

No: 2002-78

September 24, 2002

PRESS RELEASE

As reiterated in the announcements and presentations made by the Central Bank of the Republic of Turkey since the turn of the year, transparency in the policies, projects and operations and sharing information thereto is a globally accepted practice of the autonomous Central Bank within the framework of the accountability principle.

This time, in order to provide information to the public within the context of the Risk Center operations, the total number and amount of protested bills that exist among the data provided on the website of our Bank are acknowledged on a city basis to enable more detailed analysis. Additionally, the developments that will incur within the context of the Risk Center operations will be announced to public, as well.

Within this framework, information on the policies and practices of the Risk Center is briefly presented below.

The Risk Center was established in 1951 with the aim of knowing and monitoring the country-wide credit volume and its sectoral breakdown, preventing extension of credit to a person or legal entity exceeding its payment capacity and through prevention of risk, ensuring that trust with the banking sector is sustained. The Risk Center has assumed its final structure with Article 44 of the Central Bank Law No:1211 as amended by Article 25 of the Banking Law No: 4389 dated 18.06.1999.

In Article 44 of the Central Bank Law No: 1211, it is stated that the Central Bank shall establish a Risk Center in order to centralize information on the risks of the customers of the banks, special finance institutions, financial leasing companies, factoring companies, consumer finance companies and such other financial institutions operating in Turkey and shall exchange information with the mentioned institutions.

Information on credit limits and risks of the customers are subject to exchange between our Bank and all the institutions mentioned above and information on protested bills and non-performing consumer credits are subject to exchange between banks, special finance institutions and our Bank.

The aforementioned institutions are obliged to submit all the information on risk conditions of their customers requested by the Bank within the period and in conformity with the format specified by the Bank. Information on credit limits and risk information of the customers of the banks and special finance institutions as well as non-performing consumer credit information are reported to our Bank on a monthly basis, the information on protested bills is reported every 15 days, and information on risks of customers of leasing and factoring companies is reported every two months. The information collected at our Bank is consolidated and feedback is provided to the aforementioned institutions.

With the aim of assisting banks in determining the credibility of their customers and credit extension decisions, The Risk Center regularly provides consolidated and up-to-date information to the banks on total credits used by the customers that the banks are planning to extend credits or customers that have already been extended credits, on protested bills and non-performing consumer credits. All the operations and records of the Risk Center are confidential and the Bank may only provide the aforementioned institutions with information on the risks of their customers and on those who request credits.

As the Risk Center operations are free-of-charge, the banks' intelligence expenses are decreased substantially.

The system, technical infrastructure of which is completed and updated continuously parallel to progress in financial sector provides immediate data flow in electronic medium and is not only open to developments but also has an intensive data processing support with complete security.

The data collected at the Risk Center also constitutes an important information source for the assessment of the general situation of the economy. Developments in credit amounts and the number and amount of the protested bills are preliminary indicators as to whether the economy is in contraction or expansion trend.

As banking sector has undergone a restructuring process, credit risk has assumed a greater importance and taking into consideration the needs in risk monitoring and assessment of credit risk, the efforts towards development of the information exchange operations are being pursued.

The implementation changes that have either been undertaken in the last two years and the ones to be carried out in the forthcoming period are hereunder listed by titles:

I-CHANGES THAT HAVE BEEN UNDERTAKEN

i) Incorporation of the Leasing and Factoring companies into the system

With the aim of incorporating the risk information into the financial system, along with banks and special finance institutions, credit limit and risk information of the customers of leasing and factoring companies have also become subject to exchange as of July 1, 2000.

ii) Maturity Breakdown

With the aim of achieving a more detailed monitoring of the maturity groups of credits, the credit maturity breakdown which was formerly divided as short term and medium-long-term, has been changed as [(1-12 (included))] months, [12-24 (included)] months and 24+ months. The new terms have taken effect as of August 2000.

iii) Finance Codes

Parallel to the developments in economic activities, it was required that certain sectors are sub-divided. In this context, with the aim of achieving a more detailed monitoring and assessment of the sectoral breakdown of the credits and sectoral breakdown of non-performing loans, the “Finance Codes” have been reorganized on a detailed basis and were put into implementation in February 2001.

iv) Implementation of Tax Identification Number

Parallel to the obligation of using a tax identification number, the practice of using the trade registration numbers as the key code in exchange of information on credits and risks between banks and special finance institutions has been abandoned. Starting from March 2002

reporting period, with an aim to monitor risk information on real persons without commercial registration and small enterprises and ordinary partnerships having the peculiarities of craftsman and artisans and to expand the data base subject to exchange, as well as to monitor the total amount of credit used by a real person or a company from the financial system, risk information has started to be collected based on tax identification number.

To provide supplementary information during the investigation of relevant individuals as subjects of non-performing consumer credits and to allow consolidation when needed, the application of tax identification number as the key code has also been put into practice by July 31, 2002.

v) Debtors of Tax and Insurance Premium

At the request of the banks, the web sites of the Ministry of Finance and Social Security Agency General Directorate, on which the debtors of tax and insurance premium are announced, have started to be annexed to the credit and risk information feedback tables sent to the banks and special finance institutions as of June 2002.

vi) Display of credit risk information with finance code and city/geographical region distinction

With the aim of ensuring that the movements in the sector are monitored in more detail and on a city basis, the financing subject codes and city/geographical location distinction have been added to the statistical feedback tables sent to the banks by our Bank and the implementation started in March 2002.

vii) Providing more detail for non-cash credits

The banks' request towards more detailed classification of non-cash credits have been assessed and as of July 31, 2002, the non-cash credits have been taken under the scope of the change in their detailed format.

viii) Credits subject to İstanbul Approach

Within the framework of the "Financial Restructuring Framework Agreement" known as the İstanbul Approach, new risk codes have been introduced in order to monitor the restructured credits with TL and FX distinctions, apart from other credits. The implementation took effect on July 31, 2002.

II-PROJECTS PURSUED BY THE RISK CENTER

i) Information on Bankruptcy and Concordat

The preliminary studies for sending bankruptcy and concordat information annexed to the credit and risk feedback tables have been completed. The said information is planned to be sent to the banks as annexed to the September 2002 feedback tables.

ii) Exchange of Information on consumer credits with positive quality

Studies intended for incorporating the consumer credits with positive quality extended by the banks and special finance institutions into the information exchange system are still under way and implementation is planned before the end of the year. The exchange will allow the banks to monitor the liabilities of their consumer credit customers to the financial sector.

iii) Exchange of Information with Consumer Finance Companies

The studies intended for exchange of information with the consumer finance companies, 99 percent of the customers of which are real persons, are still going on and information exchange is planned to be started before the end of the year. With the implementation, an infrastructure which will allow consolidation of information pertaining to the customers of consumer finance companies and customers of banks and special finance institutions will be established.

III) CONCLUSION

Information exchange between our Bank and a significant part of the financial sector as well as all the proposals and requests of financial sector that may contribute to their risk assessment are evaluated within the legal framework taking into consideration the economic conditions and necessary arrangements are put into practice.