



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

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Banks and Groups, as of June 30, 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 **“June 2010”**

Developments in the Banking Sector

1. General Outlook

1.1. Economic Review

The recovery trend in economic activity strengthened.

Economic activity continued to grow in the second quarter of 2010 in the Turkish economy. The growth rate accelerated due to the lessening of the negative effects of the global crisis and the positive effect of policies stimulating domestic demand combined with the lower turnover rate of public debt and lower risk perception.

Banking sector was effective in growth.

The portfolio preference of the banking sector was effective in the recovery trend of the economic activity. There was a rapid growth both in individual and commercial loans and a slow down in the loans under follow-up.

The increase in deposits continued and procuring of funds from abroad started again. The number of branches and employees of banking sector increased.

The increase in profit volume slowed down.

In addition to the severe competition, with the effect of slow growth of demand and continued to increase in branch number and other activity investments, profit margins continued to decrease, the rate of growth of profit volume decelerated.

On the other hand, the decrease in loan loss provisions had a positive effect on the profitability.

1.2. Developments in Balance Sheet Items

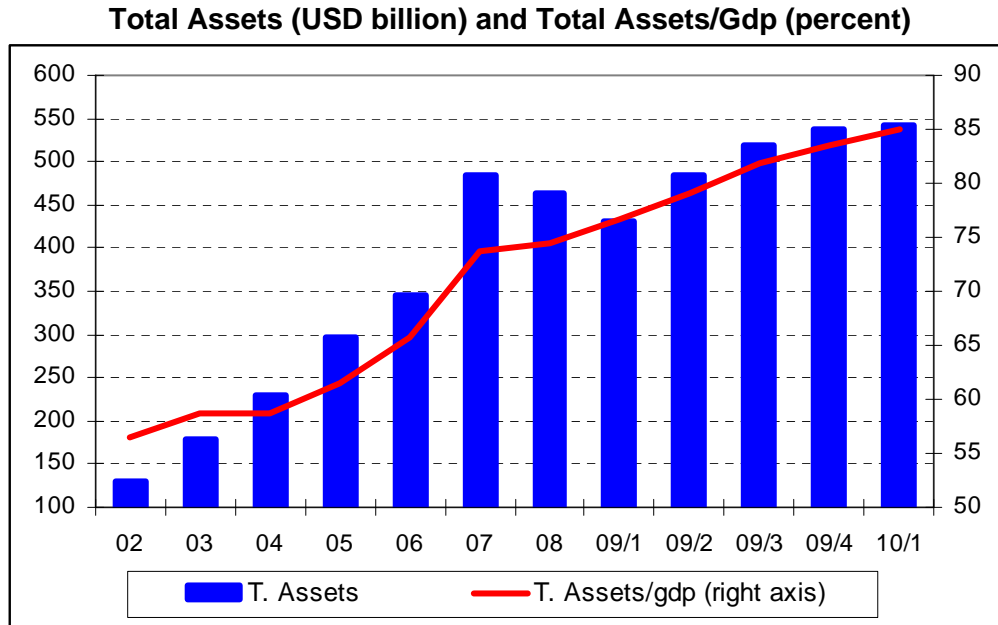
In the first half of the year, total assets increased in line with the increase in loans.

Total assets increased by 18 percent in the first half of the year compared to the same period of 2009. As of June 2010, total assets were TL 870 billion (USD 553 billion). The ratio of total assets to gross domestic product is estimated to increase to 86 percent as of June 2010.

¹ Deposit banks and development and investment banks are included.

Total assets increased by 18 percent in deposit banks and 15 percent in development and investment banks, as compared to the June 2009.

In the same period, the share of public banks in total loans increased by 1 percentage point, while the share of private banks decreased by 1 percentage point. The share of foreign banks remained unchanged.



The ratio of loans to total assets realized at 51 percent by increasing 2 percentage points as compared to June 2009. Loans to deposits ratio was 79 percent by increasing 1 percentage point compared to June 2009. The same ratio was 58 percent in state-owned banks, 81 percent in private banks and 105 percent in foreign banks as of June 2010.

As of June 2010, individual loans grew by 23 percent annually. The rapid growth in consumer loans was mainly due to the growth in mortgage loans. The share of mortgage loans in total loans is 11 percent.

The share of loans under follow-up in total loans is 4.5 percent. The loans under follow-up decreased nominally in line with the increasing economic activity. The coverage ratio of loan loss provisions to non performing loans increased to 85 percent.

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

Deposit based funds remained important as before and growth trend in shareholders' equity continued. The increase in deposits stemmed especially from TL deposits. Among the non-deposit funds, share of loans from abroad decreased compared to June 2009, but increased in the second quarter of 2010. There was no considerable change in funds from repo transactions. In line with these developments, the share of Fx items in the balance sheet declined.

Shareholders' equity was TL 115 billion (USD 73 billion) as of June 2010 with an increase of 22 percent compared to June 2009. This growth was supported mainly by the increase in paid-in capital and extraordinary reserves.

Compared to June 2009, the capital adequacy ratio remained the same at 19.4 percent; but decreased by 0.8 percentage point in the second quarter of 2010.

The ratio of free shareholders' equity to total assets increased from 7.8 percent to 10 percent with the growth of shareholders' equity and decrease in non performing loans.

1.3. Profitability

Profits continued to increase but at a decelerating rate.

In the first half of the year, interest income was TL 38 billion and the interest expenses were TL 17.8 billion. Net interest income decreased by 1 percent to TL 20.2 billion compared to the same period of 2009.

Compared to the same period of previous year, profits increased by 11 percent to TL 11.8 billion. Net profit margin started to decrease annually. On the other hand, in addition to the increase in staff and the number of branches with the losses accrued due to derivative transactions, the net negative residual of non-interest items increased and restricted the increase in profitability.

Return on equity was decreased from 18.3 percent in June 2009 to 18 percent on annual basis and return on assets decreased from 2.5 percent to 2.4 percent in the same period. Thus, annual profitability started to deteriorate for the first time after the start of year 2009.

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 672 million. Compared to June 2009, the ratio of TL equivalent of FX assets to total assets decreased by 3 percentage points to 27 percent, while the ratio of TL equivalent of FX liabilities to total liabilities decreased also by 3 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. There was not a considerable change in the average maturity structure of total assets and liabilities compared to March 2010.

A 1.4 percent (TL 6.4 billion) of loans and a 3.6 percent (TL 20.3 billion) of total deposits belong to the risk group of banks. Banks' net risks arising from their risk groups amount was negative. (TL -13.9 billion).

1.5. Selected Issues

The number of branches and employees increased.

As of June 2010, the number of banks operating in Turkey remained the same at 45 compared to March 2010. On the other hand, the number of branches and employees increased by 120 and 1,871 to 9,149 and 176,364, respectively in the same period, respectively.

According to the asset size, loans share of the first five banks increased by 1 percentage point, deposits share decreased by 1 percentage point and assets share remained the same compared to March 2010, while the share of first ten banks in assets, loans, and deposits remained the same at 87 percent, 91 percent and 85 percent, respectively.

Off-balance sheet items continued to grow especially due to the increase in “derivatives for trading transactions” item.

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	June	1.9292	2009	June	2.1523

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.