Turkey Banking System[1,2]
"September 2007"

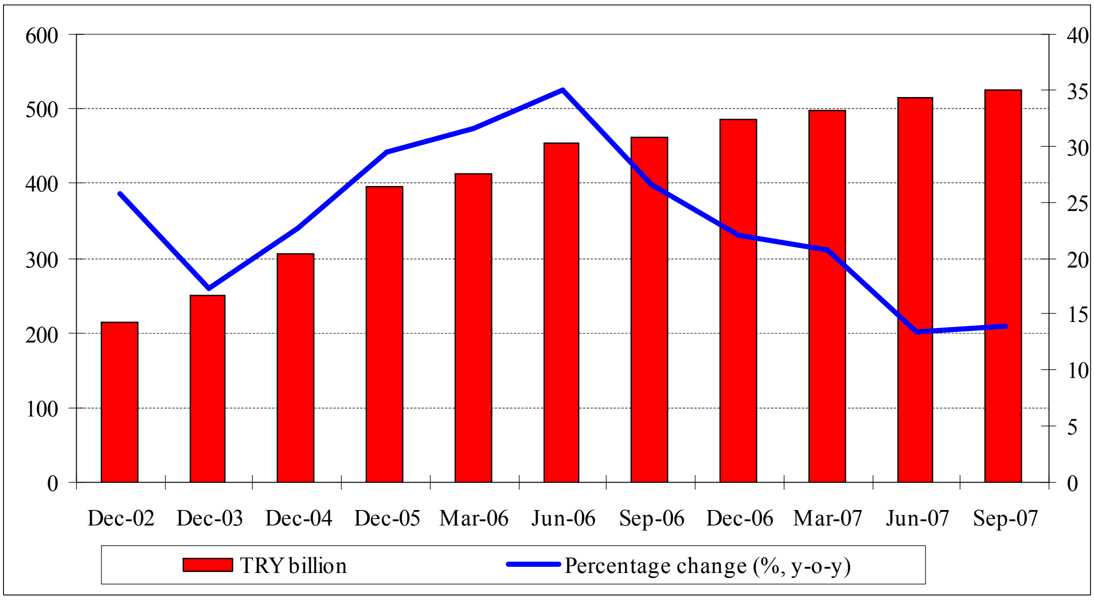
Developments in the Banking Sector

1. Executive summary

The banking system increased its liquid assets and shareholders' equity with the aim of taking a more hedged position against the general risks, before the general elections held in July 2007. Banks also preserved their positions in August 2007 during the financial turmoil in international financial markets. By September, they started changing their positions on the asset side. As a result, the share of liquid assets and securities decreased in total assets, while the share of loans increased.

There rate of growth slowed down in the third quarter mainly due to the depreciation of USD dollar and the increase in the cost of funding from abroad. The reflection of the increase in Fx deposits and loans from abroad in USD terms on the TRY balance sheets was limited due to the appreciation of TRY. The growth in the shareholders' equity was the most remarkable resource.

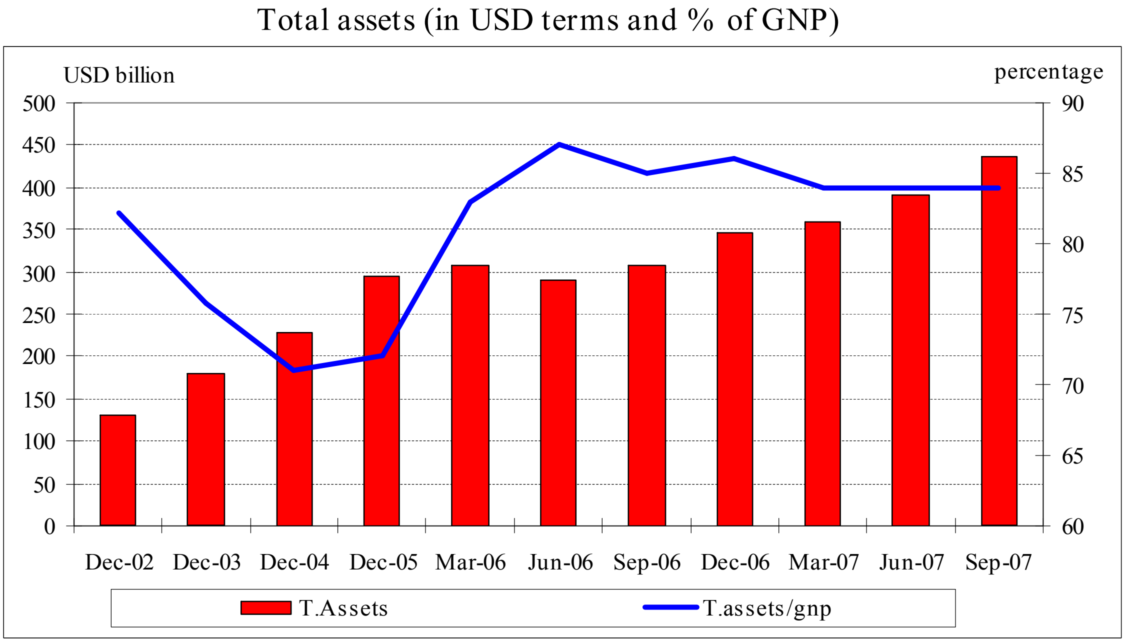
Total Assets



As of September 2007, total assets of the banking sector increased by 8 percent and amounted to TRY 525 billion (USD 436 billion) compared to December 2006. The ratio of total assets to GNP, was estimated to be 84 percent as of September 2007.

[1] Deposit banks and development and investment banks are included.

[2] The balance sheet format was changed with the "Communiqué on the Financial Statements, Related Explanations and Footnotes of Banks to be Disclosed to Public". Since September 2006 data has not been prepared according to this new format, comparison with the same period of last year could not be presented here.



Profitability ratios have decreased slightly in the third quarter. Net profit increased by 35 percent to TRY 11,410 million compared to the same period of 2006.

Foreign exchange net general position was long at USD 29 million. Balance sheet short position reached USD 17.8 billion. The share of the TRY equivalent of Fx assets in total assets declined by 4 percentage points to 30 percent, while the share of TRY equivalent of Fx liabilities in total liabilities decreased 4 percentage points as well to 34 percent.

In the first nine months of 2007, total assets increased by 8 percent in deposit banks and 16 percent in development and investment banks. The share of private banks both in total assets and total loans decreased by 1 percentage point, while the share of foreign banks increased by 1 percentage point.

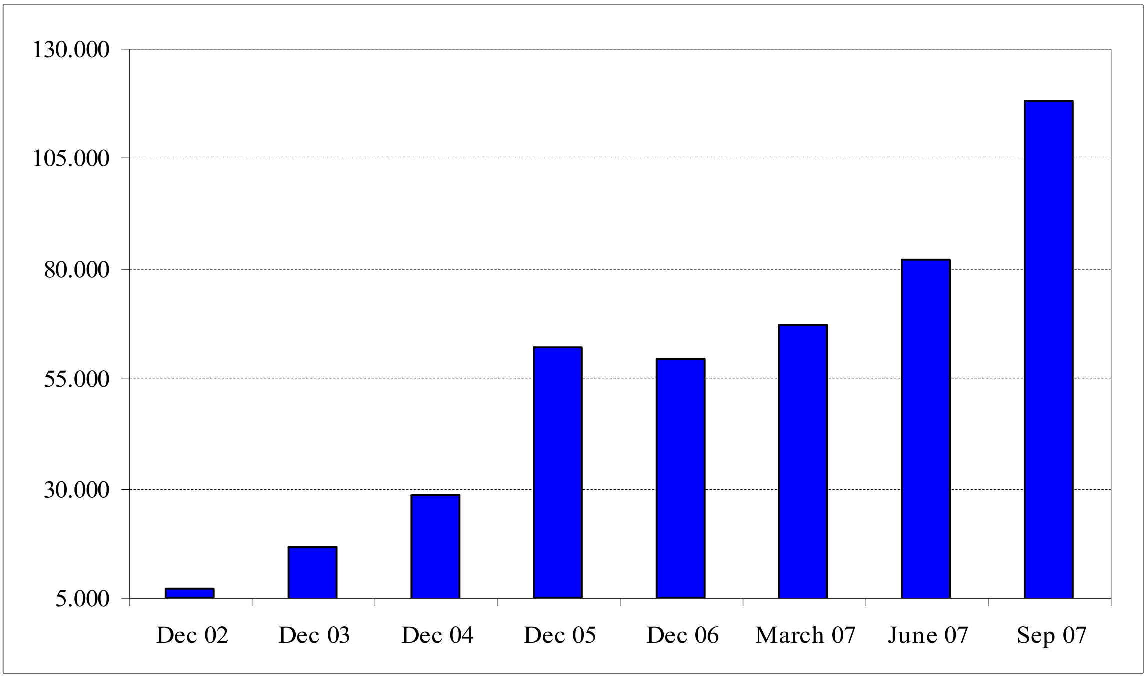
According to asset size, the largest five banks have 62 percent of total assets, while the largest ten banks hold a 85 percent of total assets.

The share of loans in total assets increased by 4 percentage points to 49 percent as compared to December 2006. The ratio of loans to deposits increased by 7 percentage points to 77 percent in the banking sector. As of September 2007, this ratio was 46 percent in the state-owned banks, 86 percent in the private banks and 104 percent in foreign banks.

Accounts of balance sheet less than one-year maturity have shares of 49 percent in total assets and 78 percent in total liabilities, respectively.

Total shareholders' equity increased by 20 percent and amounted to TRY 69.4 billion (USD 57.6 billion) compared to December 2006. The ratio of free shareholders' equity to total assets increased by 1.3 percentage points to 9.1 percent. Return on equity realized as 20 percent on annual basis.

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



As of September 2007, the market value of financial institutions traded in the İstanbul Stock Exchange increased to USD 106 billion, from USD 59 billion by the end of 2006.

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

As of September 2007, the number of banks operating in Turkey remained unchanged with 46 and the number of branches increased by 503 to 7,352 compared to December 2006.