

Turkey Banking System¹

“March 2007”

Developments in the Banking Sector

1. Executive summary

Total assets of the banking sector grew by 3 percent from December 2006 to date basis and 21 percent from a year earlier. There has been a decelerating trend in the growth rate on year to year basis from its peak in June 2006.

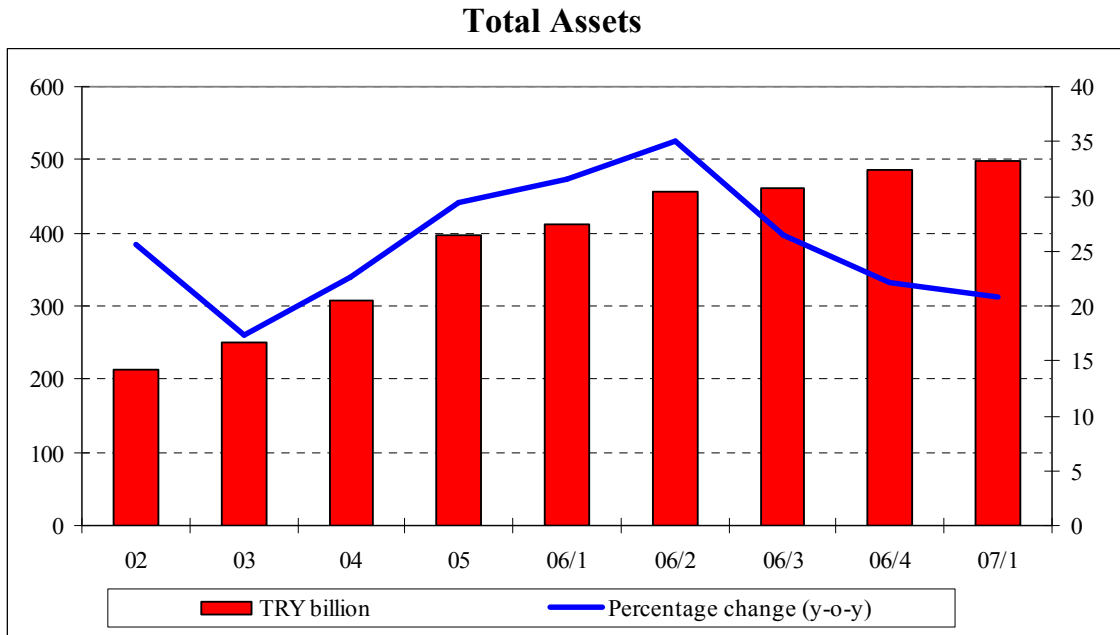
As a consequence the change in the portfolio preferences of the residents, Fx deposits continued to increase in USD terms.

Banks stopped foreign borrowing and even became net foreign debt repayer.

Liquid assets held in the correspondent accounts started to decrease, as the share of the loans in the total assets increased.

Shareholder's equity continued to increase.

Profitability ratios has further risen.



Foreign exchange net general position was short at USD 623 million, balance sheet short position increased and reached USD 14.5 billion.

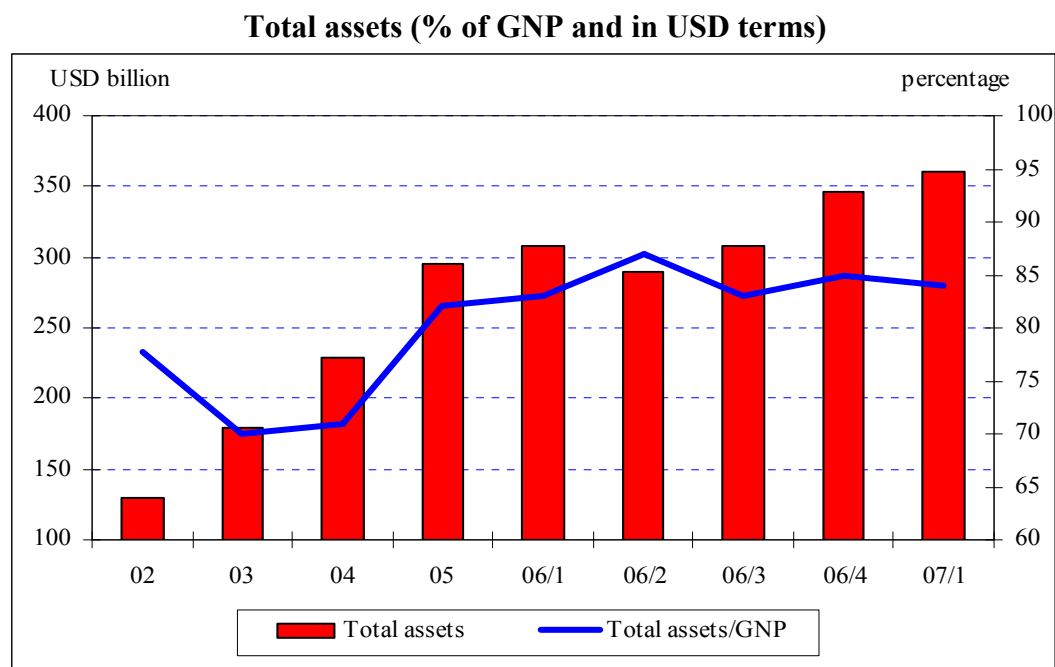
¹ Deposit banks and development and investment banks are included.

The interest of foreign investors to the banking sector continued also in the first quarter of 2007. With the sale of majority shares, MNG Bank AŞ and Tekfenbank AŞ were transferred from private banks group to foreign banks group.

The number of branches and employees continued to increase.

As of March 2007, total assets of the banking sector increased by 3 percent and reached TRY 499 billion (USD 361 billion) compared to December 2006. The ratio of total assets to GNP, was estimated to be 84 percent as of March 2007.

In the first quarter of 2007, total assets increased by 3 percent and 6 percent in deposit banks and development and investment banks, respectively. The share of private banks in total deposits increased by 1 percentage point, while the share of foreign banks decreased by 1 percentage point.



Compared to the December 2006, according to asset size, the share of largest five banks in total deposits increased by 1 percentage point to 65 percent, while the share of ten largest banks in total assets, in total loans, and in total deposits remained unchanged at 86 percent, 90 percent and 83 percent, respectively.

The share of the TRY equivalent of Fx assets in total assets decreased by 1 percentage point to 33 percent, while the share of TRY equivalent of Fx liabilities in total liabilities decreased 1 percentage point as well to 37 percent.

The remarkable development in asset side was the decline in the share of liquid assets due to decrease in Fx account of “banks and other financial institutions” item. On the other hand, the share of loans in total assets continued to increase.

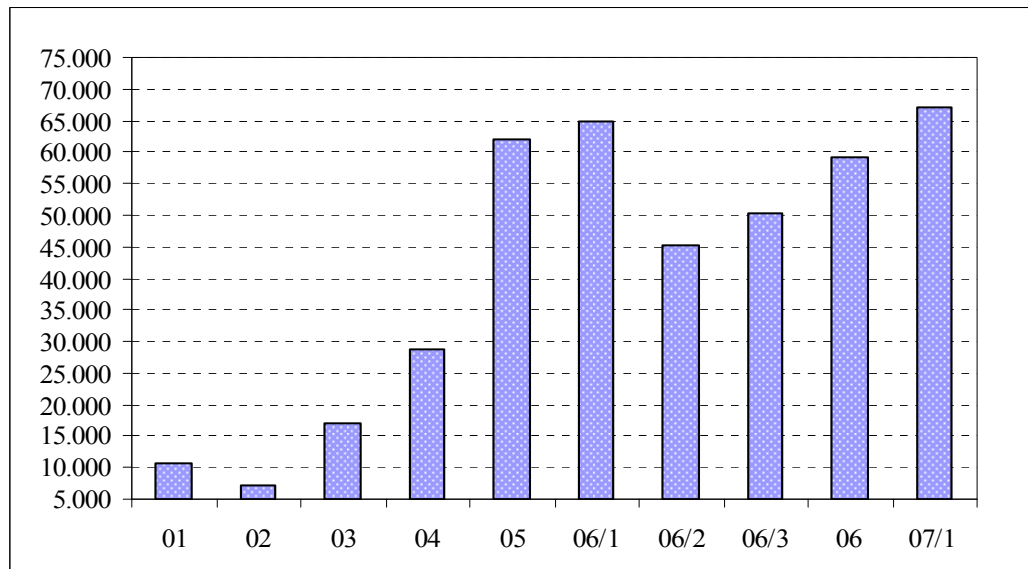
The share of loans in total assets increased by 1 percentage point to 46 percent as compared to December 2006. The ratio of loans to deposits increased by 1 percentage point to 71 percent in the banking sector. As of March 2007, this ratio was 42 percent

in the state-owned banks, 79 percent in the private banks and 100 percent in foreign banks.

Accounts of balance sheet less than one-year maturity have shares of 49 percent in total assets and 79 percent in total liabilities, respectively.

Total shareholders' equity increased by 8 percent and amounted to TRY 62.6 billion (USD 45.3 billion) compared to December 2006. The ratio of free shareholders' equity to total assets increased. Return on equity realized as 18.6 percent on annual basis.

Market Capitalization of Financial Institutions Traded in the Istanbul Stock Exchange (Million USD)



As of March 2007, the market value of financial institutions traded in the Stock Exchange increased to USD 67 billion, from USD 59 billion by the end of 2006.

Net profit increased by 24 percent to TRY 3,325 million compared to the same period of 2006. Net fees and commission income and other operating income had positively affected the profit performance.

The increase in revocable commitments and derivative financial instruments items effected off-balance items positively.

As of September 2006, the number of banks operating in Turkey was 46. The number of banks remained unchanged and number of branches increased by 125 to 6,974 compared to December 2006.