



Banking Sector Developments on first half of 2016

12 August 2016

The Banking Regulation and Supervision Agency has published the banking sector data regarding the first half of 2016. According to the data, as of June 2016, banking sector total assets have increased by **11 percent** and reached **2.48 trillion TL** (859 billion dollars) over the same month of the previous year. Asset growth is **8 percent** with the fixed exchange rate.

Loan and deposit growth gap narrowed

Total loans grew by **12 percent** to **1.58 trillion TL** (549 billion dollars). Loans account for **64 percent** of total assets.

Total deposits grew by **12 percent** to **1.31 trillion TL** (455 billion dollars). Deposits account for **53 percent** of total liabilities.

Banking Sector Selected Balance Sheet Items

Billion TL	Jun-15	Jun-16	Share	Percentage Change	
			Jun-16	Nominal	Real
Liquid Assets	337	380	15	13	6
Securities	313	331	13	6	4
Loans	1.409	1.583	64	12	10
Deposits	1.168	1.312	53	12	9
Non-Deposits	629	667	27	6	1
Shareholders' Equity	244	285	11	17	17
Total Assets/Liabilities	2.223	2.477	100	11	8

Difference between loan and deposit growths continued to decline, and fell to 0.1 point as of June 2016.

TL deposits grew more quickly than FX deposits:

Growth in TL deposits played an important role in the increase of total deposits. As of the end of the first half of the year, TL equivalent sum of FX deposits grew by **7.1 percent**, while TL deposits grew by **16.3 percent**. FX deposits account for **41 percent** of total deposits.

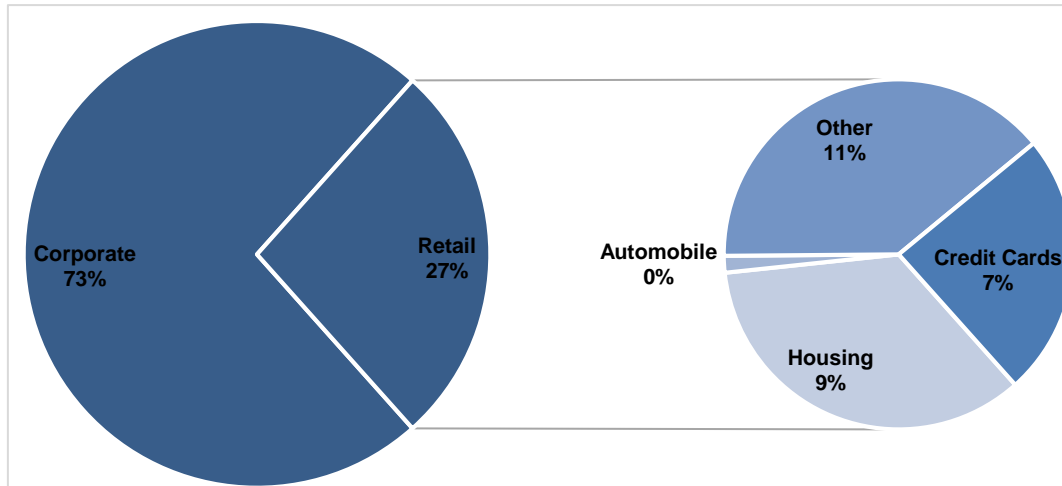
Non-deposit liabilities continue to slowdown

Non-deposit liabilities increased by **6 percent** on yearly basis and reached **667 billion TL** (231 billion dollars) as of June 2016. Securities issued by the banking sector receded by **7.5 percent** over the previous year.

Sluggish growth in retail loans

Yearly growth of retail loans has receded to **6.9 percent** as of June 2016. Retail loans account for **27 percent** of total loans. Yearly growth in corporate loans is recorded as **14.5 percent**.

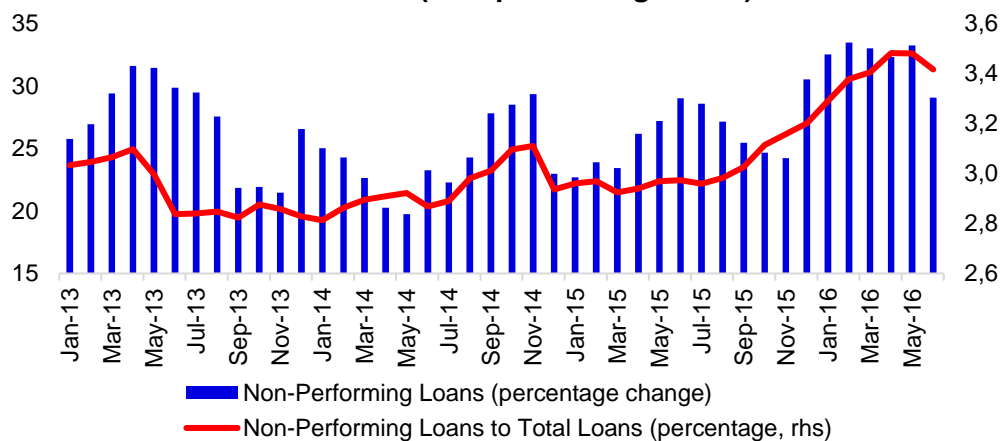
Distribution of Loans (percent)



Rate of non-performing loans was 3.4 percent

Non-performing loans have increased by **29 percent** before special provisions, and by **21 percent** after special provisions. Provisions have been reserved for **76 percent** of non-performing loans.

Credit Risk (Non-performing Loans)

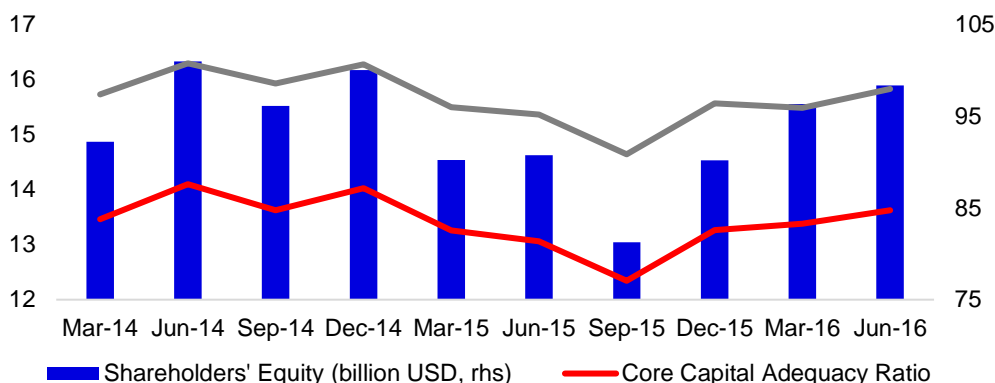


The non-performing loans to total loans ratio has changed to 3.4 percent from the **3.0 percent** in the first half of 2015. The non-performing loans to total loans ratio was **2.7 percent** in corporate loans, and **4.3 percent** in personal loans effected by high ratio of credit cards.

Strong capital adequacy ratio

As regards the past year, banking sector total shareholders' equity increased by **17 percent** to **285 billion TL** (98.4 billion dollars) as of June 2016. Shareholders' equity grew by **8.4 percent** on dollar basis.

Shareholders' Equity and Capital Adequacy Ratio



Growth tendency is continuing in the capital adequacy ratio of the banking sector since September 2015. As of June 2016, capital adequacy ratio was **15.8 percent**, while core capital adequacy ratio was **13.6 percent**.

Non-interest incomes recorded a limited growth

As of June 2016, the banking sector has earned a total of **180 billion TL** as interest income by an annual growth rate of **21 percent**. With interest expenses growing by **26 percent**, net interest income has increased by 16 percent to **83 billion TL**. Net non-interest expenses have grown by **6 percent** to **25 billion TL**.

Banking Sector Selected Income Statement Items

Billion TL	Jun-15	Jun-16	Perc. Change
Interest Income	149	180	21
Interest Expenditure	77	97	26
Net Interest Income (expenditure)	72	83	16
Non-Interest Income	31	34	10
Operational Expenditure	55	60	8
Non-Interest Income (net)	-24	-25	6
Net Profit	26	31	21

Slight increase in RoE

Profit volume has reached **19 billion TL** by an increase of **40 percent**. Main factors affecting the profit have been increase in interest margin, fall in costs of general provisions, and increase in other non-interest incomes. Average return on equity reached **11.9 percent** by an increase of **0.6 point** on annual basis. In spite of this improvement, return on equity continued to remain below the cost of capital.

Profit of Banking Sector

