



**The Banking System in Turkey  
Quarterly Statistics by "Banks and Groups"  
December 2002 - September 2010  
(All Periods)**

Report Code : DE09

December 2010



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## Banks and Groups, as of September 30, 2010

|   |           |   |           |
|---|-----------|---|-----------|
| <b>Sector Total</b>                             | <b>45</b> |   |           |
| <b>I. Deposit Banks</b>                         | <b>32</b> | <b>II. Development and Investment Banks</b> | <b>13</b> |
| <b>- State-owned Banks</b>                      | <b>3</b>  | Aktif Yatırım Bankası A.Ş.                  |           |
| Türkiye Cumhuriyeti Ziraat Bankası A.Ş.         |           | BankPozitif Kredi ve Kalkınma Bankası A.Ş.  |           |
| Türkiye Halk Bankası A.Ş.                       |           | Credit Agricole Yatırım Bankası Türk A.Ş.   |           |
| Türkiye Vakıflar Bankası T.A.O.                 |           | Diler Yatırım Bankası A.Ş.                  |           |
| <b>- Privately-owned Banks</b>                  | <b>11</b> | GSD Yatırım Bankası A.Ş.                    |           |
| Adabank A.Ş.                                    |           | İller Bankası                               |           |
| Akbank T.A.Ş.                                   |           | İMKB Takas ve Saklama Bankası A.Ş.          |           |
| Alternatif Bank A.Ş.                            |           | Merrill Lynch Yatırım Bank A.Ş.             |           |
| Anadolubank A.Ş.                                |           | Nurol Yatırım Bankası A.Ş.                  |           |
| Şekerbank T.A.Ş.                                |           | Taib Yatırım Bank A.Ş.                      |           |
| Tekstil Bankası A.Ş.                            |           | Türk Eximbank                               |           |
| Turkish Bank A.Ş.                               |           | Türkiye Kalkınma Bankası A.Ş.               |           |
| Türk Ekonomi Bankası A.Ş.                       |           | Türkiye Sınai Kalkınma Bankası A.Ş.         |           |
| Türkiye Garanti Bankası A.Ş.                    |           |   |           |
| Türkiye İş Bankası A.Ş.                         |           |   |           |
| Yapı ve Kredi Bankası A.Ş.                      |           |   |           |
| <b>- Banks Under the Deposit Insurance Fund</b> | <b>1</b>  |   |           |
| Birleşik Fon Bankası A.Ş.                       |           |   |           |
| <b>- Foreign Banks</b>                          | <b>17</b> |   |           |
| 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                                       |           |   |           |

# Banking System in Turkey <sup>1</sup>

## “September 2010”

### Developments in the Banking Sector

#### 1. General Outlook

##### 1.1. Economic Review

###### **Economic recovery continued.**

Economic recovery continued in the Turkish economy in the third quarter of 2010. The strengthened decoupling between developed and developing countries and the ongoing foreign funds inflow supported this recovery.

###### **Risk perception increased.**

The ongoing quantitative easing policies in developed countries and the debt problems in a number of European countries increased risk perception. For Turkey, current account deficit and the growing foreign funds inflow were factors increasing the risk perception.

###### **Profit growth slowed down.**

Due to the strong competition in the sector interest margin continued to decrease, profit growth slowed down.

On the other hand, the decrease in the special provisions for loans under follow-up and the increase in other operating income effected profit performance positively.

##### 1.2. Developments in Balance Sheet Items

###### **In the first nine months of the year, total assets increased in line with the increase in loans.**

Total assets increased by 16 percent in the first nine months of the year compared to the same period of 2009. As of September 2010, total assets were TL 886 billion (USD 614 billion). The ratio of total assets to gross domestic product is estimated 84 percent as of September 2010.

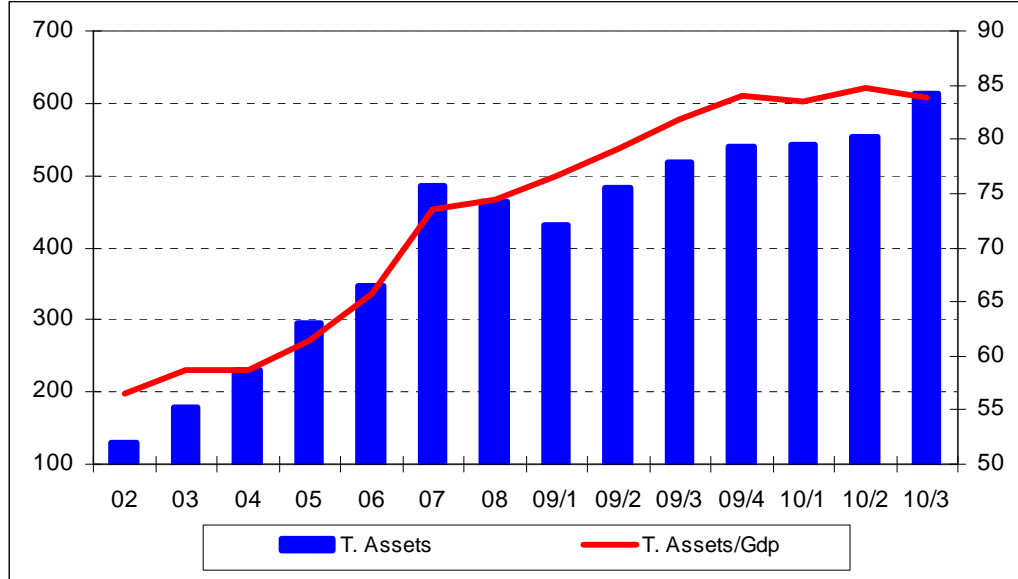
Total assets increased by 16 percent in deposit banks and 10 percent in development and investment banks, as compared to the September 2009.

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

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<sup>1</sup> Deposit banks and development and investment banks are included.

**Total Assets (USD billion) and Total Assets/Gdp (percent)**



The ratio of loans to total assets realized at 52 percent by increasing 4 percentage points as compared to September 2009. Loans to deposits ratio was 81 percent by increasing 5 percentage points compared to September 2009. The same ratio was 61 percent in state-owned banks, 84 percent in private banks and 105 percent in foreign banks as of September 2010.

As of September 2010, individual loans grew by 27 percent annually. The rapid growth in consumer loans was mainly due to the growth in mortgage and other individual loans. The share of mortgage and other individual loans in total loans is 11 and 12 percent, respectively.

The share of loans under follow-up in total loans is 4.3 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 86 percent.

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

As of September 2010, 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 and share of funds obtained from repo transactions decreased compared to September 2009. In line with these developments, the share of Fx items in the balance sheet declined.

Shareholders' equity was TL 122 billion (USD 84 billion) as of September 2010 with an increase of 20 percent compared to September 2009. This growth was supported mainly by the increase in paid-in capital and extraordinary reserves.

Compared to September 2009, the capital adequacy ratio decreased by 0.7 percentage point in the third quarter of 2010, but increased 0.2 percentage point compared to June 2010.

The ratio of free shareholders' equity to total assets increased from 9.6 percent to 10.4 percent with the growth of shareholders' equity and decrease in non performing loans.

### **1.3. Profitability**

#### **Profitability decreased on yearly basis.**

In the first nine months of the year, interest income was TL 56.1 billion and the interest expenses were TL 27.5 billion. Net interest income decreased by 8 percent to TL 28.6 billion compared to the same period of 2009.

Compared to the same period of previous year, profit increased by 7 percent to TL 16.3 billion. Net profit margin started to decrease annually. On the other hand, despite the increase in staff and the number of branches with the losses accrued due to derivative transactions, due to increase in other operating income, the net negative residual of non-interest items decreased.

Return on equity was decreased from 15 percent in September 2009 to 13.4 percent on annual basis and return on assets decreased from 2 percent to 1.8 percent in the same period. Thus, annual profitability continued to deteriorate.

### **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 1.620 million. Compared to September 2009, the ratio of TL equivalent of FX assets to total assets decreased by 2 percentage points to 26 percent, while the ratio of TL equivalent of FX liabilities to total liabilities decreased by 1 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 June 2010.

A 1.5 percent (TL 6.9 billion) of loans and a 3.5 percent (TL 20.1 billion) of total deposits belong to the risk group of banks. Banks' net risks arising from their risk groups amount was negative. (TL -13.2 billion).

## 1.5. Selected Issues

### **The number of branches and employees increased.**

As of September 2010, the number of banks operating in Turkey remained the same at 45 compared to June 2010. On the other hand, the number of branches and employees increased by 189 and 1,005 to 9,338 and 177,369 in the same period, respectively.

According to the asset size, compared to June 2010, the share of first five banks in assets, loans, and deposits remained the same at 63 percent, 66 percent and 57 percent; respectively. Also 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 and revocable commitments item.

The growth rate in the number of debit cards slowed down while the growth in the number of credit cards remained same. On the other hand, the volume of transactions of both continued to increase. As for the transactions carried out through internet banking, both the number of customers and the volume of transactions continued to increase.

# Glossary

## 1. Terms used in Financial Statements

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

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

**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

**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 (Net) + Loans Under Follow-up - Specific Provisions

**Unclassified Assets** = Factoring Receivables + Receivables From Leasing Transactions (net) + Real Estates for Investment Purpose (Net) + Assets for Tax + Other Assets

**Non-Deposit Funds** = Money Market Takings + Funds Borrowed + Funds + Marketable Securities Issued (net)

**Unclassified Liabilities** = Factoring Payables + Payables to Leasing Transactions

## 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

**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 (USD/TRY)

| Year | Period    | USD /TRY | Year | Period    | USD /TRY |
|------|-----------|----------|------|-----------|----------|
| 2002 | December  | 1.6397   | 2007 | March     | 1.3801   |
| 2003 | March     | 1.7001   | 2007 | June      | 1.3046   |
| 2003 | June      | 1.4076   | 2007 | September | 1.2048   |
| 2003 | September | 1.3844   | 2007 | December  | 1.1593   |
| 2003 | December  | 1.3933   | 2008 | March     | 1.3064   |
| 2004 | March     | 1.3102   | 2008 | June      | 1.2186   |
| 2004 | June      | 1.4809   | 2008 | September | 1.2316   |
| 2004 | September | 1.4973   | 2008 | December  | 1.5218   |
| 2004 | December  | 1.3363   | 2009 | March     | 1.6682   |
| 2005 | March     | 1.3462   | 2009 | June      | 1.5247   |
| 2005 | June      | 1.3337   | 2009 | September | 1.4770   |
| 2005 | September | 1.3422   | 2009 | December  | 1.4873   |
| 2005 | December  | 1.3418   | 2010 | March     | 1.5157   |
| 2006 | March     | 1.3417   | 2010 | June      | 1.5735   |
| 2006 | June      | 1.5697   | 2010 | September | 1.4434   |
| 2006 | September | 1.4971   |      |           |          |
| 2006 | December  | 1.4056   |      |           |          |

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. The application of inflation accounting system is ended by the end of December 2004. Therefore, in this report, the figures before 2005 are corrected according to purchasing power parity of the currency of that period. Inflation accounting system is not applied to the figures starting from the year 2005.

6. Some of the tables 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.