

**SEKERBANK TAS**

Istanbul, Turkey

October 2007

<b>RATINGS</b>				<b>FINANCIAL HIGHLIGHTS</b>				
	<b>Current</b>	<b>Previous</b>	<b>Last Changed</b>	<b>USD (mn) TRL (mn)</b>	<b>2006 USD</b>	<b>2006 TRL</b>	<b>2005 TRL</b>	<b>2004 TRL</b>
<b>Sovereign</b>				Total Assets	2,984	4,204	3,331	3,391
Long-Term:	<b>BB-</b>	B+	Jul 05	Net Loans	1,451	2,044	1,194	1,503
Short-Term:	<b>B</b>	B	-	Total Deposits*	2,578	3,632	2,804	2,934
Outlook	<b>Stable</b>	-	-	Shareholder Funds	299	421	355	310
				Gross Income	361	508	492	488
<b>Foreign Currency</b>				Net Income	30.9	44	37	78
Long-Term:	<b>BB-</b>	B+	Aug 05	<i>Exchange Rate: USD/TRL</i>		1.409	1.345	1.345
Short-Term:	<b>B</b>	C	Oct 03	<i>*Customer + Interbank %</i>				
						<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Financial Strength</b>	<b>BB+</b>	BB-	Aug 05	NPL / Gross Loans		12.47	17.87	8.27
				Loan-Loss Reserves /NPLs		90.80	90.00	93.23
<b>Support</b>	<b>3</b>	2	May 06	Capital Adequacy Ratio		16.74	20.23	15.76
				Net Loans / Stable Funds		60.57	43.21	56.09
<b>Outlook</b>				Interest Differential		7.68	10.57	10.72
Foreign Currency	<b>Stable</b>	Positive	May 06	Cost / Income		56.09	56.98	51.39
Financial Strength	<b>Stable</b>	Positive	May 06	ROAA		1.16	1.09	2.31

**RATINGS DRIVERS****Supporting the Rating**

- Relatively large branch network provides growth opportunities
- Reasonable level of capital adequacy and liquidity
- Improved performance in Q1 2007; trend continued in H2 2007
- Paid in capital has recently (September 2007) increased from TRL125mn to TRL400mn

**Constraining the Rating**

- High level of non-performing loans (although very large write-off in Q1 2007)
- Low profitability
- Challenging operating environment

**RATING RATIONALE**

Sekerbank is a small/medium-sized Turkish bank, controlling around 1.5% of sector assets. Operations over the last two years have been somewhat interrupted by protracted negotiations to sell a stake in the Bank. This has now been concluded and one of Kazakhstan's largest banks, Bank Turan Alem, has acquired a 34% stake. The Bank's own pension fund retains a similar stake.

The financial performance of Sekerbank has been lack-lustre over the last two years. Returns have been relatively low, in part due to weaker loan asset quality. As at year-end 2006, non-performing loans remained quite high. Other main financial areas such as capital and liquidity were comfortable although profitability remained low. As a result of implementation of the business plan and finalisation of the partnership process, the Bank's performance in the first quarter of 2007 was much improved with higher profitability on the back of continued loan growth and wider margins. The trend continued in H2 2007. In September 2007, paid-in capital increased to TRL400mn, providing over USD200mn cash injection into the capital base. Bad loans also fell sharply in Q1 2007 due to write-offs. We expect a much improved performance for the full year. Management objective is to grow the balance sheet and increase its market share in the sector. This will not be easy but the Bank has one advantage through its fairly large branch network. The sector remains challenging; however the recent successful election has renewed confidence in the operating environment. Ratings are maintained as above for the time being but are expected to move upwards at the next full review due to the fresh capital in addition to the expected much improved performance in full year 2007.