9
	3	-51,0	-50,1	-49,2	-48,3	-47,3	-46,3	-45,3	-44,2	-43,1	-42,0
	4	-47,6	-46,7	-45,7	-44,8	-43,7	-42,7	-41,6	-40,4	-39,2	-38,0
	5	-44,3	-43,3	-42,3	-41,2	-40,1	-39,0	-37,8	-36,6	-35,3	-34,0
	6	-40,9	-39,9	-38,8	-37,7	-36,5	-35,3	-34,1	-32,8	-31,4	-30,0
	7	-37,5	-36,4	-35,3	-34,1	-32,9	-31,6	-30,3	-28,9	-27,5	-26,0
	8	-34,2	-33,0	-31,8	-30,6	-29,3	-27,9	-26,6	-25,1	-23,6	-22,1
	9	-30,8	-29,6	-28,3	-27,0	-25,7	-24,3	-22,8	-21,3	-19,7	-18,1
	1	-27,4	-26,2	-24,9	-23,5	-22,1	-20,6	-19,1	-17,5	-15,8	-14,1
December.06		How much of the demand deposit is with more than one month maturity									
		10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
How much of the securities ,of which have more than one month to its maturity in commercial portfolio , could be converted into cash in second hand market	1	-56,7	-56,0	-55,3	-54,6	-53,8	-53,1	-52,3	-51,4	-50,6	-49,7
	2	-53,6	-52,9	-52,2	-51,4	-50,6	-49,8	-48,9	-48,0	-47,1	-46,2
	3	-50,6	-49,8	-49,0	-48,2	-47,4	-46,5	-45,6	-44,6	-43,7	-42,7
	4	-47,6	-46,7	-45,9	-45,0	-44,1	-43,2	-42,2	-41,2	-40,2	-39,1
	5	-44,5	-43,7	-42,8	-41,9	-40,9	-39,9	-38,9	-37,8	-36,8	-35,6
	6	-41,5	-40,6	-39,6	-38,7	-37,7	-36,6	-35,6	-34,4	-33,3	-32,1
	7	-38,5	-37,5	-36,5	-35,5	-34,4	-33,3	-32,2	-31,0	-29,8	-28,6
	8	-35,4	-34,4	-33,4	-32,3	-31,2	-30,0	-28,9	-27,6	-26,4	-25,1
	9	-32,4	-31,3	-30,2	-29,1	-28,0	-26,8	-25,5	-24,2	-22,9	-21,5
	1	-29,4	-28,3	-27,1	-25,9	-24,7	-23,5	-22,2	-20,8	-19,4	-18,0

When observed the results included in tables, and when analyzed the results of the scenarios that including the assumption that, 10% of call deposit , which reflecting the worst state in scenario set, shall not be demanded for more than one month, and that 10% of securities with a maturity more than one month in commercial portfolio shall be converted into cash easily in second hand market, the proportional liquidity gap under the said assumption was accounted as 56.7% in December 2006 period which was accounted as 55.7% in September 2006 period. The proportional gaps, accounted under the assumption that, which is the best scenario, entire commercial portfolio is liquid and that entire call deposit shall be demanded from the bank after more than one month, were reached to negative-18.0% in December 2006 from negative-14.1% in September 2006.

3.5. Capital Adequacy

Capital Adequacy Ratio (CAR) was realized as 18.4% in June from 24.0% in January due to increasing interest ratios and rate of exchanges as a result of the fluctuation initiated in May. CAR which has gone by increase again after the fluctuation, has reached to the level of 22.2% by the end-December. Similar to thereof, while banking sector own-funds were decreased in May-June period, it has reached to, the highest level within the year, TRY 60.3 billion by December. In the Regulation on Capital Adequacy Measurement and Evaluation which was entered into force by being published on November 1, 2006, it was predicted to make provisions for operational risks as of June 2006.the increase realized in the said ratio before the said state which shall compose an additional capital obligation for the banks is evaluated as a positive development. (Chart 3.5-1).

Chart3.5-1: Own Funds, Risk weighted Assets and Capital Adequacy Ratio



When analyzed CAR by groups, it can be observed that all banking groups' capital adequacy ratio was increased in September 2006. CAR has increased to 22.2% in sector general by an increase amounting to 1.9 points. (Table 3.5-1).

Table3.5-1: Own funds, Risk weighted Assets, and Capital Adequacy Ratio

	Own fund (TRY Billion)		Risk Weighted Assets(TRY Billion)		CAR (%)	
	Sep.06	Dec.06	Sep.06	Dec.06	Eyl.06	Ara.06
Deposit	44,1	51,2	243,0	258,4	18,1	19,8
IDB	7,1	7,6	6,9	5,3	102,9	142,8
Participation	1,4	1,5	9,6	9,4	14,8	16,5
Total	52,6	60,3	259,5	272,1	20,3	22,2

Table 3.5-2: Own fund Components

	December 06
Total tier I capital	97,1
Paid-in Capital	43,4
Regulation disparity as to inflation relating to paid-in capital	12,6
Share Premium and card canceling profits	1,8
Legal Reserves	49,5
Correction disparity as to Inflation relating to Legal Reserves	0,0
The portion of free reserves (set aside for miscellaneous risks)up to 25% of Tier I capital	21,0
Shares of subsidiaries and affiliates to be added to Capital and Real Estate Sale profit	1,4
Net Period profit and total retained earnings	0,0
Tier I capital's segment up to 15% of quasi Primary capital debts	0,0
Loss of the Period and Total Previous years loss	32,7
Exceeding amount determined in the Article 56 (3) of the Banking Law	0,0
Total tier-II capital	8,7
General loan provision amount	2,9
Revaluation fund /Securities increase fund with its provision	1,2
Subsidiaries, affiliates and jointly controlled partnerships bonus shares	0,1
The segment swept aside in Tier I capital Account of quasi Primary capital debts	0,0
Quasi Secondary capital debts	4,4
Correction differences of Capital Reserves, Profit reserves and previous years' profit and loss as to Inflation	0,0
Third generation capital	0,0
Values decreased from capital	5,8
Own funds	100,0

When observed proportional share of the items comprising own funds, it can be observed that the most important share is belonging to legal reserves. On the other hand, it was observed that total tier I capital was higher than own funds , which was reached by decreasing values abstracted from capital from tier I capital and total tier-II capital, but the state thereof was reversed and it was led up to the fact that capital adequacy ratios, calculated by taking into basis as first generation capital in deposit banks which comprising a significant part of banking assets, being lower than capital adequacy ratio calculated by taking into basis as own funds.

Table3.5-3: Differentiating CAR in Tier I capital and Own funds Basis

%	December 05		September 06		December 06	
	Tier I capital/RWA	Own funds//RWA	Tier I capital //RWA	Own funds //RWA	Tier I capital / RWA.	Own funds / RWA
Deposit	22,4	21,6	19,4	18,1	19,2	19,8
IDB	99,3	104,3	100,0	102,9	141,7	142,8
Participati	11,6	11,5	12,7	12,5	16,7	16,5
Total	24,3	23,7	21,4	20,2	21,5	22,1

Table 3.5-4: Non-consolidated and Consolidated CAR by Groups basis

%	December 05		September 06		December 06	
	Non-consolidated	Consolidated	Non-consolidated	Consolidated	Non-consolidated	Consolidated
Deposit	21,6	21,4	18,1	18,6	19,8	19,6
IDB	104,3	62,8	102,9	59,0	142,8	82,1
Participation	11,5	12,6	12,5	15,6	16,5	15,6
Total	23,7	22,1	20,2	19,4	22,2	20,7

Non-consolidated and consolidated CAR ratios by groups' basis are included in Table 3.5-4. When analyzed the table concerned, it can be seen that non-consolidated CAR was increased in all groups in September 2006-December 2006. The reason why the consolidated CAR's being significantly low in CAR calculated in non-consolidated basis in Investment and development banks is the reductions made from tier I capital during consolidation.

When analyzed the information relating to the share of minimum capital required to be provided for the exposed market and loan risk within the capital obligation, it can be observed that the share of capital obligation relating to market risk within the total capital has realized in low level as to the third quarter of 2006 in all groups (Table 3.5-5). This state is emanating from the fact that securities available for sale account was exempted from market risk capital obligation by an amendment made and its' being included to calculation as an item exposed to credit risk with a risk weight amounting to 0%.

Table3.5-5: Distribution of Legal Capital Obligation

%	Deposit		IDB		Participation		Total	
	September	December	September	December	September	December	Sept.	Dec.0
Loan Risk Capital	40,7	39,0	7,0	5,1	56,0	48,0	36,5	34,9
Market Risk Capital	3,4	1,4	0,8	0,5	0,6	0,4	3,0	1,2
Free Capital	55,9	59,6	92,2	94,4	43,4	51,5	60,5	63,8

3.5.1. Market Risk

When observed market risk capital obligation's components, it can be seen that interest rate risk obligation is the most important item with the ratio amounting to 57.1%. The most important cause of the change realized in this item is the securities available for sale's being removed from the scope of market risk. On the other hand, it can be seen that, the capital obligation of share position risk has reached to 3.1% from 2.9% and that rate of exchange risk obligation has reached to 42.1%. Market risk capital obligation components were included in Table 3.5-6.

Table3.5-6: Market Risk Capital Obligation Components

%	Deposit		IDB		Participation		Total	
	September.06	Dec.06	September.06	Dec.06	Sep.06	Dec 06	Sep.06	Dec.06
Interest Rate Risk	74,8	57,1	28,2	19,9	1,0	0,7	72,8	54,9
General Market Risk	72,0	56,1	27,9	19,9	0,5	0,4	70,1	53,9
Specific Risk	2,6	0,4	0,2	0,0	0,4	0,3	2,5	0,3
Option Risk	0,2	0,6	0,0	0,0	0,0	0,0	0,2	0,6
Shares Position Risk	2,7	3,2	8,7	0,2	6,9	5,4	2,9	3,1
General Market Risk	1,6	1,8	4,6	0,1	3,8	2,9	1,7	1,8
Specific Risk	1,1	1,4	4,1	0,1	3,1	2,4	1,2	1,3
Option Risk	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Rate of exchange Risk	22,5	39,8	63,2	79,9	92,1	93,9	24,2	42,1
General Market Risk	22,3	39,3	63,2	79,9	92,1	93,9	24,0	41,7
Option Risk	0,2	0,4	0,0	0,0	0,0	0,0	0,2	0,4
Total	100	100	100	100	100	100	100	100

3.5.2. Loan Risk

When observed capital obligation relating to loan risk within the risk weighted items, it can be observed that 40.1% of the positions was comprised of values subject to risk weight amounting to 0%, and that 38.1% thereof was comprised of items subject to risk weight amounting to 100%. There is a significant effect of public securities' being subject to 0% risk weight on the share of items, with a risk weight amounting to 0%, being high. On the other hand, when analyzed the share of various items within the risk weighted assets, it can be observed that the highest share is belonging to cash loans with an amount of 38.3%. The share of securities within the pro rata shares' increasing to 25.5% is emanating from the inclusion of the securities available for sale to the scope of loan risk. Data concerned were included in Table 3.5-7 and Table 3.5-8.

Table3.5-7: Distribution of Items Subject to Loan Risk

Items	The Share within the Positions (%)		
	Dec.05	Sept.06	Dec.06
0% Risk Weight	33,1	27,4	40,1
20 % Risk Weight	12,1	12,4	11,4
50% Risk Weight	21,5	22,9	10,4
100% Risk Weight	33,2	37,3	38,1
Total	100,0	100,0	100,0

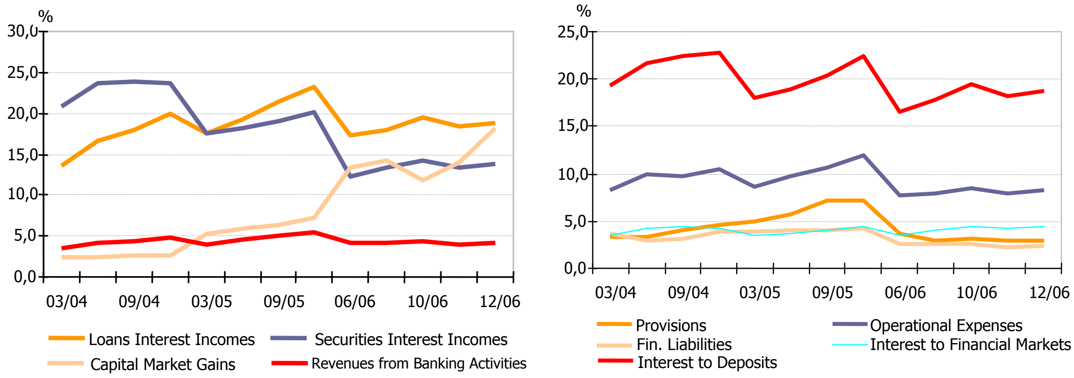
Table3.5-8: the Share of Items Subject to Loan Risk within Risk Weighted Assets

Items	The Share within the Risk Weighted Assets %		
	Dec.05	Sept.06	Dec.06
Cash assets	0,8	0,7	0,8
Receivables from Market	15,3	13,1	12,5
Cash Loans	39,3	45,3	38,3
Securities	9,7	7,4	25,0
Subsidiaries	0,8	0,7	1,5
Leasing receivables	0,3	0,3	0,0
Various Receivables	0,4	0,3	0,2
Non-cash Loans	24,0	23,8	16,1
Derivative Transactions	0,2	0,3	0,2
Other	9,2	8,1	5,4
Total	100	100	100

3.6. Profitability Analyses

Period net profit of banking sector was realized as TRY 11 billion by increasing 92.0% in nominal basis in 2006. The main reason why the sector profitability has increased in high level when compared to previous year was 2005 period net profit's realizing low due to provisions of which a bank has set aside by a reason of it's loans. Besides, while the sector's total incomes were increased by 67%, there existed an increase amounting to 65% within the period observed. When analyzed the components of total incomes and expenditure, it can be observed that while the share of interest incomes gained from securities and loans within the total incomes was decreased as to December 2005, the share of loan interest incomes within total incomes was realized in a higher level than securities and that the interval in between them was increased during the year. The state thereof shall be evaluated that in conjunction with the share of securities portfolio within the total assets decreased, the sector could fulfill more its mediation function. In spite of the increasing mediation function, the share of interest incomes gained from loans within the total incomes' being decreased is evaluated as it was connected with the loan demands' increasing due to the fact that interests were increased as a result of May-June 2006 fluctuation realized on financial markets. On the other hand, the increase on interest ratios has contributed to the increase on the share of capital market transaction incomes within the total incomes.

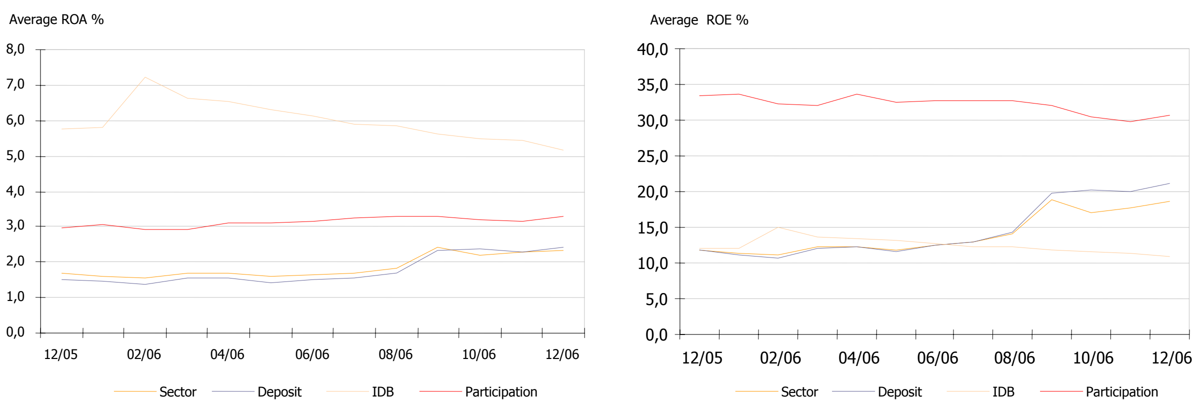
Chart 3.6-1 Income Statement Items Selected and The Shares Thereof



The reason of the amelioration seen on the profitability of the sector is emanating both from the amelioration on return performance and as well as amelioration on expenditure structure. The share of deposit interest incomes, which is the most important fund resource, has ruled lower in 2006 as to 2005, but it has increased a bit following the fluctuation of May-June. In addition to that, it can be observed that operational expenditures which are the other expenditure items, provision expenditures and financial liabilities were followed a decreasing movement during the year. Besides, the decrease realized in financial liabilities which also including tax expenditures is evaluated as thereof was emanated from the 10 points of decrease occurred on corporation tax in 2006.

When the profitability performance of the sector was analyzed in function basis, it can be observed that the deposit banks and the ratio of asset earnings (ROA) and the ratio of own funds earnings (ROE) have followed the same tendency. On the hand, it can be observed that the asset profitability of Investment and development banks was higher as to sector and deposit banks and the profitability of own funds was lower than sector and deposit banks. Both the asset profitability and the own fund profitability in participation banks was in higher level as to deposit banks.

Chart 3.6-2 ROE and ROA



When the said analyze was made by scale size, it can be observed that net period profit was in the level of 169.5% in large scaled banks and in 7.9% in small and medium size banks.

While the securities and loan interest incomes, which comprises the significant part of the total incomes, were increased 43.4% and 19.5% respectively in large scaled banks in the period concerned, there realized an increase amounting to 22.6% in loan interest incomes in small and medium size banks and an decrease realized amounting to 13.6% in securities interest incomes. The said development was evaluated as the fact that small and medium size banks has oriented their funds more on loan activities by ratio as to large scaled banks.

Table3.6-1 Summary Income Statement of Banking Sector

	Large scaled		Small and Medium Scaled	
	Dec. 2005	Dec. 2006	Dec. 2005	Dec . 2006
Total Interest Incomes	32.184	42.621	10.112	11.775
-Loan Interest Incomes	14.197	20.360	6.322	7.752
-Securities Interest Incomes	16.156	19.308	2.687	2.322
-Other Interest Incomes	1.831	2.953	1.103	1.701
Total off-interest Incomes	8.319	9.669	3.640	4.150
Total Interest Expenditures	(19.171)	(27.543)	(4.824)	(6.271)
Operation Expenditures (off-interest Expenditures)	(14.029)	(12.780)	(4.960)	(5.566)
Provisions	(1.648)	(1.500)	(572)	(510)
Tax	(2.680)	(2.448)	(658)	(622)
Net Period Profit /Loss (TRY Million)	2.975	8.019	2.740	2.955

Table3.6-2 Banking Sector Summary Balance Sheet

Assets (TRY Million)	Large scaled		Small and Medium Scaled	
	Dec. 2005	Dec. 2006	Dec. 2005	Dec. 2006
Not creating Income Assets	17.023	21.575	5.534	5.632
Loans	101.739	150.673	48.198	58.991
Other Creating Income Assets	168.536	189.969	37.459	42.813
Fixed Assets	13.620	13.828	4.854	2.497
Total Assets	300.918	376.045	96.046	109.934
Liabilities and Own funds				
Deposit and Short- term Debts	246.060	310.964	69.167	81.905
Other funds	7.813	9.069	2.002	3.301
Other (Not-creating Interest Expenditure)	12.183	16.675	6.002	6.086
Own funds	34.861	39.336	18.875	18.641
Total Liabilities	300.918	376.045	96.046	109.934

When analyzed the indicators relating to profitability there realized an increase in the own funds profitability of the large scaled banks in the period concerned and the said increase was realized in higher level as to small and medium size banks. The own funds earnings ratio of large scaled banks which was realized as 20.4% in 2006, was higher than Domestic Government Bonds which was in the level of 17.5% in average within the same year. Consequently, it is observed that it is observed that the profitability performance of large scaled banks was rested in a good level within the period observed. Small and medium size banks have shown a lower profitability performance when compared to large scaled banks within the same period. In spite of the fact that the own funds earnings ratio were realized by 15.9% with an increase of 1.4 points for this banks. The main reason of the lower profitability performance of small and medium size banks is large scaled banks' compensating the fixed costs easier due to the fact that they use their economies of scale and scope and their decreasing their cost per fund resource. As a matter of fact, the development thereof could be seen clearly when analyzed cost/income ratio. While the said ratio of large scaled banks was realized as 24.4% within the period observed, the same ratio in small and medium size banks was in the level of 36.5%. Besides, when observed the ratio of operation expenditures to total actives, while the expenditures of large scaled banks per asset was in a lower level (3.4%), the said ratio in small and medium size banks was in the level of 5.1%. Accordingly, while the net profit margin for large scaled banks was realized as 5.95 and 6.5% respectively, it was 4.7 % and 5.4% respectively in small and medium size banks.

Box 4: Discrimination of Profitability

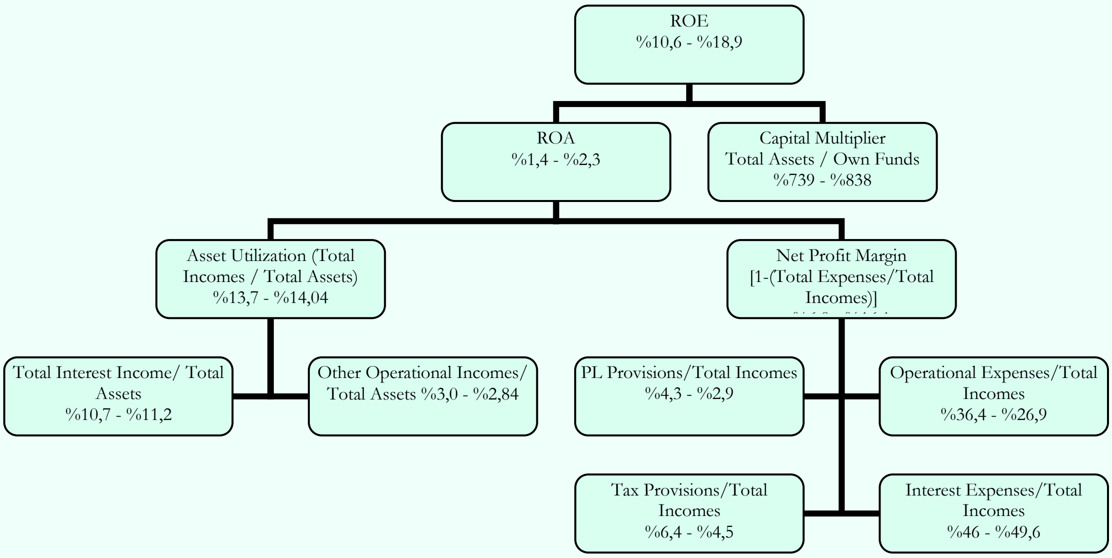
Own fund earnings, the main indicators of profitability, (ROE) and ratio of asset earnings (ROA) could be expressed as given hereunder ;

ROE=[Net Period Profit/ Total Assets] * [Total Assets/ Own funds] (1)

ROA=[Net Period Profit/Total Incomes]* [Total Incomes/Total Assets] (

Net period profit/ Total Assets, included in first equality, is equal to asset earnings (ROA). The other term of first equally; Total Assets/ Own funds ratio could be commented as capital multiplier and as it is an indicator of capital adequacy and at the same time assets sensitive to risk, it is an indicator of risk for the bank. Accordingly, ROE could be written as (ROA *Capital Multiplier

Total Incomes/ Total Assets, included in second equality, is presenting asset utilization, in other means income gained per asset unit. The other component of equality is showing Net Profit Margin. Within the scope of that, ROA could be written as (Net Profit Margin * Asset Productivity). Within the scope of that, ROE and ROA, divided into its components, for years 2005 and 2006 in Turkish banking sector was presented hereunder in visual manner. (First amounts for 2005, the followings for year 2006)



When analyzed ROE and ROA components calculated for sector general, a significant increase could be observed in ROE and ROA of the sector as to 2005. But it is evaluated that the said change was emanated from the difference in net period profit realized in December 2005 and 2006 due to the provisions of which a private bank has set aside. On the other hand, when observed the increase seen on capital multiplier, it is thought that risk is getting increased with profitability. Besides, the increase amounting to 0.34 points in asset utilization arose as a result of the increase amounting to 0.5 points in interest incomes, in spite of the decrease of 0.16 points in off-interest incomes. Within the scope of that, it can be seen that the increase in asset utilization was emanating basically from the productivity of bearing interest assets. The increase seen on net profit margin , which is another component of asset earning, with the increase in total incomes, is emanating from proportional decrease occurred in all components of total expenditure ,excluding interest expenditures, when compared to December 2005.

The asset utilization ratio , which is calculated by rating total incomes to total assets and reflecting the capacity of banks in gaining earnings, was realized in 2005 and 2006 as 13.5% and 14.5% respectively for small and medium size banks and the same ratio for large scaled banks was realized as 12.8% and 13.9. In the period analyzed, it is evaluated that the said ratio, which does not create higher earnings within assets of the large scale banks when compared to small and medium size banks and that the large scale banks shall withhold fixed asset, causes thereof to be lower than small and medium size banks. While the ratio of items not creating earnings to total assets was in the level of 9.4% in 2006, the said ratio in small and medium size banks was 7.4%. When evaluated within this scope, small and medium size banks are producing more earnings in return of each TRY investment made to assets when compared to other group. As a matter of fact, when observed net interest margin and asset earnings ratio for both groups, it can be observed that, small and medium size banks have higher ratios.

Table3.6-3 Indicators Relating to Profitability

%	Large scaled		Small and Medium size	
Capital	Dec.2005	Dec.2006	Dec.2005	Dec.2006
Own funds /Total Assets	11,6	10,5	19,7	17,0
Own funds /Loans	34,3	26,1	39,2	31,6
Own funds /Deposit and Short term Borrowing	14,2	12,6	27,3	22,8
Own fund /Liabilities	13,1	11,7	24,5	20,4
Internal Capital Movement Rate ROE*(1- Profit Distribution	3,5	0,2	1,0	1,2
Asset Quality				
NPL/Loans	5,6	4,3	3,8	2,8
Provisions/Gross Loans	4,8	3,8	3,2	2,4
Provisions /Net Interest Incomes	16,0	39,4	29,9	27,0
Provisions /NPL	90,9	91,2	86,4	89,1
Liquidity				
Interbank Ratio	42,8	45,5	55,8	70,8
Loans/Assets	33,8	40,1	50,2	53,7
Loans/Deposit and Short-term Debts	41,3	48,5	69,7	72,0
Liquid Assets/ Deposit and Short-term Debts	13,1	12,2	20,9	28,1
Ratios relating to Banking Activities				
Net Interest Margin	10,7	4,0	5,5	5,0
Profit Margin	5,9	6,5	4,7	5,4
Net Interest Income /Net Profit	437,4	188,0	193,0	186,2
Other Incomes/Assets	2,8	2,6	3,8	3,8
Off-interest Expenditures /Assets	4,7	3,4	5,2	5,1
ROA	0,99	2,13	2,85	2,69
ROE	8,5	20,4	14,5	15,9
Profit Distribution Ratio	58,5	98,9	86,2	83,0
Cost/Income Ratio (Operation Expenditures/Total Incomes)	35,8	24,4	38,2	36,5
(Operation Expenditures/Total Incomes)	11,6	26,9	25,7	24,4

Dependent on foregoing represented data, it can be observed that while small and medium size banks had more efficient income producing capacity, large scale banks had cost efficiency in an higher level. But when taken into account that the own funds profitability was higher in large scaled banks, it is evaluated that large scaled banks were operating in more profitable manner by using their cost advantage and that cost efficiency was more determining in respect of profitability.

On the other hand, while the financial leverage ratio in small and medium size banks was 24.5% and 20.4% respectively for December 2005 and 2006, the said ratio for large scale banks was realized as 13.1% and 11.7%. As a result of that, it can be observed that small and medium size bank were making their funding function predominantly with internal resources as to large scaled banks. Likewise, internal capital movement rate , which showing the states of both bank group's internal resource producing and which is the ratio of retained earnings to total own funds, was also in a higher level in small and medium size banks.

When evaluated in credit risk context, while the ratio of NPL to total loans in large scale banks was realized as 5.6% and 4.3% respectively in December 2005 and 2006, it was remained as 3.8% and 2.8% in small and medium size banks. But, the large scaled banks are also making up the additional losses that shall be occurred by keeping up the provision levels. While the ratio of provisions to gross loans was higher, amounting to 1.6 and 1.4 points respectively in 2005 and 2006, in large scaled banks when compared to other banks, the ratio of provisions to NPL was above 4.5 and 2.1 points than other banks. When evaluated liquidity risk context, while interbank ratio (receivables from interbank markets / debts to banks) in small and medium size banks was 70.8%, the ratio thereof in was 45.5% and small and medium size banks are in the state of pro rata lender. But, small and medium size banks are orienting the larger part of their funds that they collected to loans when compared to other banks. At the same time, they hold larger amount of liquid asset as to large scaled banks.

Within the scope of that, small and medium size banks acted more prudently in respect of liquidity level as to other banks, and it is evaluated as thereof emanated from the fact that large scaled banks could reach more various fund resources.

When analyzed the effect of interest change upon profitability, while net interest margin for small and medium size banks was in the level of 5%, the same ratio for large scaled banks was 4%. Within the scope of that, it can be observed that small and medium size banks have made more profit in pro rata from liability collection and extending the funds thereof. As a result of that, it is evaluated that the profitability of the said banks shall be effected less from interest changes. But, in spite of the fact that the ratio of Net Interest Incomes to period net profit was in a less amount higher in large scaled banks, the difference's being not in a significant amount is showing that the profitability of the both group is dramatically exposed to interest ratio risk.

When the development of own funds and risk assets in sectoral basis in the period observed, it can be seen that the investment to risk asset was continued on but the own funds were not increased to be compensate totally the risk of own funds. The capital adequacy ratio of the sector has continued to decrease by the first half of the year 2006, especially due to the fluctuation realized in the mid-year, it was decreased by 5.6 points as to 2005 year-end. But in the said decrease the decrease, seen in securities portfolio due to the increase in interest, has made only a contribution amounting to -2 points and in total own funds were made a contribution amounting to 0.9 points. The main cause of the said decrease realized in CAR is the increase seen in risk weighted items and as a result of that the negative contribution amounting to 4.7 points. Besides, as it was stated previously, it is seen that sector did not create internal resource and it did not utilize profitability increased as a result of macroeconomic stability for this aim. CAR of the sector was realized as 22.3% by the end-2006 and it has shown amelioration in the second half of the year as to the mid-year. But, 2 points of decrease in the said ratio was occurred as to December 2005 and it can be seen that risk weighted assets have made a contribution amounting to -6 points in this ratio and the own funds have compensated a little the negative contribution thereof by an increase amounting to 4.2 points. This positive contribution in own funds is predominantly emanating from 1.4 points of change due to the increase on sector's profitability and 2 points of change due to the decrease in the values reduced from the capital. As a result of that, in spite of the decrease amounting to 4 points occurred in CAR of 2005 as to 2004 year-end, the said decrease was limited with 2 points in 2006 as to 2005.

Table3.6-4 Own Funds-Profitability -Risk Weighted Assets-Capital Adequacy

	Dec.05	March.06	June.06	Sept.06	Dec.06
Own fund	-	1,25	-0,91	1,31	4,15
Tier I capital	-	0,74	0,49	2,02	3,02
Previous years profit with Net Period Profit	-	-0,59	-1,35	0,04	1,35
The part of total net period loss and previous years loss which shall not be compensated with legal reserves	-	1,38	1,27	1,30	0,97
Other	-	-0,05	0,57	0,68	0,69
Tier-II Capital	-	0,61	-0,89	-0,01	-0,84
45% of value increase fund relating to securities available for sale and affiliates*	-	0,10	-1,97	-1,19	-1,38
Other	-	0,51	1,08	1,18	0,54
Values Decreased from Capital	-	-0,10	-0,51	-0,70	1,98
Total Risk Weighted Assets. (TRWA)	-	-1,90	-4,69	-4,99	-5,99
CAR	24,16	23,51	18,56	20,47	22,32

* As the increase or decrease in the said item was discounted by 55% due to the fact that the Regulation on capital adequacy was amended, the contribution of this item to CAR appeared higher as to September, in spite of the fact that there were not any sudden increase in the market interests. The contribution of the said change would be in -1.03 level in case that there were not any amendment on Legislation.

ANNEX

Annex Table 1.2-1: Capacity Usage Rates in Some Sectors

(%)	Food-Beverage	Textile	Cloth	Non-Metallic Mines	Transport Vehicles	Furniture
01/2002	65,7	76,8	86,0	75,0	45,0	59,8
01/2003	74,3	82,4	85,2	75,7	53,8	74,6
01/2004	69,9	81,2	86,5	67,2	75,9	90,0
01/2005	65,9	81,4	82,9	76,0	73,3	84,4
01/2006	67,1	78,8	82,2	73,6	74,5	84,1
02/2006	67,3	80,1	81,0	73,0	80,3	82,1
03/2006	69,2	81,5	82,5	80,3	89,2	83,5
04/2006	69,6	80,4	83,1	85,5	88,7	84,3
05/2006	70,5	80,5	80,3	87,3	90,2	84,6
06/2006	72,7	80,5	80,2	88,9	91,7	85,6
07/2006	73,3	81,4	80,6	87,2	88,0	83,4
08/2006	71,2	79,8	82,4	87,2	70,5	85,0
09/2006	74,5	80,0	84,5	88,4	88,0	85,6
10/2006	74,3	81,4	82,9	83,1	87,8	85,3
11/2006	75,2	81,5	84,2	82,7	90,5	85,1
12/2006	71,8	80,8	85,1	81,5	86,2	82,5
01/2007	69,3	80,9	84,1	76,1	82,8	79,3
02/2007	69,9	80,7	82,5	74,6	86,8	78,1

Source:CBRT

Annex Table 2.2-2: Numerical Conversion of Rating Grades

S&P	FITCH	MOODY'S	Numerical Grade
AAA	AAA	Aaa	21
AA+	AA+	Aa1	20
AA	AA	Aa2	19
AA-	AA-	Aa3	18
A+	A+	A1	17
A	A	A2	16
A-	A-	A3	15
BBB+	BBB+	Baa1	14
BBB	BBB	Baa2	13
BBB-	BBB-	Baa3	12
BB+	BB+	Ba1	11
BB	BB	Ba2	10
BB-	BB-	Ba3	9
B+	B+	B1	8
B	B	B2	7
B-	B-	B3	6
CCC+	CCC+	Caa1	5
CCC	CCC	Caa2	4
CCC-	CCC-	Caa3	3
CC	CC	Ca	2

Annex Table 2.3-1: Balance Sheet of Leasing Companies December 2006

	TRY Thousand			Dec.06		Group Basis		
	Dec.06	Sep.06	Jun.06	% Share	% Change	Big	Middle	Small
Cash	0,2	0,2	0,2	0,0	-6,5	0,0	0,0	0,0
Banks	520,6	376,0	432,0	5,2	38,5	4,7	4,4	12,8
Securities (Net)	25,5	29,2	66,0	0,3	-12,6	0,0	0,6	1,6
Leasing Receivables (Net)	8.476,2	7.818,9	7.445,1	85,0	8,4	86,8	85,6	65,3
a) Leasing Transactions Receivables r Gross)	10.056,1	9.225,4	8.783,4	100,9	9,0	103,4	100,3	76,6
b) Unearned Leasing Income (-)	1.579,9	1.406,5	1.338,3	15,8	12,3	16,7	14,7	11,3
Non-Performing Loans (Net)	131,5	95,9	68,7	1,3	37,2	1,5	1,0	0,3
a) NPLs (Gross)	309,5	266,9	254,0	3,1	16,0	2,9	3,3	4,2
b) Provisions for NPLs (-)	178,0	171,0	185,4	1,8	4,1	1,4	2,2	3,9
Interest and Income Accruals and Rediscounts	75,3	85,4	85,1	0,8	-11,8	0,7	0,9	0,8
Subsidiary, Affiliate and Jointly Controlled Partn.,(Net)	140,4	191,7	211,2	1,4	-26,8	1,0	1,1	7,0
Tangible Assets (Net)	55,1	54,9	128,1	0,6	0,3	0,3	1,0	1,9
Intangible Assets (Net)	7,6	7,9	7,2	0,1	-4,5	0,0	0,0	0,6
Other Assets	535,3	792,6	652,6	5,4	-32,5	5,0	5,3	9,7
TOTAL ASSETS	9.967,6	9.452,6	9.096,0	100,0	5,4	100,0	100,0	100,0
Fiscal debts	7.319,8	6.700,7	6.577,4	73,4	9,2	74,5	76,7	51,7
Commercial Debts	312,0	337,3	340,7	3,1	-7,5	3,1	3,2	3,6
Taxes Payable and Other Liabilities	5,6	5,1	4,0	0,1	10,2	0,1	0,0	0,2
Interest and Expenditure Rediscounts	84,6	89,8	86,1	0,8	-5,8	0,8	0,9	0,9
Debt, Expenditure and Other Provisions	76,1	75,9	49,0	0,8	0,3	0,9	0,5	0,3
Other Liabilities	180,9	304,9	165,0	1,8	-40,7	1,4	2,8	2,6
Paid up Capital	1.283,7	1.105,4	1.052,4	12,9	16,1	11,7	10,6	32,7
Legal Reserves	530,8	591,7	614,1	5,3	-10,3	2,0	10,7	21,3
Revaluation Fund	48,6	118,9	92,3	0,5	-59,1	0,1	0,0	6,2
Term Profit (Loss)	380,8	284,0	169,2	3,8	34,1	4,4	3,4	-0,6
Previous Years Profit (Loss)	-255,3	-161,2	-54,2	2,6	58,3	1,1	-8,8	-18,9
TOTAL OWN FUNDS	1.988,5	1.938,7	1.873,7	20,0	2,6	19,2	15,9	40,8
TOTAL LIABILITIES	9.967,6	9.452,6	9.096,0	100,0	5,4	7.010.436	2.273.283	683.926

Annex Table 2.3-2: Leasing Fund Flow Statement December 2006

September 2006 - December 2006 Fund Flows			TRY Thousand		
	Amount	%		Amount	%
Increase in Assets	322.719	32,52	Decrease in Assets	837.791	84,43
Cash	12	0,0	Leasing Receivables (Net)	657.362	66,2
Intangible Assets (Net)	360	0,0	Banks	144.615	14,6
Securities (Net)	3.679	0,4	NPLs (Net)	35.650	3,6
Interest and Income Accruals and Rediscounts	10.092	1,0	Tangible Assets (Net)	164	0,0
Subsidiary, Affiliate and Jointly Controlled Partn.(Net)	51.319	5,2			
Other Assets	257.257	25,9			
Decrease in Assets	669.585	67,48	Increase in Liabilities	154.513	15,57
Fiscal Debts	619.044	62,4	Other Liabilities	124.013	12,5
Taxes Payable and Other Liabilities	523	0,1	Commercial Debts	25.321	2,6
Debt, Expenditure and Other Provisions	205	0,0	Interest and Expenditure Rediscounts	5.179	0,5
TOTAL OWN FUNDS	49.813	5,0			
Paid up Capital	*178.251*				
Legal Reserves	*-60.857*				
Revaluation Fund	*-70.282*				
Term Profit (Loss)	*+96.765*				
Previous Years Profit (Loss)	*-94.064*				
Total	992.304		Total	992.304	

Annex Table 2.3- 3 Leasing Receivables December 2006

Sectors	Distribution		Company Groups Basis		
	TRY Million	Share %	Big	Medium	Small
AGRICULTURE	625	7,5	7,7	6,4	9,2
INDUSTRY	3.670	44,3	44,8	45,5	35,4
Mining	196	2,4	2,4	2,4	1,6
Food, Beverage, Tobacco	505	6,1	6,9	3,7	3,7
Textile, Leather, Cloth	865	10,5	9,9	12,6	10,0
Wood, Paper, Printing	522	6,3	6,3	6,9	4,8
Chemistry Plastic and Oil Products	367	4,4	4,6	3,9	3,9
Non-Metal Mines	211	2,6	2,6	2,9	1,3
Metal Main Industry	372	4,5	3,8	7,5	3,9
Machine and Equipment Industry	244	2,9	3,3	1,6	2,9
Electrical and Optic Device Industry	107	1,3	1,2	1,5	1,7
Transport Vehicles Industry	97	1,2	1,3	0,6	0,9
Other Production Industry	183	2,2	2,4	1,8	0,7
SERVICES	3.943	47,6	47,1	47,7	53,8
Construction	1.494	18,1	18,9	14,2	20,0
Wholesale, Retail Commerce, Repair and Commission	353	4,3	4,3	4,8	2,1
Hotels and Restaurants (Tourism)	153	1,9	1,8	2,2	1,1
Transportation and Communication	732	8,8	6,9	12,9	18,8
Financial Companies	350	4,2	4,9	2,4	2,2
Real Estate Commission, Consultation, Advertisement	166	2,0	1,9	2,3	2,2
Health, Education and Social Services	509	6,1	6,0	7,4	4,3
Culture, Entertainment and Other Services	184	2,2	2,3	1,5	3,1
OTHER	39	0,5	0,4	0,4	1,5
TOTAL TRY Million	8.276		6.175	1.567	535

Annex Table 2.3- 3 Leasing Receivables December 2006 (Continue)

Sectors	Term		Follow-up	Distribution by Customers			
	Long	Short	% Ratio	Commercial	Ind. Enterp.	Bank	Other
AGRICULTURE	7,3	7,5	6,5	2,5	23,4	0,0	3,0
INDUSTRY	45,0	28,7	53,9	48,5	39,7	0,2	45,2
Mining	2,3	3,0	2,0	2,7	1,7	0,1	2,0
Food, Beverage, Tobacco	6,3	2,0	30,6	7,5	3,2	0,0	1,2
Textile, Leather, Cloth	10,6	8,3	9,7	11,3	9,7	0,0	5,8
Wood, Paper, Printing	6,4	5,5	2,4	6,7	6,6	0,0	0,7
Chemistry Plastic and Oil Products	4,5	2,1	1,8	4,9	3,5	0,0	5,8
Non-Metal Mines	2,6	1,9	3,3	3,0	1,7	0,0	1,3
Metal Main Industry	4,6	1,1	1,8	4,7	4,9	0,0	0,9
Machine and Equipment Industry	3,0	1,6	0,0	2,7	4,1	0,1	4,6
Electrical and Optic Device Industry	1,3	1,9	0,8	1,4	1,0	0,0	1,7
Transport Vehicles Industry	1,2	0,7	0,4	1,2	1,2	0,0	20,8
Other Production Industry	2,3	0,6	1,1	2,4	2,1	0,0	0,3
SERVICES	47,3	61,0	36,8	48,5	36,6	99,8	47,9
Construction	17,8	26,8	11,5	18,1	21,3	0,2	8,8
Wholesale, Retail Commerce, Repair and Commission	4,2	6,9	3,1	4,8	3,4	0,0	1,2
Hotels and Restaurants (Tourism)	1,9	1,6	3,0	2,0	1,8	0,0	0,9
Transportation and Communication	9,0	5,9	9,0	11,1	3,8	0,0	4,5
Financial Companies	4,2	4,5	3,7	0,6	0,4	99,5	3,4
Real Estate Commission, Consultation, Advertisement	1,9	4,7	3,0	2,5	0,7	0,0	3,5
Health, Education and Social Services	6,1	7,1	3,4	7,0	3,4	0,1	20,8
Culture, Entertainment and Other Services	2,2	3,5	0,1	2,4	1,8	0,0	4,8
OTHER	0,4	2,8	2,9	0,5	0,3	0,0	4,0
TOTAL TRY Million	7.985	265	77	5.906	1.921	304	150

Annex Table 2.3- 4 Leasing Companies Income Statement December 2006

	TRY Million		% Share		Sep-Dec. 06		Group Basis		
	Sep.06	Dec.06	Sep.06	Dec.06	Share Change	% Change	Big	Medium	Small
Leasing Income	698	955	30,2	34,3	4,1	36,8	33,2	39,2	33,5
a) Domestic Leasing	696	953	30,1	34,2	4,1	36,9	33,0	39,2	33,5
b) Leasing Abroad	2	2	0,1	0,1	0,0	23,9	0,1	0,0	0,0
Interest Exp.	388	406	16,8	14,6	-2,2	4,6	13,4	19,3	14,7
a) Short Term Indebtment Exp.	252	257	10,9	9,2	-1,7	1,8	10,4	6,0	5,2
b) Medium and Long Term Indebtment Exp.	136	150	5,9	5,4	-0,5	9,9	3,0	13,3	9,6
Commission Expenditures	11	15	0,5	0,5	0,1	45,0	0,6	0,4	0,2
Personnel Expenditures	60	83	2,6	3,0	0,4	39,6	2,3	3,9	7,5
Depreciation Expenditures	8	9	0,3	0,3	0,0	19,2	0,1	0,3	2,3
Other Activity Expenditures	69	99	3,0	3,5	0,6	43,0	1,0	4,3	27,8
Interest Income from Other Activities	37	46	1,6	1,7	0,0	23,6	1,6	0,6	4,6
Exchange Profits	1.515	1.693	65,6	60,8	-4,8	11,7	62,2	56,7	55,7
Dividend Taken	2	3	0,1	0,1	0,0	60,1	0,0	0,3	0,5
Income from Sales of Assets	2	3	0,1	0,1	0,0	57,7	0,1	0,0	0,1
Other Income	43	68	1,9	2,4	0,6	58,3	2,1	2,9	5,1
Commission Exp. From Other Activities	2	2	0,1	0,1	0,0	-18,3	0,1	0,0	0,0
Exchange Loss	1.432	1.712	62,0	61,5	-0,5	19,5	63,9	55,4	51,8
Provision Exp.	36	43	1,5	1,6	0,0	20,7	1,5	0,6	4,1
a) Provision Exp. For NPLs	26	32	1,1	1,2	0,0	22,6	1,4	0,5	0,9
b) Other Provision Exp.	9	11	0,4	0,4	0,0	15,3	0,2	0,2	3,1
Other Expenditures	14	23	0,6	0,8	0,2	69,3	0,3	0,5	6,9
EXTRAORDINARY INCOME AND PROFITS	14	19	0,6	0,7	0,1	36,4	0,8	0,3	0,4
EXTRAORDINARY EXP. AND LOSSES	2	4	0,1	0,2	0,1	80,0	0,2	0,1	0,3
PRE-TAX PROFIT (LOSS)	289	388	12,5	13,9	1,4	34,4	14,9	15,1	1,1
Tax Provision	5	8	0,2	0,3	0,1	50,9	0,1	0,0	2,5
TERM NET PROFIT (LOSS)	284	381	12,3	13,7	1,4	34,1	14,7	15,1	-1,3
Total Income TRY million or %	2.311	2.786	100	100	0,0	20,6	2.080	509	197

Annex Table 2.3- 5 Distribution of Commodities Subject to Leasing Dec.2006*

	June		September		December			Sep-Dec.%
Million TRY	Val.Aggr.	Rent Rec.	Val.Aggr.	Rent Rec.	Val.Aggr.	Rent Rec.	Val.Agg. % Dis.	Growth
LAND SERVİCE VEHİCLES	1.752	1.134	1.867	1.183	2.049	1.321	12,3	9,7
Automobile	245	119	254	121	258	135	1,6	1,6
Autobus	290	168	302	171	369	242	2,2	22,2
Truck, Pickup Truck	410	279	473	314	510	332	3,1	7,8
Tractor	337	221	362	207	404	264	2,4	11,4
Other	408	307	453	357	484	333	2,9	6,9
HEAVY CONSTRUCTION EQUIPMENTS	2.922	2.051	3.380	2.198	3.579	2.274	21,5	5,9
b Loder	608	350	628	352	703	379	4,2	11,8
c Ekskavatör	890	572	973	584	1.072	636	6,4	10,2
e Forklift	183	119	193	120	212	132	1,3	9,7
f Diğer	1.172	962	1.515	1.091	1.496	1.057	9,0	-1,2
MACHINES AND EQUIPMENTS	3.628	2.354	3.843	2.419	4.244	2.634	25,5	10,4
Productive Machinery	1.272	777	1.130	684	1.258	765	7,6	11,4
Packaging Machines	152	99	173	114	205	138	1,2	18,1
Machines Used in Food Sector	297	188	371	236	443	257	2,7	19,4
Metal Milling Machines	512	295	731	422	784	461	4,7	7,2
Other	1.300	931	1.363	916	1.473	958	8,9	8,1
MEDICAL EQUIPMENT	713	439	657	475	815	533	4,9	24,0
Diagnosis Equipment	353	196	288	212	442	263	2,7	53,6
Other Equipment	254	170	248	186	249	189	1,5	0,3
TEXTILE MACHINES	1.439	736	1.562	727	1.623	721	9,8	3,9
Weaving Loom	561	307	612	295	697	329	4,2	13,8
Yarn Production Machines	181	70	232	87	214	73	1,3	-7,8
Other	509	263	466	221	455	193	2,7	-2,3
TOURISM EQUIPMENT	285	156	375	218	366	222	2,2	-2,2
c Other	151	71	214	109	189	108	1,1	-11,5
ELECTRONICAL OPTICAL EQUIPMENT	523	346	545	353	579	382	3,5	6,2
e Other	405	279	397	272	412	276	2,5	3,6
PRESS AND PUBLISHING EQUIPMENT	449	325	548	377	618	433	3,7	12,6
Printing Machines	334	254	420	298	499	354	3,0	18,8
OFFICE EQUIPMENT	889	473	953	496	989	524	6,0	3,8
a Computers	397	204	410	206	428	227	2,6	4,4
Office Materials	184	94	277	139	262	147	1,6	-5,3
f Other	173	117	163	89	196	87	1,2	19,9
REAL ESTATES	1.029	777	1.113	822	1.272	1.027	7,7	14,3
Building	924	675	949	678	1.097	867	6,6	15,6
Land	105	102	164	144	175	160	1,1	6,7
OTHER	364	179	454	140	329	197	2,0	-27,6
TOTAL	14.128	9.037	15.450	9.492	16.623	10.359	100	7,6

***Items of which share within distribution is 1% and less are excluded.**

Annex Table 2.3- 6 Balance Sheet of Factoring Companies December 2006

TRY Million	2006 Jun.	2006 Sep.	2006 Dec.	Sep. % Share	Dec. % Shr.	Sep-Dec.06 % Shr. Chn.	Sep-Dec.06 % % Chn.	Distribution by Groups Big	Distribution by Groups Medium	Distribution by Groups Small
Cash	34	34	18	0,6	0,3	0,3	-46,9	0,0	0,1	1,3
Banks	253	363	571	6,4	9,0	-2,6	57,3	16,6	1,9	5,5
Securities (Net)	3	5	6	0,1	0,1	0,0	29,2	0,0	0,0	0,4
Factoring Receivables (Net)	4.112	4.608	5.102	81,2	80,6	0,7	10,7	76,9	88,3	74,8
a) Domestic Factoring Receivables	4.634	5.136	5.819	90,5	91,9	-1,4	13,3	79,1	101,2	102,6
b) Domestic Factoring Debts (-)	961	955	1.094	16,8	17,3	-0,4	14,6	11,1	17,8	29,4
c) Export Factoring Receivables	838	771	779	13,6	12,3	1,3	1,0	20,1	8,0	3,2
d) Export Factoring Debts (-)	400	346	408	6,1	6,4	-0,3	18,0	11,4	3,2	1,6
e) Import Factoring Receivables	16	25	19	0,4	0,3	0,1	-24,0	0,6	0,1	0,0
f) Import Factoring Debts (-)	15	24	13	0,4	0,2	0,2	-44,4	0,5	0,0	0,0
NPLs (Net)	12	11	11	0,2	0,2	0,0	7,3	0,0	0,3	0,4
a) NPLS (Gross)	112	123	150	2,2	2,4	-0,2	22,4	0,9	2,5	5,3
b) Provisions for NPLs (-)	100	112	139	2,0	2,2	-0,2	23,8	0,9	2,3	4,9
Interest and Income Accruals and Rediscounts	45	40	34	0,7	0,5	0,2	-14,8	0,4	0,1	1,6
Subsidiary, Affiliate and Jointly Controlled Partn.,(Net)	428	401	403	7,1	6,4	0,7	0,7	5,2	7,6	6,8
Tangible Assets (Net)	73	72	70	1,3	1,1	0,2	-2,4	0,0	0,5	4,5
Intangible Assets (Net)	15	15	15	0,3	0,2	0,0	2,7	0,2	0,1	0,6
Other Assets	112	124	100	2,2	1,6	0,6	-19,6	0,7	1,2	4,1
TOTAL ASSETS	5.087	5.672	6.332	100,0	100,0	0,0	11,6	100,0	100,0	100,0
Fiscal debts	3.560	3.688	4.210	65,0	66,5	-1,5	14,2	76,2	64,0	50,2
Commercial Debts	36	29	50	0,5	0,8	-0,3	76,1	0,2	0,9	1,9
Taxes Payable and Other Liabilities	14	20	33	0,4	0,5	-0,2	64,3	0,4	0,7	0,5
Interest and Exp. Rediscounts	63	84	98	1,5	1,5	-0,1	16,0	1,4	1,8	1,4
Debt, Exp. And Other Provisions	20	27	57	0,5	0,9	-0,4	108,2	0,7	0,6	1,7
Other Liabilities	146	153	119	2,7	1,9	0,8	-22,4	1,4	1,9	2,8
Paid up Capital	661	731	753	12,9	11,9	1,0	3,1	3,3	12,3	29,5
Legal Reserves	503	502	507	8,9	8,0	0,9	0,9	6,3	9,1	9,8
Revaluation Fund	35	34	29	0,6	0,5	0,1	-14,9	0,3	0,5	0,7
Term Profit (Loss)	43	421	494	7,4	7,8	-0,4	17,5	9,8	7,2	4,6
Previous Years Profit (Loss)	7	-17	-18	-0,3	-0,3	0,0	7,3	0,0	1,0	-3,1
TOTAL OWN FUNDS	1.248	1.671	1.765	29,5	27,9	1,6	5,6	19,6	30,1	41,5
TOTAL LIABILITIES	5.087	5.672	6.332	100	100	0,0	11,6	2.755	2.275	1.302

Annex Table 2.3- 7 Fund Flow Statement of Factoring Companies December 2006

September I-December 2006 Fund Flows TRY Thousand					
	Total	%		Total	%
Increase in Assets	1.311.707	97,97	Decrease in Assets	66.376	4,96
Banks	318.682	23,8	Cash	15.722	1,2
Factoring Receivables (Net)	989.704	73,9	Non-Performing Loans (Net)	999	0,1
Securities (Net)	3.221	0,2	Interest and Income Accruals and Rediscounts	10.780	0,8
Intangible Assets (Net)	100	0,0	Tangible Assets (Net)	2.803	0,2
			Subsidiary, Affiliate and Jointly Controlled Partn.(Net)	24.472	1,8
			Other Assets	11.600	0,9
Decrease in Liabilities	27.175	2,03	Increase in Liabilities	1.272.506	95,04
Other Liabilities	27.175	2,0	Fiscal Debts	650.119	48,6
			Commercial Debts	14.516	1,1
			Debt, Expenditure and Other Provisions	36.413	2,7
			Interest and Expenditure Rediscounts	34.972	2,6
			Taxes Payable and Other Liabilities	19.313	1,4
			TOTAL OWNFUNDS	517.173	38,6
			Paid up Capital	92.553	
			Legal Reserves	3.445	
			Revaluation Fund	-6.242	
			Term Profit (Loss)	451.692	
			Previous Years Profit (Loss)	-24.275	
Total	1.338.882	100	Total	1.338.882	100

Annex Table 2.3- 8 Distribution of Receivables of Factoring Companies Dec. 2006

On Group Basis TRY Million	Receivable	% Share	Big	Medium	Small
AGRICULTURE	97	1,9	1,8	1,8	2,2
INDUSTRY	3.745	72,3	72,1	73,8	69,8
Mining	25	0,5	0,5	0,3	0,8
Food, Beverage, Tobacco	302	5,8	3,3	7,0	8,8
Textile, Leather, Cloth	917	17,7	13,2	22,4	17,9
Wood, Paper, Printing	330	6,4	7,1	4,7	8,0
Chemistry Plastic and Oil Products	528	10,2	7,9	11,4	12,5
Non-Metal Mines	263	5,1	4,5	5,6	5,1
Metal Main Industry	605	11,7	20,1	5,7	5,9
Machine and Equipment Industry	320	6,2	3,0	9,9	5,4
Electrical and Optic Device Industry	208	4,0	6,3	2,7	1,9
Transport Vehicles Industry	128	2,5	3,3	2,1	1,5
Other Production Industry	119	2,3	2,8	1,9	1,9
SERVICES	1.315	25,4	25,6	24,2	27,3
Construction	400	7,7	6,4	8,6	8,8
Wholesale, Retail Commerce, Repair and Commission	396	7,6	8,7	7,3	6,2
Hotels and Restaurants (Tourism)	32	0,6	0,6	0,6	0,7
Transportation and Communication	104	2,0	1,0	2,0	4,0
Financial Companies	70	1,4	0,6	1,6	2,3
Real Estate Commission, Consultation, Advertisement	154	3,0	4,3	1,9	2,4
Health, Education and Social Services	63	1,2	2,0	0,6	0,8
Culture, Entertainment and Other Services	97	1,9	2,0	1,6	2,1
OTHER	24	0,5	0,6	0,2	0,7
Total	5.181	100,0	2.137	1.987	1.056

Annex Table 2.3-8 Distribution of Receivables of Factoring Comp. Dec. 2006 (Cont.)

Million TRY	By Maturity % Short	Long	Share of Conversion to NPL %	Short	Dist. By Clients % Long	to NPL %	Short
AGRICULTURE	2,2	0,2	1,7	2,0	1,2	1,4	1,2
INDUSTRY	70,3	81,5	70,8	72,8	75,3	65,8	45,4
Mining	0,5	0,3	0,2	0,3	0,5	0,2	6,3
Food, Beverage, Tobacco	6,1	4,8	11,2	5,7	6,8	8,5	3,8
Textile, Leather, Cloth	18,9	12,5	18,1	17,2	23,9	13,5	11,7
Wood, Paper, Printing	7,2	2,8	4,6	6,7	5,1	5,4	2,3
Chemistry Plastic and Oil Products	9,9	11,2	13,8	10,5	8,9	9,8	3,4
Non-Metal Mines	5,1	5,1	6,3	4,5	9,1	3,9	9,3
Metal Main Industry	6,3	35,9	4,7	12,5	7,1	7,7	2,9
Machine and Equipment Industry	7,3	1,0	7,1	6,4	5,1	9,4	2,4
Electrical and Optic Device Industry	4,0	4,1	3,0	4,2	3,1	1,7	1,0
Transport Vehicles Industry	2,3	3,2	0,8	2,6	2,0	3,3	0,9
Other Production Industry	2,7	0,5	0,9	2,2	3,7	2,5	1,2
SERVICES	27,0	18,0	26,9	24,7	23,2	32,7	53,0
Construction	8,5	4,3	11,2	7,7	10,1	6,4	1,2
Wholesale, Retail Commerce, Repair and Commission	8,0	5,9	9,3	7,7	6,3	16,4	5,3
Hotels and Restaurants (Tourism)	0,6	0,5	0,2	0,7	0,4	0,1	0,0
Transportation and Communication	2,2	1,1	2,9	1,9	3,1	3,8	0,9
Financial Companies	1,5	0,5	0,5	0,8	0,8	2,1	20,6
Real Estate Commission, Consultation, Advertisement	2,7	4,3	1,6	2,7	0,9	2,1	21,8
Health, Education and Social Services	1,2	1,3	0,2	1,3	0,7	0,4	0,0
Culture, Entertainment and Other Services	2,2	0,2	1,1	2,0	0,9	1,3	3,1
OTHER	0,5	0,3	0,6	0,5	0,3	0,1	0,4
Total TRY Million	4.232	943	91,3	4.447	524	77	133

Annex Table 2.3- 9 Income Statement of Factoring Companies December 2006

	2006			Dec.	Sep-Dec.%	On Group Basis %		
Million TRY	Jun.	Sep.	Dec.	% Share	%Ch.	Large	Medium	Small
Fa Factoring Income	411	704	1.021	47,6	45,1	25,1	66,5	75,8
a) Domestic Factoring Interest Income	401	688	1.001	46,6	45,4	23,8	65,8	75,2
b) Export Factoring Interest Income	9	16	20	0,9	30,4	1,3	0,7	0,6
c) Import Factoring Interest Income	*0*	*0*	*0*	*0,0*	*0,0*	*0,0*	*0,0*	*0,0*
Factoring and Financing Commission Income	48	78	104	4,9	34,3	1,9	7,6	8,2
a) Domestic Factoring Commission Income	39	65	90	4,2	38,5	1,1	7,0	7,8
b) Export Factoring Commission Income	8	12	14	0,6	11,8	0,8	0,6	0,4
c) Import Factoring Commission Income	0	0	0	0,0	65,1	0,0	0,0	0,0
Total Operating Income	458	781	1.126	52,4	44,0	26,9	74,1	84,0
Interest Expenditures	222	351	495	23,1	40,9	14,9	30,5	32,4
a) Short-term Indebtment Expenditures	200	325	468	21,8	43,9	14,0	29,1	30,4
b) Medium and long-term Indebtment Expenditures	22	26	27	1,3	4,2	0,9	1,5	2,0
Commission Expenditures	5	7	9	0,4	16,5	0,4	0,4	0,3
Personnel Expenditures	48	74	106	4,9	44,2	1,5	7,5	9,9
Depreciation Expenditures	4	7	10	0,5	47,6	0,1	0,6	1,4
Other Operating Expenditures	34	55	89	4,2	62,4	2,4	4,6	8,3
Total Operating Expenditures	313	494	710	33,1	43,5	19,3	43,6	52,3
Interest Income from Other Activities	22	29	40	1,9	36,2	2,9	0,3	1,8
Exchange Profit	364	566	696	32,4	23,0	46,3	23,5	9,9
Dividends Taken	0	4	22	1,0	453,6	1,9	0,3	0,0
Income from Sales of Our Assets	0	220	220	10,2	0,0	20,6	0,0	0,1
Other Various Income	23	29	37	1,7	27,2	1,1	1,6	3,7
Total Income and Profits from Other Activities	409	848	1.015	47,3	19,7	72,8	25,8	15,5
Commission Expenditures stem from Other Activities	0	0	0	0,0	-28,3	0,0	0,0	0,0
Exchange Loss	460	634	766	35,7	20,9	52,3	23,8	10,9
Provision Expenditures	26	39	93	4,3	138,8	1,7	3,3	13,5
a) NPL Provision Expenditures	24	36	71	3,3	96,5	1,7	3,0	8,5
b) Other Provision Expenditures	2	3	22	1,0	720,5	0,1	0,3	5,0
Other Various Income	5	10	15	0,7	50,5	0,2	0,8	1,9
Total Expenditures and Losses from Other Activities	491	683	874	40,7	28,0	54,3	27,9	26,3
EXTRAORDINARY INCOME AND PROFITS	4	5	6	0,3	24,6	0,3	0,2	0,5
EXTRAORDINARY EXPENDITURES AND LOSSES	6	8	11	0,5	35,3	0,0	0,2	2,5
PRE- TAX INCOME (LOSS)	62	449	552	25,7	23,0	26,4	28,3	18,9
Tax Provision	16	28	61	2,8	117,7	1,1	4,9	3,9
TERM NET PROFIT (LOSS) (33-34)	46	421	491	22,9	16,7	25,3	23,4	15,0
Total Income (TRY Million or %)	872	1.634	2.146		31,3	1.065	703	378

Annex Table 2.3- 10 Sectoral Distribution of Factoring Transactions December 2006

	Domestic (Yİ) %			Abroaad %				
Açıklama	DR *	DIR*	D Total	EXP.R*	Exp IR*	Export	Import	Total
Agriculture, Breeding, Forestry	1,2	0,0	1,2	0,0	0,0	0,0	0,0	1,2
Fishing	0,1	0,0	0,1	0,0	0,0	0,0	0,0	0,1
Total Agriculture	**1,3**	**0,0**	**1,3**	**0,0**	**0,0**	**0,0**	**0,0**	**1,3**
Mining of Energy Producing Mines	2,3	0,1	2,4	0,6	0,4	1,0	0,0	3,4
Mining of Non-Energy Producing Mines	0,2	0,0	0,2	0,0	0,0	0,0	0,0	0,2
Food Beverage Tobacco	5,2	0,4	5,6	0,0	0,1	0,2	0,0	5,8
Textile and Textile Products Industry	10,5	0,2	10,7	1,3	5,0	6,3	0,0	17,0
Leather and Leather Products	0,6	0,0	0,6	0,1	0,2	0,2	0,0	0,8
Tree and Tree Products Industry	2,4	0,0	2,5	0,0	0,0	0,0	0,0	2,5
Paper Raw M. And Paper Products Press Industry	5,1	0,1	5,1	0,0	0,0	0,0	0,0	5,1
Nuclear Fuel, Petrol Pro., Coal Products Industry	1,7	0,1	1,7	0,0	0,1	0,2	0,0	1,9
Chemistry and Chemistry Products & Synthetic Fiber Industry	4,2	0,3	4,4	0,4	0,0	0,4	0,0	4,9
Rubber and Plastic Products Industry	1,7	0,1	1,8	0,1	0,3	0,4	0,0	2,2
Other Non-Metal Mines Industry	2,2	0,4	2,7	0,1	0,2	0,3	0,0	3,0
Metal Main Industry and Wrought M. Production	4,3	0,5	4,8	0,2	0,8	1,0	0,0	5,8
Machine and Equipment Industry	3,3	0,5	3,8	0,1	0,5	0,5	0,1	4,4
Electrical and Optic Devices Industry	2,1	0,6	2,7	0,4	1,0	1,4	0,0	4,1
Transport Vehicles Industry	3,2	2,9	6,2	0,3	0,3	0,5	0,0	6,7
Unclassified Production Industry	2,6	0,0	2,6	0,1	0,5	0,5	0,0	3,1
Electrical Gas and Water Resources	0,2	0,0	0,2	0,0	0,0	0,0	0,0	0,2
Total Production Industry	**51,7**	**6,4**	**57,9**	**3,8**	**9,4**	**13,1**	**0,1**	**71,2**
Construction	6,9	0,2	7,1	0,0	0,1	0,1	0,0	7,3
Wholesale and Retail Com. Mot. Veh. Services	4,5	1,2	5,7	0,2	0,1	0,3	0,0	6,1
Hotels and Restaurants (Tourism)	0,8	0,0	0,8	0,0	0,0	0,0	0,0	0,8
Transportation, Warehousing and Communication	3,1	0,1	3,1	0,0	0,0	0,0	0,0	3,1
Financial Intermediation	2,1	0,0	2,1	0,1	0,0	0,1	0,0	2,2
a) Monetary Institutions	1,1	0,0	1,1	0,0	0,0	0,0	0,0	1,1
b) Other Financial Intermediaries	0,9	0,0	1,0	0,1	0,0	0,1	0,0	1,0
Real Estate Com., Renting and Op. Activities	0,5	0,0	0,5	0,0	0,0	0,0	0,0	0,5
Defense and Public Gov. Social Sec. Ins.	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Education	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Health and Social Services	0,9	0,0	0,9	0,0	0,0	0,0	0,0	0,9
Other Social and Personal Serv.	2,6	0,0	2,6	0,1	0,0	0,1	0,0	2,8
Persons Employing Workers	0,1	0,0	0,1	0,0	0,0	0,0	0,0	0,1
International Assoc. And Ins.	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total Services	**21,3**	**1,6**	**22,9**	**0,5**	**0,2**	**0,7**	**0,0**	**23,6**
OTHER	**2,4**	**0,6**	**3,0**	**0,1**	**0,0**	**0,1**	**0,0**	**3,9**
GENERAL TOTAL	76,7	8,7	85,1	4,4	9,6	14,0	0,1	100,0
General Total TRY Million	20.415	2.304	22.647	1.159	2.557	3.716	31	26.612

D=Domestic; R=Revocable; IR=Irrevocable; Ex=Export

Annex Table 2.3- 11 Balance Sheet of Finance Companies December 2006

	2006			Dec06	Sep.-Dec.		On Group Basis		
Million TRY	Jun.	Sep.	Dec.	% Share	Share Ch.	%Ch.	Large	Medium	Small
Cash	0	0	0	0,0	0,00	-21,1	0,0	0,0	0,0
Banks	51	72	70	2,1	-0,22	-3,9	0,9	1,1	0,1
Securities (Net)	0	0	0	0,0	0,00	0,0	0,0	0,0	0,0
Loans	2.912	3.013	3.212	94,9	0,21	6,6	84,2	10,7	0,0
NPLs (Net)	35	38	41	1,2	0,04	10,3	1,1	0,1	0,0
a) NPL (Gross)	46	50	77	2,3	0,71	53,9	2,0	0,3	0,0
b) NPL Provisions (-)	12	13	36	1,1	0,66	182,4	0,9	0,1	0,0
Interest and Income Acc. & Rediscounts	60	30	33	1,0	0,02	8,8	0,8	0,1	0,0
Subsidiary, Affiliate and Jointly Controlled Partn.(Net)	0	0	0	0,0	0,00	0,0	0,0	0,0	0,0
Tangible Assets (Net)	4	4	3	0,1	-0,02	-10,0	0,1	0,0	0,0
Intangible Assets (Net)	3	3	3	0,1	0,00	8,3	0,1	0,0	0,0
Other Assets	20	22	22	0,6	-0,05	-0,7	0,5	0,1	0,1
TOTAL ASSETS	3.085	3.181	3.384	100,0	0,00	6,4	87,6	12,2	0,2
Fiscal debts	2.577	2.639	2.791	82,5	-0,49	5,7	72,3	10,2	0,0
Commercial Debts	70	68	79	2,3	0,20	16,3	2,3	0,0	0,0
Taxes Payable and Other Liabilities	7	7	14	0,4	0,20	110,3	0,4	0,1	0,0
Interest and Exp. Rediscounts	146	157	193	5,7	0,77	23,0	5,4	0,3	0,0
Debt, Exp. And Other Provisions	61	66	52	1,5	-0,53	-20,7	1,5	0,1	0,0
Other Liabilities	19	19	17	0,5	-0,09	-9,7	0,4	0,1	0,0
Paid up Capital	197	202	205	6,1	-0,29	1,5	3,8	2,0	0,2
Legal Reserves	32	32	32	0,9	-0,07	-0,8	0,8	0,0	0,1
Revaluation Fund	0	0	0	0,0	0,00	0,0	0,0	0,0	0,0
Term Profit (Loss)	21	37	46	1,4	0,21	25,2	1,2	0,1	0,0
Previous Years Profit (Loss)	-45	-45	-45	-1,3	0,09	0,0	-0,6	-0,6	-0,2
TOTAL EQUITY	205	226	238	7,0	-0,07	5,4	5,3	1,5	0,2
TOTAL LIABILITIES TRY Million/%	3.085	3.181	3.384	100,0	0,00	6,4	87,6	12,2	0,2

Annex Table 2.3- 12 Finance Companies Flow of Funds December 2006

Sep 2006 - Dec 2006 Flow of Funds 000 TRY					
	Amount	%		Amount	%
Increase in Assets	205.813	93,01	Decrease in Assets	3.330	1,50
Loans	199.050	90,0	Cash	4	0,0
TNPLs Net)	3.870	1,7	Other Assets	157	0,1
Interest and Income Acc. And Rediscounts	2.659	1,2	Tangible Assets (Net)	354	0,2
Intangible Assets (Net)	234	0,1	Banks	2.815	1,3
Decrease in Liabilities	15.460	6,99	Increase in Liabilities	217.943	98,50
Debt, Exp. And Other Provisions	13.601	6,1	Fiscal Debts	151.457	68,4
Other Liabilities	1.859	0,8	Interest and Expenditure Rediscounts	36.066	16,3
			Commercial Debts	11.065	5,0
			Taxes Payable and Other Liabilities	7.231	3,3
			TOTAL EQUITY	12.124	5,5
			Paid up Capital	*3.068*	
			Term Profit (Loss)	*9.315*	
Total	221.273	100	Total	221.273	100

Annex Table 2.3- 13 Distribution of Loans of Finance Companies December 2006

	Dec. 06		On Group Basis		
Million TRY	Loans	% Share	Loans	% Share	Loans
AGRICULTURE	14	0,4	0,5	0,0	0,0
INDUSTRY	2.257	68,7	74,5	22,6	53,6
Mining	1	0,0	0,0	0,0	0,0
Food, Beverage, Tobacco	9	0,3	0,3	0,0	0,0
Textile, Leather, Cloth	13	0,4	0,4	0,0	0,0
Wood, Paper, Printing	3	0,1	0,1	0,0	0,0
Chemistry Plastic and Oil Products	37	1,1	1,3	0,0	0,0
Non-Metal Mines	5	0,2	0,2	0,0	0,0
Metal Main Industry	7	0,2	0,2	0,0	0,0
Machine and Equipment Industry	4	0,1	0,1	0,0	0,0
Electrical and Optic Device Industry	2	0,1	0,1	0,0	0,0
Transport Vehicles Industry	2.170	66,0	71,5	22,6	53,6
Other Production Industry	6	0,2	0,2	0,0	0,0
SERVICES	551	16,7	15,4	27,1	0,0
Construction	62	1,9	2,1	0,0	0,0
Wholesale, Retail Commerce, Repair and Commission	16	0,5	0,5	0,0	0,0
Hotels and Restaurants (Tourism)	10	0,3	0,3	0,0	0,0
Transportation and Communication	369	11,2	9,2	27,1	0,0
Financial Companies	2	0,1	0,1	0,0	0,0
Real Estate Commission, Consultation, Advertisement	3	0,1	0,1	0,0	0,0
Health, Education and Social Services	13	0,4	0,4	0,0	0,0
Culture, Entertainment and Other Services	76	2,3	2,6	0,0	0,0
OTHER	466	14,2	9,6	50,3	46,4
Total TRY Million	3.288	100,0	2.917	371	0,6

Annex Table 2.3- 13 Distribution of Loans of FinanceCompanies Dec.2006 (Cont.)

Million TRY	By Maturity %		Conv. To NPL	Dist. By Clients %			
	Short	Long	%	Short	Long	%	Short
AGRICULTURE	1,3	0,6	1,0	0,1	1,2	1,0	0,0
INDUSTRY	74,5	73,7	80,3	93,2	44,5	84,2	61,8
Mining	0,1	0,0	0,0	0,0	0,1	0,1	0,0
Food, Beverage, Tobacco	0,6	0,4	0,0	0,0	0,9	0,2	0,0
Textile, Leather, Cloth	1,0	0,5	1,2	0,2	0,9	0,4	0,0
Wood, Paper, Printing	0,2	0,1	0,0	0,0	0,2	0,1	0,0
Chemistry Plastic and Oil Products	2,7	1,2	1,7	0,1	2,8	1,5	0,0
Non-Metal Mines	0,3	0,2	1,3	0,0	0,5	0,0	0,0
Metal Main Industry	0,2	0,2	0,0	0,1	0,4	0,1	0,0
Machine and Equipment Industry	0,3	0,1	0,2	0,0	0,3	0,1	0,0
Electrical and Optic Device Industry	0,1	0,1	0,0	0,0	0,2	0,0	0,0
Transport Vehicles Industry	68,4	70,7	75,6	92,7	37,9	81,5	61,8
Other Production Industry	0,5	0,2	0,3	0,1	0,4	0,2	0,0
SERVICES	22,2	20,4	18,5	1,5	43,5	14,9	0,0
Construction	2,4	2,1	0,6	0,2	4,6	0,9	0,0
Wholesale, Retail Commerce, Repair and Commission	1,6	0,5	0,6	0,1	1,3	0,8	0,0
Hotels and Restaurants (Tourism)	0,5	0,4	0,1	0,1	0,8	0,3	0,0
Transportation and Communication	12,1	14,0	12,5	0,1	30,1	9,7	0,0
Financial Companies	0,1	0,1	0,0	0,1	0,1	0,1	0,0
Real Estate Commission, Consultation, Advertisement	0,3	0,1	0,5	0,0	0,3	0,0	0,0
Health, Education and Social Services	0,7	0,5	0,3	0,2	0,9	0,2	0,0
Culture, Entertainment and Other Services	4,4	2,8	3,9	0,8	5,4	2,9	0,0
OTHER	2,1	5,3	0,2	5,3	10,9	0,0	38,2
Total TRY Million	271	2.062	26	1.138	975	270	666

Annex Table 2.3-14: Income Statement of Financing Companies December 2006

Million TRY	2006 Jun.	Sep.	Dec.	Dec. % Share	Sep..06 – Dec..06 % Change	Growth	Groups Share % Large	Medium	Small
Financing Interest Income	204	318	446	58	4	40,3	60,7	76,1	97,0
Financing Commission Income	0	0	0	1	0		0,0	8,8	0,0
Interest Expenditures (11+12)	0	0	0	47	0		46,9	43,3	3,2
a) Short-term Indebtment Expenditures	0	0	0	45	0		46,8	13,6	3,2
b) Med. and Long-term Indebtment Expenditures	2	3	4	2	0	30,6	0,0	29,7	0,0
Commission Expenditures	0	0	0	1	1		1,9	1,3	0,0
Personnel Expenditures	0	0	0	4	0		3,3	19,8	7,3
Depreciation Expenditures	0	0	0	0	0		0,3	0,7	10,0
Other Operating Expenditures	206	321	450	4	1	40,2	4,5	4,7	13,4
Interest Income from Other Activities	158	257	336	3	-1	30,5	1,7	4,4	0,0
Exchange Profit	148	247	322	32	-3	30,1	31,3	7,0	2,0
Dividends Taken	10	10	14	0	0	40,3	0,0	0,0	0,0
Income from Sales of Assets	5	7	14	0	0	100,0	0,0	0,0	0,0
Other Various Income	14	21	31	5	1	46,6	6,2	2,1	1,1
Commission Expenditures from Other Activities	1	2	3	0	0	49,0	0,0	0,0	0,0
Exchange Loss	13	20	33	33	-3	59,7	32,1	7,0	0,0
Provision Expenditures (27+28)	191	308	416	2	1	35,2	2,1	3,8	0,0
a) NPL Provision Expenditures	4	18	13	1	0	-27,1	1,0	2,4	0,0
b) Other Provision Expenditures	116	179	214	0	1	19,9	1,1	1,4	0,0
Other Various Expenditures	0	0	0	1	0		0,1	12,4	8,8
EXTRAORDINARY INCOME AND PROFITS	0	0	0	0	0	0,5	0,0	1,7	0,0
EXTRAORDINARY EXPENDITURES AND LOSSES	20	30	43	0	0	43,8	0,1	0,0	0,0
PRE- PRE-TAX INCOME (LOSS)	139	227	271	8	0	19,2	8,8	6,9	57,3
Tax Provision	0	0	0	2	1		2,5	0,1	3,8
TERM NET PROFIT (LOSS)	120	182	219	7	0	20,3	6,3	7,0	53,5
Total Income (TRY Million or %)	540	861	1.163	100	0	35,0	673	47	1