THE BANKS ASSOCIATION OF TURKEY

Financial Sector
and
Banking System in Turkey

March 2005

This report provides general information about the main features and structure of the financial sector and the banking system in Turkey. It has been prepared in Turkish and in English.

Banks Association of Turkey

Turkey, Selected Indicators

	Unit	2001	2002	2003	2004(F)	2005(P)
National income and employment						
Population	Million people	68.4	69.4	70.4	71.3	72.3
GNP	YTL Billion	176.5	275.0	356.7	424.1	481
GNP	USD Billion	144.0	181.8	238.7	293.2	298.5
GDP deflator	(%)	57.8	44.4	22.5	8.2	7.9
Real growth	(%)	-9.5	7.9	5.9	10.0	4.8
Per capita	USD	2,105	2,619	3,390	4,112	4,128
Per capita	Euro	2,048	2,292	2,883	3,014	3,025
Unemployment rate	(%)	8.5	10.3	10.5	9.5	9.8
Financial indicators						
WPI	(%)	88.6	30.8	13.9	13.8	8.0
CPI	(%)	68.5	29.7	18.4	9.3	...
USD /YTL		1.4466	1.6397	1.3933	1.3363	...
Euro/YTL		1.2813	1.7189	1.7575	1.8233	...
Interest rates	(O/N,%)	75	55	30	20	...
Interest rates	(Gov. bonds, %)	83	51	28	23	...
Foreign economic affairs						
Export (fob)	USD Billion	31.3	36.1	47.3	62.8	76.0
Import(cif)		41.4	51.6	69.3	-97.2	-97.2
Foreign trade balance		-10.1	-15.5	-22.0	-34.4	-21.2
Current account balance		3.3	-1.5	-6.9	-15.4	-11.1
Capital flows		-13.9	2.0	7.1	16.8	...
CB reserves (excluding gold)		18.9	27.0	33.7	36.0	...
Share of EU in foreign trade	(%)					
Export	(%)	51	51	52	54	...
Import	(%)	44	45	46	47	...
External debt stock	USD Billion	113.9	130.4	145.8	153.2*	...
Medium and long term		97.5	113.9	122.8	123.8*	...
Short term		16.4	16.5	23.0	29.4*	...
Public finance	As percentage of GNP (%)					
Borrowing requirement (PSBR)		16.4	12.7	9.4	5.9	3.6
Consolidated budget balance		-17.4	-14.8	-11.3	-8.0	-6.1
Primary balance		6.4	3.7	5.2	5.7	5.8
Public sector debt stock		89.5	88.3	79.3	77.2	...
Domestic		51.9	54.5	54.5	54.8	...
External		37.6	33.7	24.8	22.4	...

* As of September
(F) Forecast
(P) Program

Turkish Banking System, Selected Indicators

	Unit	2001	2002	2003	2004
Number of banks		**61**	**54**	**50**	**48**
Commercial banks		46	40	36	35
- State-owned		3	3	3	3
- Privately owned		22	20	18	18
- Banks in the Fund		6	2	2	1
- Foreign banks		15	15	13	13
Non-depository banks		15	14	14	13
- State-owned		3	3	3	3
- Privately owned		9	8	8	8
- Foreign banks		3	3	3	2
Number of branches		**6,908**	**6,106**	**5,966**	**6,106**
Commercial banks		6,889	6,087	5,949	6,088
- State-owned		2,725	2,019	1,971	2,149
- Privately owned		3,523	3,659	3,594	3,729
- Banks in the Fund		408	203	175	1
- Foreign banks		233	206	209	209
Non-depository banks		19	19	17	18
- State-owned		4	4	4	4
- Privately owned		12	12	10	12
- Foreign banks		3	3	3	2
Number of employees		**137,495**	**123,271**	**123,249**	**127,163**
Commercial banks		132,274	118,329	118,607	122,630
- State-owned		56,108	40,158	37,994	39,467
- Privately owned		64,380	66,869	70,614	76,880
- Banks in the Fund		6,391	5,886	4,518	403
- Foreign banks		5,395	5,416	5,481	5,880
Non-depository banks		5,221	4,942	4,642	4,533
- State-owned		4,322	4,174	3,882	3,800
- Privately owned		822	691	683	681
- Foreign banks		77	77	77	52
	YTL Million	**2001**	**2002**	**2003**	**2004**
Total assets		**216,508**	**212,675**	**249,693**	**306,464**
Commercial banks		206,589	203,237	239,423	295,138
- State-owned		70,813	67,831	83,134	106,932
- Privately owned		118,163	119,471	142,270	175,910
- Banks in the Fund		10,823	9,310	7,075	1,940
- Foreign banks		6,790	6,624	6,944	10,356
Non-depository banks		9,918	9,438	10,270	11,327
Shareholders' equity		**21,101**	**25,695**	**35,540**	**45,976**
Commercial banks		18,800	22,703	31,351	40,836
- State-owned		6,249	6,747	9,574	10,076
- Privately owned		12,670	15,194	20,958	27,403
- Banks in the Fund		-1,625	-626	-847	1,273
- Foreign banks		1,506	1,388	1,666	2,084
Non-depository banks		2,301	2,992	4,189	5,140

Abbreviations

BRSA	: Banking Regulation and Supervision Agency
ICC	: Interbank Card Centre
EFT	: Electronic Fund Transfer
EST	: Electronic Securities Transfer System
İSE	: İstanbul Stock Exchange
CMB	: Capital Market Board
Takasbank	: ISE Settlement and Custody Bank Inc. (İMKB Takas ve Saklama Bankası)
BAT	: The Banks Association of Turkey
CBT	: The Central Bank of the Republic of Turkey

Contents

Introduction

The Turkish economy has been in a continuing progress after the economic program that was launched in 2001. In parallel with the aim of reinforcing the market mechanism, important steps for strengthening the regulatory and supervisory institutions have been taken. Furthermore, the rules that regulate the markets have been harmonized with international standards. The short-term purpose of the economic program was to restore stability in the financial markets. Therefore, efforts were focused on establishing macro balances in a sound manner and on improving expectations. In this context, a series of practices have been introduced with the aim of reducing the public sector deficit, declining the public sector debt, ensuring price stability, strengthening the financial sector, and increasing international credit worthiness. The government has shown its determination in the structural reforms for the establishment of permanent balance in the public sector.

Economic activities have responded positively in a short time. Expectations have improved rapidly, stability has been maintained in the financial markets. Growth has accelerated as the demand increased with more emphasis on the private sector. The ratio of the public sector borrowing requirement to GNP has declined. After many years, the inflation has been pulled down below 10 percent. The demand for Turkish Lira has increased. Real interest rates have come down sharply. The maturity structure of domestic borrowing has improved. The loans supply of the banking system has started again to climb. The volume of foreign trade has increased. Capital inflows have accelerated. The increase in the rate of unemployment has stopped.[1]

The stable growth environment had positive effect on the banking system. To ensure financial stability serious structural reforms have been introduced in the banking system. Thus, the structure of the banking system has become healthier. An independent agency was formed for increasing the effectiveness of banking supervision and control (the Banking Regulation and Supervision Agency- BRSA). The Banking Act and other banking regulations has been considerably harmonized with international best practices.[2]

In the field of banking supervision serious steps have been taken toward the transition from rule-based approach to risk-based approach. Due to this, market discipline has started to have a greater importance in ensuring financial stability. With the aim of providing the public and market participants with the information necessary to make meaningful assessments of banks, the implementations on accounting standards, reporting and public disclosure have been strengthened.

1 For detailed information, please visit www.tbb.org.tr
2 For detailed information, please visit www.bddk.org.tr

In order to strengthen the capital structure of private banking system a special auditing process as a part of "banking restructuring program" was implemented. Assets of the banks were analysed in detail, non-peforming assets were determined, and necessary provisions were set aside for bad loans. Within the context of the restructuring program the balance sheet structure of state-owned banks was strengthened, and special importance has been attached to the increasing of the efficiency in these banks.

Shareholders' equity of the banking system has been strengthened, free shareholders' equity has increased. Exchange rate risk has been considerably reduced. An improvement has been observed in the rates of return on assets and return on shareholders' equity.

The practice of full insurance guarantee introduced to the saving deposits in 1994 and even to all liabilities of the commercial banks in 2001, was terminated in the second half of 2004. The insurance coverage over the saving deposits has been limited to 50 thousand YTL since July 2004.

With the aim of full compliance with the EU Directives legislative work to amend the Banking Act continues. The amendments are mainly concentrated on improving risk-oriented supervision, strengthening the independent structure of the BRSA, and increasing the effectiveness of supervision in the banking system.

I. Financial Sector in Turkey

The financial sector in Turkey is in the stage of development. Compared to the developed countries, the size of financial sector is small and shallow. On the other hand, the financial sector has an above the average size compared to that of the emerging markets.

Selected Items of Financial Sector (As percentage of GDP, %, 2003)

					Emerging Markets (EM)		
	World	**EU**	**USA**	**EM**	**Europe**	**L. America**	**Turkey**
Commercial banks	112	173	52	78	27	45	70
Capital market	230	233	321	84	40	84	82
Shares	86	74	130	47	10	35	27
Bonds	144	159	191	37	30	49	55
Public	56	60	46	23	27	37	55
Private	88	99	146	15	3	12	0
Total	342	405	373	162	67	129	152

Source: World Economic Outlook, 2003, Banks Association of Turkey.

The main reasons limiting the growth of the financial sector are low level of savings due to low level of income, the inflation running at very high levels for many years, and low demand for financial assets due to the high cost of intermediation rising from heavy taxation.

Financial Assets (As percentage of GNP, %)

	2001	**2002**	**2003**	**2004**
Money and quasi-money	**60**	**51**	**44**	**47**
Money in circulation	3	3	3	3
Deposits	57	47	41	44
- TL	25	21	22	25
- FX	32	26	19	19
Repurchase agreements	2	1	0	0
Capital market	**107**	**76**	**82**	**93**
Shares (market value)	38	21	27	32
Bills and bonds	68	55	55	55
- Public	68	54	55	55
- Private	0	0	0	0
Investment fund	1	2	4	6
Total	**167**	**127**	**126**	**140**

Source: CMB, CBT
* Provisional

The ratio of money and quasi-money financial assets to GNP is 47 percent as of the end of 2004, while the ratio of capital market instruments to GNP is 93 percent. Within the demand for money and quasi-money financial assets, the share of foreign exchange is high, although it has been decreasing in recent years.

The most important characteristic of capital markets in Turkey is the predominance of the government securities. Because of tax burdens, and availability of high income from government securities there is no encouragement for prospective issuers of corporate debt. Through the amendments on the tax legislation, the differences in taxation of different investment instruments have been eliminated considerably. The modified provisions on the tax legislation will take effect as of 2006.

Traditionally, the banking system has a majority share in the financial sector. Total assets of the banking system accounts for 90 percent of total assets of the institutions in the financial sector. While the financial sector is dominated by the banking system, there has been a recent increase in the number and size of non-bank finance institutions. The growth and strengthening of non-bank finance institutions has a great importance for the growth and deepening of the financial system. Leading non-bank institutions operating in the financial sector are Special Finance Institutions, Insurance Companies, Leasing Companies, Factoring Companies, Consumer Finance Companies, Intermediary Institutions in the Capital Market, Real Estate Investment Trusts, and Private Pension Funds. *(Annex: Table 1)*

There is not a single authority in charge of supervision of all the institutions in the financial sector. The authorities responsible for supervising and regulating the respective financial institutions are the Capital Markets Board of Turkey, Undersecretariat of Treasury under the Prime Ministry of the Republic of Turkey, and the Banking Regulation and Supervision Agency.

Supervision and Regulation in the Financial Sector

Financial Sector Institutions		**Supervisory and Regulatory Authorities**
Banks	→	**BRSA**
(Publicly held banks)	→	**CMB**
Special Finance Institutions	→	**BRSA**
Insurance Companies	→	**Treasury**
Leasing Companies	→	**Treasury**
Factoring Companies	→	**Treasury**
Consumer Finance Companies	→	**Treasury**
Investment Trusts	→	**CMB**
Private Pension Funds	→	**CMB**
Intermediary Institutions	→	**CMB**

Turkish Banking System

1. Commercial banks and non-depository banks

Banks can be classified under two main groups as those with the permission to collect deposits (commercial banks) and those not accepting deposits (non-depository banks). Furthermore, each group can be divided into three sub-groups as state-owned, privately owned, and foreign banks according to the source of their respective capitals.

Commercial banks operate as universal banks offering a wide range of products and services using developing technology today. Besides traditional depository and lending services, they operate in the field of investment banking as well as engaging in capital market transactions. The number of commercial banks is 35; of which 3 are state-owned banks, 18 are privately owned banks, and 13 are foreign banks.

Considering the commercial banks group; state-owned banks have wide networks of branches throughout the country. Besides commercial banking transactions, they are specialized in the financing of agricultural sector and SMEs.

Number of Banks

	2001	**2002**	**2003**	**2004**
Total	**61**	**54**	**50**	**48**
Commercial banks	**46**	**40**	**36**	**35**
State-owned	3	3	3	3
Privately owned	22	20	18	18
Banks in the Fund	6	2	2	1
Foreign banks	15	15	13	13
Non-depository banks	**15**	**14**	**14**	**13**
State-owned	3	3	3	3
Privately owned	9	8	8	8
Foreign banks	3	3	3	2

Source: The Banks Association of Turkey

Among privately owned banks there are large-scale commercial banks, which have nation-wide networks of branches and provide all kinds of banking services, and there are small- and middle-scale commercial banks with activities more concentrated in main populated cities and engaging more in wholesale banking.

Foreign banks are divided into two groups; those have opened branch in Turkey and those are founded in Turkey. These banks are subject to the same regulations as the other commercial banks.

Within the Saving Deposit Insurance Fund (SDIF), one bank is operating for collecting the receivables of failed banks. In the period of 1999-2003 in which the banking system underwent the restructuring, 20 banks were transferred to the SDIF due to their weakened financial structure. All liabilities of these banks were taken over by the SDIF. On the other hand, the banking licences of 8 banks were terminated and liquidated. In the same period, 11 bank mergers took place in the banking sector including the buying of some of the banks under the SDIF management.

Total cost of restructuring in the banking system amounts to USD 47.2 billion. The total amount of resources transferred to the state-owned banks, including duty losses and to the banks transferred to the SDIF is USD 39,3 billion (26.6 percent of GDP). On the other hand, the restructuring cost of the banking system to the private sector amounts to USD 7,9 billion (5,3 percent of GDP); of which USD 5,2 billion is by the SDIF and USD 2,7 billion to the private sector banks in order to strengthen their capitals. [3]

Non-deposit banks engage more in such fields as capital market transactions, portfolio management and consulting services rather than individual services concentrated on saving owners. Furthermore, they may also extend loans out of certain special funds that they are eligible to be used as resources. As of 2004, the number of non-deposit banks is 13; 3 of which have public capital, 8 have private capital, and 2 have foreign capital.

2. Number of branches and employment

As of the end of 2004, there are 6,106 branches in the banking system including those abroad; 2,1491 of which belong to state-owned commercial banks. The number of branches of privately owned commercial banks is 3,729.

Number of Branches*

	2001	**2002**	**2003**	**2004**
Total	**6,908**	**6,106**	**5,966**	**6,106**
Commercial banks	**6,889**	**6,087**	**5,949**	**6,088**
State-owned	2,725	2,019	1,971	2,149
Privately owned	3,523	3,659	3,594	3,729
Banks in the Fund	408	203	175	1
Foreign banks	233	206	209	209
Non-depository banks	**19**	**19**	**17**	**18**
State-owned	4	4	4	4
Privately owned	12	12	10	12
Foreign banks	3	3	3	2

* Including the foreign branches and branches in the Turkish Republic of Northern Cyprus
Source: The Banks Association of Turkey

[3] BRSA, "Banking Sector Restructuring Program: Progress Report" Oct. 2003, www.bddk.org .tr

The number of people employed in the banking system is 127,163; 31 percent of which work for state-owned commercial banks and 60 percent for privately owned commercial banks.

Number of Employees

	2001	2002	2003	2004
Total	**137,495**	**123,271**	**123,249**	**127,163**
Commercial banks	**132,274**	**118,329**	**118,607**	**122,630**
State-owned	56,108	40,158	37,994	39,467
Privately owned	64,380	66,869	70,614	76,880
Banks in the Fund	6,391	5,886	4,518	403
Foreign banks	5,395	5,416	5,481	5,880
Non-depository banks	**5,221**	**4,942**	**4,642**	**4,533**
State-owned	4,322	4,174	3,882	3,800
Privately owned	822	691	683	681
Foreign banks	77	77	77	52

Source: The Banks Association of Turkey

3. Number of banks, branches and employees and size of assets in relation to population.

The average number of people per bank in Turkey is approximately 1,500,000, that of people per branch is about 12,000, and per bank employee is 565. The average amount of assets per capita is around USD 3,200.

Number of People per Bank, Branch, Employee and Asset per Person (2004)

	Bank (person)	Branch (person)	Employee (person)	Asset (YTL)
1999	818,432	8,620	383	1,088
2000	853,418	8,603	396	1,547
2001	1,121,426	9,903	498	2,474
2002	1,284,963	11,364	563	3,065
2003	1,407,260	11,794	571	3,549
2004	1,495,833	11,759	565	4,241

Source: The Banks Association of Turkey, State Institute of Statistics

4. Market structure

By the end of 2004, total assets of the banking sector amounted to YTL 306 billion (USD 229 billion). The ratio of total assets to GDP is about 75 percent.

Within total assets, the share of commercial banks is 96 percent, and that of the non-deposit banks is 4 percent. The share of state-owned commercial banks in total assets is 35 percent, and that of privately owned commercial banks is 57 percent.

In total deposits, the share of state- owned banks is 42 percent, of privately owned banks is 55 percent, of the banks in the Fund is 1 percent, and of foreign banks is 2 percent.

In total loans, the share of commercial banks group is 95 percent. Within the group of commercial banks, the share of state-owned banks is 21 percent, of privately owned banks is 69 percent, of foreign banks is 5 percent, and of the banks in the Fund is below 1 percent.

Turkish Banking System: Assets, Loans and Deposits (YTL Million)

	Assets		Deposits		Loans	
	2003	**2004**	**2003**	**2004**	**2003**	**2004**
Total	**249,693**	**306,464**	**155,312**	**191,065**	**66,221**	**99,397**
Commercial banks	239,423	295,138	155,312	191,065	61,281	94,089
State-owned	83,134	106,932	59,862	81,086	12,100	20,926
Privately owned	142,270	175,910	88,180	105,195	45,763	68,487
Banks in the Fund	7,075	1,940	4,133	69	707	11
Foreign banks	6,944	10,356	3,137	4,714	2,711	4,665
Non-depository banks	10,270	11,327	-	-	4,940	5,308

Source: BRSA

As of September 2004, in terms of total assets, the first five banks include 1 state-owned bank and 4 privately owned banks, and the first ten banks include 3 state-owned banks and 7 privately owned banks. There are four banks whose asset size is between USD 10-20 billion (2 state-owned banks and 2 privately banks); there are two banks with private capital whose asset size is between USD 20-30 billion; and there is one bank with public capital whose asset size is over USD 30 billion.

Size of Banks*

USD Billion	**+0-1**		**1-2**		**2-5**		**5-10**		**10-20**		**20-30**		**30+**
	99	**04**	**99**	**04**	**99**	**04**	**99**	**04**	**99**	**04**	**99**	**04**	**04**
Number													
Commercial banks	37	16	10	3	7	7	6	2	4	4	1	2	1
State-owned					1		1		1	2	1		1
Privately owned	15	6	6	1	5	5	5	2	3	2		2	
Banks in the Fund	17	10	1	1	1	1							
Foreign banks	5		3	1	1	1							
Non-depository b.	17	11	1	2	1	1							
Total	54	27	11	5	8	8	6	2	4	4	1	2	1

*As of September 2004
Source: The Banks Association of Turkey

5. Concentration

In the last years, the shares of the first five and the first ten banks increased considerably. The share of the first five banks in total assets increased to 60 percent as of September 2004 compared to 46 percent in 1999. And the share of the first ten banks increased from 68 percent to 82 percent in the same period. The similar trend was observed in total deposits and loans as well.

Concentration (Percentage)

	2001	2002	2003	2004**
Largest five*				
T. assets	56	58	60	60
T. deposits	55	61	62	62
T. loans	49	55	54	53
Largest ten*				
T. assets	80	81	82	82
T. deposits	81	86	86	86
T. loans	80	74	75	76

* According to total assets,
** As of September 2004
Source: The Banks Association of Turkey

6. Selected balance sheet items

As of the end of 2004, deposits constitute 62 percent of total resources in the banking sector. The ratio of total deposits to GDP is 47 percent. 45 percent of deposits and 28 percent of total resources are foreign currency denominated. The average term of deposits is 1.3 months as of September 2004.

Shareholders’ equity (YTL Million)

	2001	2002	2003	2004
Shareholders’ equity	21,101	25,699	35,539	45,976
- Paid-in capital	10,425	12,012	13,615	14,824
- Supplementary capital	34,651	28,046	21,363	23,728
- Reserves	9,890	23,630	24,215	22,735
- Profit or loss	-33,865	-37,988	-23,654	-15,311
- Prior year income/loss	-21,533	-40,871	-29,332	-21,641
- Current year income/loss	-12,332	2,882	5,678	6,330

Source: The Banks Association of Turkey, BRSA

Shareholders’ equity of the banking sector amounted to USD 34,4 billion. The ratio of shareholders’ equity to total assets is 15 percent. Paid-in capital constitutes 32 percent of the shareholders’ equity. Free capital continues to improve rapidly. The ratio of free capital obtained after deducting the fixed assets and periodic losses from shareholders’ equity, to total assets is 7.5 percent as of 2004.

Government bonds have 40 percent share in total assets. The share of loans in total assets is 32 percent, and the ratio of loans to the GDP is expected to be 24 percent. Recently, consumer loans and credit cards have amounted to 25 percent of total loans. Consumer loans supply has increased rapidly.

Selected Balance Sheet Items (2004)

	YTL Million	USD Million	As percentage of T. assets	GNP*
Liabilities				
Total deposits	191,065	142,981	62	47
- YTL	105,705	79,103	34	26
- FX	85,360	63,878	28	21
Non-deposit funds	51,586	38,604	17	13
Shareholders' equity	45,976	34,405	15	11
Total liabilities	306,464	229,338	100	75
- YTL	183,337	137,197	60	45
- FX	123,128	92,141	40	30
Assets				
Liquid assets	46,159	34,542	15	11
Securities	123,683	92,556	40	30
Loans	99,397	74,382	32	24
Total assets	306,465	229,338	100	75
- YTL	195,608	146,380	64	48
- FX	110,857	82,958	36	27

* Provisional
Source: BRSA

After a jump in 2001 due to the sharp contraction in the economy the ratio of non-performing loans to total loans has declined. The main reasons behind this improvement were vitality in economic activity as well as the increase in the provisions set aside for bad loans. Additionally, the Debt Restructuring Program implemented during the bottleneck of 2001 has also eased the pressure on non-performing assets. As of the end of 2004, the ratio of non-performing loans to total loans is 6.3 percent.

Loans under Follow-up and Specific Provisions (YTL Million)

	2001	2002	2003	2004
Loans under follow-up	13,886	10,430	8,628	6,301
Provisions	6,518	6,691	7,642	5,588
Loans under follow-up (net)	7,368	3,739	986	713

Source: The Banks Association of Turkey, BRSA

Mainly due to currency substitution 40 percent of liabilities and 36 percent of total assets are foreign currency denominated. Banks are prohibited from lending foreign currency loans except for foreign currency earning activities. Therefore, a substantial part of foreign currency assets is kept in the form of export loans, liquid assets or public instruments in foreign currency/indexed to foreign currency.

Including the assets and liabilities in foreign currency/indexed to foreign currency, the foreign currency position of the banking sector was USD 1,865 million at the end of 2004.

Fx Assets -Fx liabilities (USD Billion)

	2001	2002	2003	2004
Commercial banks	-9.0	-5.4	-9.7	-9.4
State-owned	-1.0	-0.6	-0.6	-1.7
Privately owned	-5.6	-3.9	-7.3	-7.2
Banks in the Fund	-2.1	-0.8	-1.4	-0.1
Foreign banks	-0.3	-0.1	-0.3	-0.5
Non-depository banks	0.3	0.2	0.3	0.3
Total	-8.7	-5.3	-9.4	-9.1
Total (included Fx-indexed items)	-1.6	-0.6	-0.1	-1.9

Source: The Banks Association of Turkey

7. Income and Expenditure

The contribution of net interest income to operational income has increased due to the fact that assets have longer terms compared to liabilities in an environment of declining interest rates. Within the interest income, the share of interest income from extended loans tends to increase in line with expanding loans to private sector.

Banking Sector Income-Expenditure (YTL Million)

	2002	2003	2004
Interest income	44,338	39,255	40,307
Interest expense	31,539	27,997	22,708
Net interest income	**12,799**	**11,258**	**17,599**
Net fees and commissions income	3,200	3,975	5,335
Dividend income	130	343	552
Net trading income	**892**	**6,726**	**2,193**
-Profit/losses on trading account securities (net)	3,262	5,095	1,819
-Fx gain/losses (net)	-2,370	1,631	374
Other operating income	3,863	2,870	2,276
Income before taxes	3,522	8,135	8,987
Provisions for taxes on income (-)	1,152	2,458	2,657
Net profit/losses	**2,357**	**5,677**	**6,330**

Source: The Banks Association of Turkey, BRSA

The contribution of capital market transactions to operating income has declined. On the other hand, the contribution of fees and commission revenues to operating income has increased because of the new practice of charging services which were previously offered free, when combined with the increase in demand for financial services. Banks have been exerting intensive efforts for the classification of operational costs. The improvement of cost saving joint activities among banks has been attached importance. Meanwhile, banks continue, in a courageous manner, to set aside provisions for problem loans.

Profitability Ratios, (Percentage)

	2001	2002	2003	2004
Return on average assets	-5.7	1.1	2,2	2,1
Return on average equity	-58.4	9.2	15,8	13,8

Source: The Banks Association of Turkey, BRSA

The improvement started at the beginning of 2002 in the profitability of the banking sector has slowed down as the ratios of return on assets and return on equity decreased in 2004.

Off Balance Sheet Items, (YTL Million)

	2003	2004
Guarantees and warranties	55,712	46,653
Commitments	124,035	87,567
Derivative financial inst.	38,973	34,253
Total	179,747	134,220

Source: BRSA

Within off-balance-sheet items the share of commitments, and custody and pledged asset items has begun to increase in parallel to the positive developments in the economy and in the banking sector. This was largely caused by the increase in the use of credit cards and the amount of securities held in custody.

8. Financial Restructuring Program

The Financial Restructuring Program (FRP) was initiated in 2002 to create an environment for the real sector firms of which payment capacity was affected negatively by crisis and which were considered, to create a value added to the economy, to maintain their activities and to regain their solvency.

The main provisions under the FRP are Law no. 4743 on the Restructuring of Debts to the Financial Sector and Amendments to Certain Laws, and the Regulation on the General Terms Pertaining to the Approval, Acceptance and Implementation of the Financial Restructuring Framework Agreement. The Framework Agreement prepared by the Banks Association of Turkey (TBB) was presented in May 2002 to the creditor organizations for signature. Having an effective period of three years, the Framework Agreement was approved by the BRSA's decision no. 718 of the BRSA dated June 4, 2002.

As of January 2005, a total of 329 companies have been brought under the scope of the FRP, 219 of which are large-scale (35 groups), and 110 are small-scale companies. Out of those companies, the Framework Agreement has been concluded with 210 large-scale companies (27 groups) and 101 small-scale companies, totalling to 311 companies. The amount of restructured loans within the framework of the FRP amounted to USD 5,738 million.

A COMPARATIVE SUMMARY OF THE BANKING LAW AND THE EUROPEAN UNION'S BASIC BANKING DIRECTIVES

EU DIRECTIVES	BANKING LAW No: 4389
Minimum initial capital should be **5 million Euro** and capital resources should not fall below this figure during the bank's operations.	Paragraph (2)-d of article 7 sets forth a minimum initial capital amount of TL 20 trillion. Paid-up capital or capital resources must be increased up to the minimum initial capital amount in order to transfer bank shares or for opening new branches.
Larger credit amounts should be monitored more closely, and a quorum of competent credit bodies shall be sought for utilisation thereof.	Paragraph (11) of article 11 requires that banks ask for **certified account status documents and financial statements** in respect of credits exceeding a specified amount.
The banking law should define the term credit; credits exceeding **10 percent** of capital resources should be considered as large credits; credits to be extended to one credit client or client group should not exceed **25 percent** of the capital resources; and the sum of all large credits should not exceed **8 folds** of the capital resources. In case a large credit is extended to a related company, the rate 20 percent should be applied rather than **25 percent**.	Paragraphs (1) and (2) of article 11, the term **large credit is defined as credits exceeding 10 percent of capital resources** and all large credits are restricted to **8 folds of capital resources.** All credits, which are extended to any natural or legal person directly or indirectly, are limited to the **25 percent** of bank's own funds. Credits extended for use by an ordinary partnership shall be considered as credits extended to the partners in proportion to their liabilities.
Equity participations of banks in **non-financial enterprises** should not exceed **15 percent** of their capital resources, the total equity participations should not exceed **60 percent.**	Without prejudice to provisions of article 11, banks may acquire shares of companies, other than financial institutions; the amount of shares in those companies shall not exceed **15 percent** of banks' own funds and the total amount of such shares shall not exceed **60 percent** of the bank's own funds.
Sharing of information and security of information among supervising authorities should be ensured when authorising establishment of bank licence as well as monitoring banks. The Law should specifically list the monitoring authorities to receive information and the conditions applicable to conveying information.	Information exchange among institutions is defined in paragraph (9) of article 3, whereas **securing of information** in first sentence of paragraph (8).
Operating areas of banks should be explicitly defined, and **banks (credit institutions)** should be defined as "undertaking whose business is to receive deposits and other repayable funds from the public and to grant credits for its own account".	Article 2 of the Law covers a definition of "bank"; however, the Law does not include definitions of banking operations and credit institutions.
The Law should define the conditions applicable to establishment of banks and circumstances of refusing applications for establishment.	Article 7 lists the conditions applicable to establishment; and, although the Law does not specify the reasons for refusing applications for authorisation, this authority may be used by inference.
Approval from the supervising authority of the country where bank's head office is located should be sought while opening branches by foreign banks.	In practice, when foreign banks file an application for opening branches in Turkey, reference is made to the opinion of the supervising authorities of the country in question. Moreover, a relevant provision may be incorporated into bilateral agreements to be entered into in accordance with paragraph (10) of article 3 of the Law.
Authorisation must be sought for changes in the ownership structure of significant shareholders.	Share transfer rates as provided for in the 2nd Banking Directive of the European Union are subject to authorisation by the Board pursuant to the provision of paragraph (2), article 8.
Banks should prepare consolidated financial statements with their financial affiliates and subsidiaries, and should obey large credit related restrictions in a consolidated basis. **The supervising and auditing power of the country in which the head office is located** should be recognised mutually.	Paragraph (4) of article 13 provides for the obligation to consolidate financial statements of banks, and requires under the latest revision of the capital adequacy and net general position ratios that such ratios should be attained in a consolidated basis (together with overseas branches). However, additional regulation is needed in this regard.

III. Risk Management

The Banking Act contains provisions in the field of risk management, which are in line with international standards and practices. Within the framework of these provisions, banks have taken important steps to establish modern risk management systems.

The main duties of bank units performing the risk management function may be summarized as assessing, measuring, managing and reporting the risks. The process of reporting risks is done in the form of internal reporting by risk management units to senior managements, and legal reporting such as IR100U, Risk Matrix, Capital Adequacy etc. to the BRSA.

Within the framework of the activities carried out by the Risk Management and Implementation Principles Working Group within the Banks Association of Turkey and with the participation of the risk management representatives of banks, the improvements in the own risk management systems of banks are closely monitored, and joint activities are coordinated.

The Basel II Steering Committee has been established through the participation of the representatives of banks and the executives of the (BRSA) Risk Management and Supervision Techniques Department with a view to inform the banking sector on the new capital adequacy accord (Basel II) of the Basel Committee, to voice the opinions of the banking sector on the said provisions, and to agree upon a joint strategy. The Quantitative Impact Study (QIS-TR) was performed with the participation of a majority of the banks in order to assess the impact of Basel II on the Turkish banking system. In the light of the results from QIS-TR; the activities aiming at the more sensitive calculation of the banks’ risks have started within the framework of compliance with Basel II, and they are still underway[4].

One of the most important studies of the Committee is the preparation of the "Roadmap for Transition to Basel-II" by means of welcoming the opinions of the banks in order to enable the efficient planning of the process of transition to Basel-II. The report has been published by the BRSA.

4 For detailed information, please visit www.bddk.org.tr

II. Banking Supervision

The Banking Regulation and Supervision Agency (BRSA) is the independent authority, responsible for supervision of the banking system in Turkey. The BRSA was established on June 23, 1999 and started its activities on August 31, 2000; the powers and responsibilities related to the supervision of the banking system, which had previously been divided between the Undersecretariat of Treasury and the Central Bank of the Republic of Turkey have been transferred to the BRSA.[5]

Legal grounds for the establishment of the Agency is the Banking Act no. 4389[6]. Pursuant to this Act, the BRSA is an agency with public legal identity, and administrative and financial autonomy. The purpose of the BRSA is to prevent all kinds of transactions and practices that might endanger the rights of the owners of savings and the regular and safe operation of banks, and might cause important losses in the economy, and to take and implement all decisions and measures required for ensuring the efficient operation of the credit system.

Among the main targets of the BRSA is to increase the efficiency and the competitiveness of the banking sector, rendering permanent the confidence vested in the sector, to minimize the losses the sector might create on the economy, to improve the endurance of the sector, and to protect the rights and interests of the owners of savings.

The decision-making body of the BRSA is the Banking Regulation and Supervision Board, which has a total of seven members, one of which is the Chairman and another one is the Vice-Chairman. Board members are appointed by the Council of Ministers for a term of six years, and they cannot be dismissed before the expiry of their tenure.

5 For detailed information, please visit www.bddk.og.tr
6 For Banking Act and other regulations, please visit www.tbb.org.tr

III. Monetary Policy and the Central Bank of the Republic of Turkey (CBT)

In Turkey, the Central Bank of the Republic of Turkey (CBT) is the monetary authority. The main structure and the duties of the Bank have been altered considerably through a series of legal arrangements effected as of April 2001. [7]

By virtue of an amendment introduced to the Law on CBT, the Bank is rendered independent with regard to the use of tools. Through the same law, the personal rights and the tenures of the senior executives of the Bank have been adjusted in a way to prevent political intervention.

The Law states that the priority task of the Bank is to achieve and maintain price stability. The practices of the Bank related to other economic variables may only exist as long as they do not conflict the target of ensuring price stability. The Bank is prohibited to extend loans to the public sector.

Turkey has been practicing floating exchange rate policy since April 2001. The Bank has no indication whatsoever on the level of the exchange rate. Yet, the Bank intervenes in markets for the purpose of remedying excessive fluctuations or accumulating reserves. Any such intervention is made in strict adherence to pre-established rules.

The Bank has been practicing the policy of implicit inflation targeting. It is announced that explicit inflation targeting will be started to be implement at the beginning of 2006.

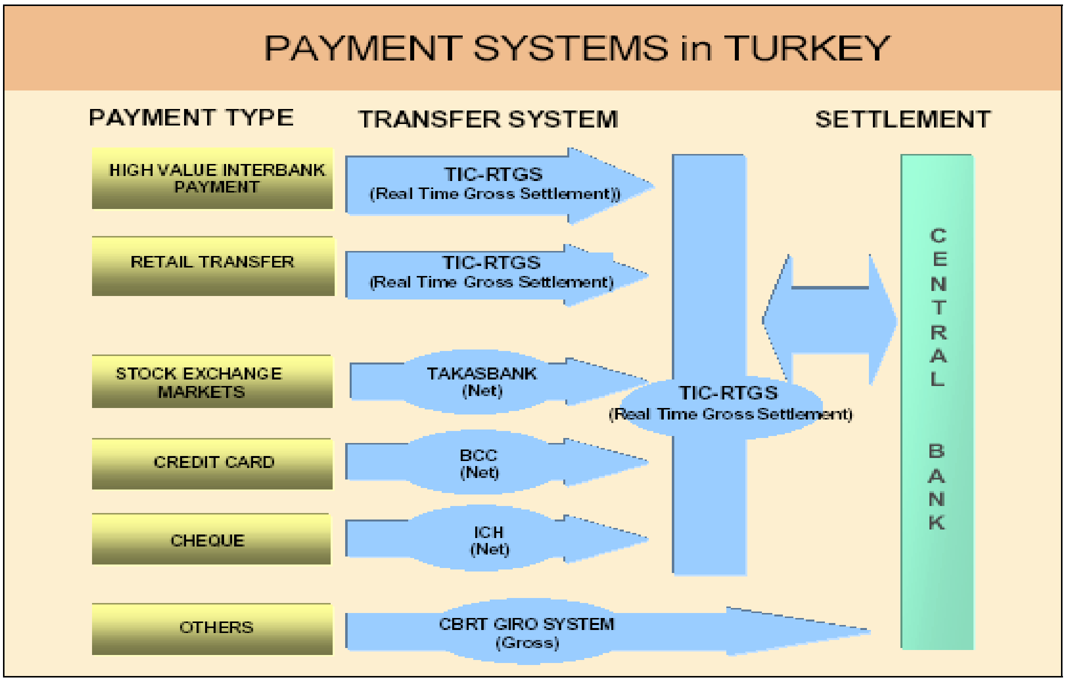
Modification of the task definition of the Bank and the provisions of tool independence have a key importance in consideration of the recent achievements it has made in the struggle against inflation.

7 For detailed information, please visit www.tcmb.gov.tr

IV. Payment Systems

The interbank payments are made through the following systems:

- Electronic Funds Transfer (EFT) System and the Electronic Stock Transfer (EST) System
- CBT branch system
- Interbank exchange chambers
- Interbank Card Centre
- ISE Settlement and Custody Bank (Takasbank)



Source: CBT

Electronic Funds Transfer (EFT) System and Electronic Stock Transfer (EST) System

The Electronic Funds Transfer (EFT) System enables payment transactions in Turkish Liras, and the Electronic Stock Transfer (EST) System enables stock transfers to be done and synchronized between banks in the electronic environment on real-time basis.

The CBP is the owner of the EFT and the EST systems, and also runs the operational activities of these systems. The EFT system has been taken into operation on April 1, 1992. With the addition of new functions on April 24, 2000, the second generation has been commissioned with significant modifications in the system software and hardware. Meanwhile the EST system has been taken into operation on October 30, 2000.

Banks and private finance institutions operating in Turkey may participate in EFT and EST systems. Through the EFT and EST systems, the following transactions can be made;

- Payment and assets transfers to which the CBT is a party, and high-amount interbank funds and assets transfers,
- Small-amount client transactions,
- TL tier of the Istanbul Stock Exchange (ISE) transactions and the assets tier of only the public bills of domestic indebtedness (through Takasbank after clarification),
- Payments associated with Interbank Card Centre who effects the agreement of credit card payments,
- Payments associated with the outcome of the check exchange done at the exchange chambers,
- Transactions of the direct collection system.

System of Interbank Exchange Chambers

In order to enable the liquidation of cheques between bank branches in terms of accounts, a legal entity named "the Interbank Exchange Chambers Centre" has been formed under the supervision of CBT which is subject to special legal provisions in its activities. There are exchange chambers in those provinces in which there are CBT branches. The transactions related to the cheques which are presented physically by banks to addressed banks, which are not processed in the electronic environment, and which are processed in the electronic environment, and the transactions related to the cheques which are not presented physically by banks to addressed banks are managed through these chambers. The operation, supervision and control of the system is under the responsibility of the CBT.

Interbank Card Center [8]

The Interbank Card Centre (ICC) has been established in 1990 with the partnership of 13 state-owned and privately owned Turkish banks in order to devise solutions for shared problems within the card payment system, and to improve the rules and standards governing the banks and credits cards in our country.

The exchange between banks of the debts and credits arising from the shopping activities of card owners is done within the *ICC* through domestic exchange and account settling. Among the main activities of the *ICC* are to manage the authorization between banks; to develop the procedures to be applied between the banks operating within the credit card and bank card sector; to establish domestic rules; to carry out activities for and to take decisions about ensuring

8 For detailed information, please visit www.bkm.com.tr

standardization; to establish relations with foreign organizations and commissions, and to represent its members at these organizations, and to manage the transactions currently performed by each bank from a single safer, faster and more cost-efficient centre.

In 1993, the Switch System was commissioned for the purpose of enabling interbank domestic credit card and bank card authorization; mutually offering the ATM and POS system networks of Turkish banks to the use of the clients of each bank; enabling single-point connection to such international communication networks as Visa Base I and Europay EPS-NET; and enabling the exchange of bank cards exported by Turkish banks.

ISE Settlement and Custody Bank (Takasbank)[9]

Takasbank is a sector bank that has been assigned with the task of exchanging, keeping in custody and international numbering of stocks in Turkey. It has been accepted by the CMB as the "Central Custody Organization" of Turkey. The exchange of all stock buying/selling activities performed at the ISE is also made by Takasbank. Through the Takasbank Electronic Transfer System that it has established, Takasbank has enabled broker institutions to the EFT system of the CBT as sub-members; thanks to this, the Bank successfully continues to act as a bridge for fastest, most reliable and most cost-efficient funds transfers between the capital markets and the monetary markets. In addition to these central functions of its, Takasbank also offers miscellaneous banking services to ISE-member banks and broker institutions. With such services as Monetary Market, Borrowed Stock System and the Cash Credit offered to broker institutions, Takasbank is an important creditor of the capital market.

Credit Bureau of Turkey [10]

Through the support of the Banks Association of Turkey, the Credit Bureau of Turkey (CBT) was established in 1995 through the partnership of 11 banks for the purpose of enabling the sharing of information necessary to ensure the monitoring and control of individual credits between finance institutions whose main fields are money, capital markets, and insurance. In addition to the latter finance institutions those companies that are approved by the BRSA may also become members of the *CBT*, and, paying the membership fee established by the *CBT* Board of Directors, they can make use of the services under the Credit Reference System. The capacity of the consumer information offered for sharing by the *CBT*, which has a total of 26 members, via the Credit Reference System established within the *CBT* contains about 97 percent of the sector. Work aiming at enabling the sharing of information required for the monitoring and control of corporate credits within the *CBT* have also been started.

9 For detailed information, please visit www.takasbank.com.tr
10 For detailed information, please visit www.kkb.com.tr

V. Electronic Banking

Turkish banking system uses advanced information technology. Such technology-intensive services as ATM (Automatic Teller Machine), POS (Point of Sale terminal), telephone banking and internet banking are available. Having an important place in the vision of banks, electronic banking activities have been growing rapidly for the purpose of improving quality of services and saving costs. Within this context, the banks put new services into practice such as "Call Center", "Internet Banking", and "Management of Customer Relations". Besides customer-oriented procedures of banks, information technology has been used extensively in the internal operations of banks as well.

As of the end of 2004 the number of credit cards in Turkey is 26,681,128. The number of ATMs and POS machines reached 13,544 and 912,118 respectively.[11]

Number of ATM and POS Terminals

	2003	**2004**
ATM terminals	12,857	13,544
POS terminals	662,429	912,118

Number of Debit Cards

Electron (Visa)	9,424,197	11,942,762
Plus (Visa)	45,069	39,815
Elektron ve Plus (Visa)	3,613,896	3,058,946
Cirrus ve Maestro (MasterCard)	20,601,196	24,506,797
Private label	5,879,099	3,536,574
Total	39,563,457	43,084,994

Number of Credit Cards

Visa	9,572,460	13,202,147
MasterCard	10,255,667	13,450,664
Others	35,040	28,317
Total	19,863,167	26,681,128

Source: Interbank Card Centre

In addition to their own operations, banks in Turkey engage in technology-aided practices in interbank transactions as well. In this context, the electronic cheque exchange system, the direct indebtedness system and the EFT system have an important place in interbank transactions. Furthermore, the SWIFT system which is an important international payment system, has also been used by the banks for many years.

11 For detailed information, please visit www.bkm.com.tr

The Banks Association of Turkey

The Banks Association of Turkey was founded in 1958 in accordance with the provisions of Article 57 of the Banking Act. The Association bears a legal entity and is the representative body for all the banks operating in Turkey. The purpose of the Association is to preserve the rights and benefits of banks, to carry on studies for the growth of the banking sector, for its well functioning and the development of banking profession, strengthening of competition power, to take the decisions in order to prevent unfair competition, to implement and demand implementation of these decisions, in line with the principles of open market economics and perfect competition and the regulations, principles and rules of banking.

All banks operating in Turkey are legally bound to become members of the Banks Association of Turkey and to obey the provisions of the Association's statute and to adopt all the resolutions of the Board of Directors.

Functional Units of the Association:

- Secretary General
- Banking and Research Group
- Training and Promotion Group
- Data Processing, Statistics and Technology Group
- Financial and Administrative Affairs Group
- Library

The Banks Association of Turkey

Address : Akmerkez B 3 Blok Kat 13 Etiler 34340 İstanbul
Phone : 212-282 09 73
Fax : 212 282 09 46
Web : www.tbb.org.tr

List of Banks in Turkey

1	Abn Amro Bank N.V.	-
2	Adabank A.Ş.	http://www.adabank.com.tr
3	Akbank T.A.Ş.	http://www.akbank.com.tr
4	Alternatif Bank A.Ş.	http://www.abank.com.tr
5	Anadolubank A.Ş.	http://www.anadolubank.com.tr
6	Arap Türk Bankası A.Ş.	http://www.arabturkbank.com
7	Banca di Roma S.P.A.	-
8	Bank Mellat	-
9	BankEuropa Bankası A.Ş.	http://www.bankeuropa.com
10	Bayındırbank A.Ş.	http://www.bayindirbank.com.tr
11	Bnp-Ak Dresdner Bank A.Ş.	http://www.bnp-ak-dresdner.com.tr
12	C Kredi ve Kalkınma Bankası A.Ş.	http://www.cbank.com.tr
13	Calyon Bank Türk A.Ş.	http://www.calyon.com
14	Citibank A.Ş.	http://www.citibank.com.tr
15	Çalık Yatırım Bankası A.Ş.	http://www.calikbank.com.tr
16	Denizbank A.Ş.	http://www.denizbank.com.tr
17	Deutsche Bank A.Ş.	http://www.db.com
18	Diler Yatırım Bankası A.Ş.	http://www.dilerbank.com.tr
19	Finans Bank A.Ş.	http://www.finansbank.com.tr
20	GSD Yatırım Bankası A.Ş.	http://www.gsdbank.com.tr
21	Habib Bank Limited	-
22	HSBC Bank A.Ş.	http://www.hsbc.com.tr
23	İller Bankası.	http://www.ilbank.gov.tr
24	İMKB Takas ve Saklama Bankası A.Ş.	http://www.takasbank.com.tr
25	JPMorgan Chase Bank.	http://www.jpmorgan.com
26	Koçbank A.Ş.	http://www.kocbank.com.tr
27	MNG Bank A.Ş.	http://www.mngbank.com.tr
28	Nurol Yatırım Bankası A.Ş.	http://www.nurolbank.com.tr
29	Oyak Bank A.Ş.	http://www.oyakbank.com.tr
30	Societe Generale (SA)	-
31	Şekerbank T.A.Ş.	http://www.sekerbank.com.tr
32	Taib Yatırım Bankası A.Ş.	-
33	Tat Yatırım Bankası A.Ş.	-
34	Tekfenbank A.Ş.	http://www.tekfenbank.com
35	Tekstil Bankası A.Ş.	http://www.tekstilbank.com.tr
36	Turkish Bank A.Ş.	http://www.turkishbank.com
37	Türk Dış Ticaret Bankası A.Ş.	http://www.disbank.com.tr
38	Türk Ekonomi Bankası A.Ş.	http://www.teb.com.tr
39	Türk Eximbank.	http://www.eximbank.gov.tr
40	Türkiye Cumhuriyeti Ziraat Bankası A.Ş.	http://www.ziraat.com.tr
41	Türkiye Garanti Bankası A.Ş.	http://www.garanti.com.tr
42	Türkiye Halk Bankası A.Ş.	http://www.halkbank.com.tr
43	Türkiye İş Bankası A.Ş.	http://www.isbank.com.tr
44	Türkiye Kalkınma Bankası A.Ş.	http://www.tkb.com.tr
45	Türkiye Sınai Kalkınma Bankası A.Ş.	http://www.tskb.com.tr
46	Türkiye Vakıflar Bankası T.A.O..	http://www.vakifbank.com.tr
47	WestLB AG.	http://www.westlb.com
48	Yapı ve Kredi Bankası A.Ş.	http://www.ykb.com.tr

Contact Information for the Financial Sector Organizations

Treasury
Address : İnönü Bulvarı No:36
06510 Balgat/ANKARA
Phone : (312) 204 60 00
Fax : (312) 212 85 50
Web site : www.hazine.gov.tr

Central Bank of the Republic of Turkey
Address : İstiklal Cad. 10 Ulus, 06100 ANKARA
Phone : (312) 310 36 46
Faks : (312) 3107434
Web site : www.tcmb.gov.tr

Banking Regulation and Supervision Agency

Address : Atatürk Bulvarı No:191 B Blok 06680
Kavaklıdere/ANKARA
Phone : (312) 455 65 00
Fax : (312) 424 08 76
Web site : www.bddk.org tr

Capital Market Board
Address : Eskişehir Yolu 8.Km No:156
06530 ANKARA
Phone : (312) 292 90 90
Fax : (312) 424 08 76
Web site : www.spk.gov.tr

İstanbul Stock Exchange
Address : İstinye 80860 İSTANBUL
Phone : (212) 298 21 00
Fax : (212) 298 23 69
Web site : www.imkb.org tr

Turkish Derivatives Exchange
Address : Akdeniz Cad. Birsel İş Merkezi
No: 14 Kat: 6-7 Alsancak/İZMİR
Phone : (232) 481 10 81
Fax : (232) 445 61 85
Web site : www. vab.org.tr

İstanbul Gold Exchange
Address : Rıhtım Cad. No:231-233
80030 Karaköy/İSTANBUL
Phone : (212) 292 66 00
Fax : (212) 292 66 18
Web site : www. iab.org.tr

Table 1: Selected Figures of the Financial Sector Institutions in Turkey*

	2002	2003	2004 June
Number of institutions	**387**	**364**	
Banks	54	50	49
Non-bank financial institutions	333	314	
- Special Finance Institutions	5	5	5
- Insurance Companies	58	55	54
- Leasing Companies	36	39	39
- Factoring Companies	110	93	
- Consumer Finance Companies	5	5	5
- Intermediary Institutions in Capital Market	119	117	115
Number of employees	**145,859**	**146,552**	
Banks	123,271	123,249	126,970
Non-bank financial institutions	22,588	23,303	
- Special Finance Institutions	2,530	3,520	4,135
- Insurance Companies	10,538	10,941	10,941**
- Leasing Companies	862	894	936
- Factoring Companies	1,745	1,550	
- Consumer Finance Companies	277	363	341
- Intermediary Institutions in Capital Market	6,636	6,035	5,916
Total shareholders' equity (YTL Million)	**29,134**	**40,539**	
Banks	25,695	35,540	35,605
Non-bank financial institutions	3,439	5,001	
- Special Finance Institutions	380	672	771
- Insurance Companies	1,167	1,635	2,460
- Leasing Companies	710	1,077	1,148
- Factoring Companies	430	671	
- Consumer Finance Companies	37	50	99
- Intermediary Institutions in Capital Market	715	896	
Total assets (YTL Million)	**228,616**	**271,286**	
Banks	212,675	249,693	274,843
Non-bank financial institutions	15,941	21,536	
- Special Finance Institutions	3,840	5,112	6,297
- Insurance Companies	5,434	7,584	8,873
- Leasing Companies	3,165	3,835	4,329
- Factoring Companies	2,091	2,939	
- Consumer Finance Companies	414	771	1,206
- Intermediary Institutions in Capital Market	997	1295	
Distribution of assets (%)	**100,0**	**100,0**	
Banks	93.0	92.1	
Non-bank financial institutions	7.0	7.9	
- Special Finance Institutions	1.7	1.9	
- Insurance Companies	2.4	2.8	
- Leasing Companies	1.4	1.4	
- Factoring Companies	0.9	1.1	
- Consumer Finance Companies	0.2	0.3	
- Intermediary Institutions in Capital Market	0.4	0.5	
Assets as percentage of GDP	**82.8**	**64.1**	
Banks	77.1	70.0	
Non-bank financial institutions	5.8	6.0	
- Special Finance Institutions	1.4	1.4	
- Insurance Companies	2.0	2.1	
- Leasing Companies	1.1	1.1	
- Factoring Companies	0.8	0.8	
- Consumer Finance Companies	0.1	0.2	
- Intermediary Institutions in Capital Market	0.4	0.4	

* Consolidated figures collected from the own members of the representative organisations in the sub-sectors in the financial sector in Turkey .
***2003 figure.

Table 2 : Banks in Turkey - Ranked by Total Assets, as of September 30, 2004

	Bank	Date of establishment	Total assets (YTL Thousand)	Total loans* (YTL Thousand)	Total deposits (YTL Thousand)	Total equity (YTL Thousand)	Paid in capital (YTL Thousand)	Net Income/Loss (YTL Thousand)	Off balance sheet commitments (YTL Thousand)	Number of Branch	Number of Employees
1	Türkiye Cumhuriyeti Ziraat Bankası A.Ş.	1863	54.966.148	7.387.992	43.500.413	4.557.526	2.221.978	1.250.199	22.752.073	1.146	21.763
2	Türkiye İş Bankası A.Ş.	1924	37.491.937	11.894.735	23.106.317	7.196.399	1.640.757	538.382	50.723.952	848	15.802
3	Akbank T.A.Ş.	1948	32.953.046	11.874.469	20.211.809	5.812.652	1.500.000	883.884	42.861.301	637	10.345
4	Türkiye Garanti Bankası A.Ş.	1946	26.359.226	10.426.024	16.715.498	2.910.185	1.200.000	350.813	118.538.464	335	8.874
5	Yapı ve Kredi Bankası A.Ş.	1944	24.579.692	9.760.957	14.631.918	4.157.036	752.345	8.532	55.685.719	408	10.600
6	Türkiye Halk Bankası A.Ş.	1938	21.763.527	3.892.047	15.689.641	2.792.367	1.150.000	455.110	26.498.643	515	7.962
7	Türkiye Vakıflar Bankası T.A.O.	1954	20.141.898	7.286.649	14.197.854	1.568.402	420.145	294.514	24.497.793	296	7.195
8	Koçbank A.Ş.	1985	9.233.932	3.900.198	6.179.956	701.647	430.000	108.124	13.532.717	157	3.596
9	Finans Bank A.Ş.	1987	7.647.339	4.412.296	5.076.509	940.314	590.000	126.781	13.042.117	169	5.046
10	Türk Dış Ticaret Bankası A.Ş.	1964	7.014.571	3.097.750	3.201.668	915.126	363.944	60.164	10.612.908	167	3.909
11	Denizbank A.Ş.	1997	6.198.745	2.185.392	3.789.256	805.308	290.000	91.419	9.267.195	189	4.162
12	Oyak Bank A.Ş.	1984	5.978.823	3.373.950	4.492.882	634.797	224.578	77.227	20.064.424	291	4.105
13	HSBC Bank A.Ş.	1990	5.081.311	3.226.848	3.446.316	959.714	277.290	87.364	12.986.400	159	3.596
14	Türk Eximbank	1987	4.618.342	3.804.891	0	1.695.903	657.864	271.029	940.549	2	346
15	Pamukbank T.A.Ş.	1955	3.935.029	499.108	4.850.693	-2.325.387	472.767	-416.087	6.020.550	172	3.773
16	Türk Ekonomi Bankası A.Ş.	1927	3.653.976	1.577.176	2.348.370	368.227	57.800	25.492	6.458.522	86	2.059
17	Şekerbank T.A.Ş.	1953	3.067.043	1.266.756	2.262.478	250.200	85.000	52.405	7.917.480	197	3.209
18	İller Bankası	1933	2.709.921	1.756.425	0	1.993.424	993.064	-10.943	8.348	1	2.721
19	Türkiye Sınai Kalkınma Bankası A.Ş.	1950	2.123.926	1.175.306	0	350.469	142.500	42.030	3.422.633	1	265
20	Bayındırbank A.Ş.	1958	2.113.429	23.850	172.765	1.181.683	440.522	197.369	1.635.964	2	428
21	Anadolubank A.Ş.	1996	1.871.855	749.896	1.173.184	129.289	66.000	17.150	2.603.241	50	1.044
22	Citibank A.Ş.	1980	1.736.476	878.671	1.217.836	333.215	33.753	22.651	11.309.493	24	1.315
23	Alternatif Bank A.Ş.	1992	1.353.536	608.158	735.517	125.747	220.000	4.464	2.183.793	22	532
24	Tekstil Bankası A.Ş.	1986	1.179.375	687.046	610.511	130.146	122.500	3.030	2.238.342	38	916
25	Deutsche Bank A.Ş.	1988	767.070	26.226	0	93.550	20.000	16.878	982.108	1	34
26	ABN AMRO Bank N.V.	1921	655.811	126.514	344.700	94.737	29.110	2.349	1.369.016	1	132

Table 2 : Banks in Turkey - Ranked by Total Assets, as of September 30, 2004

	Bank	Date of establishment	Total assets (YTL Thousand)	Total loans* (YTL Thousand)	Total deposits (YTL Thousand)	Total equity (YTL Thousand)	Paid in capital (YTL Thousand)	Net Income/Loss (YTL Thousand)	Off balance sheet commitments (YTL Thousand)	Number of Branch	Number of Employees
27	Türkiye Kalkınma Bankası A.Ş.	1975	517.540	217.836	0	382.199	150.000	14.692	2.105.631	1	743
28	Tekfenbank A.Ş.	1992	506.082	226.947	300.945	85.495	50.000	-684	1.052.997	31	572
29	Société Générale (SA)	1989	406.679	35.950	226.058	43.401	24.933	803	511.565	1	50
30	Bnp-Ak Dresdner Bank A.Ş.	1985	394.291	34.965	138.662	154.531	36.000	45.576	598.472	1	71
31	Arap Türk Bankası A.Ş.	1977	372.448	73.425	44.881	71.158	29.000	4.665	277.469	3	181
32	Turkish Bank A.Ş.	1982	334.412	50.810	232.332	65.239	10.400	2.300	251.463	12	181
33	MNG Bank A.Ş.	1991	319.904	156.881	180.507	64.028	35.000	5.997	452.022	8	224
34	Calyon Bank Türk A.Ş.	1990	314.876	48.788	0	12.461	13.400	-6.485	919.350	1	40
35	İMKB Takas ve Saklama Bankası A.Ş.	1995	308.219	16.095	0	195.199	60.000	29.656	13.854.502	1	231
36	WestLB AG	1990	287.447	7.602	38.327	34.499	6.371	-1.460	276.116	1	60
37	BankEuropa Bankası A.Ş.	1984	227.665	47.366	135.329	61.787	77.351	-5.617	407.624	12	205
38	JPMorgan Chase Bank	1984	221.877	0	163.771	46.625	21.473	-1.044	247.581	1	32
39	Bank Mellat	1982	176.487	78.868	31.704	16.918	4.236	2.103	32.238	3	47
40	C Kredi ve Kalkınma Bankası A.Ş.	1999	159.274	86.656	0	74.262	47.500	9.151	432.301	3	47
41	Banca di Roma S.P.A.	1911	102.002	25.282	23.687	8.542	4.351	21	115.339	1	30
42	Nurol Yatırım Bankası A.Ş.	1999	81.185	33.342	0	45.268	27.403	890	253.831	3	46
43	Adabank A.Ş.	1985	74.295	1.314	19.523	53.702	80.000	-35.979	52.041	47	364
44	Çalık Yatırım Bankası A.Ş.	1999	67.672	36.154	0	48.859	13.500	3.254	104.478	1	31
45	GSD Yatırım Bankası A.Ş.	1998	66.067	48.741	0	38.909	15.000	4.511	60.177	1	29
46	Diler Yatırım Bankası A.Ş.	1998	42.745	0	0	38.831	14.000	-216	155.829	1	20
47	Habib Bank Limited	1983	32.777	7.471	1.080	10.728	2.833	1.050	36.772	1	14
48	Taib Yatırım Bank A.Ş.	1987	8.365	0	0	1.254	5.000	-1.705	3.294	1	11
49	Tat Yatırım Bankası A.Ş.	1992	3.422	70	0	3.403	2.000	-1.111	133	1	12
	Total		**294.221.715**	**97.133.893**	**189.492.897**	**39.929.974**	**15.131.668**	**4.630.698**	**490.354.970**	**6.050**	**126.970**

**Total loans = Short term loans + Medium term loans + Long term loans + Non-performing loans-Provisions*