



**The Banking System in Turkey
Quarterly Statistics by "Banks and Groups"
March 2010
(Last vs. Previous Period)**

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Banks and Groups, as of March 31, 2010

Sector Total	45		
I. Deposit Banks	32	II. Development and Investment Banks	13
- State-owned Banks Türkiye Cumhuriyeti Ziraat Bankası A.Ş. Türkiye Halk Bankası A.Ş. Türkiye Vakıflar Bankası T.A.O.		3 Aktif Yatırım Bankası A.Ş. BankPozitif Kredi ve Kalkınma Bankası A.Ş. Credit Agricole Yatırım Bankası Türk A.Ş. Diler Yatırım Bankası A.Ş. GSD Yatırım Bankası A.Ş.	
- Privately-owned Banks Adabank A.Ş. Akbank T.A.Ş. Alternatif Bank A.Ş. Anadolubank A.Ş. Şekerbank T.A.Ş. Tekstil Bankası A.Ş. Turkish Bank A.Ş. Türk Ekonomi Bankası A.Ş. Türkiye Garanti Bankası A.Ş. Türkiye İş Bankası A.Ş. Yapı ve Kredi Bankası A.Ş.	11	İller Bankası İMKB Takas ve Saklama Bankası A.Ş. Merrill Lynch Yatırım Bank A.Ş. Nurol Yatırım Bankası A.Ş. Taib Yatırım Bank A.Ş. Türk Eximbank Türkiye Kalkınma Bankası A.Ş. Türkiye Sınai Kalkınma Bankası A.Ş.	
- Banks Under the Deposit Insurance Fund Birleşik Fon Bankası A.Ş.	1		
- Foreign Banks Arap Türk Bankası A.Ş. Bank Mellat Citibank A.Ş. Denizbank A.Ş. Deutsche Bank A.Ş. Eurobank Tekfen A.Ş. Finans Bank A.Ş. Fortis Bank A.Ş. Habib Bank Limited HSBC Bank A.Ş. ING Bank A.Ş. JPMorgan Chase Bank N.A. Millenium Bank A.Ş. Société Générale (SA) The Royal Bank of Scotland N.V. Turkland Bank A.Ş. WestLB AG	17		

Banking System in Turkey ¹

“March 2010”

Developments in the Banking Sector

1. General Outlook

1.1. Economic Review

The recovery trend in economic activity continued.

Starting from the first quarter of 2009, the negative effects of the global crisis started to lessen. Risk perception of economic agents declined, in line with the economic activity, credit demand and supply started to increase. These developments continued in the first quarter of 2010.

Declaration of ‘fiscal rule’ in Turkey and its evaluation as feasible by the economic agents, in a conjuncture where fiscal problems and risks gained a specific importance in developed countries, were positive developments.

The recovery trend in economic activity was reflected also to the banking sector and loans increased. The rate of increase of loans under follow-up decreased and their share in total loan stock started to decline. Liquid assets decelerated parallel with the lower perception of risks.

Risks preserved.

On the other hand, the trend of lower use of foreign funds continued and the need for keeping the public sector borrowing requirement at a low level persists. The public finance problems in euro area countries with which Turkey has strong financial and commercial ties remains as an important risk. The exit strategy declaration of Central Bank of Republic of Turkey confirmed that the economic recovery period would not be supported with the use of monetary policy.

The positive effect of the decrease in interest rates on profitability continued with a slowdown. The profitability and shareholders’ equity growth of the banking sector is expected to be restricted in the coming period with the stop in the decrease in interest rates.

1.2. Developments in Balance Sheet Items

In the first quarter of the year, total assets increased in line with the increase in loans.

Total assets increased by 14 percent in the first quarter of the year compared to the same period of 2009. As of March 2010, total assets were TL 824 billion (USD 543 billion). The ratio of total assets to gross domestic product is estimated to increase 85 percent as of March 2010.

¹ Deposit banks and development and investment banks are included.

Total assets increased by 14 percent in deposit banks and development and investment banks, as compared to the March 2009. 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. The share of private banks in assets remained unchanged.

The ratio of loans to total assets realized 49 percent by decreasing 1 percentage points as compared to March 2009, but increased 2 percentage points compared to December 2009. Loans to deposits ratio was 76 percent by decreasing 3 percentage points compared to March 2009. The same ratio was 56 percent in state-owned banks, 79 percent in private banks and 102 percent in foreign banks as of March 2010.

Compared to the previous year, consumer loans grew at a higher rate than the corporate loans in the first quarter of 2010. The rapid growth in consumer loans was mainly due to the growth in mortgage loans. The share of mortgage loans in total loans increased by 1 percentage point to 11 percent.

The share of loans under follow-up in total loans though continued to increase annually, decreased as compared to 2009 year-end. Special provisions grew faster than the loans under follow-up and consequently, the coverage of loans under follow-up by the provisions increased. The share of loans under follow-up before provisions in the balance sheet increased to 2.5 percent, and its ratio to the total loans to 5 percent level.

The share of TL deposits and shareholders' equity in liabilities continued to increase.

Deposit based funds remained important as before, among the non-deposit funds, share of loans from abroad decreased. Funds from repo transactions increased. In line with these developments in the liabilities structure and with the appreciation of TL against USD and Euro, the share of Fx items in the balance sheet decreased.

Shareholders' equity was TL 112 billion (USD 74 billion) as of March 2010 with an increase of 28 percent compared to March 2009. This growth was supported mainly by the increase in paid-in capital and extraordinary reserves.

Compared to March 2009, the capital adequacy ratio increased by 1.6 percentage points to 20.2 percent,

The ratio of free shareholders' equity to total assets increased from 8.7 percent to 10.2 percent with the growth of shareholders' equity and improvement of asset quality.

1.3. Profitability

Profits continued to increase but at a decelerating rate.

In the first quarter of the year, interest income was TL 19.2 billion and the interest expenses were TL 8.6 billion. Net interest income increased by 8 percent to TL 10.6 billion compared to the same period of 2009.

Profit volume increased by 22 percent to TL 6.1 billion compared to the same period of previous year. The decrease in interest rates had a positive effect on profits where the average maturity of total assets were longer than the average maturity of total liabilities.

With the weakening of this effect, the profit volume is expected to be determined mainly by the change in the volume of credits in the coming period.

High level of shareholders' equity, the increase in other operational income and the decrease in the provisions due to the decrease in the loans under follow-up added to the increase in profitability.

Return on equity was realized as 18.3 percent and return on assets as 2.5 percent on annual basis.

1.4. Balance Sheet Risks

There was no considerable change in the Fx position or maturity risks.

Net foreign exchange position of the banking sector showed a deficit of USD 447 million. Compared to March 2009, the ratio of TL equivalent of FX assets to total assets decreased by 5 percentage points to 27 percent, while the ratio of TL equivalent of FX liabilities to total liabilities decreased also by 4 percentage point to 31 percent.

Considering maturity 49 percent of total assets and 79 percent of total liabilities had a maturity of less than 1 year. The maturity mismatch between the assets and liabilities was negatively affected from the decrease in the use of foreign funds and positively from the increase in own funds.

A 1.4 percent (TL 5.8 billion) of loans and a 3 percent (TL 15.6 billion) of total deposits belong to the risk group of banks. Banks' net risks arising from their risk groups amount (TL -9.9 billion).

1.5. Selected Issues

The number of branches and employees increased.

As of March 2010, the number of banks operating in Turkey remained the same at 45 compared to December 2009. On the other hand, the number of branches and employees increased by 2 and 2,091 to 9,029 and 174,493 in the same period, respectively.

According to the asset size, deposit share of the first five banks increased by 1 percentage point, loans and deposits share remained same compared to December 2009, while the share of first ten banks in assets, loans, and deposits remained same at 87 percent, 91 percent and 85 percent respectively.

Off-balance sheet items continued to grow especially due to the increase in commitments.

The growth in the number of credit cards and debit cards slowed down while the volume of transactions continued to increase. On the other hand, regarding the internet banking both the number of customers and the volume of transactions increased.

Glossary

1. Terms used in Financial Statements

TC: Turkish Currency **FC:** Foreign Currency

Fin.ass.where fair value cha. is refl.to I/S (Net): Financial assets where fair value change is reflected to income statement

Fin.assets clas. as fair value change is refl.to I/S: Financial assets where fair value change is reflected to income statement

Hedges for invest. made in foreign countries: Hedges for investments made in foreign countries

Prop.&Equ.for Sale p. and from Term.Op.(Net) : Property and equipment held for sale purpose and held from terminated operations

Derivative Finan. Liabilities Held for Trading: Derivative Financial Liabilities Held for Trading

Derivative Finan. Liabilities Held for Hedging: Derivative Financial Liabilities Held for Hedging

Lia.for Prop.&Equ.for Sale p. and from Term.Op.(Net) : Liabilities for Property and equipment held for sale purpose and held from

Revaluation changes of property and equip.: Revaluation changes of property and equipment

Revaluation changes of real est.for inv. pur.: Revaluation changes of real estates for investment purpose

Free shares from inv.&ass.,subs.& joint vent.: Free shares from investment and associates, subsidiaries and joint ventures (business partners)

Val.inc.in pro.& equ.held for sale p.and term.ope.: Value increase in property and equipment held for sale purpose and held from terminated operations

Derivative finan. instruments held for hedging: Derivative financial instruments held for hedging

Accepted independent guaran. and warran.: Accepted independent guaranties and warranties

2. Formulas Used in the Calculation of Ratios

Shareholders' Equity / (Amount subject to credit risk + Amount Subject to Market Risk + Amount subject to operational risk)

(Capital Adequacy Ratio): Prepared in the "Financial Position" section of the Communique-Financial statements and related explanation and footnotes of the banks that is disclosed to the public-

Financial assets (net) = Financial assets where fair value change is reflected to income statement (net) + Financial Assets Available for Sale (net) + Investments held to Maturity (net) + Derivative Financial Assets Held for Hedging

Total Loans and Receivables = Loans and Receivables + Loans Under Follow-up - Specific Provisions

Loans Under Follow-up (net) = Loans Under Follow-up - Specific Provisions

Permanent Assets = Investments and Associates (net) + Subsidiaries (net) + Joint Ventures (net) + Property and Equipment (net) + Intangible Assets (net) + Property and Equipment Held for Sale Purpose and from Terminated Operations (Net) + Loans Under Follow-up - Specific Provisions

Net On Balance- Sheet Position: Used from the "Information on currency risk of the bank" table from "Financial Position" section of the Communique-Financial statements and related explanation and footnotes of the banks that is disclosed to the public-

Net Off Balance- Sheet Position: Used from the "Information on currency risk of the bank" table from "Financial Position" section of the Communique-Financial statements and related explanation and footnotes of the banks that is disclosed to the public-

TC: Turkish Currency **FC:** Foreign Currency

Consumer Loans : Used the sum of the table "Consumer Loans, Individual Credit Cards, Personnel Loans and Personnel Credit Cards" from "Information and Disclosures Related to Assets" section of the Communique-Financial statements and related explanation and footnotes of the banks that is disclosed to the public-

Liquid Assets = Cash and Balances with the Central Bank of Turkey + Financial assets where fair value change is reflected to income statement (net) + Banks + Money Market Placements + Financial Assets Available for Sale (Net)

Short-term Liabilities: "Demand" and "Up to 1 Month" columns of the "Liquidity Risk" table from "Financial Position" section of the Communique-Financial statements and related explanation and footnotes of the banks that is disclosed to the public-

Net Interest Income after Provisions = Net Interest Income - Specific Provisions for Loans and Other Receivables

Non-interest Income (net) = Net Fees and Commissions Income/Expenses + Dividend Income + Trading Profit/Loss (net) + Other Operating Income

Personnel Expenses: Used from the table from "Information and Disclosures related to Income Statement" section of the Communique-Financial statements and related explanation and footnotes of the banks that is disclosed to the public-

3. Exchange Rates (EUR/TRY)

Year	Period	EUR/TRY	Year	Period	EUR/TRY
2010	March	2.0405	2009	March	2.2163

4. This report is prepared from the year-end audited and non-consolidated "The Common Data Set" of banks (deposit banks and development and investment banks that are operating in Turkey under the rules of Banking Law), that are sent to the Banks Association of Turkey and prepared according to related Communique-Financial statements and related explanation and footnotes of the banks that is disclosed to the Public-

5. Some of the tables in the "Appendix" section of the report are prepared using the data from the "Related Explanation and Footnotes". The differences between some figures of "Financial Tables" and the figures from "Footnotes" are due to the differences in the tables of some banks.