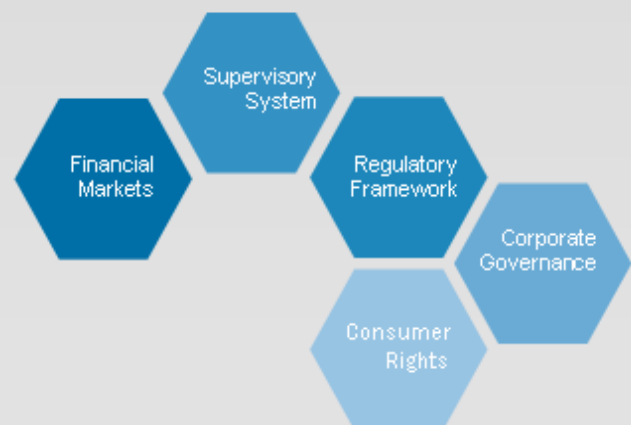




BANKING
REGULATION AND SUPERVISION
AGENCY



Strategic Plan
2006 - 2008

Message of the Chairman

The establishment of the BRSA symbolizes leaving the “old” and transition to a “new” banking era. An authority having administrative and financial autonomy is deemed as an opportunity for financial stability. The changes made in regulatory and supervisory structure are also evaluated as an institutional capacity building effort that effectively matches with international best practices. The Banking Law Nr. 5411, which came into force in 2005 following the aforementioned landmark developments, has formed a basis for a new financial structure especially with the amendments in scope and structure of supervision.

Duties assumed by regulatory and supervisory authorities like the BRSA are of great importance for an economy. Therefore, not only the existence of such institutions but also their continuation and efficiency of the services that they provide are vital. In this respect, strategic planning is a fundamental tool used by BRSA-like institutions, for planning activities, developing policies on concrete working programs and budgets, and monitoring the practice in an effective manner. With this understanding, by employing strategic planning tools; goals and targets for fulfilling the mission of the BRSA are determined and methods to reach at them are defined. In this framework, the Strategic Plan reflects our long-term point of view that will build a bridge between the Agency’s current position and its targets.

In the current period, in which BRSA has just completed the development of its first strategic plan, the Turkish banking sector is stronger and more sound compared to the past years, notwithstanding current fluctuations in international markets. Yet, the current situation that is reached will not ease our efforts; the BRSA staff will continue to serve the public with strong dedication and professionalism and to work for a healthier financial system that strengthens the stability of the Turkish economy further. With this determination, the BRSA will closely follow all national and international developments and will pursue all necessary efforts in order to respond to risks in financial system promptly and effectively.

The BRSA will constantly monitor the course of its efforts and achievements towards these ends, by means of performance measures developed in accordance with the Strategic Plan, and will share the results transparently with public. We hope, our Strategic Plan, which will be the primary guide and goal-setter for the BRSA between 2006 and 2008, will also provide useful information for the Turkish financial system.

Tevfik BİLGİN

Chairman

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Preface

It is introduced in the Article 88 of the Banking Law that the strategic plan, performance criteria, goals and targets of the Agency are to be determined by the Board, and the Department of Strategy Development is to be established as a main service unit in the Article 91 of the Banking Law. According to the Article 18 of the Regulation on the Organization; the said Department is charged with performing the studies for determining the strategy, policy, goals and targets of the Agency, preparing the strategic plan, monitoring and evaluating the performance, making suggestions for improvement to the top management, preparing progress reports and sharing them with the related parties.

Strategic planning determines the steps to be taken in order to fulfill the mission of the Agency, eliminates uncertainty and guides the Agency. The planning process comprises of the determination of the goals, targets and methods of the Agency. Broad participation in the process of strategic planning will increase the benefits to be gained. The Strategic Plan, which has been prepared within this framework, defines the road between the point in which the Agency is situated and the point to which it desires to reach, determines the targets, and methods to reach at them, offers a long-term and progressive attitude, and serves a guide in making sure that the budget and resource allocation are made in accordance with the stipulated priorities.

Strategic Plan was prepared considering the methods defined in Strategic Planning Guidance for Public Institutions published by the Undersecretariat of State Planning Organization and in the guidance of the European Union Law and best country practices. The activities stipulated in the Strategic Plan forms the beginning of a long-term change. Accordingly, the preparation process has lasted for two years. Current activities and the future activity topics are examined, opinions are taken, meetings are organized, presentations and negotiations are made and the necessary adjustments are made. The subjects and the parties in Strategic Plan are discussed in a balanced way; dialogue can be established on any subject, primarily on the corporate governance. Within this framework, it is expected that there will be a tendency towards the new financial structure in the behaviours and attitudes of the related parties

There is a broad participation in the work on the BRSA's strategic planning. All the departments in the Agency are included in the strategic planning process, thus increasing the intra-Agency communication and motivation. Within this framework, the Strategic Plan will help to establish, improve and enhance the culture of BRSA, use the resources effectively and also contribute to the transparency and accountability.

The Strategic Plan, which will be performed by the Strategy Development Department in the surveillance of the Chairman and in coordination with Vice-Chairmen and Heads of Departments, and with the contributions of related units, parties and the staff, became effective upon to the Resolution of the Board dated June 15, 2006 Nr. 1907. The amendments that will be made in the Strategic Plan shall be subject to the approval process of the Plan.

I. Forward Looking

1.1 Mission

The BRSA's mission is to ensure confidence and stability in financial markets, to create an environment that will improve competitiveness of the financial system, to enable effective operating of loan system, to protect the rights and benefits of the depositors, to take necessary measures for enabling institutions subject to supervision to operate in a sound, secure and well-organized manner in market discipline.

1.2 Vision

The BRSA's vision is to be a reliable and organizationally compatible authority at the international standards on the foundation of good regulation and effective supervision, efficient risk management, competitiveness and efficiency at international scale, the EU accession, innovativeness, professionalism and perfectionism in financial markets.

1.3 Main Values and Targets

BRSA shall establish, implement and develop the necessary regulatory and supervisory frame for carrying out its mission and implementing its vision. In this scope, BRSA's main values are:

Impartiality: Treating all parties equally relating to the activity field of the Agency and avoiding all types of discrimination.

Transparency and Accountability: Informing the public regularly about the activities of the Agency and always being open and ready for public evaluation and audit.

Efficiency: Carrying out regulatory, supervisory and institutional practices in light of cost/benefit approach and paying special attention to prevent the distortion in the competition between institutions in the sector, and carrying out activities by qualified and specialized staff.

Responsiveness: Responding the risks in financial system quickly and effectively and meeting the legal demands of the individuals and institutions related to the activities of the Agency timely and efficiently.

Participation: Considering the views of related parties in the preparation and application process of regulations.

Cooperation: Working in close cooperation with related national and international agencies/institutions.

Professionalism: Considering the public interest, taking over responsibility and accepting liability for accountability, in reaching the Agency's targets.

Consumer Focused Service: Informing the consumers on financial services, reviewing regulations and policies in the light of recommendations and complaints made.

Respect: Being respectful, fair, understanding and dignified to all parties related to the Agency's activities, respecting different ideas and opinions and behaving professionally while carrying out responsibilities.

II. Structural Transformation

2.1. Establishment and Legal Framework

The Banking Regulation and Supervision Agency (BRSA) was established by the previous Banks Act Nr. 4389 which was put into force on June 23, 1999, its Chairman and members of the Board were appointed as of March 31, 2000 and started operating as of August 31, 2000. Pursuant to the Act Nr. 4672, members of the Board excluding the Chairman were renewed on June 13, 2001. Departments of the Agency as well as their duties, authorities and responsibilities thereof are regulated by the Regulation on the Organization issued on June 22, 2000 by the Council of Ministers. Furthermore, regulations relating to working principles and procedures of the Board, professional ethics, human resources, competition and competence examinations as well as working principles and procedures are issued by Board resolution.

According to Act Nr. 4389, the BRSA has taken over the duties, powers and responsibilities of the Board of Sworn Bank Auditors and the banking-related units of the General Directorate of Bank and Exchange from the Undersecretariat of the Treasury as well as Banks Surveillance Directorate from the Central Bank. Furthermore, the authority of the representation and administration of the Savings Deposit Insurance Fund (SDIF) which was represented and administrated by the Central Bank was transferred to the BRSA. Nevertheless, the SDIF has reached at its administrative and financial autonomy on December 26, 2003 according to the Act Nr. 5020.

2.2. Main Developments in Banking System

The Turkish banking sector grew in a stable manner since 2001, loan volume and especially retail loans and SME loans have increased, its share within the national income has increased, the non-performing loans has decreased, the intermediation function became more effective in banking, and thus, the positive trend of the economy has been supported.

In the same period, the dominant share of the deposits in liabilities remained the same, the confidence to the Turkish currency has increased, the FX exchange rates have depreciated, the TL composition of the deposits has increased, but its term structure has not improved, while the syndication and securitization loans have increased.

Parallel to the increase of the off-balance transactions, the non-interest commissions and income of the banks have increased, the interest and non-interest incomes have increased related to the developments of the market interest rates and the increase of the banks' non-interest operations, and this situation has positively affected the income- expense structure of the sector.

When the Turkish banking sector is analyzed in operational point of view; while in 2000, (including participation banks) 85 banks were operating with 7.983 branches and 174.730 personnel in the sector, as a result of the liquidations, mergers and acquisitions, the number of banks has decreased to 51, the number of branches has decreased to 6.568 and the number of personnel has decreased to 138.724 in 2005.

Right after the BRSA started to operate, two crises have been experienced in the financial markets, in November 2000 and in February 2001. The Agency has viewed the crisis as an opportunity for a major transformation and prepared the Banking Sector Re-Structuring Program, which was put in practice in May 15, 2001 within close collaboration of the other public authorities and the sector representatives.

Within the scope of the Re-Structuring Program; the Act Nr 4743 related to the Re-Structuring of the Debts to the Financial Sector and Amendments in Certain Acts had become

effective in January 31, 2002, capital structure of the sector was strengthened, the debts of the real sector to the financial sector were restructured within the framework of the Istanbul Approach, the overnight debts of the state and SDIF banks to the sources other than the CBRT was reduced to zero, the duty losses of the state banks were eliminated, the acts and decrees engendering them were annulled, methods to resolve the bad assets were developed, the FX open positions were reduced, repayment plans were signed with the debtors of the SDIF banks.

Besides, important regulations has been issued that shall strengthen the supervisory and regulatory framework, enhance the efficiency and competitiveness of the banking system, improve the strength of the banking sector and ensure permanent confidence in the sector. Regulations related to supervision has been focused in the following areas; capital adequacy, risk management, restrictions on loans and subsidiaries, loan provisions, compliance to international accounting standards, independent audit, merger and acquisitions, and corporation with foreign supervisory authorities.

2.3. Banking Law and New Financial Structure

The Banks Act Nr. 4389, was amended nine times within the last five years, its systematic has been deteriorated, has become unable to support the sub-regulations; has become insufficient for a broad supervision and maintaining good governance, as well as to ensure the new financial structure emerged in the world, the confidence environment, the financial liberalization and the competition environment in financial markets, therefore it was ceased by the Banking Law Nr. 5411.

The main targets envisaged in the Banks Act Nr. 5411, which has been enacted on November 1, 2005 and is coherent with the Acquis Communautaire, international principles and standards, are as follows:

- a) Introducing a more efficient, better organized and transparent structure to the financial markets,
- b) Protecting the rights of individual customers who benefit from financial services,
- c) Redefining the institutional structure, duties and responsibilities of the BRSA in a more flexible and sensitive structure in accordance with market needs,
- d) Forming the regulation and supervision functions of the activities of banks, financial holding companies, leasing companies, factoring companies and finance companies under the structure of the BRSA,
- e) Creating a flexible and dialogue based management and organization structure for the institutions within the scope of the law,
- f) Creating good management by implementing the principles of corporate governance.
- g) Integrating Turkish Banking system into international markets,
- h) Integrating intra-Agency and non-Agency supervision and surveillance,
- i) Making the licensing and activity permissions a part of the prudential supervision,
- j) Creating a flexible supervision and surveillance system as well as regulatory structure that can respond to changing financial market conditions,
- k) Safeguarding the general principles such as transparency and equality among the parties of the financial system.
- l) Establishing and enhancing confidence and stability in financial markets,

- m) Predicting developments that create risks in financial markets ,
- n) Decreasing transaction and intermediation costs in the banking sector,
- o) Aligning the policies and strategies of the Agency with the road maps of financial markets,
- p) Basing rules for information-sharing with the related parties on certain principles.

In order for the establishment of confidence and stability in financial markets, the sound operation of the credit system, the progress of the financial sector and the protection of the rights and interests of depositors, the Agency, within the scope of the authority given by the Banking Law and other related legislation, is charged with and authorized to;

i) Regulate, enforce and ensure the implementation of the establishment, activities, management and organizational structure, mergers, splits, transfer of shares and liquidation of banks, financial holding companies and with the reservation of the provisions of other laws and the related regulation, financial leasing, factoring and financing companies, and monitor and supervise enforcement of such,

ii) Become members of international financial, economic and professional organizations, in which domestic and foreign equivalent agencies participate, sign memorandum of understanding with the authorized bodies of foreign countries regarding the matters that fall under the Agency's field of duty,

iii) Fulfill other duties assigned by the Law,

The Banking Law, which forms the infrastructure for the second structural transformation, presents an important opportunity to increase financial stability, to improve the sector, to strengthen the framework of supervision, enforcement and regulation, to protect the rights and interests of depositors and to strengthen institutional capacity, and envisions a new financial structure for the future.

III. Environment Analysis

3.1. Responsibility Field

The responsibilities of the BRSA are delineated primarily in the Banking Law, Act on Bank Cards and Credit Cards; if enacted, Act on Non Bank Financial Institutions, Act on Housing Finance System, Act on the Micro Finance Institutions and secondarily in Public Financial Management and Control Act Nr. 5018, Act on Right of Obtaining Information; and if enacted, the Act on Supervisory and Regulatory Institutions, Basic Law of Public Management, Public Personnel Act and the related provisions in other Laws.

The transfer of the authority of regulation and supervision of leasing, factoring and finance companies, which were performed by the Turkish Treasury before the Banking Law, to the BRSA by on January 1, 2006, has extended the scope of duties, authority and responsibilities of the Agency, enabling consolidated supervision and facilitating integration in markets.

With Public Financial Management and Control Act, a strategic planning procedure is introduced to the financial management of the Agency, systems of performance measurement,

internal control and internal audit are stipulated, and the control of the Grand National Assembly of Turkey is increased, and in this context, transparency and accountability are strengthened.

The Act on Bank Cards and Credit Cards offers advantages and opportunities for determining responsibilities in the system, increasing efficiency, and reducing the informal economy.

Draft Act on Non-Bank Financial Institutions will present new opportunities in preventing unfair competition, enhancing financial integration, improving these sectors, bringing uniformity in the regulation of leasing, factoring and financing companies.

3.2. Related Parties

The related parties of the BRSA are as follows:

(a) Institutions subject to supervision; banks, financial holding companies, asset management companies, leasing companies, factoring companies, finance companies, audit institutions that perform independent audit in banks, rating, appraisal and support services institutions, shareholders and members who own qualified shares in these institutions, clearing and depository system institutions and interbank card center, credit rating agencies,

(b) Professional unions and societies; the Banks Association of Turkey, The Association of Participation Banks of Turkey, Union of Chambers of Certified Public Accountants of Turkey, Turkish Leasing Association, Factoring Association, Consumer Finance Companies Association, Independent Audit Association, Bank Employees Association of Turkey, Institute of Internal Audit of Turkey, Turkish Corporate Governance Association, Risk Managers' Association.

(c) Customers of the supervised institutions or unions and societies of these, related civil society institutions,

(d) Domestic agencies and institutions that are collaborated closely; Turkish Treasury, State Planning Organization, Central Bank of the Republic of Turkey, Capital Markets Board of Turkey, Savings Deposit and Insurance Fund, Competition Authority, İstanbul Gold Exchange, Stock Exchanges, Derivatives Exchange, Board of Accounting Standards of Turkey, Secretariat General for the European Union Affairs, Turkish Statistical Institute, The Financial Crimes Investigation Board,

(e) Related public institutions and entities; Grand National Assembly of Turkey, Council of Ministers, Prime Ministry, the concerned Minister, Ministry of Finance, Ministry of Industry and Trade, other related public bodies stipulated in the law,

(f) Overseas associations and institutions which are collaborated closely; European Union, International Monetary Fund, World Bank, Bank for International Settlements, Organization for Economic Development and Cooperation, equivalent authorities of countries with which a memorandum of understanding is signed,

(g) Personnel of the Agency,

(h) Institutions that perform external auditing of the Agency; Turkish Court of Accounts, independent auditing institutions in case the Board deems necessary,

(i) The concerned courts,

(j) The concerned academic environment and media institutions.

While taking surveys reflects a strong point in evaluating the satisfaction of the related parties, the fact that these surveys have not been conducted for a wider mass of related parties is considered a shortcoming. Determining the related parties with a more detailed study and conducting surveys for these will be an advantage. In this context, the measurements of satisfaction of the related parties that were performed in previous years will continue with improvements.

3.3. Economic and Financial Developments

During the process of structural change experienced in international financial markets, financial holding companies under which a variety of financial service such as banking, insurance and securities transactions is provided particularly in order to benefit from scale and scope economies owing to information and communication technologies, became important in the world economy.

National and global economic developments affect the financial markets directly. Financial stability and accordingly the drastic decrease in macroeconomic uncertainties offer a strategic advantage for capital inflow.

Especially the ambiguities and frequent crises faced by the Turkish economy after the extraversion period starting from the year 1980 have resulted in the problems the banking sector experienced. While adverse economic developments create risks, positive developments and stability offer opportunities for a healthy and strong banking system

With the political stability following the period of crisis, determination in application of economic program and the positive effect of substantial improvements concerning the EU membership, the economic growth rates was realized above the targets, nominal and real interest rates decreased, the inflation rate decreased to low levels and confidence in Turkish Lira increased. In parallel with these improvements, the international rating agencies increased the credit rating of Turkey and Turkish companies.

Turkish Economy is exposed to the risks stemming from high current account deficit and high interest rates. Satisfactory developments could not be achieved in unemployment and income distribution so far. While the developments on the size, maturity structure and composition of public debt are positive; more progress is needed to turn these developments into opportunities.

Despite the potential risks, it is thought that stable macroeconomic environment and accordingly improvements in income levels of micro economic units can be achieved through a stable and consistent management.

The substantial improvements experienced in Turkish economy in the recent years offer important opportunities. Especially the recovery in the economic activities and the decrease in exchange rates, inflation and interest rates enabled banks to fulfill intermediation function, which is their main function, in a more efficient way and amount of credits extended to the real sector increased and maturities of credits got longer. In case the public sector borrowing requirement decreases due to continuation of the positive economic environment, it is expected that the weight of securities portfolio within bank assets would decrease in medium term.

The positive effect of the EU membership negotiations commenced on Turkish economy is considered as an opportunity for the Turkish banking sector.

With the effect of globalization, the developments in other economies, beside developments in national economy, are also becoming a more salient factor. While the

positive developments experienced in the international financial markets in the long term are considered as opportunities, fluctuations experienced in the short term and geopolitical risks and the uncertainties in oil prices are considered as threats.

A correct understanding of the developments in information technologies as well as globalization, threats and opportunities for the financial markets, and increasing the qualifications of the personnel is crucial for future success.

With the increase in international trading and financial activities and accordingly intensification in competition, it is expected that Turkish banks will increase the variety of products and be more inclined to consolidation. It is accepted that with the increase in variety of products it may get more difficult to understand the risks posed by products and to intervene them in time. In the context of mergers in retail banking segment, integration difficulties regarding culture, product/service and information technologies may be emerged; furthermore the liquidation of the branches can give rise to social, political and image problems.

3.4. Basel II

The New Basel II Capital Accord will be put into practice in G-10 and EU countries and in some developing countries in year-end 2007. Although, the Accord, which was designed for G-10 countries, will have some costs for our country and for developing countries; a significant opportunity, on financial stability, might be missed if it is not implemented.

The accord is likely to change the capital requirement and credit costs, depending on the country risk and the counterparty risk. The increase in cost will be higher for parties with low credit ratings. On the other hand, there might be increase in cost of credit for the small and medium sized enterprises, which experience difficulties in complying to the structural and institutional regulations. Thus, it is important to make preparations for the Accord, irrespective of the implementation. This situation is evaluated both as an opportunity and as a risk for the BRSA.

The BRSA placed particular importance to the implementation of the Basel-II, prepared the road map and announced to the public. Within this scope, the Basel-II Guidance Committee was established, with the participation of the BRSA officials and top executives of the banks, responsible for risk management. In order to coordinate the subjects relating to Basel-II and to take consultative decisions, the Basel-II Coordination Committee, in coordination of the BRSA, was created, with the participation of the Turkish Treasury, CBRT and CMBT.

In spite of the fact that Basel-I does not prevent the high risk-taking tendency of the banks of the developing countries, it is stipulated that Basel-II will produce such an effect and that banks will consider their regulatory capital requirements, consequently the risk profile, while determining their portfolio. Within this scope, with Basel-II, while the retail loans and the loans extended to companies with high credit ratings will become advantageous compared to the current situation, the loans extended to developing country securities and the banks and companies with low credit ratings are expected to be disadvantageous compared to the current situation.

It is expected that Basel-II will cause substantial changes in organization, IT structure and risk management processes of the banks. It is important to improve the IT structure in order to protect the data necessary for credit and operational risk measurement

and to establish a corporate governance structure and a corporate culture, which will incorporate Basel-II framework.

Basel-II includes alternative methods and these methods can produce different results for the same situation. On this account, the protection of the competitive equality between banks is of importance. As for the potential effects of Basel II on BRSA, the subjects with particular significance appear as follows:

(a) Basel-II requires a specialized human resource and a technical capacity in all supervisory authorities. Within this scope, it is expected that Basel II will lead to necessity of training, as well as various software usages.

(b) Determination of technical details concerning the supervisory authority's review process of the bank capital adequacy which comprises Pillar 2 of Basel-II, is a significant matter to be planned in a reasonable period of time.

(c) Another subject that will gain importance with Basel-II is consolidated supervision. Policies especially on foreign bank subsidiaries and supervision of the branches are of high importance.

(d) Basel-II will have several effects on other regulations. Thus, various studies are to be performed about the regulations especially on accounting, provisions, internal audit and risk management systems and IT structures of the banks.

(e) In the process concerning Basel-II, BRSA shall undertake the role of a leader in some areas. Within this scope, the works of Basel-II Coordination and Guidance Committees and sub-committees depending on these committees are of high importance.

(f) In determination of strategies concerning Basel-II, the policies initiated relating to EU should be closely followed and the opinions of other institutions in our country should be taken.

Basel-II is, in many countries, in a level of learning and evaluation. Accordingly, the date of implementation, its costs and data deficiency appear as substantial problems.

3.5. The European Union Membership

The stage that Turkey has come in the process of EU membership, develops a substantial opportunity for the BRSA and the economy. Taking EU regulations as a basis in carrying out the legislation studies, strengthens the compliance in this area.

The following statements were emphasized as positive progresses, on European Commission Progress Report 2005:

- Significant improvements were achieved in banking system.
- The New Banking Law, which brings banks obligation to provide information and which increases the transparency, was adopted.
- The supervisory capacity of the Agency was strengthened.
- Regulations compliant with international standards were issued, in topics such as; financial reporting standards, risk management, internal control, bad loans, and capital adequacy ratio.
- Supervision activities of foreign affiliates and off-shore branches were increased.

On the other hand, it is mentioned in the Report that the cooperation between supervisory authorities are still low, and the BRSA's administrative and institutional capacity should be increased more.

In spite of the fact that Turkish financial sector has shown a positive progress, when compared with the EU member countries, asset size of the sector is still lower than the EU member countries. With the accession to the EU, an increase in foreign banks' entry into the system is expected. That is considered as an opportunity because of its positive effects such as improvement in efficiency, competition and resource allocation in the sector, increase in utilization of modern banking technologies, easy access to international markets and improvements of supervision practices.

Turkish banks may pursue to benefit from scale and scope economies, with a view to compete in European markets.

IV. Intra-Agency Analysis

4.1. Management and Organization

The Agency is composed of the Banking Regulation and Supervision Board and Chairmanship. While The Board is the resolution body; it is composed of seven board members, including Chairman and Vice-chairman. The Chairman of the Board is also the Chairman of the Agency. The Board members are appointed by the Council of Ministers among persons who have at least ten years of experience after completing higher education. Minimum one of the members must be a graduate of law faculty and one must have worked as vice chairman, main service unit manager or career staff in the Agency. Terms of office of the Board Chairman and members shall be six years and they cannot be removed from office before the expiry of their terms of office.

Head of the departments and vice-chairmen, satisfying the same conditions as the board members, are appointed by the Resolution of the Board.

The Regulation on the organization of the BRSA adopted by the Resolution of the Council of Ministers Nr. 2005/9859 was put into force on January 01, 2006. Accordingly, the Chairmanship is comprised of three Vice-chairmen, Chairmanship advisors and service units. The service units, as being 10 departments, are comprised of the main service units, consultancy and support service units, which are organized as departments. The current restructuring is evaluated as an opportunity for the Agency to fulfill its duties in a more effective and an efficient way.

4.2. Human Resources

Pursuant to the Article Nr. 92 of the Banking Law, the Agency's duties and tasks are fulfilled by the career personnel consisting of sworn bank auditors and assistant sworn bank auditors, banking experts and assistant banking experts, legal experts and assistant legal experts, information experts and assistant information experts as well as administrative personnel. Vice chairmen, department heads, directors, Chairman's advisors and the career staff are employed under contracts signed for their positions. The Agency personnel employed under contracts signed for their positions are subject to the Civil Servants Law No. 657 excluding their remunerations, financial and social rights. The other personnel are subject to the Law Nr. 657 in terms of all their rights and obligations. Qualifications of the personnel to be employed are determined by the Board.

A total of 443 personnel are employed in the Agency by year-end 2005, while 65% of them are employed as career personnel. 331 personnel have bachelor's degree, 58 personnel have master's degree and 9 personnel have PhD degree.

The Agency, to fulfill its tasks and duties efficiently, employs personnel in adequate number and quality. Within this framework, the young employment structure, is giving dynamism to the Agency with their high motivation and willingness. Within the scope of training policy of the Agency, personnel's work on individual progress, and their participation in training programs within and outside of the Agency according to the career planning, is providing an important advantage to the Agency by ensuring the specialization required, increasing the productivity, increasing the performance and increasing the motivation of the personnel.

4.3. Physical Resources

Inability to procure a building suitable for the demands and inability to provide an ergonomic work environment, for the efficiency of the Agency's activities and the productivity of the personnel, are considered as a disadvantage.

The technological structure of the Agency is one of the strongest aspects of the Agency. The existence of a system that stores the most recent data on banking system is an evidence for that. Significant progress has been achieved in the work for the further improvement of the current technology. For the off-site surveillance function of the Agency, "Banks Reporting System" (BRS) has been formed by using institutional resources. Portable personal computers were supplied to the personnel, remote access to information has become possible, a flexible and reliable information system was formed by strengthening the security processes.

Weekly bulletin which includes detailed financial information on banking groups has been improved so as to be interactive and eligible for analysis and presented to public through internet under the name of "the BRSA e-bulletin", thus creating an opportunity to access to information for the banking sector easily, within the shortest possible time.

Stress test application has been started with a view to evaluate the potential strength of the banks against risks they face and their fragility against changes in market conditions; the Agency is in the final phase of its studies to improve the application. In addition, by the program developed under the name "Bank's Financial Performance Analysis -BAFPER", the reports prepared quarterly are produced automatically from the data base for the users in the Agency who make financial analysis on bank basis, to monitor the financial and administrative structure of the banks.

4.4. Financial Resources

Pursuant to the Article 101 of the Banking Law; the revenues of the Agency shall meet its expenses, the budget of the Agency shall be prepared and adopted according to the principles and procedures laid down in the Public Financial Control and Management Law Nr. 5018, the budget year of the Agency is a calendar year, the expenses of the Agency shall be financed from contributions to be paid by banks, leasing, factoring, finance institutions to the Agency before the budget takes effect, the amount to be collected as contribution to fund expenses shall not exceed three per ten thousand of the previous year's balance sheet total of such institutions.

It is envisaged that, the Agency shall freely use its allocated financial resources, within the scope of its duties and authorities and in accordance with the principles and procedures determined in its budget. The fact that Agency has adequate financial resources

and that Banking Law forms a legal basis for that, is one of the most important strengths of the Agency.

Contribution of the banks to the Agency's expenditures (including participation banks) was realized as NTL 29,211 thousand in 2003, NTL 64,955 thousand in 2004 and NTL 74.994 thousand in 2005.

4.5. Strategic Goals, Targets, Activities and Measures

Five strategic goals are determined concerning the realization of the BRSA's mission and vision. Unique compatible targets were formed with a view to achieve each of those targets. In addition, following this Plan, activities and performance criteria regarding those targets, shall be determined.

Strategic goals and targets of the BRSA for the years 2006-2008 are as follows:

STRATEGIC GOALS AND TARGETS

GOALS	TARGETS
1. A safe, stable, efficient and competitive financial market	1.1 The safety and stability in financial markets to be strengthened, a healthier environment to be achieved
	1.2 Developing the efficiency and competition in the financial markets
2. An effective and efficient supervisory system	2.1 For a well-organized and secure banking system, supervisory system to be strengthened through risk focused approach
	2.2 Implementation of licensing and supervision results in a consistent and prudent manner for a well-organized and secure banking system.
	2.3 Preparations regarding Capital Requirement Directive/Basel- II to be continued actively
3. Flexible regulatory framework	3.1 The regulations envisaged in the Banking Law to be prepared by taking opinions of related parties
4. Transparent, fair and encouraging practices regarding customer rights	4.1 The customers to be informed, their rights and benefits to be protected, protective practices to be developed
	4.2 The Customers' denunciations and complaints to be resolved
5. A sufficient and effective corporate governance	5.1 The activities to be realized in a professional, open and efficient way
	5.2 The activities regarding public illumination to be increased
	5.3 High- qualified and productive personnel working efficiently to be employed and to be trained
	5.4 The management of the physical and financial resources to be activated in order to increase the institutional capacity
	5.5 Projects to improve the institutional skills to be prepared and to be implemented

4.6. Strategic Plan and Budget

It is important that the management of the Agency's financial resources shall be improved so as to increase the institutional capacity. While preparing the budget of the Agency, in accordance with the Article Nr. 101 of the Banking Law, the following shall be taken into consideration: The budget will be prepared with relevance to the Development Plans and in accordance with the strategic plan and annual targets, necessary financial support will be provided with a view to be able to take healthy decisions within the scope of the priorities stipulated in the strategic plan, the connection between the results of intra-Agency risk management system and the resource allocation shall be strengthened, financial resources shall be harmonized with strategic priorities.

The amount to be collected as contribution to the Agency's expenses from the banks for the year 2006 is determined as two and a half per ten thousand (2,5/10.000) of their total balance-sheet. Within this scope, the total revenues has been estimated as NTL 85,5 million: NTL 78 million of this amount shall be the payments to be made by banks, NTL 7 million is the expected amount to be gained from the valuation of the agency's funds, and NTL 65 thousand is the expected amount to be gained as other income. A difference between the Agency's revenues and expenses is not stipulated. The budget of the Agency is planned as NTL 89,4 million for 2007 and NTL 92,9 million for 2008.

V. Monitoring and Evaluating the Strategic Plan

The realizations of the targets concerning 2006-2008 periods which are introduced in the BRSA strategic plan, shall be systematically monitored and reported. In evaluation phase, the implementation results shall be measured in comparison to the strategic goals and targets and analysis shall be made on their consistency and compliance.

Within the process of strategic planning, the feedback activities shall be realized by using the information gained as a result of monitoring and evaluation activities. The realizations in activities shall be analyzed according to their compliance to timing and targets. After that, the plan shall be affirmed and the implementation shall be carried on if (a) there are not any basic changes on the Agency's capacity or in the environment where the Agency operates, (b) the strategies and activities are realized as they were planned and (c) the progress expectations are eligible for reaching the strategic goals and targets. On the other hand, if there is a change in these situations, and if unexpected or undesired outcomes appear, the plan shall be overviewed and reevaluated, and then continued to be implemented by the up-dated version. It will be ensured that monitoring and evaluation activities shall be performed effectively, and that before the implementation phase, targets set in the Strategic Plan shall be associated with concrete and measurable indicators. The process of monitoring and evaluating shall provide institutional learning and constant improvement. Besides, that would contribute to the principles of accountability and transparency.