

Banking System in Turkey ¹ “March 2009”

Developments in the Banking Sector

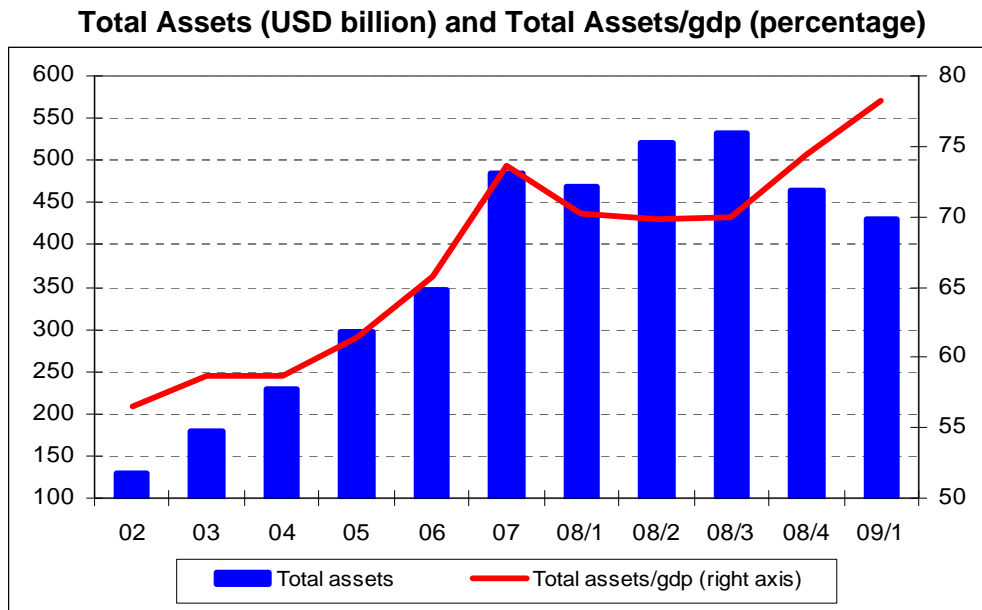
Executive Summary

The negative developments in global markets continued to affect the Turkish economy in the first quarter of 2009. Production declined, the volume of foreign trade contracted, budget deficit expanded and unemployment rate increased. On the other hand, the rate of inflation and interest rates followed a declining trend. Deterioration in the quality of the loan stock due to the sharp contraction in economic activity, continued and non performing loans (NPLs) increased further.

The average maturity of liabilities became shorter. The sensitivity of the income-expense structure of the banking sector to financial asset prices increased. Due to the maturity mismatch, the decline in the interest rates had positive effects on level of profits while return on equity on annual basis was lower compared to the previous year.

The increase in profits supported the rise in shareholders' equity. Foreign exchange net general position had a positive balance and liquid assets were at a high level.

Total assets increased by 19 percent in the first quarter of the year compared to the first quarter of 2008. As of March 2009, total assets were TL 724 billion (USD 434 billion). The ratio of total assets to gross domestic product is estimated to be 78 percent as of March 2009.



¹ Deposit banks and development and investment banks are included.

Total assets increased by 18 percent in deposit banks and 20 percent in development and investment banks, as compared to the March 2008. In the same period, the share of public banks in total assets increased by 1 percentage point, while the share of foreign banks in assets decreased by 1 percentage point.

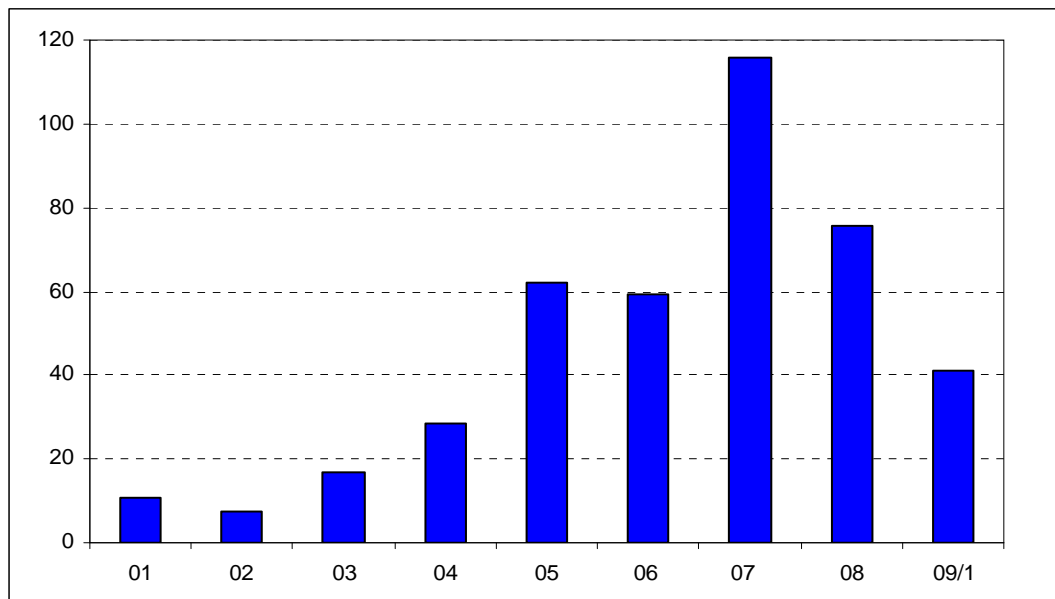
According to the asset size, assets, loans and deposits shares of the first five banks remained same compared to March 2008, while the share of first ten banks in loans increased by 1 percentage point to 85 percent.

Net foreign exchange position of the banking sector showed a surplus of USD 323 million. Compared to March 2008, the ratio of TL equivalent of FX assets to total assets increased by 1 percentage point to 32 percent, while the ratio of TL equivalent of FX liabilities to total liabilities decreased by 1 percentage point to 35 percent.

The ratio of loans to total assets realized 50 percent by decreasing 2 percentage points as compared to March 2008. Loans to deposits ratio was 79 percent by decreasing 2 percentage points in the same period. The same ratio was 54 percent in state-owned banks, 84 percent in private banks and 102 percent in foreign banks as of March 2009.

Considering maturity 53 percent of total assets and 79 percent of total liabilities had a maturity of less than 1 year. The maturity of liabilities continued to shorten.

Market Value of Financial Institutions Traded in ISE (USD billion)



Total market value of financial institutions declined from USD 45 billion as of the end of 2008 to USD 41 billion as of March 2009.

Total shareholders' equity increased by 20 percent in comparison to March 2008, and amounted to TL 87.9 billion (USD 52.7 billion) as of March 2009. Thus, both the ratio of free shareholders' equity to total assets and the capital adequacy ratio increased, as compared to March 2008.

Profit volume increased by 32 percent to TL 5 billion, as compared to the same period of the last year. On yearly basis, return on equity and return on assets realized as 15.9 percent and 1.9 percent, respectively.

The growth in off-balance sheet items was restricted especially by the deceleration of the growth of in derivatives and commitments items.

The number of banks operating in Turkey remained the same at 45 compared to December 2008. On the other hand, the number of branches increased by 36 to 8,826 in the same period.