



BANKING
REGULATION AND SUPERVISION
AGENCY

ISSUE 26 | JUNE

2012

QUARTERLY

ISSN 1307-0347

FINANCIAL MARKETS REPORT

- Macro Financial Framework
- Macro Prudential Analysis
- Financial Sector Overview
- Financial Statements Analysis
- Risk, Capital and Profitability Assessment



**BANKING
REGULATION AND SUPERVISION
AGENCY**

FINANCIAL MARKETS REPORT JUNE 2012 – ISSUE 26

Department of Strategy Development

This Report is informing the public and BRSA shall not be held responsible for the decisions to be made depending on the information hereby. Partial quotation could be made, by indicating bibliography from the Report.

On Behalf of the Banking Regulation and Supervision Agency

Owner: Mukim ÖZTEKİN

Editor: Tamer BAKICIOĞLU

BANKING REGULATION AND SUPERVISION AGENCY
Atatürk Bulvarı No: 191 06680 Kavaklıdere, Ankara-Turkey
DEPARTMENT OF STRATEGY DEVELOPMENT
Phone: (312) 455 65 29, Fax: (312) 424 08 74
Website: www.bddk.org.tr , e-mail: fpr@bddk.org.tr

Full document is published on the website of BRSA.

100 copies were published in BRSA AROKS Documentation Center.

Date of Publication: September 26, 2012

ISSN (Printed) : 1307-0347

ISSN (Online) : 1307-0355

EXPLANATION

- The BRSA having the main objective of **ensuring confidence and stability in financial markets** is publishing this periodical **Report** including the evaluations concerning the performances of banks, financial holding companies and leasing, factoring and finance and asset management firms as well as significant developments in financial sector pursuant to the Article 97(3) of the Banking Law Nr. 5411.
- This issue of the **Financial Markets Report** is composed of five sections. The section of macro financial framework includes global and national economic developments, the section of macro prudence analysis includes the variation in soundness and macro prudence indicators, the section of general outlook of financial sector includes the analysis of main indicators concerning financial sector and financial products, the section of financial statements analysis includes the performance analyses of banks, financial leasing, factoring, consumer finance and asset management companies based on the sector as well as information on guarantee, credit reference and clearing institutions, and the last section includes evaluations concerning the riskiness level of banks, as well as their own funds requirement and profitability analysis and stress tests.
- In the **Financial Markets Report**, unless otherwise specified, data concerning banks cover domestic and also foreign branches of banks and are presented by consolidating thereof.
- BRSA takes necessary measures to ensure the quality and reliability of data used in the tables and charts presented in this **Report**. However, BRSA declines any liability on account of data published in this Report.
- Periodic information included in any issue of **Financial Markets Report** may be changed in the following issues as a result of updating due to various reasons.
- This **Report** is prepared depending on the data received from the database by the date of September 10, 2012. The updates following the mentioned date are outside the scope of this **Report**.

GENERAL EVALUATION

Global outlook has deteriorated rapidly in the second quarter of year. IMF has updated its world proceeds growth estimations for 2012 and 2013 by decreasing them respectively by 0.1 and 0.2 point to 3.5% and 3.9%. Behind this deterioration lies the increase of fragilities especially in the Euro Zone which has entered once again to a stagnancy period. This weakness in growth performance causes the unemployment ratio in EU to become chronic at around 11%. Providing macroeconomic stability and increasing the competitiveness for these countries require considerable institutional and structural transformations. In the USA, the appearance of economic activity is relatively stronger. However, especially political risks concerning public debt limit and FED indicating the period after elections for a new monetary expansion are factors which make expect a horizontal conduct for growth. IMF has announced the growth estimations of emerging economies for 2012 and 2013 respectively as 5.6% and 5.9%. It is seen that the emerging economies are affected from the decrease in global trade volume and that many economies are trying to provide a soft descent within the aim of pursuing their domestic macroeconomic balances. It is observed that China is in a process of transition to a structure focused more on internal demand to protect the production level. Consequently, it is seen that the global activity has lost its growth momentum. To prevent that this situation becomes permanent, developed countries are supposed to resolve their public debt problems; but also the problem in the banking field in EU shall not be made a financial fragility area and the global trade shall be re-animated.

While some developed economies were moved away from the stability targeted in public finance and growth after the crisis, Turkish economy has realized a GDP growth by 2.9% in the second quarter of 2012 by virtue of accurate macroeconomic policies implemented. This ratio confirms that the soft passage to balanced, stable and sustainable growth is still continuing in 2012. Possible negative reflections of the global crisis on Turkish economy by means of foreign trade and capital are kept at a minimum level with orientation to foreign markets, measures limiting internal demand, policies encouraging production and saving and consistent public finance. Within this process, the leading indicators announced lately indicate that the economic parameters and especially growth will be better than predicted by international institutions. Capacity usage ratios not getting worse, industrial production indicating a moderate increase, current deficit decelerating in monthly and annual basis, unemployment ratio tending to reduce are enforcing the expectation of a more consistent growth in the second half of 2012 comparing to equivalent economies. When compared to European countries, borrowing ratios seem to be better and thanks to the new steps aiming to increase financial discipline it is expected that the credibility of Turkey will increase even more.

When the development of ratios concerning banking activities which are amongst financial soundness indicators of the banking sector is analyzed, an asset structure having high liquidity is observed. This is a factor which reduces the riskiness level of the sector. The ratio of liquid and quasi-liquid assets to foreign liabilities is considerably high at 193.9%, which is considered as a positive factor. Amongst off-balance sheet which have reached a size 1.4 times bigger than the assets, the share of derivative transactions tend to increase and lately these transactions are making loss, which increases the sector's riskiness level. Ratios concerning capital adequacy are indicating the sector's high-quality capital structure. Capital adequacy ratio and principle capital ratio are quite above international standards. In the analysis of indicators concerning the asset quality of the sector, it is seen that the follow-up ratio has entered to a decreasing tendency since 2009, however, within this period during which high increases are observed in credit volume, this ratio may be pulled down even more by the improvements to be made in credit allocation process. In credit distribution, the decreasing tendency of the share of housing loans within total is evaluated as a positive development, considering the positive relation of

these loans with asset prices as well as their long-termed structure. The sector's income-expenses and profitability ratios show that the profitability is in a sufficient level for the maintenance of activities. In income-creating ratios and profitability ratios which were tended to decrease since 2008, an improvement is observed as of the first quarter of 2012.

Table 1: Soundness Indicators

%	2006	2007	2008	2009	2010	2011	03.12	06.12
Liquid&Quasi-Liquid Assets/Liabilities	104,4	198,9	194,8	203,5	198,3	182,3	187,5	193,9
FX Assets/Total Assets	33,1	28,3	30,3	26,7	25,6	30,3	28,9	29,1
Derivative Tr. /Off-Balance Sheet Tr.	38,6	41,6	41,2	43,3	37,6	35,0	42,8	43,8
Pr. Capital/Risk Weighted Assets (Net)	21,3	18,3	17,2	18,6	17,0	14,9	14,9	14,7
NPL (Gross)/Loans	3,80	3,48	3,68	5,27	3,66	2,70	2,74	2,66
Housing Loans/Cash Loans	10,2	11,0	10,3	11,0	11,2	10,6	10,5	10,3
Net Interest Margin	4,7	4,9	4,8	5,4	4,3	3,5	1,02	2,01

When the credit growth is analyzed by quarterly periods, it is seen that with also the effect of measures taken by the CBRT and BRSA, the growing rate has slowed down in the three-quarterly period after the second quarter of 2011. In the second quarter of 2012, credit growth rate has increased comparing to previous period. As of the second quarter of year, the annual real growth in credits is realized as 9.1%. This ratio is the lowest one in the last ten years, except for 2009 during which the effects of global crisis were felt the most. As of June 2012, the annual nominal growth in loans was 18.8%, while the USD based annual growth purified from exchange rate effect was 6.7%. According to credit expansion model, all of credit types were remained below the threshold value defining credit expansion. In conclusion, it is evaluated that the purpose of slowing down the increasing rate in loans was achieved and that the tightening policy measures oriented to credits may be elasticized considering global developments, growth targets and the improvements in credit quality.

While the organic growth of financial sector is continuing, alternative distribution channels used by financial institutions kept increasing in parallel with technologic developments. Both domestic and abroad number of branches has increased in the banking sector, and additional employment was created to 2.429 persons. In accordance with technologic developments, financial services were made available to investors in electronic environment, which supported the increase of the number of online banking branches. In the second quarter of year, the volume of financial transactions made on the internet via banks has increased by 2.9%, while the volume of mobile banking financial services has increased by 29%. The share of usage of banking cards for shopping other than withdrawing cash has reached 31.6%, which shows that the consumers were consciously oriented to use cards. With the new incentive applications the participation rate to PPS has increased by 5.8%. With the augmentation of activities to create awareness about the usage of financial instruments, it is considered that the attention towards insurance sector and especially the usage of bank cards supporting budget balances will increase. While the number of leverage transactions which are considered as an important data for monitoring investment behavior of investors has decreased by 23.9%, the transaction volume has increased by 80.7%. The number of investors having legal entity by in the share portfolio has increased by 15.5%, which shows that the corporate investors were headed towards share market. In the second quarter of year, private sector bills and bonds volume, demanded by both domestic and foreigner investors has reached to TL 24.3 billion. Total investments have increased by 2% nominally, which shows that the confidence of resident and non-resident investors towards Turkish economy is still continuing.

In the banking sector, of the increase by TL 127.8 billion seen in total assets by the end of the second half of 2012, 93% was emanated from the increase of loans. Loans kept their increasing tendency within total assets. Other items creating asset growth were securities portfolio and required reserves. In liability structure composition, it is seen that banks are maintaining their

policies to create liabilities alternative to deposit. Amongst items creating liability increase, the loans granted from banks and own funds have increased their share comparing to the last three months. Total assets have reached TL 1.3 trillion in the first half of 2012. While an attractive decrease emanating from cash assets and receivables from Central Bank in total cash assets of the sector is being experienced in last three months period, securities portfolio maintains its horizontal progress and the loans continues to increase. While a significant increase is experienced in deposit within liabilities, debts to banks item continues its increase. Composing promotion mechanisms increasing demand to deposit and deposit diversification; can provide assistance for also general financial stability other than sectoral profit that it shall create. It is important to increase long term liability opportunities of the sector for fortifying the balance sheet structure. Total off-balance sheet transactions reached to TL 1.8 trillion in the second quarter of 2012 by a moderate growth. In the mentioned increase, the increase in commitments emanating from derivative transactions was determinative. Relatively horizontal process of the scissors between off-balance sheet transactions and balance sheet is found positive in respect of risk management. The period profit of the sector reached to TL 11.6 billion by increasing 11.5% as to previous June. There was a decrease by TL 4.7 billion in cash and cash equivalent assets of the banks in June. When the change in cash flows as to cash flow statement is evaluated; while there was a decrease by TL 1.8 billion emanating from change in exchange rate and cash decrease by TL 11.6 billion, a cash flow amounting to TL 8 billion from financing activities were provided. As to own funds change statement, the own funds increased by TL 13.7 billion in net as to per period. TL 11.5 billion of this increase provided from period profit, TL 4.5 billion thereof provided from securities valuation differences, TL 0.3 billion thereof provided from capital increase. The fact that the number of banks in banking sector increased which uses the way of fortifying their own funds by public offering shall have positive reflecting in development of liability structure of the sector and besides stock markets. As to summary profit distribution statement, there was a decrease by TL 2.8 billion in own fund change due to profit distribution.

Table 2: Risk Outlook of Banking Sector

Risk Type	Direction of Risk			Expectations relating to future
	Decem. 2011	March 2012	June 2012	
Loan Risk	Stagnant	Stagnant	Stagnant	The rate of Follow up ratio not changes
Market Risk	Stagnant	Stagnant	Downwards	Market and rate of exchange risk shall continue in acceptable level
Derivative Transactions Risk	Upwards	Upwards	Stagnant	The concentration of over-the counter transactions continues
Structural Interest Rate Risk	Upwards	Upwards	Upwards	The deficit between assets and liabilities sensitive to interest in short term continues
Liquidity Risk	Upwards	Stagnant	Downwards	Liquidity adequacy ratio of the sector increases in moderate manner
Concentration Risk	Stagnant	Stagnant	Stagnant	Not monitoring a significant change in concentration of loans

The loan risk to which the banking sector is exposed continued its moderate decreasing trend in the first half of 2012. NPL ratio which is the most important indicator relating to loan risk regressed to 2.66% in June 2012 from 2.74% in March 2012. The fact that the increase in loans was more rapid than the increase in NPLs has provided the follow up ratio to decrease. In this period while SME loans and NPL relating to commercial loans decreased, NPL relating to consumer loans increased. When the sectoral distribution of the NPL is analyzed, it is seen that NPL relating to loans extended to services sector increased more as to other groups. The amount subject to market risk of the sector decreased approximately by 9% in the second quarter of the year. The fact that rate of FXNI to own funds decreased is a positive development in respect of rate of exchange risk. Nonetheless, as a result of the fact that the increasing in-balance sheet open position of the sector increased, there was an increase observed in FX swap transactions relating to removing the said deficit. The liquidity adequacy ratios of the banking sector presented a moderate increase in the second quarter of the year as to previous quarter. The average maturity of the deposit which is the most important fund resource of the sector is

approximately two months. As there is no problem experienced in respect of renewing the syndicated and securitization loans which are main elements of finance provided from abroad, due to negativities in European countries, it is observed that the cost were in increased for a certain amount in 2012. When the concentration indicators relating to sector are observed, it is seen that there was any change realized in the shares of the largest 25, 50 and 100 cash and non-cash loans in total loan amounts in current period. A relative increase realized in the share of large loans in own funds and the share of large loans in total loans. The fact that consumer loans having more customers protected their higher share in total loans is commented positively in respect of concentration risk. While the CAR of the sector presented a moderate decrease in parallel with the increase in growth and risk preferences as of 2009 year-end, it is progressing quite above the target ratio. CAR realized as 16.5% by showing a partial decrease in the second quarter of 2012. In the mentioned period while the own funds of the sector increased by 4.06%, risk weighted assets increased by 4.69% and a decrease amounting to 0.1 points in CAR occurred. While the highest increase in own funds occurred in general provisions by 10.1%, the highest increase in risk weighted assets in the same period was in 100% risk weighted loans by TL 21.5 billion. 86.7% of the capital liability of the sector is emanating from loan risk, 9.8% and 3.6% thereof are emanating from operational risk and capital risk respectively. In this period, the high share of tier-I capital in own funds is indicating strong capital structure. The said ratio was 89.1% in June 2012.

Net period profit of the banking sector was TL 11.5 billion in June 2012.it is seen that net period profit increased by TL 1.2 billion as to the same period of the previous year. By the effect of volume increase occurred in loans in the mentioned period, the interests taken from loans increased by 45.1% and the interests taken from securities increased by 20.1% by the effect of both volume increase and increase in interest ratios. By the effect of these developments, net interest incomes of the sector increased. But in the period mentioned, the relatively high increase observed in non-interest expenses affected in negative manner the income-expense balance and the profitability. The fact that a loss occurred amounting to TL 4.4 billion in especially in derivative financial instruments caused closing the capital market transactions with loss and increased the non-interest expenses, in this period. In addition to that, an increase observed in net interest margin and spread indicators of the sector, as to the same period of the previous year. The decreasing trend observed in ROA and ROE ratios as of 2010 has left its place to a parallel outlook as of the beginning of 2012. After-tax ROE and ROA of the sector were 14.3% and 1.7% respectively as of June 2012.

It is estimated that capital adequacy of the sector shall remain strong even in the most negative probable shocks and shall realize above the target ratio within the scope of sensitivity and scenario results implemented within the scope of stress test studies. This state is showing the fact that the sector continues to hold capital in adequate level against unexpected risk and that risks relating to positions taken are managed in efficient manner.

TABLE OF CONTENTS

1	MACRO FINANCIAL FRAME	1
1.1	Global Frame	1
1.2	Domestic Economic Frame	7
2	MACRO PRUDENTIALITY ANALYSIS	14
2.1	Developments on Soundness Indicators	14
2.2	Loan Growth	16
3	GENERAL APPEARANCE OF FINANCIAL SECTOR	19
3.1	Organic Development of Financial Sector	19
3.2	Appearance of Customers relating to Financial Products/Services	20
3.3	Development of Fundamental Sizes of Financial Sector	21
3.4	Development of Investment Instruments	22
4	FINANCIAL STATEMENT ANALYSIS	23
4.1	Banking Sector	23
4.2	Appearance of Non-Banking Financial Sector	29
4.2.1	Financial Leasing	29
4.2.2	Factoring	30
4.2.3	Consumer Financing	32
4.2.4	Asset Management	33
5	RISK, CAPITAL and PROFITABILITY EVALUATION	35
5.1	Risk Analysis	35
5.1.1	Credit Risk	35
5.1.2	Market Risk	39
5.1.3	Risks Emanating from Derivative Transactions	43
5.1.4	Structural Interest Rate Risk	44
5.1.5	Liquidity Risk	46
5.1.6	Concentration Risk	49
5.2	Own fund Requirement Analysis	52
5.3	Profitability Analysis	54
5.4	Stress Test Analysis	57

BOXES

Box 1: Developments on Household and Companies Sector.....	13
--	----

TABLES

Table 1.1-1: Public Finance Balance and Public Debt Stock by Countries.....	5
Table 2.1-1: Ratios relating to Banking Operations.....	14
Table 2.1-2: Development on Ratios Relating to Capital Adequacy.....	14
Table 2.1-3: Development on Ratios Relating to Asset Quality.....	15
Table 2.1-4: Income-Expenditure and Profitability Ratios.....	16
Table 2.2-1: Development of Growth in Loans.....	17
Table 3.1-1: Appearance of Branches in Financial Institutions.....	19
Table 3.1-2: Development of Alternative Distribution Channels.....	20
Table 3.1-3: Contribution of Financial Institutions to Employment.....	20
Table 3.2-1: Variation of Customers by Financial Products/Services.....	21
Table 3.2-2: Development in Card Payment Systems.....	21
Table 3.3-1: Variation in the Asset Size of Financial Sector.....	22
Table 3.4-1: Development of Investment Instruments.....	22
Table 4.1-1: Development of Fund Flow Table.....	23
Table 4.1-2: Development of Condensed Balance Sheet.....	23
Table 4.1-3: Horizontal Development of Condensed Balance Sheet.....	24
Table 4.1-4: Off-Balance Sheet Transactions.....	24
Table 4.1-5: Development of Off-Balance Sheet Transactions.....	25
Table 4.1-6: Condensed Income Statement.....	26
Table 4.1-7: Development of Condensed Income Statement.....	27
Table 4.1-8: Development of Condensed Cash Flow Table.....	27
Table 4.1-9: Development of Condensed Profit Distribution Table.....	28
Table 4.1-10: Development of Own Funds Variation Table.....	28
Table 4.2-1: Development of Financial Leasing Sector Main Balance Sheet Sizes.....	29
Table 4.2-2: Development of Financial Leasing Companies Selected Income Statement Items.....	29
Table 4.2-3: Financial Leasing Sector Soundness Indicators.....	30
Table 4.2-4: Appearance of Factoring Sector Main Balance Sheet Sizes.....	30
Table 4.2-5: Development of Factoring Companies Selected Income Statement Items.....	31
Table 4.2-6: Factoring Sector Soundness Indicators.....	31
Table 4.2-7: Appearance of Consumer Financing Sector Balance Sheet Main Indicators.....	32
Table 4.2-8: Appearance of Consumer Financing Companies Selected Income Statement Items.....	32
Table 4.2-9: Consumer Financing Sector Soundness Indicators.....	33
Table 4.2-10: Appearance of Asset Management Companies Main Balance Sheet Sizes.....	33
Table 4.2-11: Appearance of Asset Management Companies Selected Income Statement Items.....	34
Table 4.2-12: Asset Management Sector Soundness Indicators.....	34
Table 5.1-1: Development of Personal and Commercial Loans.....	35
Table 5.1-2: Subsectors Having the Highest Shares within Non-performing Loans.....	38
Table 5.1-3: Collateral and Guarantee Information Concerning Non-Performing Loans.....	39
Table 5.1-4: Credit Risk Sensitivity Analysis Results.....	39
Table 5.1-5: Distribution of the Banking Sector's Commercial Portfolio.....	40
Table 5.1-6: Effects of Possible Changes in Second Hand GDS Prices.....	41
Table 5.1-7: Effects of Possible Changes in Eurobond.....	41
Table 5.1-8: Effect of Probable Changes in Stocks and Investment Fund Prices.....	41
Table 5.1-9: Effects of Probable Changes in Rate of exchange.....	43
Table 5.1-10: Outlook of Counterparty of Derivative Transactions.....	44
Table 5.1-11: Development of Interest Margin and Components.....	45
Table 5.1-12: Scenarios relating to Structural Interest Rate Risk and Results Thereof.....	45
Table 5.1-13: Components of FX relating to Second Maturity Tranche and Total Liquidity Adequacy Rates.....	47
Table 5.1-14: Development of Stock Value Liquidity Ratio.....	47
Table 5.1-15: Deposit's Maturity Structure Outlook.....	48
Table 5.1-16: Development of Syndicated and Securitization Loans.....	49
Table 5.1-17: Distribution of Large Loans Allocated by Banks.....	50
Table 5.1-18: Shares of the Largest 25, 50 and 100 loans which the Banks Allocated within Total.....	50
Table 5.1-19: Distribution of Loans in Respect of Size and Number of Customer.....	50
Table 5.1-20: Concentration of Loans in Sectoral Basis.....	51

Table 5.1-21: Distribution of Deposit by Size and Number of Customer	51
Table 5.1-22: Distribution of Deposit within the scope of Insurance in respect of Size and Number of Customers	51
Table 5.2-1: Banks' Own Funds, RWA and CAR Growth in Type and Scale Basis	53
Table 5.2-2: Own Fund Main Components	53
Table 5.2-3: Distribution of Legal Capital Liability	53
Table 5.2-4: Development in RWA and Amounts Subject to Risk.....	54
Table 5.2-5: the Effect of Probable Rate of Exchange and Interest Changes to CAR	54
Table 5.3-1: Development of Interest Incomes by Loan Types.....	55
Table 5.3-2: Development of Profitability and Market Value Ratios	57
Table 5.4-1: Scenarios and Scenarios Analysis Findings	58
Table 5.4-2: Stress Test Results Profit – Loss	58
Table 5.4-3: Stress Test Results– Capital Adequacy	59

CHARTS

Chart 1.1-1: Global Growth	1
Chart 1.1-2: PMI Indexes	2
Chart 1.1-3: Industry Production Indexes.....	2
Chart 1.1-4: Surprise Indexes.....	3
Chart 1.1-5: Growth and Unemployment Predictions Made by Private Sector for G20 Countries.....	3
Chart 1.1-6: Emerging Market Economies Current Account Balance and Capital Flows.....	4
Chart 1.1-7: Global Financial Pressure Indexes and Compound Capital Market Indicators	4
Chart 1.1-8: Bond Spreads.....	5
Chart 1.1-9: CDS Spreads	6
Chart 1.1-10: Developments on Commodity Prices.....	6
Chart 1.2-1: GDP and Compound Leading Indicators	7
Chart 1.2-2: Domestic Vehicle Production and Industrial Production Index.....	8
Chart 1.2-3: Capacity Utilization Ratio and Order and Turnover Indexes	8
Chart 1.2-4: Debt Service Coverage Ratios and Debt Costs	9
Chart 1.2-5: Development of Debt Indicators	10
Chart 1.2-6: View of Interest Rates and Annual Inflation	11
Chart 1.2-7: Capital Movements and Foreign Financing Resources.....	11
Chart 2.2-1: Development of Loans and Economic Growth	16
Chart 2.2-2: Appearance of Loans.....	17
Chart 2.2-3: Development Rate of Loans Comparing to Banking Sector Activities.....	18
Chart 2.2-4: Periods corresponding to the Definition of Credit Expansion.....	18
Chart 4.1-1: Vertical Development of Condensed Balance Sheet	24
Chart 4.2-1: Financial Leasing Sector Performance Indicators	30
Chart 4.2-2: Factoring Sector Performance Indicators	31
Chart 4.2-3: Consumer Financing Sector Performance Indicators	32
Chart 4.2-4: Asset Management Sector Performance Indicators.....	34
Chart 5.1-1: Development of the Amount Subject to Credit Risk and Risk Weighted Assets	35
Chart 5.1-2: Development of Non-Performing Loans and Follow-Up Ratio	36
Chart 5.1-3: Fur and NPL Development of Personal and Commercial Loans and SME Loans	36
Chart 5.1-4: Development of Non-performing Loans and Follow up Ratio of Consumer Loans.....	37
Chart 5.1-5: Aging Analysis of Consumer Loans	37
Chart 5.1-6: Changes in Sectoral Distribution of Non Performing Loans and Follow up Ratio	38
Chart 5.1-7: Development of Amount Subject to Market Risk by Components.....	40
Chart 5.1-8: Development in Amount Subject to IBP, FXNGP and FX rate Risk.....	42
Chart 5.1-9: In Balance Sheet Share of FXNGP / Own fund Rate and FX Assets and Liabilities	42
Chart 5.1-10: Distribution of Derivative Transactions as to Transaction Type and Subject	43
Chart 5.1-11: Development of Interest Deficits.....	44
Chart 5.1-12: Development of FX relating to First Maturity Trancheand Total Liquidity Adequacy Ratios	46
Chart 5.1-13: Outlook of Repo Transactions	48
Chart 5.1-14: Development of Liquidity in Market.....	49
Chart 5.2-1: Development in Own Fund and Risk Weighted Assets	52
Chart 5.3-1: Distribution of Interest Expenses and Non-Income-Expenses Change Index.....	55
Chart 5.3-2: Outlook of Loss/profit Obtained from Derivative Financial Instruments	56

Chart 5.3-3: Development of Income/Expenses Items within Total	56
Chart 5.3-4: Development of After-tax Return on Assets and Equities	56

ABBREVIATIONS

EU	European Union
AERP	American Economic Recovery Plan
ATM	Automatic Teller Machines
BFCIUS	Bloomberg United States Financial Conditions Index
OBSOP	On-Balance Sheet Open Position
ICC	Interbank Card Center
LSDB	Large Scaled Deposit Banks
BRIC	Brazil, Russia, India, China
BRS	Banks Reporting System
ICRC	Interbank Clearing Rooms Center
BVSP	Ibovespa-Bovespa Index
CDS	Credit Default Swap
WB	World Bank
GDS	Government Debt Securities
SPO	State Planning Organization
FXDA	Foreign Exchange Deposit Account
EZ	Euro Zone
ECB	European Central Bank
EFT	Electronic Fund Transfer
EMBI	Emerging Market Bond Index
EUR	Euro
FED	Federal Reserve System
FMR	Financial Markets Report
FRB	Federal Central Bank
EC	Emerging Countries
GS	Goldman Sachs
GNP	Gross National Product
GDP	Gross Domestic Product
VCT	Venture Capital Trust
GTA	Global Trade Alert
REIT	Real-Estate Investment Trust
HH	Herfindahl Hirschman
HCIP	EA Harmonized Consumer Price Index
UoT	Undersecretariat of Treasury
IGE	Istanbul Gold Exchange
IIFC	Istanbul International Finance Center
IFS	International Financial Statistics
IMF	International Monetary Fund
ISE	Istanbul Stock Exchange
IPE	International Petroleum Exchange
JPMI-INDU	JP Morgan Industrial Index
JPMI-GLOB	JP Morgan Global Index
MoD	Ministry of Development
CGF	Credit Guarantee Fund
CC	Credit Card
CUR	Capacity Usage Ratio
OA	Overdraft Account
SME	Small and Medium Scale Enterprises
SSDB	Small Scale Deposit Banks
ASCR	Amount Subject to Credit Risk
DIB	Development and Investment Bank
LIBOR	London Interbank Interest Offered Rate

MoF	Ministry of Finance
SP	Securities Portfolio
Sec.	Securities
MF	Mutual Fund
IT	Investment Trust
CRA	Central Registry Agency
MSCI	Morgan Stanley Capital Index
MXEF	MSCI Emerging Markets Index
MXEU	MSCI Europe Index
MXX	MXSE IPC
MXWO	MSCI World Index
OECD	Organization for Economic Cooperation and Development
OIS	Overnight Index Swaps
MSDB	Medium Scale Deposit Banks
MTP	Medium Term Plan
AMO	Automotive Manufacturers Association
PI	Performance Index
PMI	Purchasing Managers' Index
POS	Point of Sale
ASMR	Amount Subject to Market Risk
RWA	Risk Weighted Assets
ROA	Return on Assets
ROE	Return on Equities
S&P	Standard and Poors
SPGS	Standard&Poor's and Goldman Sachs Commodity Index
CMB	Capital Markets Board of Turkey
IPI	Industrial Production Index
CAR	Capital Adequacy Ratio
CBRT	Central Bank of the Republic of Turkey
FUR	Follow-Up Ratios
NPL	Non-Performing Loans
TL	Turkish Lira
SDIF	Saving Deposit Insurance Fund
TC	Turkish Currency
TSCB	Takasbank ISE Settlement and Custody Bank Inc.
ACMII	Association of Capital Market Intermediary Institutions of Turkey
AIRC	Association of Insurance and Reinsurance Companies of Turkey
CPI	Consumer Price Index
TSI	Turkish Statistical Institute
USD	US Dollar
PI	Production Index
PPI	Producer Price Index
SHUM	Securities to be Held Until Maturity
TDE	Turkish Derivatives Exchange
n.d.	No data
HBA	Headquarters and Branches Abroad
FX	Foreign Exchange
FXNGP	Foreign Exchange Net General Position
RRR	Required Reserve Ratio

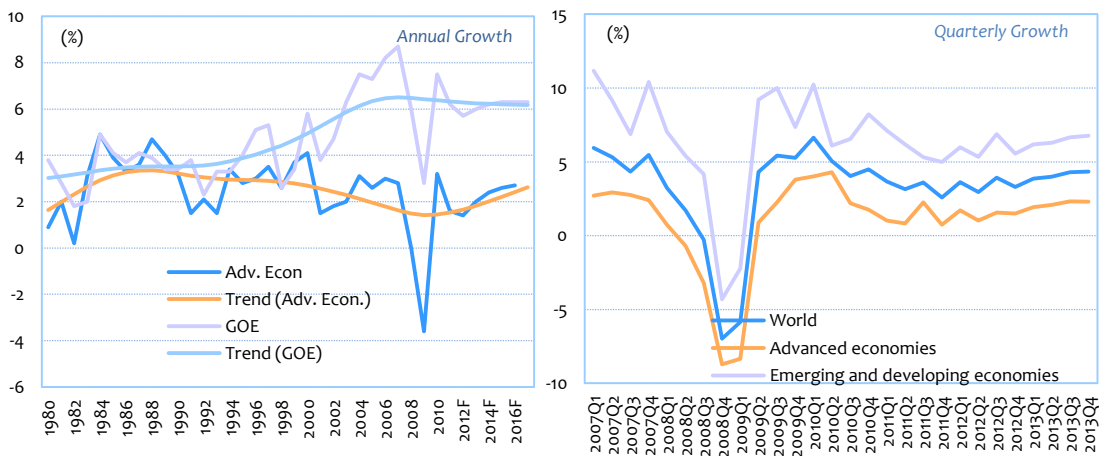
1 MACRO FINANCIAL FRAME

1.1 Global Frame

Global economic view distorted significantly together with the increase in fragilities in Euro Zone in the second quarter of the year. As a matter of fact, global growth rate increased to 3.6% in the first quarter of 2012 but could not keep out its performance in the second quarter of the year. Thus, the IMF updated its world product growth predictions for 2012 and 2013 downwards as 3.5% and 3.9%, respectively.

It is seen that the impacts of long-term refinancing operations of European Central Bank which is the determiner element of the growth performance more than expected in the first quarter of the year and the financing conditions which flagged accordingly are not permanent. It is seen that especially emerged economies are unsuccessful in employment creating in this period.

Chart 1.1-1: Global Growth



Source: IMF

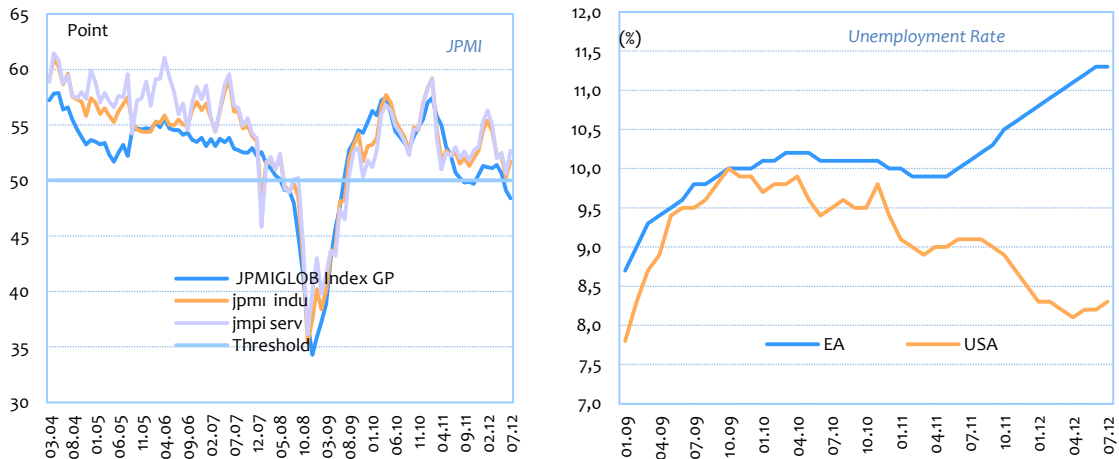
Euro Zone was in the center of negative economic and financial developments in the second quarter of 2012. The fact that the uncertainties in Greece increased more the tension in all financial markets, mainly in Europe, banking sector problems in Spain and the attitudes of region country governments relating to public financing measures caused global economic and financial uncertainties to increase in this period. Increasing uncertainties and vulnerability causes investor and consumer reliance to distort and to have problems in employment creating processes of countries, mainly in European region. As a matter of fact, it is seen that the high level of unemployment rates becomes chronic in parallel with the negative conduct in growth speed.

In the USA, the relative recovery in the beginning of the year weakened especially after financial consolidation and low export performance. The most important development from the point of view of the USA is that the view of housing market seems to reach to a rather stable point. However, it is seen that the recovery is not enough yet and the problems in work labor market continues. The IMF's growth prediction for the USA for 2012 is announced as 2%.

In emerging economies, the regression in growth rate is continuing. This is a predicted development as regard to emerging market economies which prepare their domestic economies to a soft downward slope against excessive warming concerning global risks. The IMF's 2012 growth predictions are revised downwards as China 8%, India 6.1% and Brazil 2.5%. The weakening in export performance of emerging economies and lower investment demand in domestic economy cause growth rates to decrease relatively. As a result, soft downward slopes with lower growth rate are foreseen as regard to emerging economies.

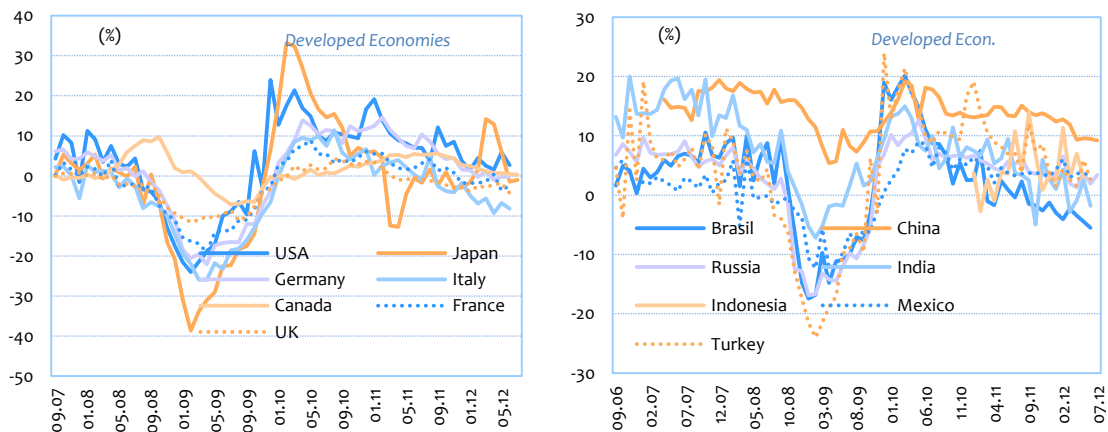
The IMF's 2012 and 2013 global growth speed prediction is announced as 3.5% and 3.9%, respectively. The mentioned rates are respectively 0.1 and 0.2 points below the predictions made in the previous period. Mainly the negative impacts of public financing crisis on financial markets centered by European Zone in the second quarter of 2012 and the increase in global spreading risk are effective in this development. Moreover, while unemployment is becoming chronic as a fundamental structural problem in Euro Zone, it continues by separating from other developed economies. The latest data and predictions sign out that the unemployment ratio is between 11-12% intervals in this region.

Chart 1.1-2: PMI Indexes



When short-term production and order data is analyzed, the disorder in the second half of 2012 is seen obviously. JPMorgan compound producer index is below 50 which is the threshold value while services and industry order indexes is just above the threshold value. The change in monthly industry production indexes by countries has a considerably weak performance on global scale. While developed economies experienced negative industry production increases in June and July 2012, increase speed decreased generally in emerging economies and decreases occurred on production level in some economies. This situation is one of the most important indicators showing that European crisis has negative effects on global trade.

Chart 1.1-3: Industry Production Indexes

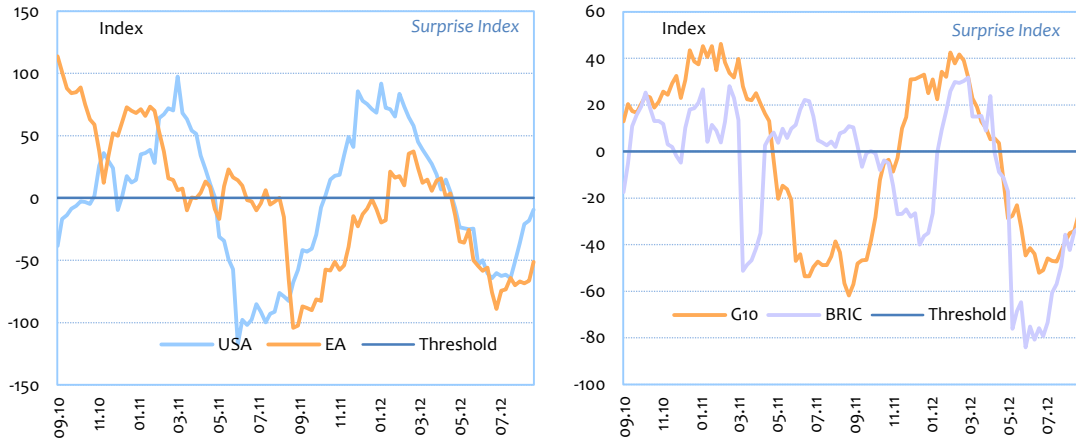


Source: Bloomberg

CitiGroup Surprise Index which gathers the expectations concerning short-term indicators is also reached to trough in the first quarter of the year and the index experienced a relative recovery

together with the increase in the distortion in market expectations. The index being still in negative levels signs out that data announced are below the predictions of private sector. Nevertheless, the difference between realizations and predictions is seen to be closed. It is thought that, rather than the relative recovery in data, this situation stems from the fact that predictions are getting more pessimist.

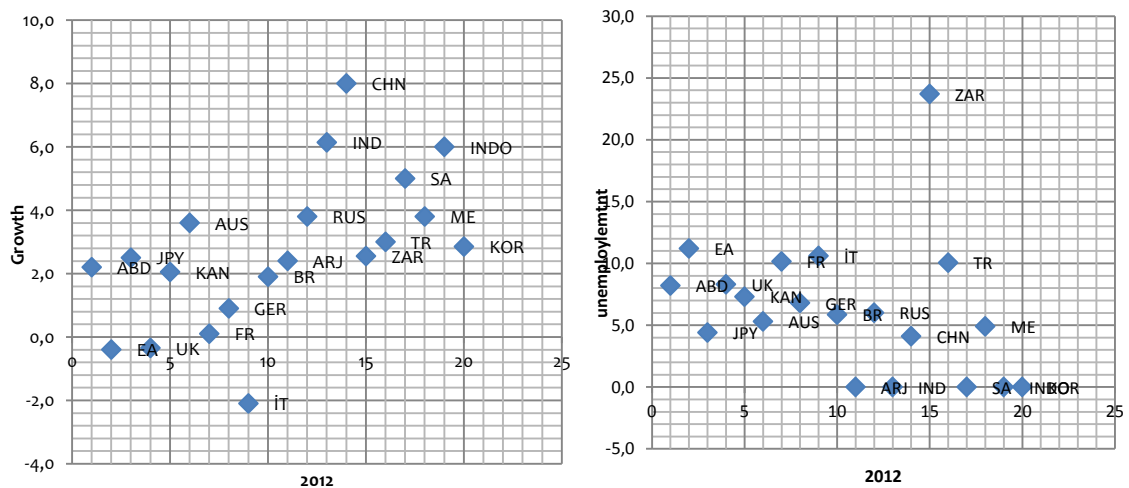
Chart 1.1-4: Surprise Indexes



Source: Bloomberg Surprise Index: It is prepared by Citigroup for selected country and country groups as dispersion index composed from the deviations of market expectations and realizations.

As a matter of fact, private sector (international bank economists) expectations are also revised downwards and points out to an EU-focused global slowdown in 2012. It is foreseen that the Euro Zone will shrink by 0.4% in 2012 and the unemployment will be about 11.2% and the mentioned ratios will realize by 0.6% and 11.5% respectively in 2013 without having a significant development. Predictions relating to Turkish economy show that after a growth performance by 3% in 2012, it will be 4% in 2013 and 5% in 2015.

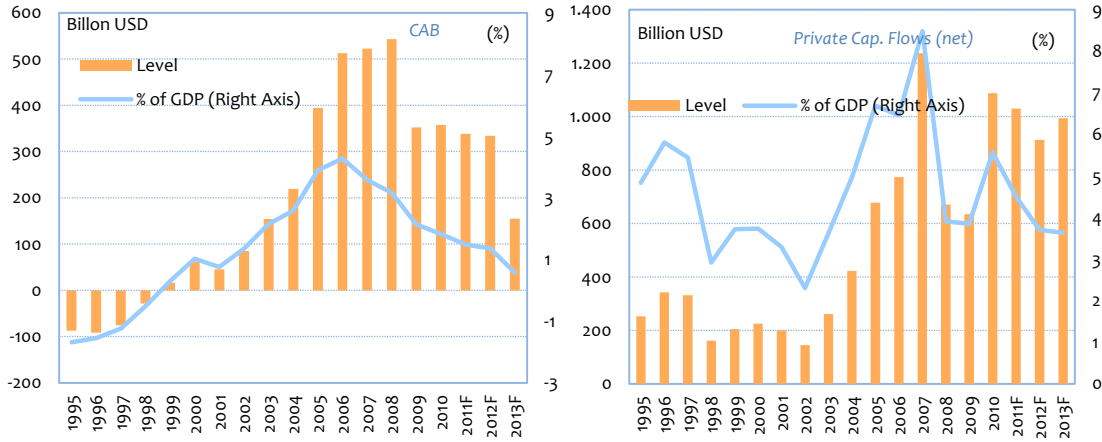
Chart 1.1-5: Growth and Unemployment Predictions Made by Private Sector for G20 Countries



Source: Bloomberg

While the increase in vulnerabilities in global conjuncture has negative impacts on global trade volume, capital movements concerning emerging market economies have a motion below the level reached in 2010 after the crisis. Furthermore, current transactions excess of emerging market economies continue to decrease as level and ratio to GDP.

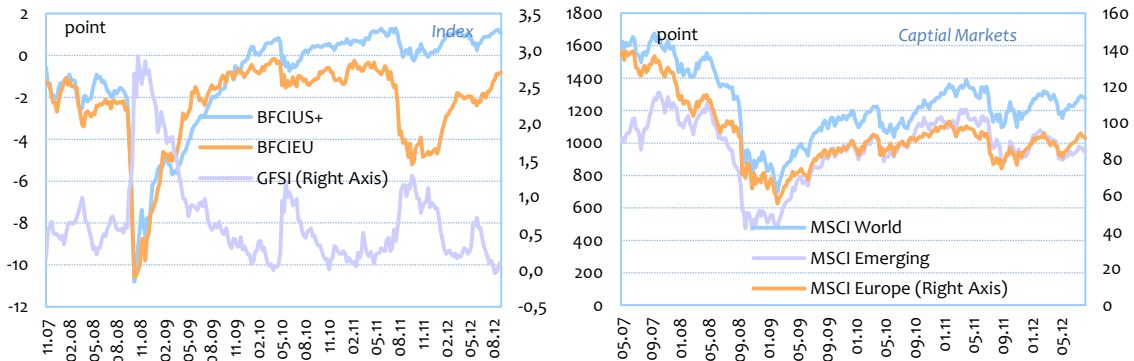
Chart 1.1-6: Emerging Market Economies Current Account Balance and Capital Flows



Source: IMF

Increasing country risks in Euro Zone and the squeeze in loan supply experienced again in this region as a result of banking sector-focused problems caused the pressure to increase in financial markets. In addition to the supportive fiscal and finance policy measures announced, the attempts to form a unity in banking sector and in public finance enforcement, measures such as strengthening of corporate structure, establishing a common supervision mechanism, bringing flexibility to recovery funds, giving ESM the power to capitalize the banks directly are very important in order for global financial effects of the European crisis not to spread out. Especially removal of the doubts towards the balance sheet quality of EU banks and ECB to strengthen its supportive position is standing out in current conjuncture. Removing the capital need of banking sector and strengthening the asset quality is deemed as the main financial priority area.

Chart 1.1-7: Global Financial Pressure Indexes and Compound Capital Market Indicators



Source: Bloomberg

The motion in Bloomberg financial status index (EU), global financial pressure index and compound capital market indicators obviously reflect the European-centered developments. Within this scope, in order for a sustainable stability in financial markets, it is thought that corporate and structural transformation in EU region shall be completed.

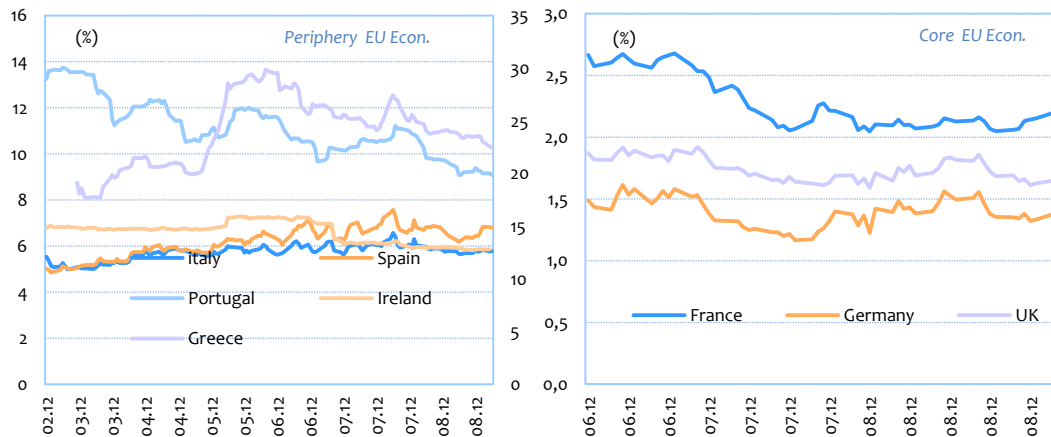
One of the most important issues relating to financial stability on global basis, mainly in Euro Zone, is public financing and debt sustainability. Beside macroeconomic reflections, public sector deficits and financing which affect all financial markets and banking sector's asset quality over asset prices and spreads are seen as one of the most important vulnerability areas in short and medium term.

Table 1.1-1: Public Finance Balance and Public Debt Stock by Countries

(% , Ratio to GDP)	Public Finance Balance						Central Government Gross Debt Stock					
	2008	2009	2010	2011E	2012F	2013F	2008	2009	2010	2011E	2012F	2013F
Emerged Economies	-3.5	-8.8	-7.6	-6.5	-5.8	-4.7	81.6	95.4	101.5	105.6	110.0	112.2
USA	-6.7	-13.0	-10.5	-9.6	-8.2	-6.8	76.1	89.9	98.4	102.8	106.7	110.7
EZ	-2.1	-6.4	-6.2	-4.1	-3.2	-2.5	70.2	80.0	85.8	88.1	91.4	92.4
France	-3.3	-7.6	-7.1	-5.2	-4.5	-3.9	68.3	79.2	82.4	86.1	88.2	90.1
Germany	-0.1	-3.2	-4.3	-1.0	-0.7	-0.4	66.9	74.7	83.5	81.2	82.2	80.1
Greece	-12.2	-15.6	-10.5	-9.2	-7.0	-2.7	112.6	129.0	144.5	165.4	162.6	171.0
Ireland	-7.3	-14.0	-31.2	-13.1	-8.3	-7.5	44.2	65.1	92.5	108.2	117.6	121.2
Italy	-2.7	-5.4	-4.5	-3.9	-2.6	-1.5	105.8	116.1	118.7	120.1	125.8	126.4
Portugal	-3.7	-10.2	-9.8	-4.2	-4.5	-3.0	71.6	83.1	93.3	107.8	114.4	118.6
Spain	-4.5	-11.2	-9.3	-8.9	-7.0	-5.9	40.2	53.9	61.2	68.5	90.3	96.5
Japan	-4.1	-10.4	-9.4	-10.1	-9.9	-8.6	191.8	210.2	215.3	229.9	234.5	240.0
England	-5.0	-10.4	-9.9	-8.6	-8.1	-7.1	52.5	68.4	75.1	82.3	88.6	92.7
Canada	-0.1	-4.9	-5.6	-4.4	-3.8	-2.9	71.1	83.6	85.1	84.7	85.4	82.7
Emerging Economies	0.2	-4.5	-3.3	-1.7	-1.9	-2.0	33.3	35.4	40.1	36.4	34.2	32.7
China	-0.4	-3.1	-2.3	-1.2	-1.3	-1.0	17.0	17.7	33.5	25.8	22.0	19.4
India	-8.8	-9.7	-9.4	-8.9	-8.9	-8.8	75.2	72.2	67.7	67.1	68.0	68.6
Russia	4.9	-6.3	-3.5	1.6	0.1	-0.7	7.9	11.3	11.8	12.0	11.5	11.3
Turkey	-2.4	-5.6	-2.7	-0.3	-1.7	-2.0	40.0	46.1	42.2	39.4	36.0	34.6
Brazil	-1.3	-3.0	-2.7	-2.6	-1.9	-2.1	63.5	66.9	65.2	64.9	64.2	61.7
Mexico	-1.1	-4.7	-4.3	-3.4	-2.4	-2.2	43.1	44.5	42.9	43.8	42.7	42.9
S. Africa	-0.5	-5.3	-4.8	-4.5	-4.4	-3.8	27.4	31.5	35.3	38.7	40.2	41.3
Low Income Economies	-1.0	-4.0	-2.7	-2.4	-3.0	-2.5	40.8	42.5	40.2	39.3	41.6	39.7

Source: IMF, E: estimate, F: forecast

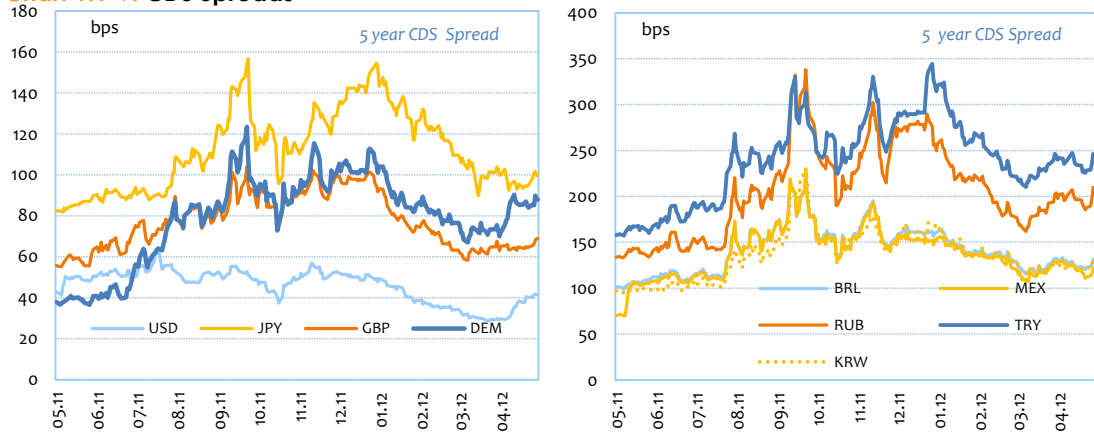
In order for debt stock to go out from spiral, a certain financial stability must be ensured in financial markets and especially the bill spreads of bad economies shall be decreased to acceptable levels. Without ensuring this, to establish the structural transformation which will enable the growth seems difficult as regards to public financing. However, it is seen that government bill interests of crisis economies are still in high levels in the beginning of third quarter of 2012. This situation points out that vulnerabilities are continuing in financial markets in short-term.

Chart 1.1-8: Bond Spreads

Source: Bloomberg

This situation in developed economies caused CDS spreads of all countries to increase. Although emerging economies ensured net fund flow as regard to capital movements as of relative positive position in their macroeconomic indicators, it is seen that indebtment costs increase.

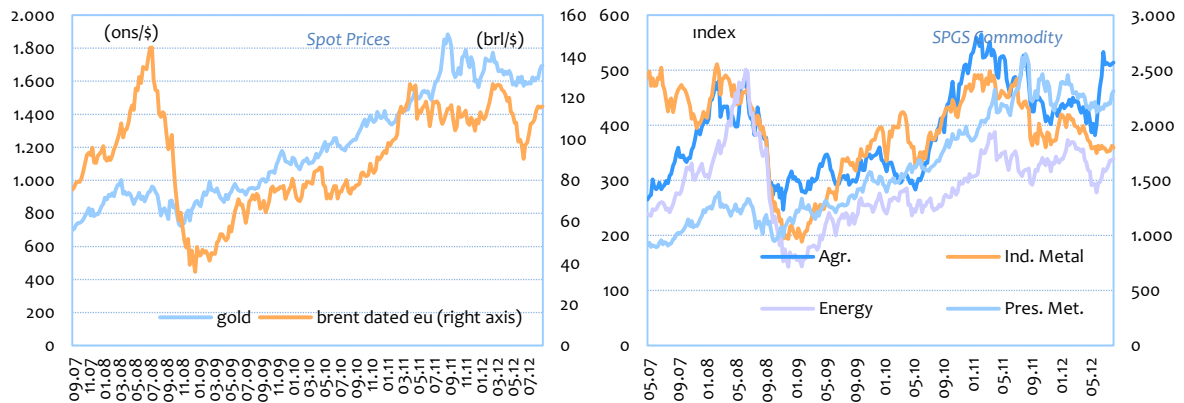
Chart 1.1-9: CDS Spreads



Source: Bloomberg

The view in capital markets and bill markets and the increasing geopolitical risks caused increases in international product prices. Beside precious metal prices, mainly gold, there are sharp increases in the prices of agricultural products. The problems experienced in fundamental food products supply due to the drought occurred in 2012 are significant effects on the mentioned increases. The fact that the World Bank expresses the increase of global food crisis risk in parallel with climate developments, the pessimist view of medium and long-term supply/demand projections create pressure on product prices.

Chart 1.1-10: Developments on Commodity Prices



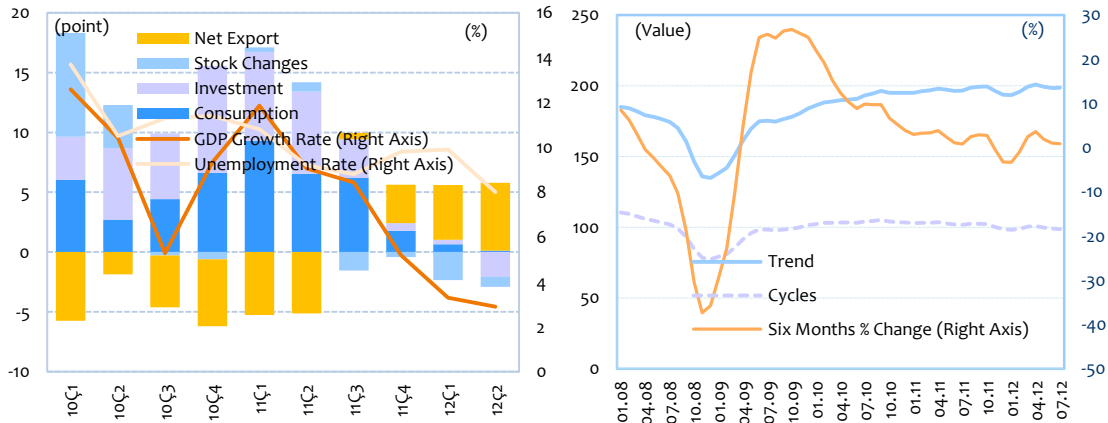
Source: Bloomberg

1.2 Domestic Economic Frame

Turkish economy which decomposed from the countries taking place in the center of global crisis and stood in high growth path in 2011 continues its way on a more balanced and sustainable growth trend according to the latest national income data announced. GDP increasing speed which was realized as 2.9% in real terms in the second quarter of 2012 points out to a more moderate growth when compared to the previous periods. When growth speeds of the mentioned period in which a better performance is experienced when compared to equivalent economies are analyzed by sectors, it is seen that the activities of agriculture, production industry, transportation, communication, electricity production, real estate leasing and business activities as well as the activities of financial intermediary institutions are relatively in a more rapid growth.

Furthermore, it is seen that growth rates of construction as well as wholesale and retail commerce which are other locomotive sectors slowed down moderately when compared to the previous year. Together with the slowdown in import and the significant increase in export despite the negative conditions, it strengthened more the contribution of net export to growth in the first half of 2012. Besides, it is seen that domestic demand is fundamentally carried by public consumption and household consumption slowed down relatively.

Chart 1.2-1: GDP and Compound Leading Indicators



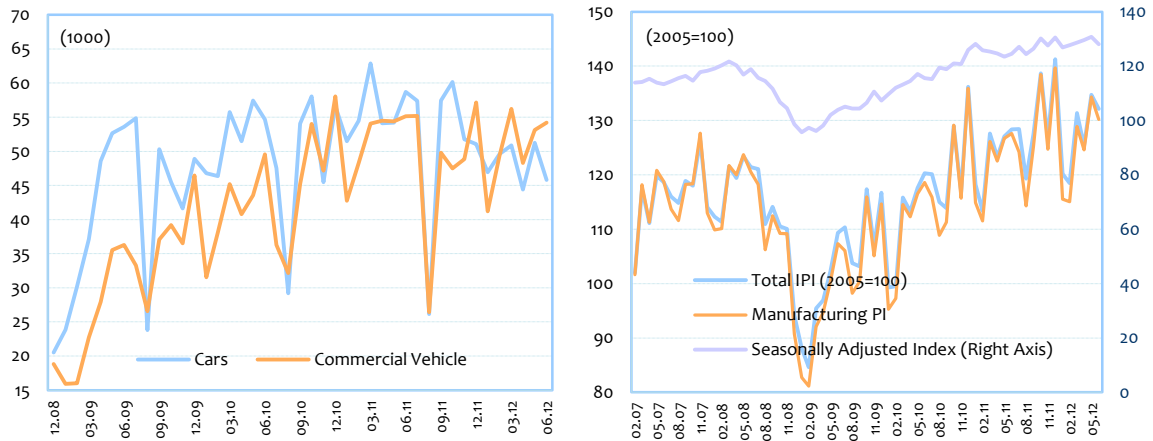
Source: TSI, CBRT

Ongoing debt problems in some EU member countries and the weak motion of growth performance in Euro Zone keep out its existence as an environmental risk factor for the growth of Turkey in 2012. The latest economic data announced and compound Pioneer indicators index points out that the mentioned risks will be in minimal level and the growth speed will be in a moderate increasing trend again as of the second quarter of 2012. Trend, periods and six-month percentage change compounds of compound Pioneer indicators index which includes the latest data relating to production, sales, trends and expectations point out to a moderate recovery for the second half of 2012.

Commercial and passenger vehicle production which has an important share especially in industrial production sign out to the recovery trend in economy. There is recovery in light and heavy commercial vehicle production and sales made in domestic market in the second quarter. Current data on total industry and manufacturing industry production indexes kept out its increasing trend on annual basis as of June 2012. It is seen that the impacts of decreases on monthly basis observed in parallel with the slowdown in domestic and foreign demand are limited and the growing trend continues when the whole of Pioneer indicators are observed.

As a matter of fact, industrial production which experienced sharp decreases in January 2012 due to bad weather conditions and global demand uncertainties went into a stable recovery trend in the following months. Therefore, it is seen that industrial production index keeps out its moderate increasing trend when purified from season and calendar effects and it is expected that strengthening of economic activities will be observed in a more net manner in the third quarter.

Chart 1.2-2: Domestic Vehicle Production and Industrial Production Index



Source: TSI, Automotive Manufacturers Association, CBRT

Other indicators which are likely to highlight the future periods are the manufacturing industry capacity usage as well as industry endorsement and order data. Although manufacturing industry capacity usage ratio is below the average values observed in high-speed growth periods, it has a more positive view when compared to 2009 in which the impacts of global crisis is felt in the deepest manner. Furthermore, as of July 2012, monthly average of manufacturing industry capacity usage by 74.2% is just 1.2 points below the average value of 2011 which is finished with a quite high growth speed. When the development of endorsement and order indexes of industry sector belonging to the first half of 2012 is observed, it is seen that the increasing trend on annual basis continues despite the moderate decreases observed on monthly basis. Therefore, it is expected that the economic growth will be supported strongly by the mentioned sector in the second half of 2012, as well.

Chart 1.2-3: Capacity Utilization Ratio and Order and Turnover Indexes



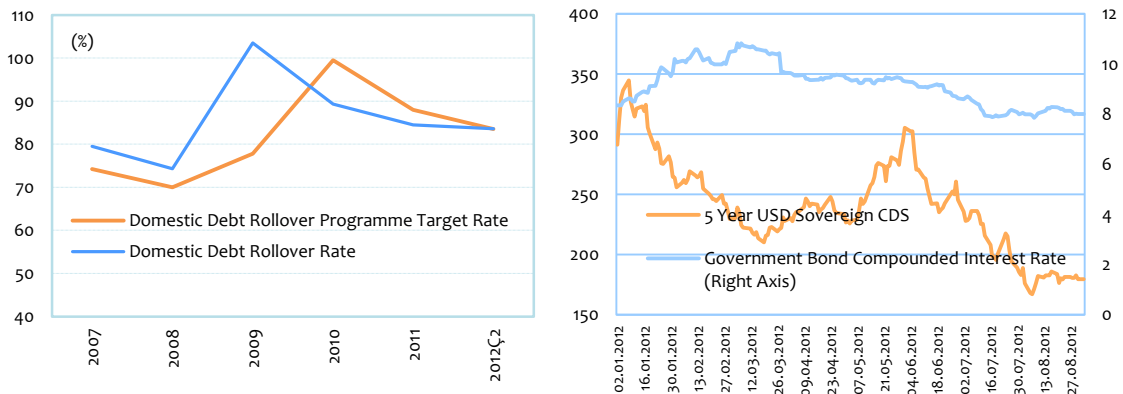
Source: TSI, Automotive Manufacturers Association, CBRT

Manufacturing, capacity and other pioneer indicators show that the balance between domestic and foreign demand continues and Turkey will keep a stable balance again in the second half of 2012 despite negative global conditions. Despite the uncertain environment created by some European countries having debt problems and the narrowing seen in export markets, the fact that net foreign demand supports the growth shows that the policies applied have positive results. As a matter of fact, foreign demand which weakened by the existence of the mentioned problems is compensated with establishing alternative export markets. Especially the recovery seen in Africa and Middle East markets contributes to the export demand. As foreseen in March 2012 Financial Markets Report, besides fiscal policy, policies relating to growth, investment and incentive for savings curb the macro risks occurred recently. Urban transformation projects, additional fluctuations brought in real estate sales to foreigners, foreign investor interest in various infrastructure and transportation projects including İstanbul Finance Center strengthens the expectations for direct foreign investments to Turkey will increase and foreign resource need will be financed with vehicles with longer maturity. Expectations for the removal of inter-regional differences in terms of development in the mentioned incentive packages, increasing the competition power, investments, manufacturing and employment, supporting of strategic investments having high value added, technology and R&D and getting positive results from policies relating to increasing the domestic savings are getting stronger.

Confidence to Turkish economy is also confirmed by local economic actors. While real sector confidence index continued to be over 100 points which is optimism threshold value as of August 2012, there is not a significant worsening in consumer confidence which was weak for couples of months. By the impact of positive developments in labor force market despite the slowdown observed in growth rate of general loan volume, consumer confidence has a rather stable motion and the probability for consumers to make consumption expenditures relating to the following period keeps its optimistic view. As a matter of fact, unemployment ratio decreased up to 8.2% in May 2012 and realized even below the lowest level observed before the global crisis.

On contrary to European countries, domestic debt performance of Turkey continues in a sustainable structure. To a large extend debt consists of TL-denominated (72.8%) and with fixed-interest instruments. While average weighted maturity of domestic debt recovered significantly in the first quarter of 2012, its weighted average cost (compound interest) decreased up to 8% in July 2012. While 79.6% of those holding the domestic debt stock are in domestic residents, 52.8% are in banking sector. Domestic debt service coverage ratio is in compliance with domestic debt program targets despite the worsening global conditions. The mentioned developments show that the risks are very limited in public borrowing.

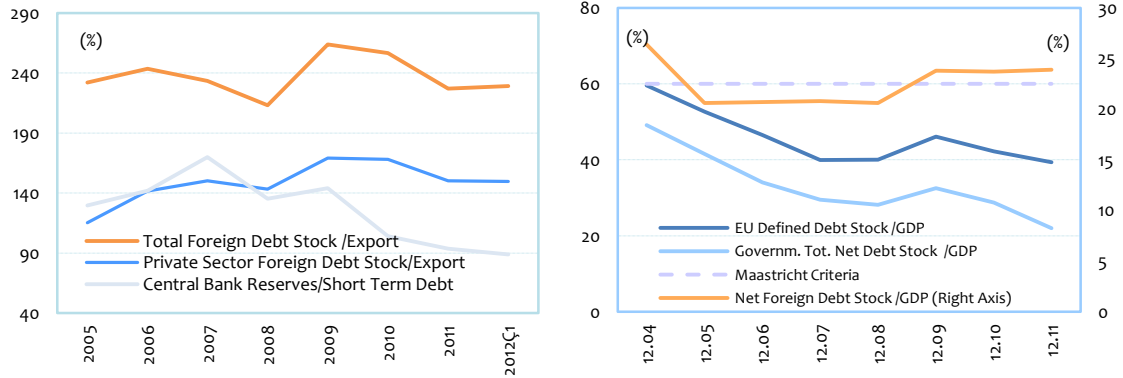
Chart 1.2-4: Debt Service Coverage Ratios and Debt Costs



Source: Treasury and Bloomberg

Accelerated decreasing trend in the ratio of EU-defined net debt stock and total public net debt stock to national income continues for the last two years. The ratio of net foreign debt stock to national income is stable in 20-25% line. As of the first quarter of 2012, the ratio of foreign debt stock excluding banking sector to Turkey gross debt stock is realized as 66.8%. Average period of central government foreign debt stock to the remaining maturity is quite long by 9.4 years. When compared to EU countries having ongoing debt problems, Turkey is in a better position as regard to debt indicators and it is expected that debt spreads and credit grade of Turkey will be better in the following periods.

Chart 1.2-5: Development of Debt Indicators

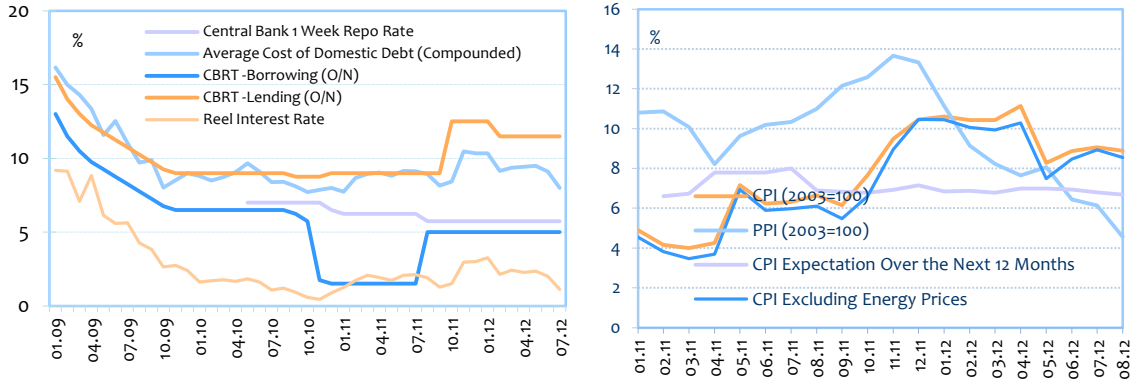


Source: Treasury

As of September 2012, the Central Bank's prudent and flexible fiscal policy is continuing. It is seen that the ongoing flexible policy approaches which are already applied are affective on loan expansion and domestic demand and the balance between domestic and foreign demand is ensured. Since a new monetary expansion probability occurred by economic developments in the USA, the probability of rapid capital inflow to emerging countries is increasing. Therefore, reduction in short-term interest and tightening in statutory provisions seems possible. Furthermore, in the case the problems in Euro Zone increase, the usage of interest corridor and statutory provisions policies or in the case total demand increases in a more rapid manner than expected, tightening fiscal and macro policies may come on agenda as additional policy options. Since real interest rate turned from mild increase in 2011 to a moderate decrease according to the calculation made by taking as basis GS interest rates¹, it is not expected that the growth will be affected negatively in the following period.

¹ The formula used in the calculation is as real interest rate $=((1+r)/(1-i)-1)$, i defines the inflation expected.

Chart 1.2-6: View of Interest Rates and Annual Inflation

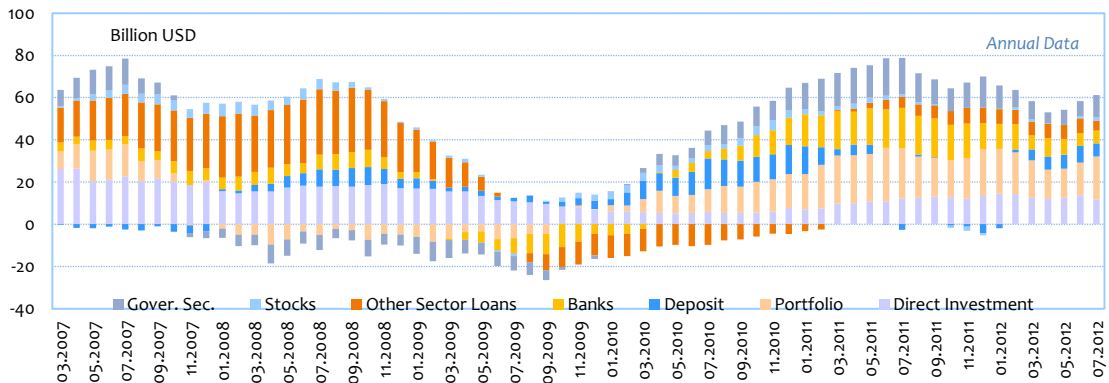


Source: CBRT, TSI

In parallel with domestic demand and growth developments, annual consumer inflation was upwards in the first four months of 2012 but turned to downwards in the following months. While the relative slow down in the acceleration speed of energy prices excluding August 2012 supported the mentioned process, the increasing trend in food, service and fundamental commodity prices avoid the inflation to be in a more downwards manner. When global economic developments are taken into consideration together with the view of domestic demand and inflation, the CBRT is foreseen to narrow the interest corridor gradually in the following period.

By thanks to the policy compounds applied within the last one year, there is an obvious recovery in foreign trade balance and accordingly in current deficit. Export performance increased in the second quarter of 2012 by thanks to new foreign trade markets despite the global stagnancy risk while goods and services import decreased significantly. When the gold is excluded, the performance in export continues as main trend but it is more moderate. Together with the fact that foreign trade deficit decreased by 20% on annual basis in January-July 2012 period and the ratio of export to import increased to 63.2%, it is seen that current deficit continues to decelerate.

Chart 1.2-7: Capital Movements and Foreign Financing Resources



Source: CBRT, TSI

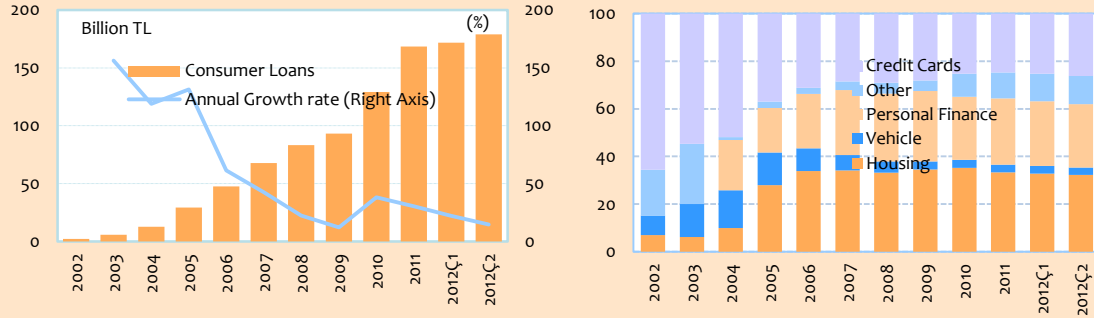
When capital movements are analyzed, it is seen that foreign financing need is extensively met by direct and portfolio investments. It is seen that direct investments are upwards and the financing quality increased in the first half of 2012. The fact that public sector in turkey does not have indebtment problems brings the continuation of the GS investments. While stock investments are having a more volatile motion depending on the risk appetite, bank liabilities have an important role in meeting financing requirements. Together with the curbing of current deficit, the probability of some international credit rating companies to increase the credit grade of Turkey is getting strength.

It is expected that a monetary expansion to be experienced in developed economies will increase the risk appetite and trigger the capital inflows to emerging markets, mainly to Turkey. However, the liquidity to be seen in capital movements on global basis can be surpassed by the local policies applied and internal growth dynamics. In order for Turkey's country grading to go upwards and Turkey to have more shares among foreign financing vehicles of direct foreign investments, business environment must be better and business making facilities enriched already by incentive systems shall be evaluated by investors.

Box 1: Developments on Household and Companies Sector

Financial assets and liabilities of household is important for the follow-up of savings and indebtedment trend in economy in general. Main compound of household financial liabilities is the consumer loans. In the first and second quarters of 2012, together with the slowdown in monthly and annually growth trends of consumer loans, acceleration in financial liabilities of household also slowed down.

Chart: Annual Growth and Composition of Consumer Loans



There are differentiations in financial asset composition since new incentive policies supports the creation of new financial products.

Table: Financial Assets and Liabilities of Household

	TL Billion	2004	2005	2006	2007	2008	2009	2010	2011	12Q1	12Q2
Financial Assets		190,7	216,3	256	281,8	353,8	402,0	450,3	514,3	526,1	541,9
Ind. Pension Funds		0,3	1,2	2,8	4,6	6,0	9,1	12,0	14,3	15,8	17,2
Stock		12,4	15,8	15,7	17,5	10,8	24,5	32,6	30,0	35,4	34,7
Private Sector Debt Instruments											
Public Debt S. (GS+Eurobond)		41	33,3	27,7	19,2	19,7	13,0	8,4	10,3	10,1	7,4
Real Pers. Savings Dep., Participation Fund, Precious Metal Dep. Account.		124,6	150,2	188,8	221,1	278,4	307,7	352,1	405,4	409,2	421,1
Money in Circulation		12,4	18,2	24,4	25	29,3	34,3	45,2	49,4	48,7	51,9
Financial Liabilities		18,1	39	60,6	84,1	102,5	118,9	159,4	206,3	211,4	223,0
Consumer Loans		12,8	29,7	48	68,9	85,2	97,4	132,7	171,6	175,2	182,7
Credit Card Debt Balance		4,4	7,5	10,7	12,6	14,7	19,1	23,2	29,6	31,0	34,7
Con. Financing Comp. Loans		0,9	1,8	1,4	1,7	1,6	1,7	2,9	4,4	4,5	4,9
Ind. Financial leasing Debts		-	-	0,5	0,9	1	0,7	0,6	0,6	0,7	0,7
Liabilities /Assets (%)		9,5	18,0	23,7	29,8	29,0	29,6	35,4	40,1	40,2	41,1
Liabilities /GDP (%)		3,2	6,0	8,0	10,0	10,8	12,5	14,5	15,9	n.a.	n.a.

Post-2005 data includes consumer loans granted by banks, participation banks and consumer financing companies as well as NPLs relating to the mentioned loans, installment credit card debt balances and NP credit card receivables. Loan amounts are gross amounts including NPLs. Credit card debt balance is comprised of installment credit card debt balance and NP credit card receivables.

Source: BRSA, CMB, Pension Plans Surveillance Center, CBRT, CRA

FX assets and liabilities of companies excluding financial sector continued to grow and the deficit in short-term net FX position is realized as USD 15 billion as of end-2011.

Table: Developments on FX Assets and Liabilities of Companies Excluding Financial Sector

	USD Billion	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012Q1
Assets		30,2	37,7	45,4	62,7	76,1	80,5	83,1	84,2	80,0	78,0
Deposit		20,0	24,6	30,9	45,4	54,8	60,4	57,3	62,2	58,0	55,8
Securities		0,9	1,3	1,0	0,9	0,8	0,7	1,1	1,3	1,1	1,0
Export Receivables		4,4	6,0	6,4	8,8	10,3	8,6	9,3	10,5	10,7	10,9
Direct Capital Investments to abroad		4,9	5,8	7,1	7,5	10,2	10,8	15,3	10,2	10,3	10,3
Liabilities		50,7	58,8	72,4	100,9	140,4	162,3	157,7	177,6	192,8	203,8
Cash Loans		44,1	49,4	61,4	89,2	125,9	147,6	142,4	159,5	174,8	183,8
Domestic Loans		18,2	20,5	26,4	34,8	46,3	48,1	50,3	81,9	92,8	100,1
Short-term FX Loans		0	0	0	0	14,4	15,9	14,3	17,9	19,3	19,1
Loans from Abroad		26,0	28,9	35,0	54,4	79,6	99,6	92,1	77,6	82,0	83,7
Short-term		1,6	1,2	1,1	1,1	0,7	1,2	0,7	1,0	1,3	1,5
Import Debts		6,5	9,4	11,0	11,7	14,5	14,6	15,2	18,1	18,0	20,0
FX Net Position		-20,5	-21,1	-27,0	-38,2	-64,3	-81,8	-74,6	-93,4	-112,8	-125,8
Short-term Assets		25,3	31,9	38,3	55,2	65,9	69,6	67,7	74,0	69,8	67,7
Short-term Liabilities		7,9	10,3	17,1	20,4	41,9	76,7	68,2	73,5	78,5	82,6
Short-term Net FX Position		17,4	21,6	21,2	34,8	24,1	-7,1	-0,5	0,5	-8,7	-14,9

Source: CBRT

2 MACRO PRUDENTIALITY ANALYSIS

2.1 Developments on Soundness Indicators

Banking sector's financial soundness indicators are analyzed under four main titles as banking operations, capital adequacy, asset quality, income-expenditure and profitability. 57.9% of total assets are comprised of loans. Annual loan growth ratio decreased when compared to the previous quarter and realized as 18.8%. When the sector's asset composition is analyzed, it is seen that fixed assets comprises only 3.3% of total assets and the asset structure having high liquidity mitigates the riskiness of the sector. 87.5% of the sector's assets are financed by foreign resources.

Table 2.1-1: Ratios relating to Banking Operations

%	2006	2007	2008	2009	2010	2011	03.12	06.12
Loans/Total Assets	43,8	49,1	50,1	47,1	52,2	56,1	56,9	57,9
Annual Loan Growth Ratio	40,0	30,4	28,6	6,8	33,9	29,9	23,9	18,8
Securities /Total Assets	31,8	28,3	26,5	31,5	28,6	23,4	23,2	22,3
Fixed Assets /Total Assets	4,0	4,0	4,0	4,0	3,0	3,0	3,3	3,3
Own Funds / Total Liabilities	11,9	13	11,8	13,3	13,4	11,9	12,4	12,5
Deposit/ Total Liabilities	61,6	61,4	62,1	61,7	61,3	57,1	56,7	56,4
Loans/Deposit	71,2	80	80,8	76,3	85,2	98,2	100,4	102,6
Foreign Resources / Total Assets	88,1	87	88,2	86,7	86,6	88,1	87,6	87,5
Foreign Resources / Own Funds	739	667	748	652	648,2	742	703,2	699,5
Liquid and Quasi-liquid Assets/ Foreign Resources	104,4	198,9	194,8	203,5	198,3	182,3	187,5	193,9
Liquid and Quasi-liquid Assets (FX)/ Foreign Resources k(FX)	87,6	126,4	124,7	141,2	128,1	117,9	118,1	119,5
FX Loans/ Total Loans	25,5	24	28,7	26,6	27	29,0	27,7	26,8
FX Deposit / Total Deposit	39,4	35,4	35,3	33,7	29,7	33,9	34,5	34,8
FX Assets / Total Assets	33,1	28,3	30,3	26,7	25,6	30,3	28,9	29,1
Off-Balance Sheet Transactions / Total Assets	55,5	66,3	65	69,5	103,1	134,9	139,1	138,8
Derivative Transactions / Off-Balance Sheet Transactions	38,6	41,6	41,2	43,3	37,6	35,0	42,8	43,8

The fact that the ratio of liquid and quasi-liquid assets to foreign resources is 100% and above is evaluated as positive as regard to liquidity risk. The mentioned-ratio increased to 193.9% in the second quarter of the year. The sector's power to repay its all foreign resources including its short-term foreign resources is quite high. The ratio of liquid and quasi-liquid FX assets to FX-denominated debts increased and realized as 119.5%. The sector has a strong position as regard to the repayment of FX liabilities. The increase in off-balance sheet transactions to the balance sheet decreased partially in the second quarter of the year. Total off-balance sheet transactions are 1.4 folds of the balance sheet.

When ratios relating to capital adequacy are analyzed, it is seen that capital adequacy ratio is above the target ratio and in the second quarter of the year, it has a parallel motion with the one in the first quarter. The fact that 89.1% of own funds of the sector is comprised of Tier I points out to the strong capital structure. Tier I ratio of which is equal to risk weighted assets of the principal is about 14.7% in Turkish banking sector and it is quite above the international standards. The sector's high-quality capital structure is a protective indicator for the sector against probable financial or macro economy-based fluctuations. The ratio of risk weighted assets to total assets is about 59.8%. FX net general position/own fund ratio decreased to 0.2% in the second quarter of the year.

Table 2.1-2: Development on Ratios Relating to Capital Adequacy

%	2006	2007	2008	2009	2010	2011	03.12	06.12
Capital Adequacy Ratio	21,9	18,9	18,0	20,6	19,0	16,5	16,6	16,5
Tier I /Risk Weighted Assets (Net)	21,3	18,3	17,2	18,6	17,0	14,9	14,9	14,7
Tier I / Own Funds	96,9	96,2	95,6	90,5	89,9	90,7	89,8	89,1
Free Own Funds /Total Own Funds	66,0	69,4	69,1	71,8	74,2	74,0	73,8	74,1
Risk Weighted Assets /Assets	45,4	50,5	51,0	47,1	51,4	57,2	58,7	59,8
Assets/ Own Funds	839,3	766,8	847,6	752,1	748,2	841,8	803,2	799,5
NPLs (Net)/ Own Funds	1,5	1,8	3,3	3,2	2,4	2,7	2,6	2,7
FXNGP/ Own Funds	0,3	0,3	-0,1	0,5	0,1	0,4	0,5	0,2

NPL ratio which is the most fundamental indicator relating to asset quality went into a decreasing trend as of 2009 together with the reduction of the impacts of global crisis. The decreases in NPL ratio to 2.5% in short-term, 1.5-2% in medium-term and 0.8-1% in long-term will positively affect the sector's financial structure. 78.8% of the sector's NPLs are provisioned. NPL provision /NPL ratio is in a decreasing trend depending on the decrease in loan loss.

Table 2.1-3: Development on Ratios Relating to Asset Quality

	2006	2007	2008	2009	2010	2011	03.12	06.12
NPLs (Gross)/Loans	3,80	3,48	3,68	5,27	3,66	2,70	2,74	2,66
NPL Provision /NPLs	89,7	86,8	79,8	83,6	83,8	81,4	79,5	78,8
Cash Loans Bigger than TL 1 million /Loans	40,8	39,2	44,6	45,8	47,8	47,4	47,0	47,1
(Consumer Loans +Credit Cards)/Loans	31,8	33,3	32,0	33,3	33,1	33,2	33,4	33,5
Housing Loans /Cash Loans	10,2	11,0	10,3	11,0	11,2	10,6	10,5	10,3
Unguaranteed NPLs /NPLs	41,5	42,7	44,4	49,3	48,7	48,9	48,2	46,8

Big-amounted loans have the potential to create big distortions in asset quality in the case they are not repaid due to the concentration risk they create. The increase of the share of mentioned loans in total loans is a factor increasing the riskiness. The ratio of loans amounted higher than TL 1 million of the sector to total loans is about 47.1% in the second quarter of 2012.

The ratio of the sum of consumer loans and credit cards to loans is about 33.5% in the second quarter of the year. Since the mentioned loans reduced loan risk concentration, it is evaluated as positive for the asset quality of the sector, besides, it is also an indicator relating to household indebtedness and the limited increase in the mentioned loans is evaluated as positive as regard to household riskiness. As a matter of fact, in order to limit the household indebtedness ratio, in June 2011, the BRSA put into force the regulation amendments relating to the acceleration of general provision ratios for consumer loans excluding vehicle and housing loans and making them subject to risk weight according to their remaining maturities.

Housing loans are long-term loans and their sensitivity to the changes in interest rates are relatively low. Furthermore, their fragility against the changes in housing loans is high because of their guarantee structures. Therefore, high increases to occur in the share of mentioned loans in total loans are assumed as issues to be under close follow-up. The mentioned ratio is about 10.35 in Turkish banking sector as of June 2012 and it is thought that this is not a risk factor for the sector.

When income- expenditure and profitability ratios are analyzed, although the sector's profitability is in an adequate level to maintain the activities; it is seen that income-creating ratios of assets and profitability ratios are in a decreasing trend in general as of 2008 while there is partial recovery starting from the first quarter of 2012. In the second quarter of the year, the ratio of income to average assets increased by 0.3 points when compared to the same period of the previous year. It is seen that net interest margin which defines the ratio of net interest income to average assets increased by 0.2 points when compared to the same period of the previous year. The coverage ratio of sector's interest income to interest expenditures is in a high level. As a matter of fact, interest income is 1.81 folds of interest expenditures. The ratio of non-interest income to non-interest expenditures being under 100% may be evaluated as negative. While the sector's non-interest income /non-interest expenditures ratio was 70.1% in the second quarter of 2011, it decreased to 57.6% in the same period of 2012. It is one of the factors which negatively affect the profitability and it is important to make a balance between non-interest income-non- interest expenditure positions. In order to maintain the profitability in competition environment, distribution channels must be developed and customer-focused point of view must be improved. Please see section 5 of this Report for a detailed evaluation on profitability ratios.

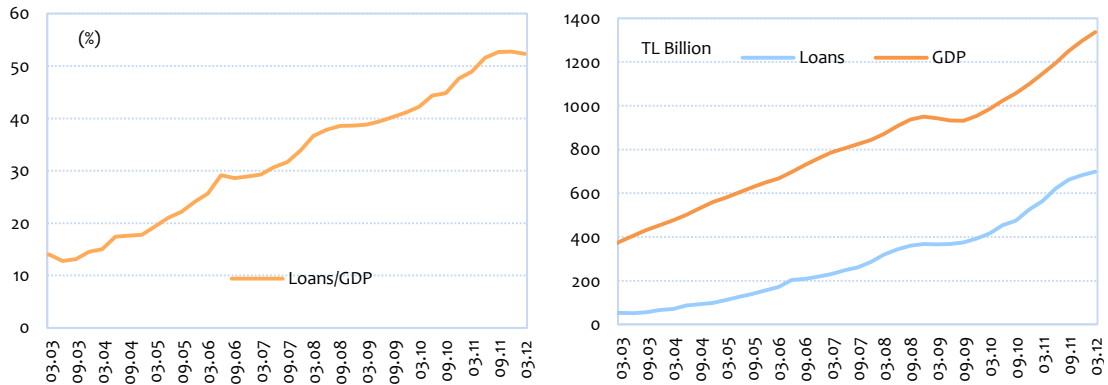
Table 2.1-4: Income-Expenditure and Profitability Ratios

	2006	2007	2008	2009	2010	06.11	2011	03.12	06.12
Income/Average Assets	15,5	16,4	15,9	13,8	11,3	5,3	10,1	2,9	5,6
Interest from Loans /Ave. Cash Loans	15,1	16,1	15,8	14,4	10,7	5,0	9,7	2,9	5,7
Int. from Securities /Average SP	14,0	14,8	15,7	12,3	9,5	4,4	9,2	2,7	5,2
Int. to Deposits / Average Deposit	10,0	10,8	11,0	7,4	5,7	2,8	5,7	1,7	3,3
Net Interest Margin	4,7	4,9	4,8	5,4	4,3	1,8	3,5	1,02	2,01
Spread	4,6	4,5	4,6	5,3	4,1	1,8	2,6	1,04	1,99
Interest Income /Income	78,0	78,0	80,0	78,0	74,0	74,4	75,0	79,9	79,8
Interest Expenditures / Expenditures	57,0	59,0	58,0	49,0	47,0	50,5	50,0	54,5	53,4
Operation Expenditures / Expenditures	24,5	23,0	22,3	24,6	30,4	29,5	28,5	25,2	25,9
Personnel Expenditures / Expenditures	11,1	10,9	10,9	12,1	14,6	14,6	13,7	11,9	12,1
Interest Income / Interest Expenditures	161,0	159,0	157,0	196,0	200,0	182,3	180,0	179,5	181,3
Non- interest Income / Non- interest Expenditures	63,9	67,4	66,2	64,0	67,9	70,1	63,1	59,2	57,6
Expenditures/ Income	83,8	83,1	87,0	81,0	78,2	80,8	82,7	81,8	82,3
Fees, com. And Bank. Serv. Inc. / Income	11,7	11,5	12,1	13,0	14,2	15,3	14,9	13,0	13,5
Return on Assets (ROA)	2,5	2,8	2,0	2,6	2,5	2,0	1,7	1,7	1,7
Return on Equities (ROE)	20,0	21,7	16,8	20,2	18,1	15,4	14,3	14,2	14,3

Operation Expenditures: Personnel Expenditures + Severance Pay Provision Expenditures + Other Operating Expenditures + Depreciation Expenses

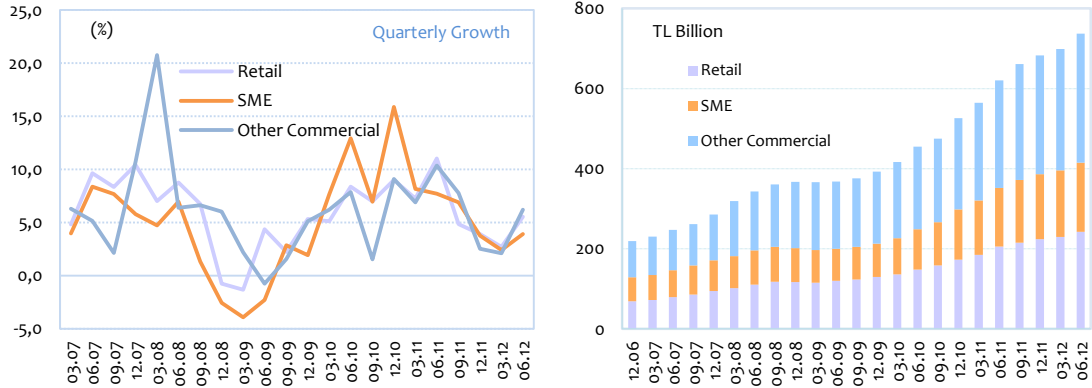
2.2 Loan Growth

Rapid loan growth is under close follow-up of authorities since it is a factor which may cause the distortion of financial stability. In order for the implementation of sustainable financial stability and economic growth, the development of loan amount granted by Turkish banking sector is important. Within this scope, affiliating the loan development with economic growth offers a more healthy analysis opportunity. When the last 10 years are analyzed, it is seen that the ratio of loan amount to GDP increased significantly. The mentioned ratio which increased by about four folds when compared to end-2002 had a horizontal motion in the last two quarters in parallel with the slowdown in loan growth speed.

Chart 2.2-1: Development of Loans and Economic Growth

When the growth of loans is analyzed by quarterly periods, it is seen that with also the effect of the measures taken by the CBRT and BRSA, the loan growth rate has decreased in the third quarter after the second quarter of 2011. In the second quarter of 2012, loan growth rate has increased comparing to previous quarter. In the mentioned period, personal loans have increased by 5.5%, SME loans have increased by 3.9%, other commercial loans by 6.2%, while the total credit growth is realized as 5.4%.

Chart 2.2-2: Appearance of Loans



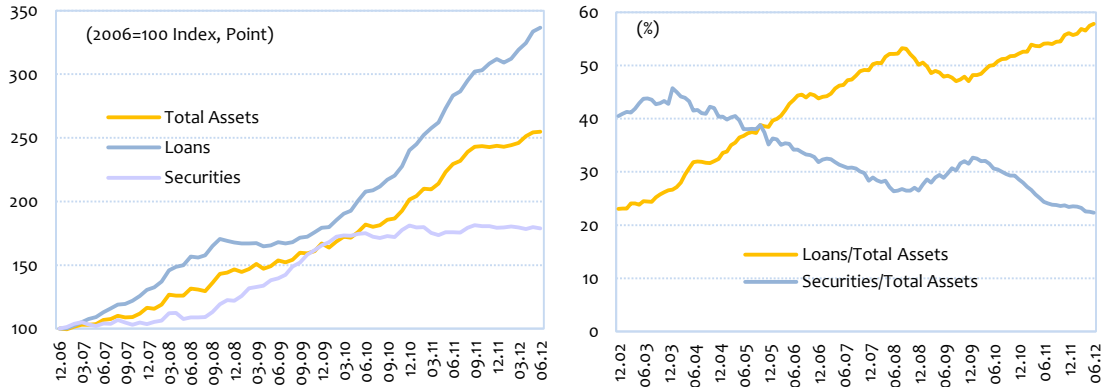
Purifying the growth observed in loan portfolio from the effects of inflation and exchange rate provides a more healthy analysis of the relation between credit growth and economy. Within this framework, when the credit growth is analyzed in real basis, it is seen that in the second quarter of 2012 loans have increased by 9.1% annually. This rate is the lowest growth rate in the last ten years, except for 2009 when the effects of the global crisis were felt the most. While the annual nominal growth in loans is 18.8% as of June 2012, the USD based annual growth purified from exchange rate effect is 6.7% due to the value loss of TL face to USD by 11.4% within the last one year.

Table 2.2-1: Development of Growth in Loans

(%)	2003	2004	2005	2006	2007	2008	2009	2010	2011	Mar.12	Jun.12
Nominal Annual Growth											
Personal Loans	94,4	105,9	76,6	47,9	37,5	23,3	10,9	32,9	29,7	24,2	18,1
SME Loans					28,4	10,6	-1,6	50,7	29,2	22,3	18,0
Other Com. Loans	26,0	36,6	50,5	-17,7	26,4	45,2	8,3	26,9	30,4	24,5	19,8
Total	35,2	50,0	57,4	40,0	30,4	28,6	6,9	33,9	29,9	23,9	18,8
Annual Real Growth according to CPI											
Personal Loans	64,2	88,4	64,0	34,9	26,8	12,0	4,1	24,9	17,4	12,5	8,5
SME Loans					18,4	0,4	-7,6	41,6	17,0	10,8	8,4
Other Com. Loans	6,4	24,9	39,7	-24,9	16,6	31,9	1,6	19,3	18,0	12,8	10,1
Total	14,2	37,2	46,2	27,7	20,3	16,8	0,3	25,9	17,6	12,2	9,1
USD Based Annual Growth											
Personal Loans	128,8	115,6	75,7	41,2	66,3	-6,3	14,0	29,0	5,9	7,7	6,0
SME Loans					55,3	-16,0	1,2	46,3	5,5	6,0	5,9
Other Com. Loans	48,2	43,0	49,6	-21,5	52,9	10,3	11,3	23,2	6,4	7,9	7,6
Total	59,1	57,0	56,6	33,6	57,8	-2,3	9,8	30,0	6,0	7,4	6,7

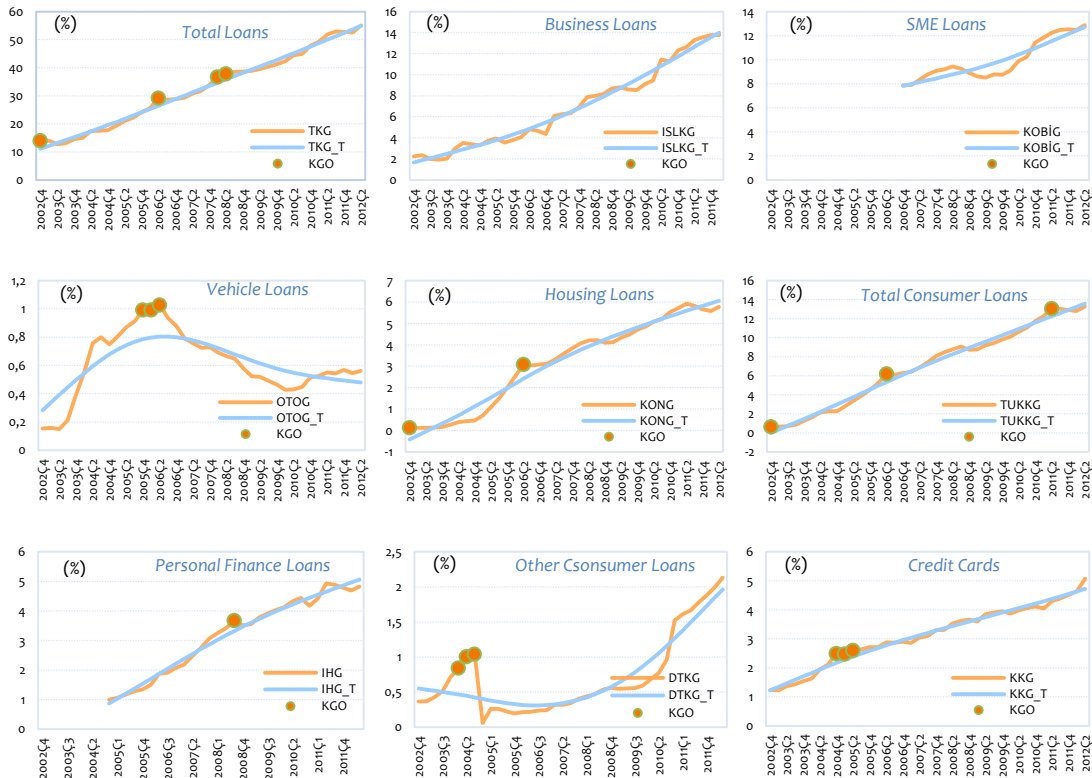
The share of loans within total assets of the banking sector has increased to 57.9% as of June 2012. Due to the negative effect of the global crisis on real economy and credit demand, credit amount has been conducting horizontally during the last quarter of 2008 and 2009, while the security amount has increased and thus the share of loans within balance sheet has reduced. Before and after this period, the ratio of loans to total assets presented an increasing trend and the asset growth was provided by loans. The share of securities within total assets is 22.3% as of June 2012. The decreasing tendency of this ratio also reflects the change in the activity types of banks.

Chart 2.2-3: Development Rate of Loans Comparing to Banking Sector Activities



To evaluate if the credit expansion indicates a development which may cause risks, the credit growth is analyzed based on credit types. Risk level of credit expansion is evaluated upon periodical data; by taking as threshold value both the deviation trend value of Credit/GDP ratio exceeding the 1.5 standard deviation and this ratio, exceeding 10% of the annual growth rate. In the following charts, the orange line is indicating the Credit/GDP ratio of the related item, while light blue line is indicating the trend of the related ratio and the points are indicating the periods of credit expansion corresponding to the definition. In the second quarter of 2012, all of the credit types remained under the mentioned threshold value.

Chart 2.2-4: Periods corresponding to the Definition of Credit Expansion



3 GENERAL APPEARANCE OF FINANCIAL SECTOR

3.1 Organic Development of Financial Sector

Financial sector pursued its organic growth generally as of the second quarter of 2012. The increasing rate of the number of banks' domestic branches is realized as 2.1% comparing to the first quarter. The number of branches abroad which did not changed in the last quarter of 2011 and in the first quarter of 2012 has increased by one in the second quarter. Offering the financial services in electronic environment in accordance with the technologic developments has supported the increase of the number of online banking branches. The number of branches of non-bank financial institutions, which are a few as number of institution but have a wide structure due to their number of branches, has increased by four in the number of factoring companies and remained the same in financial leasing companies. The number of representative offices has decreased comparing to previous period.

Table 3.1-1: Appearance of Branches in Financial Institutions

Number of Branches	Number							Δ Comp. to Previous Period (Number)					
	2010	Mar.11	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12	Mar.11	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12
Bank Branches	10.078	10.222	10.363	10.513	10.529	10.591	10.720	144	141	150	16	62	129
Domestic	10.000	10.140	10.281	10.427	10.440	10.502	10.630	140	141	146	13	62	128
Abroad	66	70	70	74	77	77	78	4	0	4	3	0	1
Off-Shore	12	12	12	12	12	12	12	0	0	0	0	0	0
Online Bank Bran.	9.601	10.111	10.251	10.400	10.414	10.475	10.605	510	140	149	14	61	130
Factoring Branches	203	213	232	252	243	236	229	10	19	20	-9	-7	-7
Branch	28	29	33	34	25	28	32	1	4	1	-9	3	4
Rep. Office	175	184	199	218	218	208	197	9	15	19	0	-10	-11
Financial Leasing	85	84	85	85	89	94	93	-1	1	0	4	5	-1
Branch	16	16	17	17	17	18	18	0	1	0	0	1	0
Rep. Office	69	68	68	68	72	76	75	-1	0	0	4	4	-1
Consumer Fin. Comp.	1	1	2	3	3	3	3	0	1	1	0	0	0

Source: BRSA

In the second quarter of 2012, alternative distribution channels used by financial institutions kept increasing in parallel with technologic developments. The number of ATMs has increased by 2.3% comparing to the same period of previous year. The harmonization of solutions implemented by operators with the finance sector has provided the growth of the transaction volume made on mobile banking. Financial sector overcoming its technologic infrastructure problems and continuing to renovate its online applications contributes positively to the increase of financial transactions realized on the internet. While the number of leverage transactions published by ACMII and which is considered as an important data to monitor the behavior of the investors has decreased by 23.9%, the transaction volume has increased by 80.7%.

Table 3.1-2: Development of Alternative Distribution Channels

	Number of Transactions (Million)							Transaction Volume (Billion)						
	Mar.11	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12	Δ %	Mar.11	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12	Δ %
Number of ATM (Th.)	28,3	29,3	30,3	31,7	32,1	32,8	2,3	n.d.”	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Call Center Fin.Tra.	1,8	2,0	2,1	2,0	1,7	1,6	-0,7	7,2	9,6	12,6	13,9	5,5	4,3	-21,6
Banks ⁽¹⁾	1,6	1,7	1,7	1,5	1,6	1,6	5,6	4,3	4,0	4,4	3,9	4,1	4,3	5,9
Intermediary Ins.	0,2	0,3	0,4	0,5	0,1	n.d.	-80,0	2,9	5,6	8,2	10,0	1,4	n.d.	-85,7
Internet Fin. Tra.	106,6	125,0	143,1	166,8	120,7	105,2	-12,9	470,7	576,4	682,4	825,7	691,2	418,3	-39,5
Banks	89,5	91,2	94,2	101,9	105,8	105,2	-0,6	361,7	370,9	406,5	411,9	406,4	418,3	2,9
EFT	21,5	22,7	23,0	24,8	26,3	26,7	1,5	116,8	115,2	125,6	136,7	131,8	131,8	0,0
Remittance	18,3	19,1	19,1	21,6	21,9	22,3	1,8	112,4	122,8	131,0	134,9	137,8	144,1	4,6
FX Transfers	0,1	0,1	0,1	0,1	0,1	0,1	16,9	0,9	3,7	4,0	6,3	5,4	5,6	4,0
Payments	28,6	27,8	29,1	33,3	34,3	32,3	-5,8	11,5	11,7	13,7	14,2	13,6	14,0	3,2
Investment Trans.	11,0	11,4	12,4	11,4	11,6	11,5	0,0	92,6	87,5	98,2	89,9	85,5	84,2	-1,5
Credit Card Trans.	8,2	8,2	8,7	9,1	9,5	9,5	0,3	6,4	6,6	7,6	8,0	8,3	8,9	7,4
Other Fin. Trans.	1,8	2,0	2,0	1,7	2,2	2,7	22,4	21,2	23,5	26,5	21,9	24,0	29,6	23,3
Intermediary Ins.	17,1	33,9	48,9	65,0	14,8	n.d.	-77,2	109,0	205,5	275,9	413,9	284,8	n.d.	-31,2
Shares	15,1	30,0	42,8	55,0	12,5	n.d.	-77,3	109,0	205,5	275,9	343,3	79,7	n.d.	-76,8
Outright Sale	0,0	0,0	0,0	0,0	0,0	n.d.	-74,5	0,0	0,0	0,0	0,0	0,0	n.d.	-88,9
Forward Trans.	1,8	3,2	5,2	8,4	1,7	n.d.	-80,1	79,5	146,5	217,7	284,0	76,8	n.d.	-73,0
Warrant	0,2	0,6	0,9	1,1	0,3	n.d.	-73,6	0,5	1,0	1,4	2,1	0,8	n.d.	-62,6
Leverage Trans.	n.d.	n.d.	n.d.	0,5	0,4	n.d.	-23,9	n.d.	n.d.	n.d.	70,6	127,6	n.d.	80,7
Mobile Fin.Trans.	1,2	1,4	1,6	2,6	3,0	3,6	21,0	1,9	2,4	2,8	4,1	4,8	6,1	29,0

Source: BRSA, ACMII, UoT, AIRC. ⁽¹⁾ The number of notifying banks varies by periods.

It is seen that the 128 new branches opened in banking sector have increased their number of personnel by 2.404 persons. The number of branches abroad has increased by one and its number of personnel by 25 persons. Non-banking financial institutions have increased their number of personnel by 142 in the first quarter of year.

Table 3.1-3: Contribution of Financial Institutions to Employment

Number of Personnel	Number							Δ Comparing to Previous Period (Number)					
	2010	Mar.11	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12	Mar.11	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12
Bank	191.180	192.855	194.619	194.739	195.271	195.547	197.976	1.675	1.764	120	532	276	2.429
Domestic	190.586	192.248	193.979	194.106	194.617	194.900	197.304	1.662	1.731	127	511	283	2.404
Abroad	594	607	640	633	654	647	672	13	33	-7	21	-7	25
Factoring	3.557	3.678	3.763	3.912	3.819	3.883	3.987	121	85	149	-93	64	104
Fin. Leasing	1.286	1.280	1.281	1.282	1.217	1.238	1.251	-6	1	1	-65	21	13
Consumer Fin.	562	567	561	578	595	615	640	5	-6	17	17	20	25
Insurance Companies	16.060	n.d.	n.d.	n.d.	16.788	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Agent	30.163	n.d.	n.d.	n.d.	31.898	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Authorized Establishments	3.142	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Intermediary Ins.	4.948	5.038	5.085	5.092	5.100	n.d.	n.d.	90	47	7	8	n.d.	n.d.
Total	251.492	203.418	205.309	205.603	254.688	201.283	203.854	1.291	1.891	294	399	381	2.571

Source: BRSA, ACMII, UoT, AIRC

3.2 Appearance of Customers relating to Financial Products/Services

Most important customer mass in number of the financial sector is composed respectively banking card customers, depositors, and credit and credit card customers. In the period of June 2012, the highest increase comparing to March 2012 is realized in the participators of private pension system by 5.8%. It is thought that the "Insurance Week" organized firstly in May 2011 and announced by the Undersecretariat of Treasury has played an important role in this development. As a matter of fact, it is observed that after this event organized in 2011 the number of participators to the PPS has increased by 21.2%. With the effect of the activities aiming to increase the financial literacy organized by the authorities, it is foreseen that the number of investors and customers will increase. The increase in the number of share investor by 0.3% is emanated by the increase in the number of domestic and foreigner investors. The increase of the number of incorporated investors by 15.5% in the same period indicates that the corporate investors have oriented towards share market.

Table 3.2-1: Variation of Customers by Financial Products/Services

	Number (Thousand)							Δ Compared to Previous Period (%)					
	2010	Mar.11	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12	Mar.11	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12
Nbr. Of													
Depositors	49.365	51.294	50.822	52.187	51.874	52.444	51.590	3,9	-0,9	2,7	-0,6	1,1	-1,6
Deposit Ban.	47.252	49.072	48.521	49.806	49.393	49.923	48.875	3,9	-1,1	2,6	-0,8	1,1	-2,1
Part. Ban.	2.113	2.223	2.301	2.381	2.481	2.521	2.715	5,2	3,5	3,5	4,2	1,6	7,7
Credit Customer	41.496	42.278	43.518	44.988	46.109	46.595	47.507	1,9	2,9	3,4	2,5	1,1	2,0
Credit Card Cust.	27.787	27.927	28.461	29.082	29.769	30.579	31.317	0,5	1,9	2,2	2,4	2,7	2,4
Bank Card Cust.	56.456	58.827	61.791	64.011	66.573	68.448	69.890	4,2	5	3,6	4	2,8	2,1
Factoring Cust.	57	62	66	68	66	68	69	8,1	7,8	1,8	-1,6	2,4	1,9
Fin. Leasing Cust.	50	47	46	44	43	44	43	-6,1	-1,6	-3,8	-2,9	0,9	-2,4
Cons. F. Cust.	262	273	292	312	328	336	350	4,1	7,1	6,7	5,3	2,4	3,9
Insurance Part.	42.424	n.d.	n.d.	n.d.	49.921	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Non-Life	37.147	n.d.	n.d.	n.d.	42.041	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Life	2.996	n.d.	n.d.	n.d.	5.230	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
PPS	2.281	2.379	2.494	2.584	2.642	2.726	2.884	4,3	4,8	3,6	2,2	3,2	5,8
Share Investor	1.043	n.d.	n.d.	1.097	1.098	1.091	1.094	n.d.	n.d.	n.d.	0,1	-0,8	0,3
IF Investor	3.248	3.441	3.537	3.519	3.286	n.d.	n.d.	5,9	2,8	-0,5	-6,6	n.d.	n.d.
Pension IF Inv.	5.014	5.240	6.618	6.771	6.570	n.d.	n.d.	4,5	26,3	2,3	-3	n.d.	n.d.

Source: BRSA, CMB, ACMII, SGD, AIRC, CRA.

The number of cards within the card payment systems kept increasing. In the period of June 2012, the number of credit cards has increased by 1.9% and the number of bank cards has increased by 2.3%. The number and the amount of transactions per credit card are realized respectively as 4.1 and TL 582.67 TL; while the number and amount of transactions per bank card are realized as 1.26 and TL 306.68. It is seen that of domestic credit card usage, 96.4% was for shopping and 3.6% for drawing cash, while 31.6% of bank card usage was for shopping and 68.4% for drawing cash. The usage of bank cards for shopping has increased comparing to previous period.

Table 3.2-2: Development in Card Payment Systems

	Number (Thousand)						Δ Compared to Previous Period (%)					
	Mar.11	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12	Mar.11	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12
Nbr. of Credit Cards	47.855	49.133	50.139	51.361	52.181	53.163	1,9	2,7	2,0	2,4	1,6	1,9
Visa	n.d.	n.d.	n.d.	29.478	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
MasterCard	n.d.	n.d.	n.d.	21.370	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Other	n.d.	n.d.	n.d.	513	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Nbr. Of Bank Cards	72.392	75.623	78.059	81.880	85.274	87.212	3,5	4,5	3,2	4,9	4,1	2,3
Electron	n.d.	n.d.	n.d.	48.938	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Plus	n.d.	n.d.	n.d.	31.672	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Special Logo	n.d.	n.d.	n.d.	1.270	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Nbr. Of Virt. Cards	n.d.	n.d.	n.d.	5.445	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Nbr. Of POS	2.243	2.343	2.385	2.405	2.423	2.509	3,1	4,5	1,8	0,8	0,7	3,6

Source: BRSA, BCC.

3.3 Development of Fundamental Sizes of Financial Sector

It is seen that the assets of the financial sector keep growing in the second quarter of 2012. However, the effect of stock markets on growth has been negative in this period. The volatility remaining in global markets due to the uncertainties in the Euro Zone indicates that the stock markets will present a periodical negative growth. ISE capitalization value has decreased by 0.3% nominally. The biggest growth within financial sector is realized in factoring companies by 8.6%, which are followed by consumer finance companies by 6.4%.

Table 3.3-1: Variation in the Asset Size of Financial Sector

	TL Billion						Δ Compared to Previous Year (%)			
	2008	2009	2010	2011	Mar.12	Jun.12	2009	2010	2011	Jun.12
CBRT	113,5	110,0	128,5	146,2	144,0	163,1	-3,1	16,8	13,8	13,3
ISE (Capitalization)	182,0	350,8	472,6	381,2	462,6	461,4	92,7	34,7	-19,3	-0,3
Banks	732,5	834,0	1.006,0	1.217,6	1.228,9	1.273,7	13,9	20,6	21,0	3,6
Fin. Leasing Comp.	17,1	14,6	15,7	18,6	18,4	19,3	-14,6	7,5	18,5	4,8
Factoring Comp.	7,8	10,4	14,5	15,7	15,5	16,8	33,3	39,4	8,3	8,6
Consumer Fin. Comp.	4,7	4,5	6,0	8,9	9,4	10,0	-4,3	33,3	48,3	6,8
Asset Management Comp.	0,4	0,4	0,7	0,9	0,9	0,9	0,0	75,0	28,6	1,1
Fin. Holding Comp.	5,0	4,9	5,1	5,5	n.d.	n.d.	-2,0	4,1	7,8	n.d.
CGF	0,1	0,1	0,1	0,2	n.d.	n.d.	0,0	0,0	100,0	n.d.
Insurance Comp.	26,5	31,8	35,1	39,9	n.d.	n.d.	20,0	10,4	13,7	n.d.
Reassurance Comp.	1,4	1,6	1,6	1,6	n.d.	n.d.	14,3	0,0	0,0	n.d.
Intermediary Ins.	4,2	5,2	7,5	9,6	n.d.	n.d.	23,8	44,2	28,0	n.d.
Sec. Inv. Funds	0,6	0,7	0,8	0,7	n.d.	n.d.	16,7	14,3	-12,5	n.d.
REIT	4,3	4,7	17,2	18,7	n.d.	n.d.	9,3	266,0	8,7	n.d.
VCT	0,1	0,2	0,2	0,6	n.d.	n.d.	100,0	0,0	200,0	n.d.
Portfolio Management Comp.	0,3	0,3	0,3	0,3	n.d.	n.d.	0,0	0,0	0,0	n.d.
Sec. Investment Funds	24,0	29,6	33,2	32,2	n.d.	n.d.	23,3	12,2	-3,0	n.d.
Pension Investment Funds	6,0	9,1	12,0	14,1	n.d.	n.d.	51,7	31,9	17,5	n.d.
Total	1.130,5	1.412,9	1.757,1	1.912,5	1.879,7	1.945,3	25,0	24,4	8,8	3,5

Source: BRSA, CBRT, UoT, CMB, PDP, ACMIL.

3.4 Development of Investment Instruments

The increase of total investments nominally by 2% is considered as an indicator of the ongoing confidence of resident and non-resident investors on the Turkish economy. Total financial investments have increased by 5.6% comparing to the same period of previous year. The precious metal account kept increasing in parallel with the increase of banks' gold transactions. While the demand of non-residents to participation banks was decreased in the first quarter of year, it showed an increase by 19.6% in the second quarter.

Table 3.4-1: Development of Investment Instruments

Investment Instruments	TL Billion							Δ Compared to Previous Period (%)						
	2010	Mar.11	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12	Mar.11	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12	
Residents	TL Deposit	406,5	411,5	431,6	428	429,4	426,0	434,8	1,2	4,9	-0,8	0,3	-0,8	2,0
	FX Account	159,3	163,7	167,2	181,5	189,3	189,7	195,3	2,8	2,1	8,6	4,3	0,2	3,0
	Pre. Met. Acc.	2,4	3,5	4,8	13,3	14,2	15,4	16,3	45,8	37,1	177,1	6,8	8,3	6,2
	Par. Bnk.Fund	32,1	32,4	33	33	34,8	35,4	37,7	0,9	1,9	0,0	5,5	1,6	6,7
	GDS	344,6	334,2	328,2	333,8	326,8	333,7	335,9	-3,0	-1,8	1,7	-2,1	2,1	0,7
	Eurobond ⁽¹⁾	5,4	5,4	5,7	6	6,5	6,0	6,3	0,0	5,6	5,3	8,3	-7,1	5,1
	Shares	56	60,6	62,5	57	52,9	63,2	63,4	8,2	3,1	-8,8	-7,2	19,6	0,2
	Inv. Funds	33,2	30,9	33,2	31,4	29,7	28,9	29,0	-6,9	7,4	-5,4	-5,4	-2,6	0,2
	Bills & Bonds	12	12,5	13,4	14	14,3	17,9	23,6	4,2	7,2	4,5	2,1	25,1	31,9
	Derivatives	48,7	25,8	26,8	25,3	22,6	22,1	21,2	-47,0	3,9	-5,6	-10,7	-2,2	-3,9
	Repo	44,2	47,7	75,6	86,5	69	69,2	60,6	7,9	58,5	14,4	-20,2	0,3	-12,4
	Sub Total	1.144,40	1.128,20	1.182,10	1.209,80	1.189,50	1.207,6	1.224,3	-1,4	4,8	2,3	-1,7	1,5	1,4
	Non-Residents	TL Deposit	4,8	5	5,6	6	6,7	6,9	9,7	4,2	12,0	7,1	11,7	3,5
FX Account		11,5	12,8	16,7	21,3	20,4	22,2	24,0	11,3	30,5	27,5	-4,2	8,8	8,2
Pre. Met. Acc.		0	0	0	0,1	0,1	0,2	0,1	0,0	0,0	0,0	0,0	52,9	-2,0
Par. Bnk.Funds		0,4	0,5	0,5	0,6	0,7	0,6	0,8	25,0	0,0	20,0	16,7	-9,6	19,6
GDS		49,2	58,1	64,9	62,5	68,2	68,9	75,3	18,1	11,7	-3,7	9,1	1,0	9,3
Eurobond ⁽²⁾		1,7	1,6	0,8	0,9	0,8	0,8	0,8	-5,9	-50,0	12,5	-11,1	-2,1	0,1
Shares		109,7	103,3	102,8	96	86,9	107,1	106,6	-5,8	-0,5	-6,6	-9,5	23,2	-0,5
Inv. Funds		0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,0	0,0	0,0	0,0	-1,5	-10,4
Bills & Bonds		0,2	0,2	0,5	0,6	0,5	0,5	0,7	0,0	150,0	20,0	-16,7	-3,4	52,0
Derivatives		152	74,2	73,2	74,7	77,4	77,9	78,8	-51,2	-1,3	2,0	3,6	0,6	1,1
Repo		13,3	15,1	24,3	29	28	28,4	30,1	13,5	60,9	19,3	-3,4	1,4	5,9
Sub Total		343,2	271,2	289,7	292,1	289,9	313,8	327,2	-21,0	6,8	0,8	-0,8	8,2	4,3
GENERAL TOTAL		1.487,60	1.399,30	1.471,80	1.501,90	1.479,40	1.521,4	1.551,5	-5,9	5,2	2,0	-1,5	2,8	2,0

Source: BRSA, CRA, AIRC, CBRT, CMB. (1) Eurobond data is taken from the banks' custody accounts.

4 FINANCIAL STATEMENT ANALYSIS

4.1 Banking Sector

The variation of fund flows in June 2012 comparing to the same period of previous year was analyzed in the banking sector. TL 116.8 billion of the increase realized in assets in the mentioned period by TL 127.8 billion was emanated from loans. Securities portfolio has increased by TL 4.9 billion in the one-year period. Required reserves have become an important asset item. When the annual increases/decreases in liabilities structure are analyzed in June 2012, it is seen that deposit is still the most important item, despite the decrease in its share. Of the variation by TL 127.8 billion realized in the last one year, TL 59.4 billion was realized in deposit while TL 34.1 billion in loan allocated. It is seen that the share of own funds within liability-creating items has increased.

Table 4.1-1: Development of Fund Flow Table

TL Billion	2010	2011	Mar.12	Jun.12	03-06 12		2010	2011	Mar.12	Jun.12	03-06 12
Asset Increases/Decreases						Liability Increases/Decreases					
Cash Assets	1,6	3,9	4,1	0,6	-1,3	Deposit	102,4	78,5	67,1	59,4	22,4
Rec. from Banks	-13,9	14,8	-0,6	-46,4	-13,3	Loan Allocated	36,3	49,4	34,3	34,1	14,3
Loans	133,2	157,1	134,8	116,8	38,1	Subordinated Debts	-0,4	2,6	2,2	2,0	0,1
Int.&Inc. Acc.&Redis.	3,6	4,2	5,9	5,2	1,8	Int.&Exp.Acc.&Redis.	1,3	3,1	2,6	2,5	0,4
SP	25,0	-2,9	6,8	4,9	-1,1	Funds	0,7	0,9	1,1	1,2	0,2
NPL	-0,3	0,7	1,1	1,3	0,2	Reserves	0,7	0,0	4,4	5,3	1,0
Miscellaneous Rec.	10,5	1,0	-2,6	8,8	8,3	Tax., Dut., Cha., Pre. Pay.	0,0	0,4	0,3	0,4	-0,1
Required Reserves	8,1	28,9	30,2	36,8	12,0	Fin. Leasing Debts	0,0	0,7	0,3	0,3	0,0
Affiliates	2,6	1,4	2,4	2,0	0,8	Sec. Issued	3,0	15,3	15,5	15,8	6,9
Fixed Assets	-0,2	0,2	0,1	0,2	0,0	Miscellaneous Debts	-3,2	40,2	32,5	-15,1	-7,1
Fin. Leasing Rec.	-0,2	0,2	0,3	0,3	0,0	Other Liabilities	8,1	9,8	4,4	1,7	0,3
Other Assets	2,7	1,6	0,5	-2,7	-0,9	Own Funds	23,7	10,1	18,0	20,3	6,3
Total	172,7	211,0	182,7	127,8	44,6	Total	172,7	211,0	182,7	127,8	44,6

Note: Decreases are represented by (-). The last column represents the variation of March 2012- June 2012.

Total assets have reached to TL 1.3 trillion in the second quarter of 2012. Among asset items, a remarkable decrease by TL 14.6 billion was seen in cash assets, receivables from banks and money markets. SP had a conduct in parallel with its level in previous quarter, while loans have increased by TL 38.1 billion to TL 737 billion. The increase of deposit in the second quarter of year was quite above the increase observed in the first quarter. Deposit has increased by TL 22.4 billion in the mentioned period. The increase of own funds remained limited at TL 6.3 billion.

Table 4.1-2: Development of Condensed Balance Sheet

TL Billion	2002	2004	2006	2008	2009	2010	2011	Mar.12	Jun.12
Cash As. Rec. from Banks and Mon. Mar.	28,6	32,9	63,0	94,7	97,9	85,5	104,2	104,7	90,1
SP	86,1	123,7	158,9	194,0	262,9	287,9	285,0	285,3	284,3
Loans	49,0	99,3	219,0	367,4	392,6	525,9	682,9	699,1	737,2
Other Assets	48,9	50,5	58,8	76,4	80,7	107,5	145,7	140,0	162,2
Deposit	138,0	191,1	307,6	454,6	514,6	617,0	695,5	696,4	718,8
Debts to Mon. Mar. and Banks	25,2	35,8	71,0	93,1	86,9	123,2	173,3	168,3	182,4
Funds Prov. Repo Trans.	6,2	10,6	25,8	40,8	60,7	57,5	97,0	97,6	90,7
Own Funds	25,7	46,0	59,5	86,4	110,9	134,5	144,6	153,0	159,3
Other Liabilities	17,6	23,1	35,8	57,6	60,9	74,4	107,3	113,7	122,4
Total Bal. Sheet	212,7	306,4	499,7	732,5	834,0	1.006,7	1.217,7	1.229,2	1.273,7

When the horizontal development of banking sector's condensed balance sheet is analyzed it is seen that total assets have increased by 11.1% in the last one-year period. Based on annual increases, loans were the main item which made the assets grow with their strong growth. The annual inflation being relatively high in the last one year had a limiting effect on the real increases of balance sheet items. It is remarkable that the growth of the asset items of the balance sheet has slowed down in the last three months, except for loans. It is observed that, amongst the three-month growth of sector's liability items, the highest increase is realized in

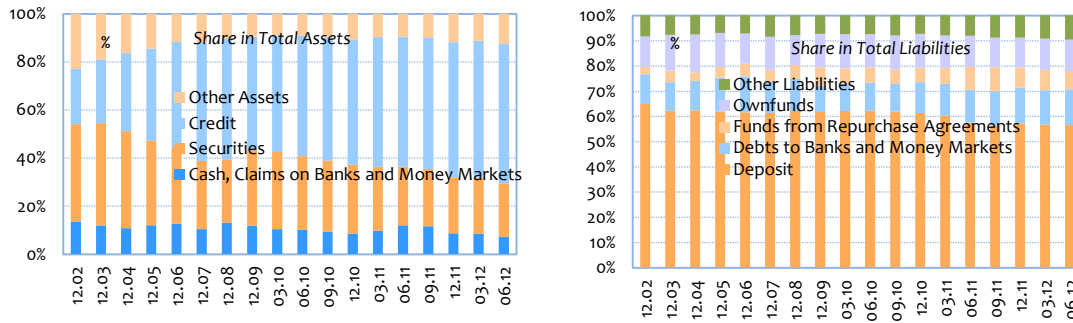
debts to money markets and banks by 8.4%. When the period price increase for the last three months in CPI is deducted, it is seen that the real increases are low in general.

Table 4.1-3: Horizontal Development of Condensed Balance Sheet

Increases %	Annual Nominal			3Months Nominal			Annual Real			3Months Real		
	Jun.10	Jun.11	Jun.12	Jun.10	Jun.11	Jun.12	Jun.10	Jun.11	Jun.12	Jun.10	Jun.11	Jun.12
Cash As. Rec. fr Ban. And Mny Mar.	-8,3	48,3	-33,7	2,8	34,2	-14,0	-15,4	39,6	-39,1	3,2	31,8	-14,3
SP	25,5	0,4	1,8	1,0	0,3	-0,4	15,8	-5,5	-6,5	1,3	-1,5	-0,8
Loans	23,5	36,4	18,8	9,1	9,9	5,5	14,0	28,4	9,1	9,5	8,0	5,0
Other Assets	6,9	31,7	47,0	6,1	7,8	15,8	-1,3	24,0	35,0	6,5	5,9	15,4
Deposit	20,7	16,8	9,0	5,7	4,8	3,2	11,4	10,0	0,1	6,0	2,9	2,8
Debts to Mon. Mar. & Banks	8,6	46,5	23,2	9,4	11,2	8,4	0,2	37,9	13,2	9,7	9,2	7,9
Funds from Repo Transactions	13,4	89,6	-14,5	5,5	60,8	-7,0	4,6	78,4	-21,4	5,8	57,9	-7,4
Own Funds	22,0	16,6	14,6	2,2	3,0	4,1	12,5	9,7	5,2	2,5	1,2	3,7
Other Liabilities	12,3	37,7	31,2	6,1	12,5	7,7	3,7	29,6	20,5	6,4	10,5	7,2
Total Assets/Lia.	18,3	26,1	11,1	5,6	9,5	3,6	9,1	18,7	2,1	5,9	7,5	3,2

Vertical analysis of balance sheet items indicates that the share of loans within balance sheet keeps increasing. The partial decrease seen in the share of SP kept continuing in the second quarter of year. While amongst liabilities, a slight decrease is seen in the share of deposit, the share of funds provided from repo transactions has also decreased in the second quarter. The most evident increase amongst liability items is realized in the share of debts to money markets and banks.

Chart 4.1-1: Vertical Development of Condensed Balance Sheet



Total non-balance sheet transactions have increased moderately in the second quarter of 2012 to TL 1.767 billion. In the mentioned period, while non-cash loans and liabilities have increased by TL 6.9 billion, the commitments didn't increase remarkably especially because of the increase realized in derivative transactions by TL 38.6 billion.

Table 4.1-4: Off-Balance Sheet Transactions

TL Billion	2004	2006	2008	2009	2010	2011	Mar.12	Jun.12
Tot. Off-Bal. Sh. Tr. (1+2)	154,6	277,4	476,0	579,8	1.038,1	1.664,3	1.709,4	1.767,9
N-Cash Loans and Lia. (1)	55,7	86,7	125,8	134,0	163,6	218,5	223,4	230,3
Guarantee Letters	38,7	62,7	93,3	101,6	120,4	156,8	158,9	165,4
Letters of Credit	11,4	16,7	23,9	22,8	30,4	40,8	42,6	40,5
Other	5,6	7,3	8,7	9,7	12,8	20,9	21,9	24,4
Commitments (2) (3+4)	98,9	190,7	350,2	445,8	874,5	1.445,8	1.486,0	1.537,6
Der. Transactions (3)	39,0	107,2	196,4	251,2	391,0	575,4	635,5	674,1
Other Comm. (4)	59,9	83,6	153,8	194,5	483,5	870,4	850,5	863,5
Credit Card Exp. Lim. Comm.	37,1	44,2	65,1	74,8	89,3	102,5	108,1	113,1
Comm. For Use Guar. Cre. All.	0,9	4,0	26,9	30,5	22,7	37,1	35,7	38,4
Payment Comm. For Cheques	8,9	13,4	16,6	21,3	31,1	35,4	45,7	46,0
Revocable Unused Cr. Lines	10,7	16,6	16,5	16,5	290,5	616,7	571,6	559,4
Forw. Asset Pur. Comm.	1,2	1,9	7,7	15,3	12,0	21,9	25,9	33,1
Other	0,9	3,5	21,0	36,1	37,9	56,9	63,4	73,5

When the distribution of off-balance sheet transactions is evaluated, it is seen that the share of non-cash loans in total off-balance sheet transactions which was 17% has decreased to 13.1% in June 2012. The share of commitments has increased from 84.1% to 87 in the mentioned period. The share of derivative transactions which are the main item of commitments has increased by 17.8 point comparing to previous period and realized as 55.9%. The share of revocable unused credit lines which are the main item of other commitments kept increasing.

In the banking sector, when the increasing rates of condensed off-balance sheet transactions are analyzed, while total off-balance sheet transactions have increased by 37% in June 2011 comparing to the same period of previous year, they increased by 46.2% in June 2012. The increasing rate of derivative transactions has also slowed down in the last one-year period comparing to previous years. While a remarkable increase is realized in revocable unused credit lines amongst other commitments, the commitments for use guaranteed credit allocations have decreased. The rate of off-balance sheet to total balance sheet size has increased due to the slowdown in the increasing rate of balance sheet; the mentioned ratio has increased from 105.6% to 138.9% in the last 12-months period. Similarly, the ratio of non-cash loans to total balance sheet size has also increased by 1.3 points to 18.1%. The increase in the ratio of commitments to balance sheet is more evident. This ratio which was 88.8% in June 2011 is realized as 120.8% in June 2012. The ratio of revocable unused credit lines to balance sheet has increased considerably and realized as 43.9%.

Table 4.1-5: Development of Off-Balance Sheet Transactions

Ratio to Balance Sheet, %	Percentage			Percentage of Var.			Ratio to Bal. Sh.		
	Jun.10	Jun.11	Jun.12	Jun.10	Jun.11	Jun.12	Jun.10	Jun.11	Jun.12
Tot.Off-Bal. Sh.Tr. (1+2)	100,0	100,0	100,0	70,5	37,0	46,2	97,3	105,6	138,9
Non-Cash Loans and Lia. (1)	16,8	15,9	13,0	14,7	30,1	19,6	16,3	16,8	18,1
Guarantee Letters	12,4	11,3	9,4	11,7	24,9	21,0	12,1	11,9	13,0
Letters of Credit	3,1	3,1	2,3	30,8	35,8	8,4	3,0	3,3	3,2
Other	1,3	1,5	1,4	11,3	66,6	31,8	1,2	1,6	1,9
Commitments (2) (3+4)	83,2	84,1	87,0	89,0	38,4	51,2	81,0	88,8	120,8
Derivative Trans. (3)	42,0	43,3	38,1	55,9	41,1	28,8	40,9	45,7	53,0
Other Comm. (4)	41,2	40,8	48,8	141,1	35,6	74,9	40,1	43,1	67,8
Credit Card Exp. Lim. Comm.	9,0	8,3	6,4	13,1	26,8	12,7	8,7	8,8	8,9
Comm. For Use Guar. Cre. All.	2,1	2,3	2,2	-32,8	55,8	35,9	2,0	2,5	3,0
Payment Comm. For Cheques	3,2	2,9	2,6	67,8	22,9	31,3	3,1	3,1	3,6
Revocable Unused Cr. Lines	20,9	21,3	31,6	1.435,6	39,6	117,4	20,3	22,5	43,9
Forw. Asset Pur. Comm.	1,7	1,8	1,9	0,5	40,7	56,2	1,7	1,9	2,6
Other	6,1	6,0	6,0	439,0	34,7	46,9	5,9	6,3	8,4

Period net profit of banking sector which was TL 10.4 billion last June is realized as TL 11.6 billion in June 2012. Total interest incomes have increased from TL 39.9 billion to TL 54.8 billion within the mentioned period, while total interest expenses have increased from TL 21.8 billion to TL 30.2 billion. While non-interest incomes remained the same comparing to same period of previous year, non-interest expenses have increased by TL 3.7 billion in the last one year.

Table 4.1-6: Condensed Income Statement

TL Billion	2002	2004	2006	2008	2009	2010	Jun.11	2011	Jun.12
Total Interest Income	44,4	40,3	55,8	85,8	85,3	77,4	39,9	88,1	54,8
Interest Income from Loans	10,4	15,5	28,9	52,1	52,5	47,5	26,1	58,6	37,8
Interest Income from Securities	27,5	21,3	21,6	27,3	28,3	26,2	12,2	26,0	14,7
Other Interest Income	6,5	3,5	5,3	6,4	4,6	3,7	1,6	3,5	2,2
Total Interest Expenses	31,6	22,7	34,6	54,8	43,5	38,7	21,8	48,8	30,2
Interest Expense to Deposit	26,3	19,0	28,0	44,0	35,4	31,7	17,1	37,4	22,5
Interest Expense to Repo	2,3	1,8	2,1	4,6	3,5	3,0	2,1	5,3	3,6
Other Interest Expense	2,9	1,9	4,5	6,2	4,6	4,0	2,6	6,2	4,1
Net Interest Income	12,8	17,6	21,2	31,0	41,8	38,7	18,1	39,3	24,6
Non-Interest Incomes	7,7	8,1	14,7	17,4	19,2	23,9	13,9	26,6	13,9
Fees and Com. Taken from Loans	0,9	1,1	1,7	2,5	3,3	3,3	1,8	3,8	2,1
Banking Services Incomes	2,5	4,2	6,6	10,0	10,5	11,1	6,4	13,3	7,2
Other Non-Interest Incomes	4,4	2,8	6,3	4,9	5,4	9,5	5,4	9,4	4,7
Non-Interest Expenses	12,1	14,5	18,7	26,6	27,9	30,2	17,1	36,2	20,8
Pers. Exp. And Prov. For Term. Indem.	3,7	4,8	6,7	9,9	10,5	12,0	6,5	13,2	7,1
Other Non-Interest Expenses	8,4	9,7	12,1	16,7	17,4	18,2	10,7	23,0	13,4
Total Other Non-Int. Incomes (Exp.)	-0,7	-0,8	-0,6	0,3	1,9	0,3	0,3	-0,3	-0,3
Pre-Tax Profit (Loss)	4,1	9,1	14,5	16,6	25,2	27,3	13,0	25,2	14,7
Tax Provision	1,2	2,6	3,1	3,2	5,0	5,1	2,6	5,4	3,1
Period Net Profit	2,9	6,5	11,4	13,4	20,2	22,1	10,4	19,8	11,6

When the distribution of condensed balance income statement as of June 2012 is analyzed, it is seen that the share of interest incomes from loans within total interest incomes keep increasing. The share of total interest expenses within total interest expenses has decreased, but due to the increase of funding costs, the interest expenses paid to repo have increased, as well their share within interest expenses. The increase of the share of banking services incomes within non-interest incomes is remarkable. The share of payments made to personnel within non-interest expenses has slightly reduced.

When the annual increases in the condensed income statement as of June 2012 are analyzed, high rate increases are observed in total interest incomes and expenses. Despite the increase of banking service incomes, the increasing rate of non-interest incomes was slowed down in other items, so the growth remained limited. In non-interest expenses, the increasing rate of personnel payments was limited comparing to last year. Following the diminution seen in period profit last June, a new increase is shown as of June 2012.

The ratio of income statement items to total balance sheet size provides a comparative analysis. As of June 2012, the ratio of condensed income statement items in general to total balance sheet size is in an increasing tendency. The ratio of total interest incomes to balance sheet size has got closer to its level in June 2010, after the diminution seen last year. The ratio of total interest expenses to balance sheet size has increased by 0.5 point comparing to June 2011. While the ratio of non-interest incomes to balance sheet has partially decreased by 0.2 point, the ratio of non-interest expenses to balance sheet keeps its level of the last one year. Similarly, the ratio of period profit to balance sheet size remained the same in the last one year.

Table 4.1-7: Development of Condensed Income Statement

%	Distribution			Annual Increase			Ratio to Bal. Sh.		
	Jun.10	Jun.11	Jun.12	Jun.10	Jun.11	Jun.12	Jun.10	Jun.11	Jun.12
Total Interest Income	100,0	100,0	100,0	-13,6	3,0	37,4	4,3	3,5	4,3
Interest Income from Loans	59,5	65,4	69,1	-17,0	13,3	45,1	2,5	2,3	3,0
Interest Income from Securities	35,4	30,6	26,9	-5,4	-11,0	21,0	1,5	1,1	1,2
Other Interest Income	5,1	4,0	4,0	-22,3	-19,7	36,4	0,2	0,1	0,2
Total Interest Expenses	100,0	100,0	100,0	-23,9	17,5	38,7	2,0	1,9	2,4
Interest Expenses to Deposit	81,5	78,3	74,5	-24,0	12,9	32,0	1,7	1,5	1,8
Interest Expenses to Repo	8,4	9,6	11,9	-12,5	33,8	71,2	0,2	0,2	0,3
Other Interest Expenses	10,1	12,1	13,6	-31,0	40,7	56,9	0,2	0,2	0,3
Net Interest Income				-1,2	-10,3	35,8	2,2	1,6	1,9
Non-Interest Incomes	100,0	100,0	100,0	20,5	13,8	2,4	1,3	1,2	1,1
Fees and Com. Taken from Loans	13,7	13,4	15,2	4,0	11,5	15,9	0,2	0,2	0,2
Banking Services Incomes	44,8	47,2	51,4	3,0	19,7	11,6	0,6	0,6	0,6
Other Non-Interest Incomes	41,5	39,4	33,4	57,7	8,0	-13,1	0,5	0,5	0,4
Non-Interest Expenses	100,0	100,0	100,0	7,8	17,9	19,9	1,6	1,5	1,6
Pers. Exp. And Prov. For Term. Indem.	39,9	37,8	34,5	12,1	11,7	9,6	0,6	0,6	0,6
Other Non-Interest Expenses	60,1	62,2	65,5	5,1	22,0	26,1	1,0	0,9	1,1
Total Other Non-Int. Incomes (Exp.)				-79,8	-14,3	-188,6	0,0	0,0	0,0
Pre-Tax Profit (Loss)	100,0	100,0	100,0	9,9	-13,2	12,7	1,6	1,1	1,2
Tax Provision	18,8	20,3	21,1	7,8	-6,6	17,2	0,3	0,2	0,2
Period Net Profit	81,2	79,7	78,9	10,4	-14,8	11,6	1,3	0,9	0,9

The cash flow table formed by consolidating the reporting made by independent audit institutions to the BRSA shows the resources ensuring cash flow as well as the usage of this cash. In June 2012, cash and cash equivalent assets have decreased by TL 4.7 billion. The variation of exchange rate by TL 1.8 billion and the diminution of banking activities by TL 11.6 billion were determinative in this decrease. In this period, cash increase by TL 8 billion was provided from financing activities.

Table 4.1-8: Development of Condensed Cash Flow Table

TL Billion	2008	2009	2010	Jun.11	2011	Jun.12	Annual Var.
Operating Profit before Eva. Of Ass. And Lia. Sub. To Banking Act. (I) (1+2)	9,9	32,9	28,4	12,7	17,1	28,8	16,1
Items Providing Cash Inflow from Activities (1)	99,1	112,7	102,5	53,7	110,5	70,0	16,3
Interests Taken	82,0	89,6	78,3	41,0	86,7	56,2	15,2
Dividends Taken	0,6	0,5	0,5	0,5	0,5	0,6	0,1
Fees and Commissions Taken	10,8	11,7	12,3	7,1	14,5	8,4	1,3
Other Earnings	2,3	4,4	3,8	1,7	2,4	1,8	0,1
Coll. From Illiquid Claims Accounted as Loss	3,3	6,5	7,6	3,4	6,4	3,0	-0,4
Items Creating Cash Outflow from Main Activities (2)	-89,2	-79,8	-74,0	-41,0	-93,4	-41,3	-0,2
Interests Paid	-53,3	-45,2	-38,9	-21,0	-47,6	-29,5	-8,5
Cash Payments Made to Personnel and Service Providers	-11,9	-13,8	-17,3	-9,3	-19,5	-9,9	-0,6
Taxes Paid	-3,4	-6,3	-5,9	-2,5	-4,6	-3,4	-0,9
Other Payments	-20,5	-14,6	-11,9	-8,2	-21,7	1,5	9,7
Var. in Ass. And Lia. Subject to Banking Activities (II)	41,1	38,9	-9,7	4,1	-34,0	-40,4	-44,5
Net Cash Flow Provided from Banking Activities (I+II)	51,0	71,8	18,8	16,8	-16,9	-11,6	-28,4
Cash Flows Relating to Investment Activities	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net Cash Flow Emanating from Investment Activities	-31,2	-66,5	-23,6	11,6	7,1	0,6	-11,0
Cash Flows Relating to Finance Activities	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net Cash Flow Provided from Finance Activities	2,2	-1,1	3,3	7,3	15,6	8,0	0,6
Effect of the Var. in FX Rate on Cash and Cash Equivalent Assets	1,9	-0,3	0,4	1,6	5,1	-1,8	-3,3
Net Increase in Cash and Cash Equivalent Assets	24,0	3,7	-1,2	37,3	10,7	-4,7	-42,0
Cash and Cash Equivalent Assets at the Beginning of Period	59,3	83,0	79,3	78,0	78,0	89,0	11,0
Cash and Cash Equivalent Assets at the End of Period	82,4	86,8	78,1	115,3	88,7	84,3	-31,0

Note: The last column represents the variation within the period of March 2012 - March 2011.

As of June 2012, net period profit when the taxes and legal liabilities to be paid are deducted is around TL 0.8 billion according to the condensed profit distribution table.

Table 4.1-9: Development of Condensed Profit Distribution Table

TL Billion	2009	2010	Jun.11	2011	Jun.12	Δ06.12-06.11
Period Profit (I)	25,1	27,3	1,1	16,3	1,1	-0,1
Taxes and Legal Liabilities to be Paid (II)	5,3	5,2	0,2	3,1	0,2	0,0
Corporate Tax	5,8	5,4	0,2	3,2	0,3	0,1
Income Tax Deduction	0,0	0,0	0,0	0,0	0,0	0,0
Other Taxes and Legal Lia.	-0,6	-0,3	0,0	-0,1	-0,1	-0,1
Net Period Profit (I-II) (III)	19,9	22,1	0,9	13,2	0,8	0,0
Losses from Previous Periods (1)	17,9	17,8	17,6	0,1	17,6	0,0
Leg. Fun. Acc. In Bank and Req. to be Carried (2)	0,1	0,2	0,0	2,0	0,0	0,0
Other (3)	0,2	0,2	0,0	0,7	0,0	0,0
Distributed Net Period Profit (III-(1-2-3))	1,6	3,9	-16,7	10,4	-16,7	0,0
First Dividend to Partners (-)	0,0	0,1	0,0	0,8	0,0	0,0
Dividend to Personnel (-)	0,0	0,0	0,0	0,2	0,0	0,0
Dividend to Board of Directors (-)	0,0	0,0	0,0	0,0	0,0	0,0
Second Dividend to Partners (-)	0,2	0,0	0,0	1,8	0,0	0,0
Second Arr. Legal Reserves (-)	0,0	0,0	0,0	1,8	0,0	0,0
Statutory Reserves (-)	0,2	0,0	0,0	0,0	0,0	0,0
Extraordinary Reserves (-)	0,1	0,2	0,0	7,3	0,0	0,0

According to the consolidated own funds variation table² for June 2012, the own funds have increased by net TL 13.7 billion comparing to the beginning of the period. TL 11.5 billion of this increase comes from period profit, while TL 4.5 billion from securities valuation differences, TL 0.3 billion from capital increase. Due to profit distribution, a decrease by TL 2.8 billion is realized in own funds variation in the mentioned period.

Table 4.1-10: Development of Own Funds Variation Table

TL Billion	2008	2009	2010	Jun.11	2011	Jun.12
Opening Balance (I)	59,7	75,8	86,4	108,9	108,9	132,6
Securities Valuation Differences (1)	1,0	-2,8	5,7	-0,8	3,5	-3,3
Capital Increase (2)	3,3	6,4	1,6	0,6	2,0	0,8
In cash	3,3	6,4	1,6	0,6	2,0	0,8
Period Net Profit or Loss (3)	14,9	13,4	20,2	12,1	22,1	10,4
Profit Distribution (4)	-5,2	-4,9	-2,7	-3,5	-4,0	-4,0
Dividend Distributed	-4,8	-4,8	-2,6	-3,5	-4,0	-4,0
Amounts Transferred to Reserves	-0,3	0,0	0,0	0,0	0,0	0,0
Other (5)	2,4	-1,5	-0,3	0,0	0,1	3,8
Balance at the End of Year (1+2+3+4+5)	76,1	86,4	110,9	117,3	132,6	140,3
Balance at the End of Previous Period (6)	75,7	86,4	110,9	132,6	132,6	145,6
Securities Valuation Differences (7)	-2,8	5,7	3,4	-3,4	-7,9	4,5
Hedging Funds (Active Part) (8)	-0,4	-0,4	0,0	0,3	0,1	-0,2
Exchange Difference (9)	0,2	0,0	0,0	0,0	0,0	-0,1
Capital Increase (10)	6,3	1,6	2,0	0,8	1,8	0,7
In Cash	6,2	1,6	2,0	0,8	1,8	0,7
From Internal Resources	0,0	0,0	0,0	0,0	0,0	0,0
Period Net Profit or Loss (11)	13,4	20,2	22,1	10,4	19,8	11,5
Profit Distribution (12)	-4,9	-2,7	-4,0	-4,0	-4,2	-2,8
Dividend Distributed	-4,8	-2,6	-4,0	-4,0	-4,2	-2,8
Amounts Transferred to Reserves	0,0	0,0	0,0	0,0	0,0	0,0
Other	-0,1	0,9	1,9	3,9	3,9	5,9
Other (1)	-1,2	0,0	0,1	2,4	2,4	0,0
Balance at the End of Period (6+7+8+9+10+11+12+13)	86,1	110,9	134,5	139,1	144,6	159,3

² It is obtained by subtracting the balance at the end of previous period from the balance at the end of period.

4.2 Appearance of Non-Banking Financial Sector

In the second quarter of 2012, total assets of non-banking financial sector have increased by 15.7% comparing to the same period of previous year. In the same period, total assets of financial leasing companies, factoring companies, consumer financing and asset management companies have increased respectively by 13.1%, 11.8%, 29.9% and 30.7%. While the shares of financial leasing and factoring companies which are weighted actors of the sector within non-banking financial sector have reduced in the second quarter of 2012 comparing to the same period of previous year, the shares of consumer financing and asset management companies have increased.

4.2.1 Financial Leasing

Total assets of financial leasing sector have increased by 13.1% in the second quarter of 2012 comparing to the same period of previous year. When the sector's balance sheet is evaluated, it is seen that the most weighted factor among the assets is the receivables item. The share of receivables within total assets has increased from 72.4% to 77.4% in the second quarter of 2012 comparing to the same period of previous year. The banks account has decreased by 26.1% and the share within balance sheet has also reduced. As a positive development, the share of NPL of the sector within the balance sheet has decreased. When the sector's liability structure is analyzed, it is seen that the loans received and own funds have increased in the second quarter of 2012 comparing to the same period of previous year. However, even if the own funds have increased by 5.4%, their share within the balance sheet has decreased by 1.6 points comparing to the same period of previous year. While the off-balance sheet items have decreased by 2.4 points in the second quarter of 2012 comparing to the same period of previous year, its share within the balance sheet has also decreased.

Table 4.2-1: Development of Financial Leasing Sector Main Balance Sheet Sizes

(TL Billion)	2008	2009	2010	Mar.11	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12	Var.* (%)	BS Share (%)	
											Jun.11	Jun.12
Receivables	13,9	10,8	10,2	10,9	12,4	13,9	14,3	14,1	14,9	20,8	72,4	77,4
NPL	1	1,5	1,5	1,5	1,4	1,4	1,4	1,4	1,4	0,8	8,0	7,1
Provisions	0,4	0,6	0,7	0,7	0,7	0,7	0,7	0,7	0,7	7,2	4,0	3,8
Banks	1,4	1,6	3,1	2,3	2,0	1,6	1,7	1,5	1,5	-26,1	11,6	7,6
Total Assets	17,1	14,7	15,8	15,8	17,1	18,3	18,6	18,4	19,3	13,1	100,0	100,0
Loans Received	13,7	10,7	11,2	11,0	12,1	13,2	13,4	12,8	13,5	11,4	70,8	69,8
Own Funds	3	3,5	3,9	4,0	4,1	4,1	4,2	4,2	4,3	5,4	24,2	22,5
Off B/S Acc. Total	15,6	16,8	18,6	20,0	21,6	22,6	23,5	20,5	21,1	-2,4	126,6	109,3

*Compared to the same period of previous year

In the second quarter of 2012, the sector's net period profit has decreased by 23% comparing to the same period of previous year. The increase in financial leasing and non-financial leasing expenses were not matched entirely by the increase in financial leasing and non-financial leasing incomes, which was determinative in the formation of this loss. As a remarkable factor, it is observed that the non-operating incomes of financial leasing sector are quite above its operating incomes.

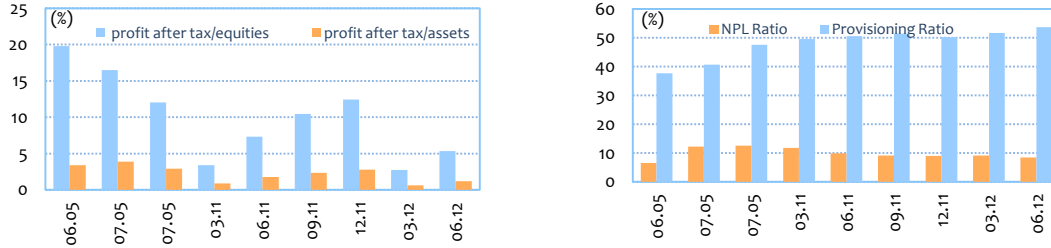
Table 4.2-2: Development of Financial Leasing Companies Selected Income Statement Items

(TL Million)	2008	2009	2010	Mar.11	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12	Var.* (%)
Financial Leasing Incomes	1.538	805	1.035	268	543	851	1.129	315	649	19,5
Non-Financial Leasing Incomes	6.147	2.886	3.722	831	1.882	2.835	3.453	920	2.068	9,9
Financial Leasing Expenses	807	318	423	115	241	390	535	160	332	37,8
Non-Financial Leasing Expenses	5.846	2.611	3.341	724	1.639	2.491	2.985	815	1.847	12,7
Operating Expenses	223	164	229	66	136	195	256	66	135	-0,9
Tax Provision	8	51	63	15	29	38	65	27	70	141,1
Net Period Profit/Loss	590	373	463	138	301	428	521	116	231	-23

*Compared to the same period of previous year

In the second quarter of 2012, return on assets and equities are lower than their level in the same period of previous year. NPL ratio of the financial leasing sector has decreased in 2012 comparing to the same period of previous year and realized as 8.4%. However, even if the NPL ratio keeps decreasing since the beginning of 2010, it is still quite high compared to factoring and consumer financing companies. Provisioning ratio is 53.8% in this period.

Chart 4.2-1: Financial Leasing Sector Performance Indicators



When the share of financial leasing sector within non-banking financial sector is analyzed, it is seen that it has consistently been around 42% since 2010. In the second quarter of 2012 the sector's on-balance sheet FX rate risk has increased slightly comparing to the same period of previous year, while its off-balance sheet FX net position/own funds ratio has decreased. 5 companies have bared a loss in this period.

Table 4.2-3: Financial Leasing Sector Soundness Indicators

(%)	2008	2009	2010	Mar.11	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12
Share within Non-Banking Sector	57,2	49	42,7	42,4	42,5	43,2	42,3	41,6	41,5
Receivables/Own Funds Ratio	4,7	3,1	2,6	2,7	3,0	3,4	3,4	3,3	3,4
After-Tax Profit/Own Funds	19,8	16,5	12,0	3,4	7,3	10,4	12,4	2,7	5,3
After-Tax Profit /Assets	3,4	3,9	2,9	0,9	1,8	2,3	2,8	0,6	1,2
NPL Ratio	6,6	12,3	12,6	11,8	9,9	9,2	9,0	9,1	8,4
Provisioning Ratio	37,7	40,7	47,6	49,6	50,6	51,5	50,3	51,7	53,8
FX Assets/Assets	79,2	73,2	67,5	73,0	71,6	75,4	74,5	73,6	73,3
FX Liabilities /Liabilities	76,7	68	61,0	64,8	65,4	66,7	66,5	66,2	64,4
On-Balance Sheet FX Net Position/Own Funds	14,1	21,8	27,0	32,4	25,5	38,9	35,6	32,2	39,7
Off-Balance Sheet FX Net Position/Own Funds	339,9	315,3	313,7	319,8	355,8	371,1	377,7	309,0	303,0
Transaction Limit Ratio (<30)	5,0	3,8	3,0	3,0	3,3	3,6	3,7	3,5	3,7
Number of Loss-Making Companies (Number)	4	5	9	4	5	4	3	5	5

4.2.2 Factoring

In the second quarter of 2012, the assets of factoring sector have increased by 12.6% comparing to the same period of previous year. Most important item within the sector's assets is receivables which is around 90%. In the second quarter of 2012, it has increased by 12.6% compared to the same period of previous year. The loans granted to the sector by banks have decreased by 22.3% in the same period. Off-balance sheet accounts have increased by 24.3%.

Table 4.2-4: Appearance of Factoring Sector Main Balance Sheet Sizes

	2008	2009	2010	Mar.11	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12	Var.* (%)	BS Share (%)	
											Jun.11	Jun.12
Receivables	5,6	8,4	12,4	12,4	13,7	13,8	14,2	13,9	15,4	12,6	90,2	91,4
NPL	0,5	0,5	0,5	0,5	0,5	0,6	0,6	0,7	0,7	37,3	3,6	4,4
Provisions	0,4	0,4	0,4	0,5	0,4	0,5	0,4	0,5	0,6	35,2	2,9	3,6
Banks	1,1	1,1	1,2	0,9	0,5	0,4	0,5	0,6	0,4	-22,3	3,4	2,4
Total Assets	7,8	10,5	14,5	14,4	15,1	15,3	15,7	15,5	16,8	11,2	100,0	100,0
Loans Received	4,9	7,6	11,1	10,8	11,4	11,2	11,5	11,3	12,3	8,0	75,1	73,0
Own Funds	2,4	2,5	3,0	3,0	3,1	3,2	3,4	3,4	3,5	12,9	20,3	20,6
Memorandum Acc. Total	31	28,3	37,9	34,0	35,2	40,6	39,9	41,2	43,7	24,3	232,4	259,7

* Compared to the same period of previous year

In the second quarter of 2012, the profit of factoring sector kept its positive trend and increased by 41.8% comparing to the same period of previous year. Amongst income items, factoring incomes have increased by 50.6%, but non-factoring incomes have decreased by 11.4%. Factoring expenses have increased by 48.4% in the same period. The facts that factoring incomes are considerably higher than factoring expenses nominally and that they show a stronger performance by increasing rate, affect positively the profitability.

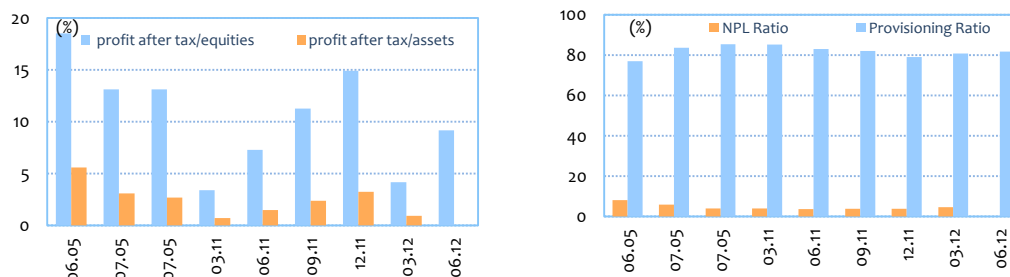
Table 4.2-5: Development of Factoring Companies Selected Income Statement Items

(TL Million)	2008	2009	2010	Mar.11	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12	Var. *(%)
Factoring Incomes	1.757	1.358	1.514	411	869	1.429	2.040	644	1.309	50,6
Non-Factoring Incomes	1.926	1.708	2.945	321	683	1.207	1.595	362	604	-11,4
Factoring Expenses	808	527	685	189	411	692	988	305	611	48,4
Non-Factoring Expenses	1.838	1.649	2.720	304	629	1.130	1.460	303	497	-21,0
Operating Expenses	345	315	390	104	219	335	456	123	259	18,5
Tax Provision	53	96	87	18	35	52	110	26	58	64,5
Net Period P/L	440	327	390	103	224	364	507	142	318	41,8

*Compared to previous year

While the return on equities has increased by 25.6% in the second quarter of 2012 comparing to previous year, the return on assets has increased by 27.6%. Even if the sector's NPL ratio has slightly reduced comparing to previous period, it is still high comparing to the same period of previous year. This ratio is realized as 4.6% in the second quarter of 2012.

Chart 4.2-2: Factoring Sector Performance Indicators



The sector's share within non-banking financial sector which was 35.1% in the first quarter of 2012 has increased to 36.2% in the second quarter. The fact that the share of the sector within non-banking financial sector which was in a decreasing tendency since 2010 has shown an increase is considered as a positive development. In the factoring sector, the number of companies has increased from 74 to 75 in the second quarter of 2012 comparing to previous period, while the number of loss-making companies has decreased by 6 to 4, which means that the sector has shown a strong performance.

Table 4.2-6: Factoring Sector Soundness Indicators

(%)	2008	2009	2010	Mar.11	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12
Share within Non-Banking Fin. Sector	26,3	34,9	39,2	38,5	37,7	36,0	35,6	35,1	36,2
Receivables/Own Funds Ratio	2,4	3,4	4,2	4,1	4,4	4,3	4,2	4,1	4,4
After Tax Profit /Own Funds	18,5	13,1	13,1	3,4	7,3	11,3	14,9	4,2	9,2
After Tax Assets /Assets	5,6	3,1	2,7	0,7	1,5	2,4	3,2	0,9	1,9
NPL Ratio	8,2	5,9	4,0	4,1	3,8	3,9	3,8	4,7	4,6
Provisioning Ratio	77,0	83,7	85,3	85,2	83,0	82,0	79,1	80,8	81,7
FX Assets/Assets	15,4	8,2	9,1	13,1	11,0	10,9	11,1	10,4	10,6
FX Liabilities/Liabilities	35,1	16,9	17,5	19,7	19,1	20,5	19,3	17,8	16,6
On-Balance Sheet FX Net Position/Own Funds	-64,6	-36,6	-41,2	-31,2	-39,8	-45,2	-37,8	-33,8	-29,4
Off-Balance Sheet FX Net Position/Own Funds	175,3	189,7	188,6	266,4	260,4	329,1	272,2	271,4	262,7
Transaction Limit Ratio (<30)	2,3	3,5	4,4	4,2	4,6	4,4	4,4	4,1	4,5
Nbr. Of Loss-Making Companies (Nbr.)	13	15	14	10	11	12	10	10	4

4.2.3 Consumer Financing

In the second quarter of 2012, total assets of consumer financing companies have increased by 38% comparing to the same period of previous year. In the second quarter of 2012 the share of receivables within assets is 92.7% which is higher than its level in the first quarter which was 93.2%. NPLs have increased by 5.2% in the same period while its within the balance sheet has decreased from 3.1% to 2.4%. The own funds kept getting stronger in this period with an increase by 23.8%. The loans received has increased by 38.9% in the second quarter of 2012 comparing to the same period of previous year, while their share within the balance sheet has increased from 78.5% to 78.6%. Off-balance sheet accounts have increased by 20.9% in this period.

Table 4.2-7: Appearance of Consumer Financing Sector Balance Sheet Main Indicators

(TL Billion)	2008	2009	2010	Mar.11	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12	BS Share (%)		
										Var.*	Jun.11	Jun.12
Receivables	4	3,9	5,4	5,8	6,7	7,5	8,4	8,6	9,3	38,0	93,2	92,7
NPL	0,3	0,4	0,3	0,3	0,2	0,3	0,2	0,2	0,2	5,2	3,1	2,4
Provisions	0,1	0,1	0,2	0,2	0,2	0,2	0,1	0,1	0,1	-25,9	2,2	1,2
Banks	0,3	0,3	0,4	0,4	0,3	0,2	0,2	0,5	0,5	54,1	4,2	4,7
Total Assets	4,7	4,5	6,1	6,4	7,2	8,0	8,9	9,4	10,0	38,8	100,0	100,0
Loans Received	3,7	3,6	4,5	4,9	5,7	6,4	7,1	7,4	7,9	38,9	78,5	78,6
Own Funds	0,4	0,4	0,5	0,5	0,5	0,6	0,6	0,6	0,7	23,8	7,4	6,6
Off-B/S Acc. Tot.	0,9	2,5	4,4	4,4	5,8	6,4	6,6	6,8	7,0	20,9	79,6	69,4

*Compared to previous year

When the sector's profitability is evaluated, it is seen that the net period profit has increased by 41.7% in the second quarter of 2012 comparing to the same period of previous year. In this period, consumer financing incomes have increased by 52.7% while consumer financing expenses have increased by 54.5%. The increasing rates of incomes and expenses outside consumer financing are respectively 5.8% and 14.4%.

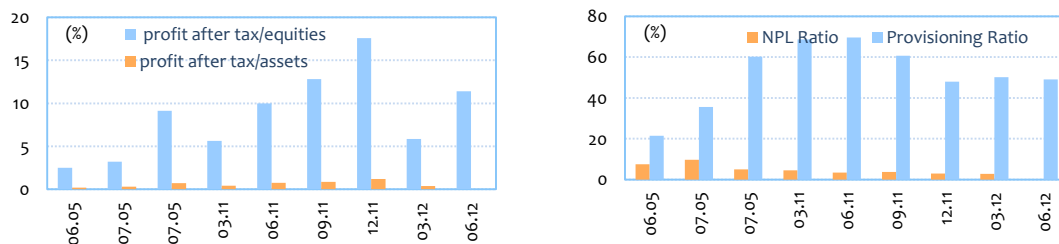
Table 4.2-8: Appearance of Consumer Financing Companies Selected Income Statement Items

(TL Million)	2008	2009	2010	Mar.11	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12	Var.* (%)
Con. Fin. Incomes	688	667	643,5	177,8	369,6	594,7	840,3	269,3	564,3	52,7
Non-Con. Fin. Incomes	1515	540	344,6	123,1	278,1	507,2	596,7	171,7	294,1	5,8
Con. Fin. Expenses	491	457	412,2	116,5	240,3	384,6	544,9	178,1	371,2	54,5
Non-Con. Fin. Expenses	1523	523	323,5	104,4	249,1	481,9	558,6	165,5	285,0	14,4
Operating Expenses	138	118	142,2	31,2	65,7	100,9	140,9	36,5	75,3	14,6
Tax Provision	11,6	12,5	16,0	8,9	18,3	27,9	31,6	11,1	26,5	45,0
Net Period Profit /Loss	9,5	13,3	43,0	28,3	53,6	70,6	106,8	36,7	76,0	41,7

*Compared to previous year

In the second quarter of 2012, the sector's return on equities has increased by 14.5% comparing to the same period of previous year, while its return on assets has increased by 2.1%. In the same period, the sector's NPL ratio has decreased by 23.8% comparing to the same period of previous year and realized as 2.6%.

Chart 4.2-3: Consumer Financing Sector Performance Indicators



The share of the sector within non-banking financial sector maintained its growth and reached to 21.6% in the second quarter of 2012. The number of loss-making companies has decreased in the same period comparing to previous period and realized as 3.

Table 4.2-9: Consumer Financing Sector Soundness Indicators

(%)	2008	2009	2010	Mar.11	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12
Share within Non-Banking Fin. Sector	15,8	15,1	16,3	17,2	18,0	19,0	20,2	21,3	21,6
Receivables/Own Funds	10,6	9,5	11,6	11,6	12,5	13,6	13,8	13,8	14,0
After-Tax Profit /Own Funds	2,5	3,2	9,1	5,6	10,0	12,8	17,6	5,8	11,4
After-Tax Profit/Assets	0,2	0,3	0,7	0,4	0,7	0,9	1,2	0,4	0,8
NPL Ratio	7,4	9,6	5,0	4,4	3,4	3,6	2,9	2,7	2,6
Provisioning Ratio	21,5	35,6	60,2	68,6	69,7	60,7	48,0	50,1	49,1
FX Assets/Assets	9,3	8,1	3,9	3,7	5,1	4,9	3,7	5,4	5,0
FX Liabilities/Liabilities	43,9	42,7	28,9	27,2	30,3	32,5	29,7	28,6	26,8
On-Balance Sheet FX Net Position/Own Funds	-431,5	-380,7	-322,0	-301,5	-338,4	-401,5	-380,4	-346,9	-328,3
Off-Balance Sheet FX Net Position/Own Funds	82,3	180,5	233,2	218,4	322,3	369,4	228,9	224,4	188,4
Transaction Limit Ratio (<30)	10,8	10	11,7	12,3	13,2	13,7	15,2	14,1	14,8
Nr. Of Loss-Making Companies	4	4	4	4	2	5	6	5	3

4.2.4 Asset Management

In the second quarter of 2012, the assets of asset management companies have increased by 30.7% comparing to the same period of previous year. The rise by 56.9% seen in non-performing loans account taken over which is the most weighted item within total assets was determinative in this increase. In parallel with this development, a growth by 185.9% is seen in the provisions set aside for these loans. The main resource of the asset management sector is composed of loans received with 63.6%, and their share within the balance sheet has decreased in the second quarter of 2012 comparing to same period of previous year. In the same period, the own funds have increased by 49.9% and their share within the balance sheet has increased from 28% to 32.2%. While the off-balance sheet accounts have increased by 110.7%, their share within the balance sheet has increased from 9.8% to 15.9%.

Table 4.2-10: Appearance of Asset Management Companies Main Balance Sheet Sizes

(TL Million)	2008	2009	2010	Mar.11	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12	BS Share		
										Var. *(%)	Jun.11	Jun.12
Banks and Other Fin. Ins.	40,9	39,6	103,5	125,0	132,9	128,3	166,9	166,1	170,0	27,9	17,7	17,4
Loans Taken Over	17,9	190	344,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
NPL Taken Over	311	199	277,9	683,8	677,4	723,0	774,9	942,8	1063,0	56,9	90,4	108,5
Provisions	7,8	96,2	108,9	114,4	117,6	116,9	130,2	295,4	336,3	185,9	15,7	34,3
Total Assets	369,8	356	657,7	732,3	749,7	801	875,6	877,8	979,6	30,7	100,0	100,0
Loans Received	287,1	218	466,7	525,2	521,1	542,1	569,5	519,9	623,3	19,6	69,5	63,6
Own Funds	74,8	127	178,6	191,7	210,3	235,4	280,2	295,3	315,2	49,9	28,0	32,2
Total Off-Bal. Sh. Accounts	188,5	119	214,0	209,9	73,7	80,6	97,6	111,8	155,3	110,7	9,8	15,9

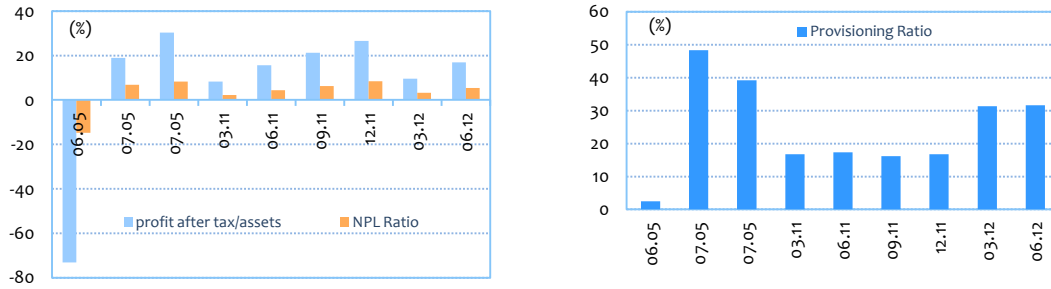
*Compared to previous year

In the second quarter of 2012, profitability performance of asset management companies present a strong outlook. While interest incomes have increased in the second quarter of 2012 comparing to the same period of previous year, the incomes originated from fees and commissions have reduced. The sector which eliminated the losses from foreign exchange transactions and made them turn into profit in the previous period, kept profiting from foreign exchange transactions also in this period.

Table 4.2-11: Appearance of Asset Management Companies Selected Income Statement Items

(TL Million)	2008	2009	2010	Mar.11	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12	Variation (%)
										Jun.2011- Jun.2012
Interest Incomes	2,4	130	179,4	65,1	129,0	197,7	275,8	73,7	167,6	29,9
Interest Expenses	15,5	27,3	35,8	11,0	24,0	38,1	52,8	14,6	28,0	16,6
Incomes from Fees and Commissions	2,4	-4,4	-16,0	-8,6	-14,6	-20,0	-31,3	-4,2	-9,4	-35,3
Other Operating Incomes	24,2	61,4	79,4	23,3	46,6	75,3	107,8	30,4	76,8	65,0
Other Operating Expenses	36,5	38	139,3	42,0	83,6	129,3	170,6	44,4	112,9	35,1
FX Trans. Profit/Loss	-33,3	-7,36	1,3	-2,6	-8,8	-20,6	-19,7	4,6	7,9	-189,9
Tax Provision	-2,2	1	0,6	2,0	1,4	2,2	13,1	4,7	2,5	77,1
Net Period Profit/Loss	-54,7	24,1	54,2	15,8	33,0	49,9	74,3	28,2	53,5	62,3

In the second quarter of 2012 when compared to the same period of previous year, the return on equities of asset management companies has increased by 8.2%, while their return on assets have increased by 24.2%. The return on equities and return on assets performance of asset management companies is higher when compared to the other non-banking financial sector institutions. The number of loss-making companies has increased by 1 and became 2 in this period.

Chart 4.2-4: Asset Management Sector Performance Indicators

In the second quarter of 2012, the share of asset management companies within non-banking financial sector has slightly increased comparing to previous period and reached to 2.1%. Receivables/own funds ratio which was in an increasing tendency since 2010 has started to reduce in first two quarters of 2012. On the other hand, a remarkable increase is realized in provisioning ratio in the same period.

Table 4.2-12: Asset Management Sector Soundness Indicators

(%)	2008	2009	2010	Mar.11	Jun.11	Sep.11	Dec.11	Mar.12	Jun.12
Share within Non-Banking Fin. Sector	1,2	1,2	2,0	2,0	1,9	1,8	2,2	2,0	2,1
Receivables/Own Funds Ratio	22,8	32,5	28,7	28,0	31,0	32,6	36,2	31,3	29,7
After-Tax Profit /Own Funds	-73,1	19	30,3	8,2	15,7	21,2	26,5	9,5	17,0
After-Tax Profit/Assets	-14,8	6,8	8,2	2,2	4,4	6,2	8,5	3,2	5,5
Provisioning Ratio	2,5	48,4	39,2	16,7	17,4	16,2	16,8	31,3	31,6
FX Assets/Assets	19,1	17,7	13,2	11,9	10,6	14,6	12,2	8,6	7,1
FX Liabilities/Liabilities	78,4	16	29,4	30,5	29,5	9,0	24,1	19,1	17,0
On-Bal. Sheet FX Net Position/Own Funds	-292,9	4,9	-59,9	-70,9	-67,5	19,0	-37,2	-31,2	-30,8
Nbr. Of Loss-Making Companies (Nbr.)	4	3	0	0	0	2	2	1	2
Total Number of Companies (Nbr.)	5	6	6	6	6	8	8	8	8

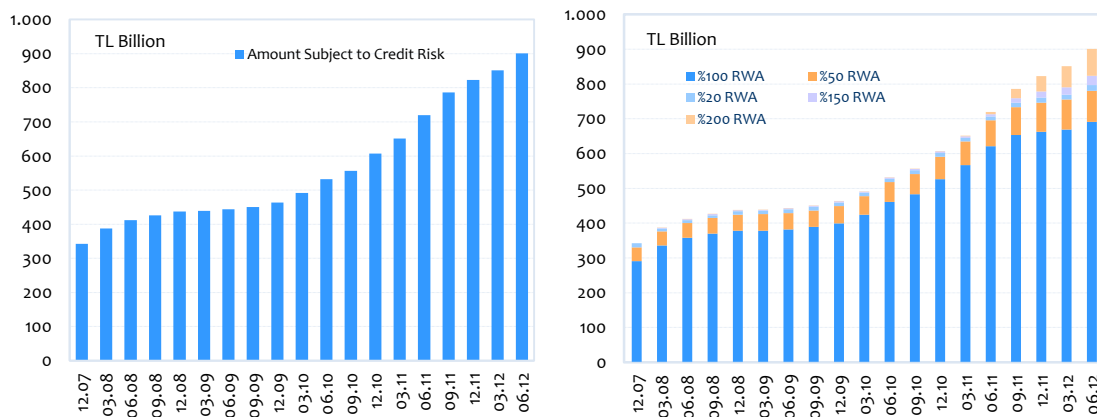
5 RISK, CAPITAL and PROFITABILITY EVALUATION

5.1 Risk Analysis

5.1.1 Credit Risk

Banking sector's amount subject to credit risk has increased by 5.9% comparing to previous quarter and reached to TL 901 billion as of June 2012. Among the components of this amount, the proportionally highest increases were realized in 150% and 200% risk weighted assets. The main reason of this situation is the increase realized in receivables emanating from consumer loans other than vehicle and housing loans and maturity of which exceeds one year. 100% risk weighted assets which are the biggest component of the amount subject to credit risk have increased by 3.2% comparing to previous quarter but their share within total keeps decreasing.

Chart 5.1-1: Development of the Amount Subject to Credit Risk and Risk Weighted Assets



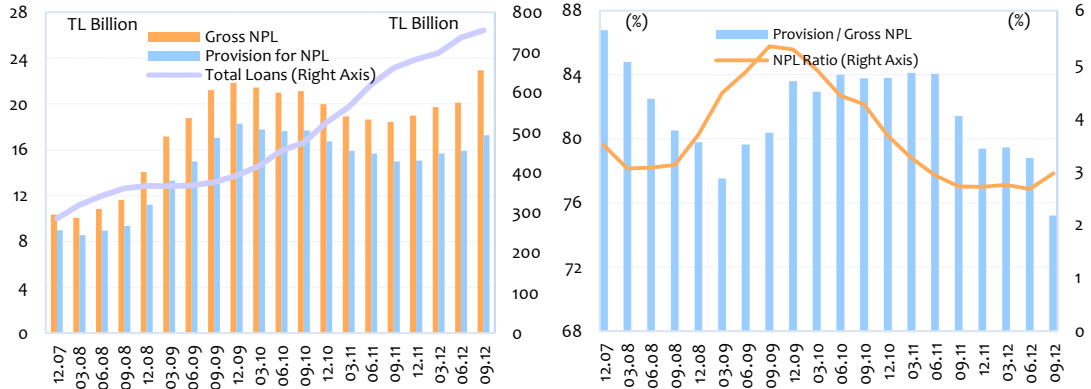
When the development of banking sector's credit volume is analyzed within the frame of the amount subject to credit risk analysis, it is seen that the slowdown in the increasing rate of loans has stopped. As of the second quarter of 2012, total loans have increased by 5.4% comparing to previous quarter. The growth in credit cards and other commercial loans which are respectively 8.6% and 5.9% have increased faster than total loans.

Table 5.1-1: Development of Personal and Commercial Loans

	TL Million						% Distribution					
	2008	2009	2010	2011	Mar.12	Jun.12	2008	2009	2010	2011	Mar.12	Jun.12
SME Loans	84.605	83.271	125.734	162.109	164.547	172.499	23,0	21,2	23,9	23,7	23,5	23,4
Oth. Com. And Corp.	165.707	179.435	225.893	296.891	304.617	322.480	45,1	45,7	43,0	43,5	43,6	43,7
Personal	117.133	129.915	174.224	223.893	229.943	242.218	31,9	33,1	33,1	32,8	32,9	32,9
Housing	38.900	44.888	60.800	74.590	75.438	78.405	10,6	11,4	11,6	10,9	10,8	10,6
Vehicle	5.498	4.423	5.666	7.366	7.280	7.531	1,5	1,1	1,1	1,1	1,0	1,0
Consumer	33.416	38.390	45.843	62.076	62.537	64.566	9,1	9,8	8,7	9,1	8,9	8,8
Other	5.329	5.638	18.333	24.372	26.515	28.567	1,5	1,4	3,5	3,6	3,8	3,9
Credit Cards	33.990	36.576	43.582	55.489	58.173	63.148	9,3	9,3	8,3	8,1	8,3	8,6
Total	367.445	392.621	525.851	682.893	699.107	737.196	100	100	100	100	100	100

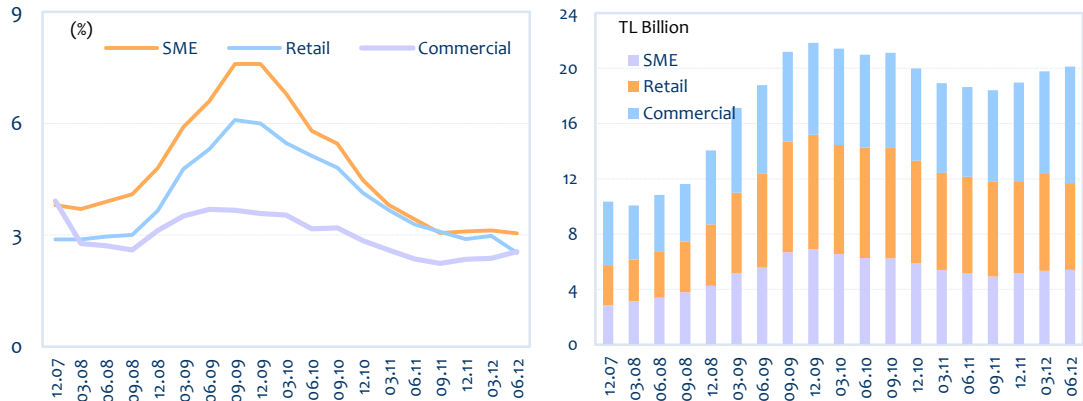
In the banking sector, follow-up ratio conducts below 3% for the last one year. The ratio which was 2.74% as of March 2012 has decreased moderately to 2.66% in June 2012. The increase in loans was faster than the increase in non-performing loans in the second quarter of year, which made the follow-up ratio to reduce. In the same period, the reserves reserved for non-performing loans did not change much, so the ratio of reserves to NPL has decreased to 78.8%.

Chart 5.1-2: Development of Non-Performing Loans and Follow-Up Ratio



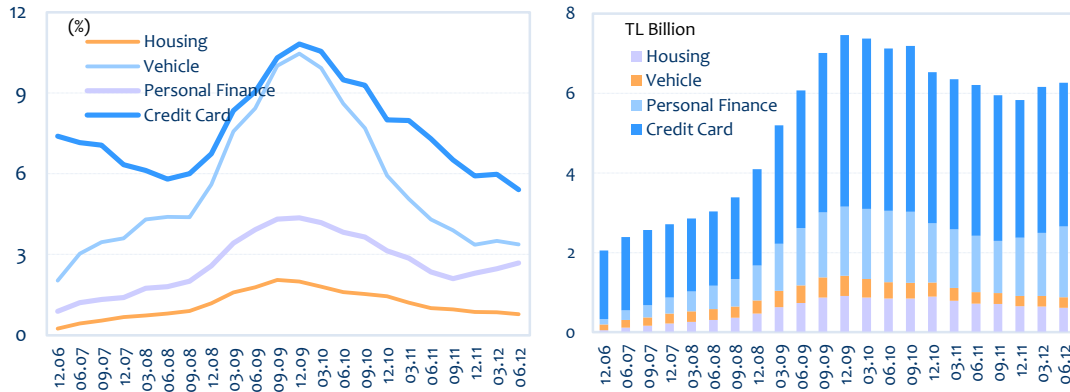
In the second quarter of 2012, the FUR has decreased by 0.1 point in SME loans, personal loans and commercial loans which realized respectively as 3%, 2.9% and 2.3%. In the same period, the proportional increase concerning non-performing loans is 2.6% in personal loans and 1.4% in SME loans and commercial loans. In the second quarter of year, non-performing SME loans receivables have increased by TL 76 million and commercial loans receivables have increased by TL 104 million. The half of the increase realized in non-performing loans by TL 360 million in total is emanating from personal loans.

Chart 5.1-3: FUR and NPL Development of Personal and Commercial Loans and SME Loans



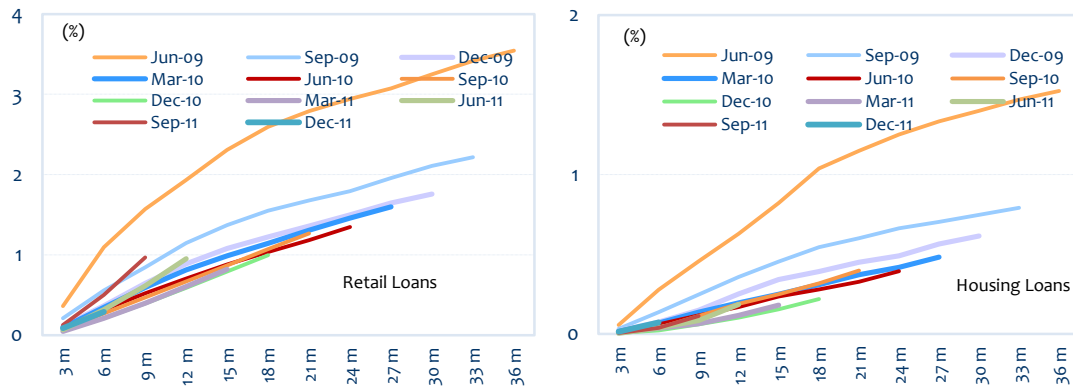
The NPL amount concerning consumer loans which are a sub-item of personal loans has increased by 12.4% in the period of June 2012 comparing to previous period and reached to TL 1.78 billion. In parallel with this, the FUR concerning consumer loans has increased from 2.5% to 2.7%. NPL amounts concerning housing loans, vehicle loans and personal credit cards have decreased respectively by 4.2%, 0.5% and 1.7%. Consequently, the FUR is reduced to 0.8% in housing loans, to 3.4% in vehicle loans and to 5.4% in personal credit cards. On the other hand, amongst all credit types, the highest FUR is realizing in credit cards. The increase of credit quality concerning credit cards and the FUR becoming closer to other credit types are important in reducing the credit risk to which the sector is exposed generally.

Chart 5.1-4: Development of Non-performing Loans and Follow up Ratio of Consumer Loans



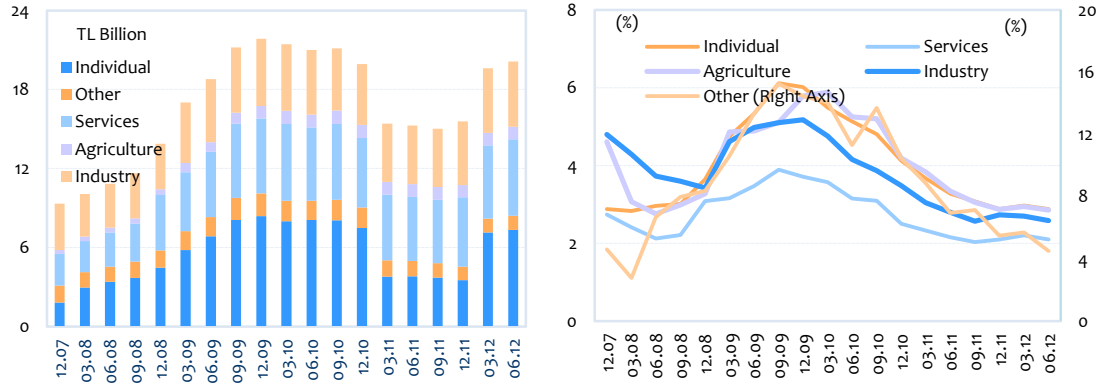
As to aging analysis of consumer loans, the loans extended in the last quarter of 2011 is falling to follow-up in less rapid manner as to the loans granted in the first three quarter of the same year. This state, is presenting parallelism to the moderate decrease observed in follow-up ratio, in the last period. When the said analysis is made for housing loans, it is observed that a similar state arises.

Chart 5.1-5: Aging Analysis of Consumer Loans



When the sectoral distribution of NPL is observed by June 2012, it is seen that NPL amounts relating to loans extended to the main sectors increased moderately. The highest increase as to March 2012 is experienced in NPL relating to loans granted to services sector by 4.3%. As a result of the fact that the loans granted increased more as to NPL, a decrease realized in follow up ratios. As of the second quarter of the year, the Follow up ratios of the loans extended to agriculture, industry and services sectors realized as 2,9%, 2,6% and 2,1% respectively.

Chart 5.1-6: Changes in Sectoral Distribution of Non Performing Loans and Follow up Ratio



When the sub-sectors having the highest share in NPL is observed, it is seen that the credit cards which their share was decreasing in the second quarter of 2012, continues to be in the first rank. In addition to that, the share of NPL relating to credit cards in total decreased to 18.3% by decreasing 1.4 points. When compared to March 2012, the share of sub-sectors except consumer loans and other loans decreased as of June 2012. The share of NPL, relating to consumer loans and other loans which was 13.2% in March 2012 and 12.1% in 2011 year-end, in total increased to 13.6% in June 2012

Table 5.1-2: Subsectors Having the Highest Shares within Non-performing Loans

Subsector (%)	Dec.11		Mar.12		Jun.12	
	Share within NPL	FR	Share within C.Loans	Sh.within NPL	FR	Share within C.Loans
Credit Cards	18,6	5,7	8,3	19,7	5,7	8,8
Personal Retail and Other Loans	12,1	2,6	12,3	13,2	2,7	12,7
Construction	7,8	3,6	5,7	8,2	3,6	5,8
Textile and Textile Product Industry	7,6	6,4	3	7,8	6,4	3,1
Wholesale Trade and Commissioning	6,2	2,8	5,8	7	3	6,1
Agriculture	4,6	2,9	4,2	4,7	2,9	4,2
Food,beverage and Tobacco Industry	3,5	2,7	3,4	3,8	3	3,3
Retail Trade and Personal Products	3,4	3	3	3,4	2,8	3,3
Personal Housing Loans	3,5	0,9	10,6	3,4	0,8	10,8

Total NPL amount of banking sector increased to TL 20.1 billion by increasing TL 0.4 billion in the second quarter of 2012. When it is observed in respect of guarantee structure, it is seen that the mentioned increase is emanating from the NPL having II., III. and IV group guarantee. While the share of NPL having II. Group guarantee in total NPL decreased in June 2012 period, the share of NPL having III and IV. Group guarantee decreased. The share of NPL not having guarantee in total NPL regressed to 48.6% in the mentioned period. The fact that the NPL amount deleted from the asset increased significantly was affective in the decreasing of follow up ratio in the second quarter of the year. The ratio of the part guaranteed of NPL to total loan amount decreased to 35.1% by decreasing 0.8 as to the previous quarter in the second quarter of 2012 and by decreasing 3.1 points as to 2011 year-end.

Table 5.1-3: Collateral and Guarantee Information Concerning Non-Performing Loans

	Amount deducted from Assets*								
	Gross balance (TL Billion)			Amount deducted from Assets* (TL Million)			Total Guarantee /Loans (%)		
	Dec 11	Mar 12	Jun 12	Dec 11	Mar 12	Jun 12	Dec 11	Mar 12	Jun 12
Total NPL	19,0	19,7	20,1	331,9	140,8	541,1	38,2	35,9	35,1
Having I. Group Collateral	0,1	0,1	0,1	0,0	0,0	0,0	71,4	29,9	26,8
Having II. Group Collateral	6,6	6,4	6,5	14,2	3,1	16,1	77,1	74,9	70,7
Having III. Group Collateral	2,6	3,0	3,2	17,5	0,8	39,0	74,3	69,3	67,9
Having IV. Group Collateral	0,4	0,8	1,0	0,1	10,3	4,4	51,0	29,3	34,3
Uncollateralized	9,3	9,5	9,4	300,1	126,6	481,5			
Re structured receivables	0,8	0,9	0,9						
Receivables attached to new redemption plan	0,5	0,5	0,5						

* Expresses the case of a loan or another receivable classified as non-performing to be erased from bank records because its collection has become impossible or due to other reasons.

The fact that loan expansion was in more rapid manner than the increase in own funds in the second quarter of 2012 caused the fact that the effect on own funds of probable loss to be experienced in cash loans to increase. The effect of loss to own funds in case that 1% of cash loans to turn into loss, increased to 4.01% by an increase amounting to 0.11 points in the second quarter of 2012 as to the previous period. It is predicted that CAR of the sector shall decrease by 0.56 points in case that this state shall realize. It is observed that CAR values expected to be realized within the said scenarios are above the minimum limits for all scenarios. This state is indicating that the sector has a strong capital structure.

Table 5.1-4: Credit Risk Sensitivity Analysis Results

Scenario	Mar.12				Jun.12			
	Loss (TL Million)	CAR (%)	CAR Change (Point)*	Loss/Own. (%)	Loss (TL Million)	CAR (%)	CAR Change (Point)*	Loss/Own. (%)
1% of cash loans turn into loss	6.090	15.35	-0,55	3,9	6.507	15,26	-0,56	4,01
5% of cash loans turn into loss	30.449	13,09	-2,81	19,53	32.537	12,94	-2,88	20,04
10% of cash loans turn into loss	60.898	10,12	-5,78	39,06	65.075	9,91	-5,91	40,09
1% of non cash loans turn into loss	1.638	15,76	-0,14	1,05	1.690	15,67	-0,15	1,04
5% of non cash loans turn into loss	8.192	15,16	-0,74	5,25	8.450	15,09	-0,73	5,21
10% of non cash loans turn into loss	16.385	14,41	-1,49	10,51	16.901	14,35	-1,47	10,41

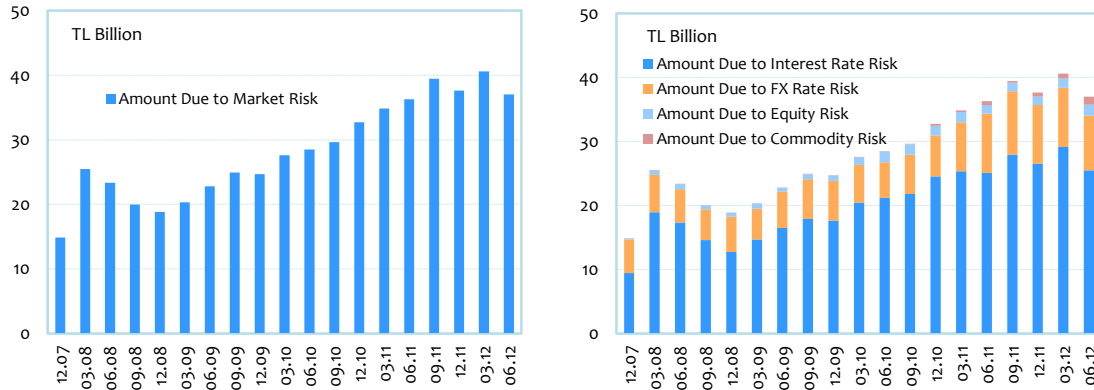
Note: Data of İller Bank was excluded

* Average CAR of March 2012 period is 15.90%. Average June 2012 period Car is %15, 82.

5.1.2 Market Risk

The amount subject to market risk of banking sector regressed to TL 37 billion by decreasing 8.9% as to the previous period. The main factors in the said regression are seen that the decreases observed in the amounts subject to interest rates and foreign exchange risk. The said amounts regressed by 12.5% and 7.8% respectively as to the previous period. The amount subject to stock risk increased by 18.6% and the amount subject to commodity risk increased by 65.5%.

Chart 5.1-7: Development of Amount Subject to Market Risk by Components



As of the second quarter of 2012, the share of Eurobond and stock in banking sector commercial portfolio, and correspondingly a decrease in the share of DGB experienced as of the second quarter of 2012. When the interest structure of commercial portfolio of the sector is analyzed, it is seen that the share of fixed interest portfolio increased to 48.6% by decreasing 1.5 points. The share of FX portfolio in commercial portfolio increased to 12.8% as of June 2012 as to the previous period, while the share of TL portfolio decreased to 87.2%.

Table 5.1-5: Distribution of the Banking Sector's Commercial Portfolio

(%)	December 2011			March 2012			June 2012		
	TL	FX	Total	TL	FX	Total	TL	FX	Total
GDS	83,2	1,8	85,0	85,8	0,0	85,8	85,3	0,0	85,3
Floating rate	45,9	0,0	45,9	46,0	0,0	46,0	47,9	0,0	47,9
Fixed rate	36,3	1,8	38,1	39,2	0,0	39,2	36,9	0,0	36,9
Other	1,0	0,0	1,1	0,6	0,0	0,6	0,6	0,0	0,6
Eurobond	0,0	10,0	10,0	0,0	9,3	9,3	0,0	10,2	10,2
Floating Rate	0,0	0,1	0,1	0,0	0,2	0,2	0,0	0,0	0,0
Fixed rate	0,0	9,9	9,9	0,0	9,2	9,2	0,0	10,2	10,2
Stock and Investment Fund	0,3	0,1	0,4	0,3	0,2	0,4	0,3	0,2	0,5
Other	1,3	3,2	4,5	1,4	3,1	4,4	1,6	2,4	4,0
Floating rate	0,8	2,2	3,0	0,8	2,0	2,8	0,8	1,7	2,5
Fixed rate	0,5	1,0	1,5	0,6	1,1	1,7	0,8	0,8	1,5
Other	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
TOTAL	84,8	15,2	100,0	87,4	12,6	100,0	87,2	12,8	100,0
Floating Rate	46,7	2,3	49,0	46,8	2,1	49,0	48,7	1,7	50,4
Fixed rate	36,8	12,7	49,5	39,8	10,3	50,1	37,6	11,0	48,6
Other	1,3	0,2	1,5	0,8	0,2	1,0	0,9	0,2	1,0

In the second quarter of 2012, by the effect of the fact that banking sector fixed interest DGB portfolio decreased by 7.1% as to the previous quarter and the increase by 4.4% in own funds, the effect of probable changes in second hand GDB prices on capital of the sector decreased as to the previous quarter. The decreasing effect of probable decrease amounting to 10% on second hand DGB prices on the capital of the sector realized as 5.2% by presenting a decrease amounting to 0.7 points as to the previous period.

Table 5.1-6: Effects of Possible Changes in Second Hand GDS Prices

June 2012 (TL Million)				Change in Second Hand GDS Prices (%)					
				-10	-5	-1	1	5	10
Commercial Portfolio	GDS with Fixed Rate	Own fund	Effect on Price change on capital (%)						
Deposit Banks	195.260	71.600	136.591	-5,2	-2,6	-0,5	0,5	2,6	5,2
DIB	5.713	2.207	16.060	-1,4	-0,7	-0,1	0,1	0,7	1,4
Total	200.973	73.808	152.651	-4,8	-2,4	-0,5	0,5	2,4	4,8
March 2012 (TL Million)									
Deposit Banks	197.477	77.036	130.773	-5,9	-2,9	-0,6	0,6	2,9	5,9
DIB	5.167	2.029	15.808	-1,3	-0,6	-0,1	0,1	0,6	1,3
Total	202.644	79.066	146.580	-5,4	-2,7	-0,5	0,5	2,7	5,4

In the second quarter of 2012, the increase observed by 10.8% in the fixed interest Eurobond portfolio of the sector is producing the result of the fact that the effect of the probable changes in fixed interest Eurobond prices on own funds is higher. The decreasing effect of the probable 10% of decrease in fixed interest Eurobond prices on the capital of the sector increased to 1.5% from 1.4% by increasing as to the previous period.

Table 5.1-7: Effects of Possible Changes in Eurobond

June 2012 (TL Million)				(%)Change in Eurobond Prices					
				-10	-5	-1	1	5	10
Commercial Portfolio	Eurobond with fixed rate	Own fund	(%)Effect of Price Change on Capital						
Deposit Banks	195.260	20.100	136.591	-1,5	-0,7	-0,1	0,1	0,7	1,5
DIB	5.713	309	16.060	-0,2	-0,1	0,0	0,0	0,1	0,2
Total	200.973	20.408	152.651	-1,3	-0,7	-0,1	0,1	0,7	1,3
March 2012 (TL Million)									
Deposit Banks	197.477	18.152	130.773	-1,4	-0,7	-0,1	0,1	0,7	1,4
DIB	5.167	320	15.808	-0,2	-0,1	0,0	0,0	0,1	0,2
Total	202.644	18.473	146.580	-1,3	-0,6	-0,1	0,1	0,6	1,3

The effect of the changes in the prices of stocks and investment funds, having limited share in commercial portfolio, on the capital of the sector has not shown a significant change in the second quarter of 2012 as to the previous period. In this period, the decreasing effect of the probable decrease amounting to 10% in stock and investment funds on the capital of the sector is 0.06%.

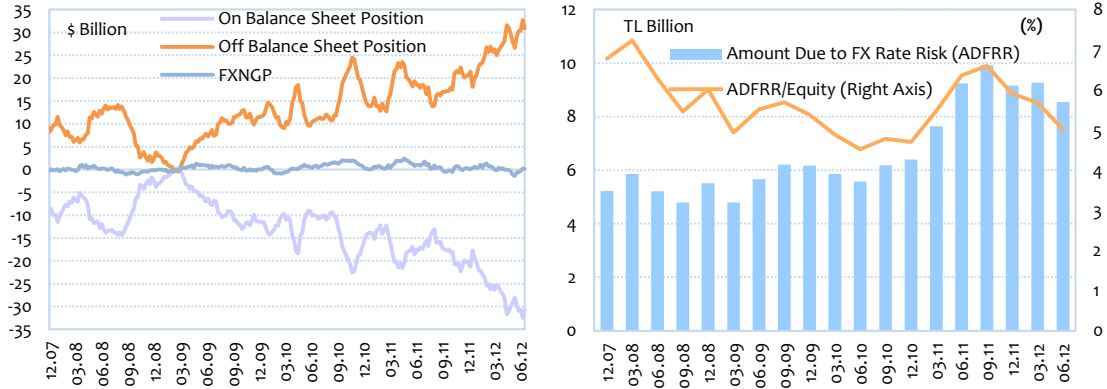
Table 5.1-8: Effect of Probable Changes in Stocks and Investment Fund Prices

June 2012 (TL Million)				(%)Change in S+IF Prices					
				-10	-5	-1	1	5	10
Commercial Portfolio	Stock and Investment Fund	Own Fund	(%)Effect of Change in Prices to Capital						
Deposit Banks	195.260	826	136.591	-0,06	-0,03	-0,01	0,01	0,03	0,06
IDB	5.713	83	16.060	-0,05	-0,03	-0,01	0,01	0,03	0,05
Total	200.973	909	152.651	-0,06	-0,03	-0,01	0,01	0,03	0,06
March 2012 (TL Million)									
Deposit Banks	197.477	773	130.773	-0,06	-0,03	-0,01	0,01	0,03	0,06
IDB	5.167	84	15.808	-0,05	-0,03	-0,01	0,01	0,03	0,05
Total	202.644	857	146.580	-0,06	-0,03	-0,01	0,01	0,03	0,06

Turkish banking sector is covering FX short position in balance sheet with FX long position, other than the balance sheet, in general. FX net general position of the sector is progressing in low levels. In the second quarter of 2012, in-balance sheet position and off-balance sheet position of the sector realized as USD -30.7 billion and USD 30.9 billion respectively. FXNGP regressed to USD -0.1 billion in the end-September 2011 from USD 0.4 billion by the end of the previous period. The amount subject to rate of exchange risk of the sector decreased to TL 8.5 billion by

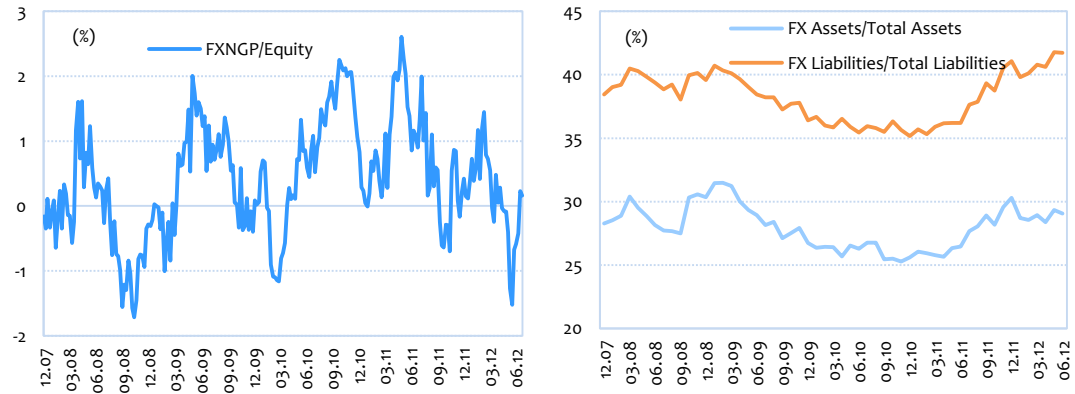
decreasing as to the first quarter of 2012. Within this parallel, the rate of amount subject to rate of exchange risk to own funds decreased as to the previous period and the said period regressed to 5.1% in the end-June 2012, from 5.7% by the end-March 2012.

Chart 5.1-8: Development in Amount Subject to IBP, FXNGP and FX rate Risk



By the end of the first quarter of 2012, the ratio of FXNGP/own funds regressed to 0.2% in the second quarter of the year by showing a decrease as to the previous period from 0.5% by the end of the first quarter of 2012. When the in-balance sheet position of the sector is analyzed by currency types, it is seen that a significant part of total long and short positions are from USD and EUR denominated. GDP is following these two currency type. In the second quarter of the year, the share of FX assets and FX liabilities in balance sheet of the sector increased. The said values realized as 29.1% and 41.7% respectively in the second quarter of the year.

Chart 5.1-9: In Balance Sheet Share of FXNGP / Own fund Rate and FX Assets and Liabilities



In the second quarter of 2012, as a result of the fact that in-balance sheet position of the sector increased as absolute value as to the previous period, the effect of probable changes in rate of exchange on the total capital of the banking sector increased as to previous period. In this period, the decreasing effect of a probable increase amounting to 25% in rate of exchange on the capital of the sector increased to 9.1% from 7.9% by increasing as to the previous period. Off-balance sheet FX position of the sector was not taken into account in the said analysis.

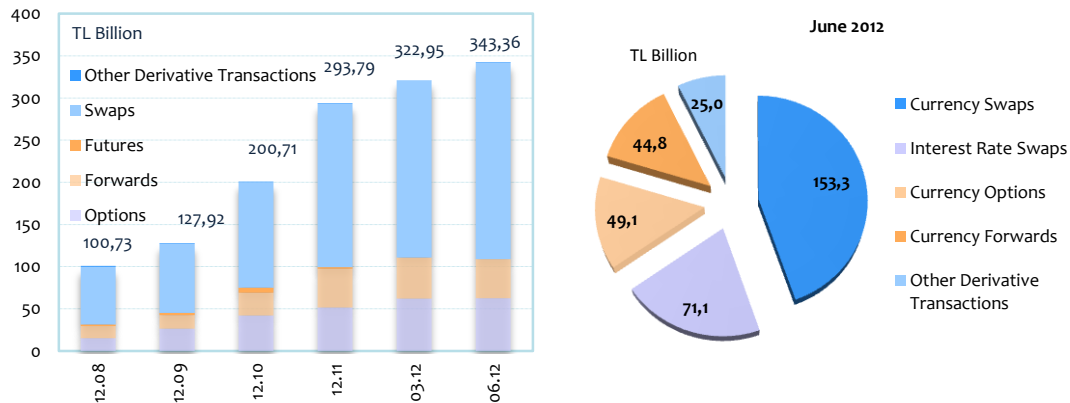
Table 5.1-9: Effects of Probable Changes in Rate of exchange

	As of June 29, 2012 (USD Million)					(%)Change Ratio in Rate of Exchange					
	In balance Sheet Position (IBP)	Own fund	(%)IBP/Own.	FXNGP	(%)FXNGP/Own.	-20	-10	1	5	25	50
						(%)Effect of Change in rate of Exchange to Capital					
Deposit B.	-29.781	82.122	-36,3	132	0,2	7,3	3,6	-0,4	-1,8	-9,1	-18,1
IDB	-751	8.989	-8,4	-21	-0,2	1,7	0,8	-0,1	-0,4	-2,1	-4,2
Part. B.	-186	3.771	-4,9	42	1,1	1,0	0,5	0,0	-0,2	-1,2	-2,5
Total	-30.718	94.882	-32,4	153	0,2	6,5	3,2	-0,3	-1,6	-8,1	-16,2
As of March 30, 2012 (USD Million)											
Deposit B.	-25.103	79.592	-31,5	422	0,5	6,3	3,2	-0,3	-1,6	-7,9	-15,8
IDB	-440	9.050	-4,9	-22	-0,2	1,0	0,5	0,0	-0,2	-1,2	-2,4
Part. B.	-245	3.744	-6,5	44	1,2	1,3	0,7	-0,1	-0,3	-1,6	-3,3
Total	-25.788	92.386	-27,9	444	0,5	5,6	2,8	-0,3	-1,4	-7,0	-14,0

5.1.3 Risks Emanating from Derivative Transactions

The size of the derivative transactions which the banking sector realizes continue to increase. Total derivative position reached to TL 343.4 billion which grew by 16.9% in June 2012 as to previous year and grew by 27.5% annually. 99.7% of the derivatives are comprised of qualified over-the-counter transactions and 91.3% thereof is made for purchase and sale.

Swap and forward transactions made on foreign exchange and interest continue to be the most used derivative products. When the development of main derivative products in June 2012 is analyzed as to end-March 2012, it is seen that the size of foreign exchange swap transactions reached to TL 153.3 billion by showing an increase by 13.4% and that the size of interest swap transactions reached to TL 71.1 billion by showing an increase by 3.3%. In this period, there was no change in the size of other derivative transactions.

Chart 5.1-10: Distribution of Derivative Transactions as to Transaction Type and Subject

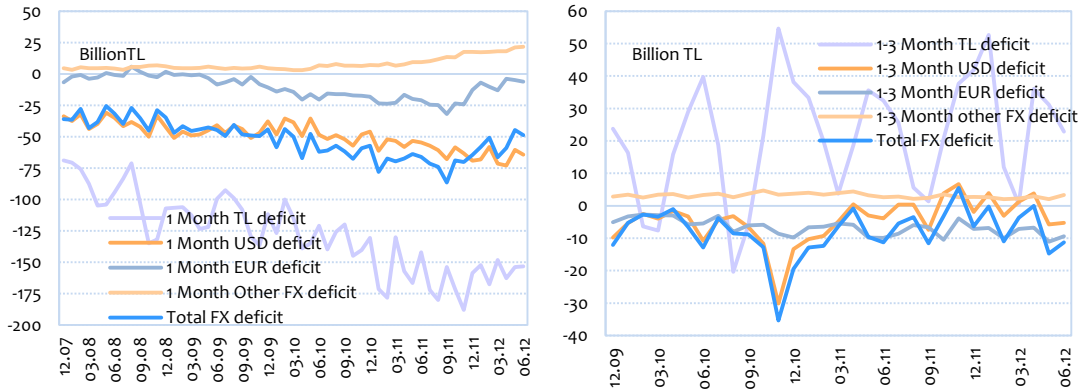
When the counterparty of the derivative transactions is analyzed, it is seen that the share of the banks increased as to 2011 year-end and the share of other legal entities decreased. Besides, it is attractive that the transactions made with the persons residing in England are weighted.

Table 5.1-10: Outlook of Counterparty of Derivative Transactions

%	December 2011					June 2012				
	Banks	Non-bank Financial Institutions	Other Legal Entities	Real Persons	Banks	Non-bank Financial Institutions	Other Legal Entities	Real Persons		
	Domestic	England	France	USA	Other Foreign	Domestic	England	France	USA	Other Foreign
Option	56,8	2,1	26,1	15,1	61,1	1,9	25,3	11,7		
Forward	46,0	5,5	44,2	4,3	51,2	4,3	39,6	5,0		
Futures	91,2	0,1	5,9	2,8	86,0	2,8	6,6	4,6		
Swap	89,2	3,8	7,0	0,1	87,6	4,0	7,9	0,5		
Other	84,1	0,1	3,3	12,5	79,9	0,3	0,8	19,0		
Total	76,7	3,7	16,1	3,4	77,8	3,7	15,4	3,2		
Opsiyon	44,4	30,8	8,2	5,1	11,5	40,1	36,9	7,3	6,0	9,7
Forward	57,7	28,9	2,5	2,3	8,5	52,3	34,5	2,0	2,6	8,6
Futures	36,5	16,1	0,0	47,4	0,1	51,7	19,7	0,0	28,5	0,1
Swap	8,3	65,3	5,9	6,5	14,1	9,8	62,1	6,4	7,5	14,2
Other	46,6	52,3	0,0	0,0	1,1	54,0	27,8	0,0	17,5	0,7
Total	22,6	53,2	5,7	5,8	12,6	21,2	53,6	6,0	6,6	12,5

5.1.4 Structural Interest Rate Risk³

In the second quarter of 2012, TL short position with a maturity up to one month increased to TL 153 billion by increasing TL 5 billion, and FX short position regressed to TL 48.8 billion by a decrease amounting to TL 18 billion. TL short position with a maturity up to 1 month initiated to progress in a more stable manner with the year 2011 can be said. Even the said short positions being continuing reflected positively to the profitability of the banks, due to the fact that the interests decreased the period following the crisis, when the ambiguity in global markets and the problems in euro zone considered, it is evaluated that the profitability of banking sector may be affected negatively in case of interest increases in short term. It is seen that interest sensitive TL items with 1-3 months maturity gave TL 22 billion deficit and that short position of FX items decreased to TL 22.54 billion by the second quarter of 2012.

Chart 5.1-11: Development of Interest Deficits

As a result of analyzing average income and cost of interest sensitive assets and liabilities, it is seen that interest margin expanded as a result of the fact that placement interest increased in a more rapid manner than interest cost in the first half of 2012 as to 2011 year-end. In the second quarter of 2012, a partial recession in interest margin is observed by the effect of the decrease in placement interest. In this period total interest incomes and total interest expenses

³Differently from the interest rate risk taken into consideration within the scope of market risk, this expresses the risk arising from the mismatch between the re-pricing periods between the banks' all assets and liabilities.

shown an increase as to the same period of the previous year, in addition to that, the fact that the ratio of total interest incomes to assets-sensitive to average interest increased in a lower level than thereof caused the interest margin to shrink. The interest margin regressed to 23% in the second quarter of 2012 by decreasing 0.10 point.

Table 5.1-11: Development of Interest Margin and Components

(%)	Jun.09	Sept.09	Dec.09	Mar.10	Jun.10	Sept.10	Dec.10	Mar.11	Jun.11	Sept.11	Dec.11	Mar.12	Jun.12
Placement	11.79	11.13	10.63	9.47	9.13	8.80	8.43	7.53	7.41	7.38	7.72	8.82	8.57
Int..cost (2)	7.14	6.55	6.08	4.82	4.91	4.99	4.79	4.47	4.55	4.63	4.83	5.49	5.34
Int.Mar. (3)	4.66	4.58	4.55	4.65	4.22	3.82	3.65	3.06	2.85	2.75	2.89	3.33	3.23

(1): $((1+(\text{Total int.inc.}/\text{av.int.sensi.asset}))^{12/\text{rank of related month}})-1$

(2): $((1+(\text{Total inte.exp}/\text{av.int.sen.liab.}))^{12/\text{rank of related month}})-1$

(3): $[(1)-(2)]$

The effect of interest changes, within the scope of scenario analysis included hereunder for evaluating structural interest rate risk which the sector is exposed, on the profitability of the bank is calculated. In the analysis made, the remainder periods of banks to re-pricing date of their assets and liabilities and average placement interest and interest costs are taken into account. In the calculations, it is assumed that sensitivity of banks' assets and liabilities to interest did not change during analysis period.

When the profit and loss amounts expected from TL and FX items within the scope of scenarios relating to structural interest rate; it is seen that the loss to realize for scenarios including interest increase, due to increase in TL short position in one month maturity in the second quarter of 2012, as to previous period, and that the loss to realize in FX position for scenarios including interest increase decreased, due to the decrease in FX open position in one month maturity, as to previous period.

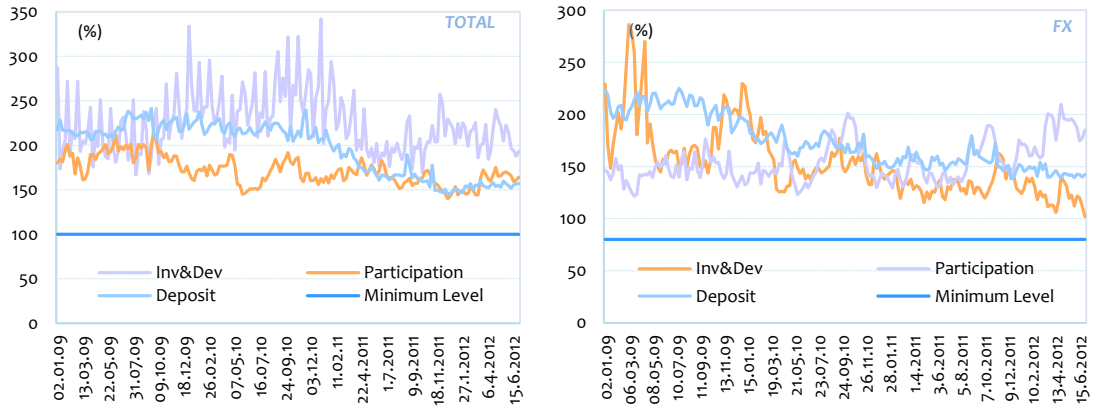
Table 5.1-12: Scenarios relating to Structural Interest Rate Risk and Results Thereof

Scenarios	Change in TL Interests (point)				Change in FX Interests (point)							
	1 month	1-3 months	3-6 months	6-12 ay	1 month	1-3 months	3-6 months	6-12 months				
Scenario 1	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
Scenario 2	0.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00				
Scenario 3	1.00	2.00	3.00	6.00	0.00	0.00	0.00	0.00				
Scenario 4	0.00	0.00	0.00	0.00	0.25	0.50	0.75	1.50				
Scenario 5	1.00	1.00	1.00	1.00	0.50	0.50	0.50	0.50				
Scenario 6	10.00	0.00	0.00	0.00	5.00	0.00	0.00	0.00				
Scenario 7	0.00	0.00	10.00	0.00	0.00	0.00	5.00	0.00				
Scenario 8	-1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
Scenario 9	0.00	0.00	0.00	0.00	-1.00	0.00	0.00	0.00				
Scenario 10	-1.00	-2.00	-3.00	-6.00	-0.25	-0.50	-0.75	-1.50				
Profit/Loss (TLBillion)	March 2012						June 2012					
	TL	USD	EUR	Oth. FX	Tot.FX	Total	TL	USD	EUR	Oth.FX	Tot.FX	Total
Scenario 1	-2.7	0.0	0.0	0.0	0.0	-2.7	-3.0	0.0	0.0	0.0	0.0	-3.0
Scenario 2	0.0	-1.2	-0.4	0.1	-4.3	-5.8	0.0	-1.2	-0.3	0.1	-4.3	-5.6
Scenario 3	-44.0	0.0	0.0	0.0	0.0	-44.0	-39.0	0.0	0.0	0.0	0.0	-39.0
Scenario 4	0.0	-8.2	-4.5	1.5	-22.2	-33.3	0.0	-7.0	-4.3	1.9	-19.1	-28.5
Scenario 5	-15.6	-5.0	-2.6	0.8	-14.5	-36.8	-14.5	-4.3	-2.4	1.0	-12.9	-33.1
Scenario 6	-27.5	-6.1	-1.8	0.4	-21.3	-56.3	-30.3	-5.8	-1.3	0.6	-21.6	-58.3
Scenario 7	-55.1	-19.3	-10.8	3.4	-54.2	-136.0	-50.4	-16.2	-10.1	4.2	-47.2	-119.7
Scenario 8	2.7	0.0	0.0	0.0	0.0	2.7	3.0	0.0	0.0	0.0	0.0	3.0
Scenario 9	0.0	1.2	0.4	-0.1	4.3	5.8	0.0	1.2	0.3	-0.1	4.3	5.6
Scenario 10	44.0	8.2	4.5	-1.5	22.2	77.3	39.0	7.0	4.3	-1.9	19.1	67.5

5.1.5 Liquidity Risk

Total liquidity adequacy ratio relating to first maturity tranche in banking sector presented an increase in June 2012 period as to March 2012 period. The fact that receivables from reverse repo transactions increased in asset part, and that deposit which its maturity is close decreases have been determining causes in the fact that total liquidity adequacy ratio to increase to 158% by increasing approximately 3 points. A significant change in FX liquidity adequacy ratio relating to first maturity tranche did not experienced and the said ratio realized as 143.2% in June 2012. When FX and total liquidity ratios relating to first maturity tranche is analyzed in functional bank groups, it is seen that the said ratios in deposit banks group comprising the weight of the sector increased as to the previous quarter. The fact that the decrease in precious metal depo amount in participation banks group caused a decrease in cash values item was effective in decreasing of FX and total liquidity adequacy ratios relating to first maturity tranche. In development and investment bank group, the fact that the funds provided from repo transactions increased caused a decreasing effect of liquidity adequacy ratios relating to the said maturity tranche.

Chart 5.1-12: Development of FX relating to First Maturity Tranche and Total Liquidity Adequacy Ratios



Total liquidity adequacy ratio relating to second maturity tranche of the sector in June 2012 increased to 115.9% by increasing 1.1 point as to March 2012. When liquidity components relating to the said maturity tranche is analyzed, it is seen that all sub-items except cash values and securities increased in asset part. The biggest change in proportional basis realized in receivables item by an increase of 61.2% in asset part. Debts to banks and foreign headquarters and branches were the sub-item in which the highest proportional change experienced in liability part. On the other hand, FX liquidity adequacy ratio relating to the said maturity tranche increased to 111.2% in June 2012 period by an increase amounting to 0.9 point.

Table 5.1-13: Components of FX relating to Second Maturity Tranche and Total Liquidity Adequacy Rates

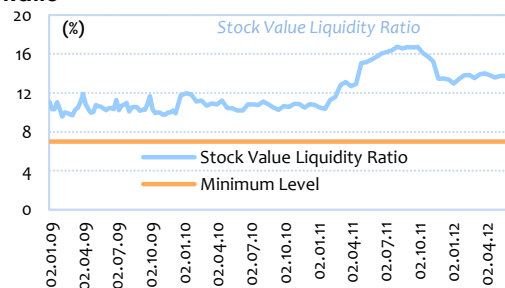
TL Million, (%)	YP				Total			
	June 11	December 11	March 12	June 12	June 11	December 11	March 12	June 12
Assets								
Derivatives	64.784 (45)	77.624 (41)	102.847 (50)	113.412 (51)	81.381 (16)	95.762 (18)	120.473 (22)	136.073 (24)
Banks, FHBA	18.279 (12)	21.252 (11)	16.578 (8)	18.338 (8)	24.567 (5)	29.715 (6)	27.491 (5)	28.091 (5)
FV	14.017 (10)	18.383 (10)	13.503 (7)	11.883 (5)	148.186 (30)	162.003 (31)	163.898 (29)	159.478 (28)
HUM	6.560 (4)	7.641 (4)	6.009 (3)	7.131 (3)	52.262 (10)	48.029 (9)	46.186 (8)	48.273 (8)
Loans	14.771 (11)	17.804 (9)	17.667 (9)	18.715 (8)	86.570 (17)	93.615 (18)	102.641 (18)	109.821 (19)
Cash Val., CBRT	10.710 (11)	35.025 (19)	37.673 (18)	40.675 (18)	89.940 (18)	72.979 (14)	78.973 (14)	70.316 (12)
Receivables	7.479 (7)	11.003 (6)	10.237 (5)	12.227 (5)	15.314 (3)	23.522 (4)	16.477 (3)	26.556 (5)
YAD (Net)	10 (0)	2 (0)	3 (0)	1 (0)	10 (0)	13 (0)	24 (0)	24 (0)
Total	136.610	188.733	204.516	222.382	498.231	525.639	556.163	578.630
Liabilities								
Deposit	58.561 (45)	75.021 (44)	76.976 (42)	81.822 (41)	190.904 (46)	205.333 (45)	212.571 (44)	218.236 (44)
Derivatives	49.827 (39)	59.648 (35)	74.839 (40)	82.192 (41)	81.320 (20)	94.942 (21)	121.012 (25)	136.466 (27)
Other Liabilities	9.589 (7)	18.737 (11)	13.588 (7)	14.901 (7)	102.316 (25)	105.592 (23)	99.829 (21)	93.153 (19)
CBRT, Bank., FHBA	4.191 (3)	8.814 (5)	6.697 (4)	8.898 (4)	12.087 (3)	13.377 (3)	12.466 (3)	15.023 (3)
Other Loans	4.529 (4)	5.904 (3)	8.250 (4)	7.120 (4)	7.471 (2)	8.556 (2)	9.342 (2)	8.517 (2)
Off-balance Sheet trans.	2.645 (2)	3.240 (2)	5.011 (3)	5.122 (3)	22.254 (5)	26.273 (6)	29.348 (6)	27.970 (6)
Total	129.344	171.365	185.361	200.055	416.352	454.073	484.568	499.364
LAR (%)	109,2	110,1	110,3	111,2	119,7	115,8	114,8	115,9

Stock value Liquidity ratio calculated with a view to monitor and evaluate liquidity balance between assets and liabilities of the banks processing horizontal process which is quite above the legal limit. The said ratio ,which was 14% in March 2012, by the effect of decreases in at call free account and precious metal account held in CBRT, regressed to 13.44% in June 2012 by a limited decrease.

Table 5.1-14: Development of Stock Value Liquidity Ratio⁴

TL Million	June 11	Dec 11	March 12	June 12	March 12
Cash Value. and CBRT	85.293	54.249	51.773	46.355	51.773
Banks, FHBA	11.745	15.668	15.785	16.312	15.785
Receivables	31.459	47.392	52.153	58.160	52.153
TOTAL ASSETS	128.497	117.309	119.711	120.827	119.711
Deposit	684.361	728.577	736.550	758.288	736.550
CBRT, Banks, FHBA	49.370	53.274	51.230	61.743	51.230
Other Loans	75.919	85.232	81.354	81.108	81.354
TOTAL LIABILITIES	809.650	867.083	869.134	901.140	869.134

Source: BRSA

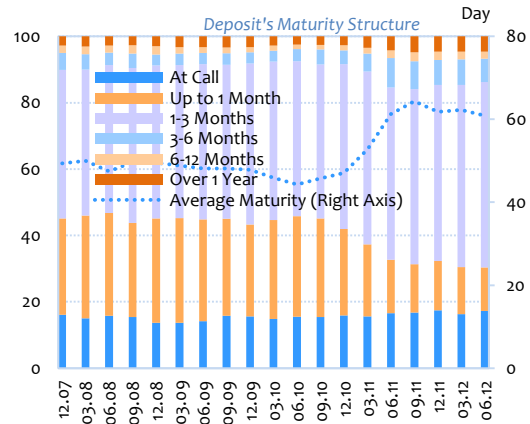


When the maturity structure of the deposit which is the most important fund source of the banking sector is analyzed, it is seen that the share of at call deposit and deposit with a maturity up to 1-3 months in total deposit increased. The share of deposit with a maturity up to 1 to 3 months in total reached to 55.9% in the second quarter of 2012. The share of deposit with a maturity longer than 3 months in total regressed to 13.7% from 14.7% in the said period. The share of deposit with a maturity up to one month in total is decreasing in stable manner for the last two years. The average maturity of the deposit is approximately 2 months by June 2012.

⁴In the article 15/A(1) of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks , the provision of it is recorded on the stock value without looking at (TL+Fx) maturities of total amounts of receivables and statutory reserves and overnight receivables from interbank Money markets of safety box, effective stock, call free account opened in Central Bank, cash in transit, matured securities, precious metal depo, checks purchased, call free accounts opened in banks, and foreign headquarters and branches, total amounts of other Loans items excluding total deposits, CBRT, banks, foreign headquarters and branches abroad accounts and quasi capital loans .

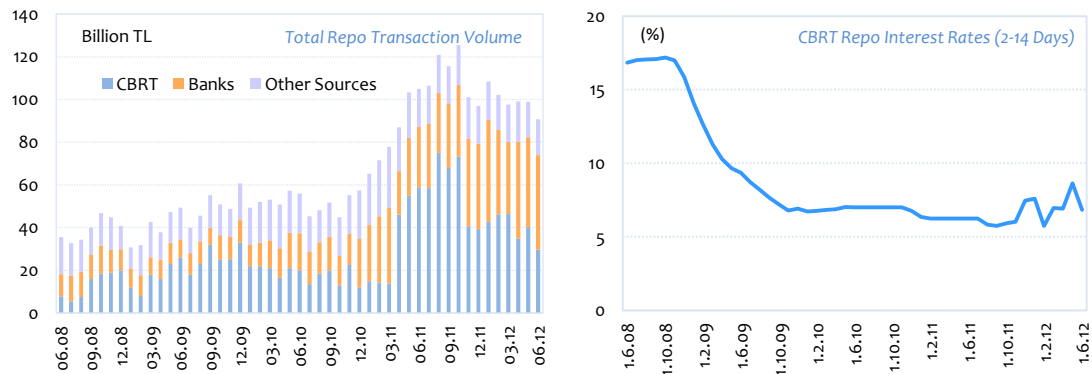
Table 5.1-15: Deposit's Maturity Structure Outlook

Deposit Amount TL Bill.	2008	2009	2010	2011	Mar.12	Jun.12	% Change Mar-Jun.12
At Call	62,3	80,2	98,3	121,2	113,2	123,7	9,2
Up to 1 month	143,1	142,7	160,6	102,7	98,3	94,7	-3,7
Between 1 to 3 months	209,4	249,9	306,6	370,1	382,9	401,6	4,9
Up to 3 Months	414,7	472,8	565,4	594,0	594,4	620,0	4,3
Between 3-6 months	15,2	17,0	25,6	52,4	53,7	50,1	-6,6
Up to 6 months	429,9	489,8	591,0	646,4	648,1	670,2	3,4
Between 6-12 months	11,4	8,1	9,4	16,8	16,0	15,7	-1,6
Up to 1 year	441,3	497,9	600,4	663,3	664,1	685,9	3,3
Over 1 year	13,3	16,8	16,6	32,2	32,4	32,9	1,7
General Total	454,6	514,6	617,0	695,5	696,4	718,8	3,2



Total volume of repo transactions from other fund resources of the sector regressed to TL 90.7 billion in the second quarter of the year by decreasing 7% as to the previous quarter. In the said period the fact that ratios relating to holding TL denominating statutory reserves in gold and foreign currency denominated decreased repo and funding requirements of the banks. As a result, repo transactions made with CBRT decreased approximately by 36% and decreased to TL 29.8 billion in June 2012. Repo transactions made with banks are amounting to TL 44.2 billion and repo transactions made with counterparties are amounting to TL 16.8 billion. Average repo interest realized as 6.8% in June 2012.

Chart 5.1-13: Outlook of Repo Transactions

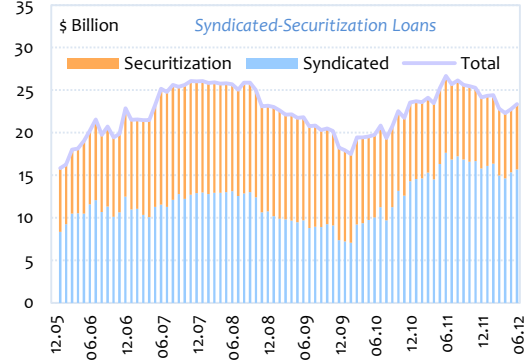


Source: BRSA, CBRT.

Banking sector is funding approximately 3.3% of their assets with syndicated and securitization loans in June 2012. The amount of syndicated and securitization loans which the banks use as of the second quarter of the year increased to TL 23.3 billion by increasing USD 0.5 billion. The maturity of the loan amounting to TL 9.5 billion is expiring up to the end of 2012. In spite of the fact that the problems experienced in certain Europe countries influencing the capital flow to emerging countries, it is observed that our country's banking sector does not experience problem in respect of renewing foreign loans. In addition to that due to the said negative developments, there is probability of the increasing of the costs of syndicated and securitization loans.

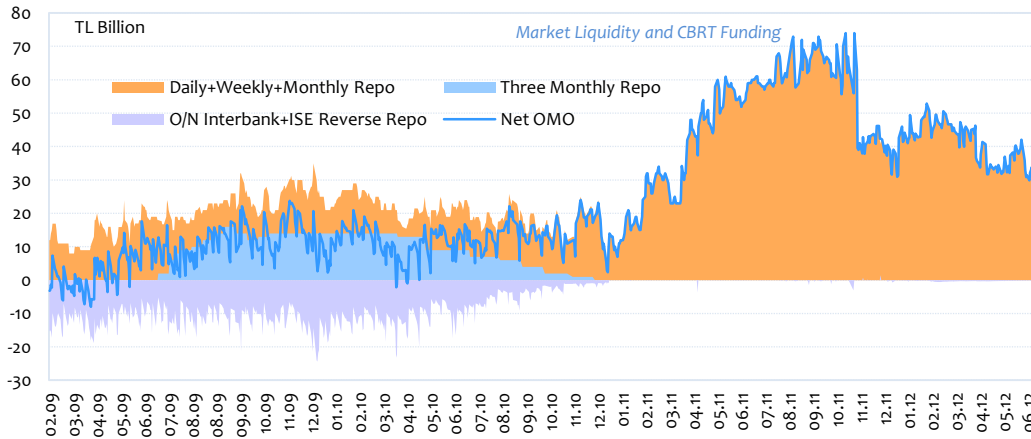
Table 5.1-16: Development of Syndicated and Securitization Loans

Payment Plan (Million)	Syndicated		Securitization		Total	
	TL	USD Equivalent	TL	USD Equivalent	TL	USD Equivalent
July 2012	1.632	914	316	177	1.948	1.091
Aug 2012	2.451	1.357	228	127	2.679	1.484
Sept2012	5.421	3.008	301	167	5.722	3.175
Oct2012	3.090	1.739	347	194	3.437	1.933
Nov.2012	2.582	1.441	228	127	2.811	1.568
Dec. 2012	170	94	336	186	507	281
2013 - 2024	12.779	7.129	11.972	6.684	24.752	13.813



Net liquidity deficit in the market amounting to TL 46 billion in March 30, 2011 recessed to TL 29.7 billion in the end-June 2012 due to the fact that changes relating to placing TL statutory reserves from gold and foreign currency denominated decreased TL liquidity requirement of the banks. CBRT funded the market by TL 29.8 billion in June 29, 2012 in total by daily weekly and monthly repo transactions and withdrew its liquidity surplus end of the day by TL 0.1 billion from Interbank Money Market .

Chart 5.1-14: Development of Liquidity in Market



Source: CBRT

5.1.6 Concentration Risk

The element affecting the most the debt payment power of the banks is the concentration in loan portfolios. Traditionally, the concentration risk is emanating from the fact that loans are not diffusing in balanced manner between credit customers, sector and areas. Pursuant to the Banking Law, the loans granted by 10% or more of the own funds to a real or legal entity or to a risk group is accepted as large loans. The large loans are one the most important indicators of credit risk concentration. The shares of large loans in own funds increased to 31% from 30% in the second quarter of 2012 and the share of large loans in total loans increased by 0.1 points. When the composition of large loans analyzed, the decrease in the share of loans extended from own funds between 10% and 15% against the increase in the share of loans extended between 10% and 15% of own funds to own funds and its share in total loans is attractive. The fact that the increase in the share of large loans concentrated on relatively small loans in this

group (10% and 15% of own funds)is revealing the effect of concentration increase in large loans.

Table 5.1-17: Distribution of Large Loans Allocated by Banks

(%)	Dec.11		Mar.12		June.12	
	Ratio to own funds	Ratio to Loans	Ratio to Own fund	Ratio to Loans	Ratio to Own fund	Ratio to Loans
Larger than 10	31.5	6.4	30.0	6.3	31.0	6.4
Between 10-15	22.3	4.5	18.8	4.0	24.7	5.1
Between 15-20	8.3	1.7	10.7	2.2	5.8	1.2
Between 20-25	0.9	0.2	0.6	0.1	0.5	0.1

In the second quarter of 2012, it is seen that the shares of the biggest 25, 50 and 100 cash and non-cash loans which the banking sector extending total loan amount protected the moderate decrease progress as of 2009 year-end. The decreasing trend observed in the biggest 25, 50 and 100 cash and non-cash loans in total loan amount in general is indicating a more balanced loan distribution.

Table 5.1-18: Shares of the Largest 25, 50 and 100 loans which the Banks Allocated within Total

(%)	Dec.08	Dec.09	Jun.10	Dec.10	Mar.11	Jun.11	Sept.11	Dec.11	Mar.12	Jun.12
Share of the Largest 25 c.loan in total C.loan	17	17	17	16	15	15	15	14	13	13
Share of the largest 50 c.loan in total C. loan	23	23	22	21	20	19	19	19	18	18
Share of the largest 100 C.loan in total C.loan	28	29	28	27	26	25	25	25	24	23
Share of the largest 25 n.c.loan in total n.c.loan	36	38	36	35	34	34	34	34	33	31
Share of the largest 50 n.c.loan in total n.c.loan	46	48	46	45	44	44	44	44	43	41
Share of the largest n.c.loan in total n.c.loan	56	58	55	55	54	54	54	54	53	52

In the second quarter of 2012, moderate decrease progress observed in the share of large loans more than TL 1 million in total loans observed as of 2010 year-end and the share of this group realized as 48.3% by an increase amounting to 48.3% level. The share of loans less than TL 51 thousand and loans with a scale between TL 101 thousand and TL 1 million protected their share in total loans. In this period, in response to moderate decrease seen in the share of loans with a scale between TL 51 thousand-TL 100 thousand, there is an increase observed in the share of customer number. There was an increase amounting to TL thousand in loan per customer in general total.

Table 5.1-19: Distribution of Loans in Respect of Size and Number of Customer

Loan Amount	Total Loan (%)			Number of Customer (%)			Loan Amount per Customer (TL Thousand)		
	Ara.11	Mar.12	Haz.12	Ara.11	Mar.12	Haz.12	Ara.11	Mar.12	Haz.12
Larger than TL 1 million	48.7	48.3	48.4	0.1	0.1	0.1	7,421	7,192	7,060
TL 501 thousand- TL 1 million	4.4	4.6	4.6	0.1	0.1	0.1	740	740	741
TL 101 thousand-TL 500 thousand	11.0	11.2	11.2	0.8	0.8	0.9	198	200	200
TL 51 thousand - TL 100 thousand	7.7	7.8	7.7	1.6	1.6	1.7	71	71	72
Less than 51 thousand	28.1	28.1	28.1	97.3	97.3	97.3	4	4	4
General Total	100.0	100.0	100.0	100.0	100.0	100.0	15	15	16

When the sectoral composition of cash loans is analyzed, it is seen that there was any significant changes in general in the second quarter of 2012 and that 61.8% of total loans were extended to different sectors. It is observed that the concentration increase initiated in 2009 in electricity, gas and water resources production distribution industry continues also in this period. Depending on relatively decrease of interest rates, it is seen that the fact that consumer loans substitute the credit cards caused a stable decrease in the share of total loans as of 2008. The fact that approximately 31.5% of total loans comprised of consumer loans which are housing loans, consumer loans and credit card usages which number of customers are quite high, is received positively in respect of concentration risk.

Table 5.1-20: Concentration of Loans in Sectoral Basis

(%)	Dec.08	Dec.09	Jun.10	Dec.10	Jun.11	Dec.11	Mar.12	Jun.12
Personal Consumer loans and Other Loans	10.3 (2)	11.1 (2)	11.3(1)	11.5(1)	12.5(1)	12.3(1)	12.5(1)	12.3(1)
Personal Housing Loans	10.4 (1)	11.3 (1)	11.2(2)	11.2(2)	11.2(2)	10.6(2)	10.6(2)	10.3(2)
Credit Cards	9.3 (3)	9.5 (3)	8.8(3)	8.3(3)	8.1(3)	8.3(3)	8.7(3)	8.9(3)
Wholesale Trade and Commissioning	5.6 (4)	5.7 (5)	5.8(5)	5.6(5)	5.8(4)	5.8(4)	6.0(4)	6.0(4)
Construction	5.4 (5)	6.0 (4)	6.0(4)	5.5(6)	5.6(5)	5.7(5)	5.8(5)	5.7(5)
Monetary Institutions (Bank, Financial Leasing, Fac., Fin. Com.)	3.7 (8)	3.6 (8)	3.9(6)	5.6(4)	3.9(7)	4.3(6)	3.5(9)	4.0 (6)
Agriculture	3.3 (10)	3.8 (6)	3.6(8)	4.0 (7)	4.2(6)	4.2(7)	4.1(6)	4.0(7)
Electricity, Gas and Water Resources Pro. Dis.Ind	1.47(20)	2.3(15)	2.9(12)	3.0(11)	3.1(11)	3.7(8)	3.8(7)	3.7(8)
Main Metal Ind. And Refined Metal Pro.Ind.	3.8 (7)	3.6 (7)	3.9(7)	3.8(8)	3.6(8)	3.6(9)	3.6(8)	3.7(9)
Food, Beverage and Tobacco ind.	3.1(11)	2.8 (12)	3.1(9)	3.4(9)	3.2(10)	3.4(10)	3.2(10)	3.2(10)

Note: Figures inside parentheses show the rank of the share of loan amount allocated to that sector within total loans.

In June 2012, total deposit belonging to 119 million depositors reached to approximately TL 719 billion, in banking sector. While 47.4% of the deposit was above TL 1 million, they belong to 50 thousand depositors. 82.2% of the deposit belonging to official, commercial and other institutions is included to this group. Deposit lower than TL 10 thousand which comprising 4.8% of total deposit is belonging to 114 million depositor comprising 95.8% of total depositor number. It is seen that deposit belonging to real persons is concentrated the most on TL 51 thousand - TL 250 thousand.

Table 5.1-21: Distribution of Deposit by Size and Number of Customer

Deposit	Total Deposit						Number of Depositor*					
	TL Billion			%			Thousand Persons			%		
	Dec.11	Mar.12	June12	Dec.11	Mar.12	June12	Dec.11	Mar.12	Jun.12	Dec.11	Mar.12	Jun.12
1Mio- Real	103.4	103.8	109.7	24.6	24.5	25.1	27.8	28.2	32.1	0.0	0.0	0.0
Off, com and oth.Inst	226.5	226.0	231.5	82.1	82.9	82.2	17.8	17.2	18.7	0.2	0.2	0.2
250thou- Real	85.5	86.8	89.9	20.4	20.5	20.6	164.0	181.7	186.9	0.2	0.2	0.2
Off, Com.and Oth.Inst	21.8	20.6	21.6	7.9	7.5	7.7	37.8	36.7	39.0	0.5	0.4	0.4
51thou- Real	127.4	129.1	131.1	30.4	30.5	30.0	1,061.8	1,174.6	1,190.6	1.0	1.1	1.1
Off, Com.andOth.Ins	16.4	15.4	16.6	6.0	5.7	5.9	126.4	119.9	132.0	1.5	1.4	1.5
11thou - Real	74.3	74.8	75.7	17.7	17.6	17.3	2,771.4	3,004.1	3,048.2	2.6	2.8	2.8
Off, Com. andOth.Ins	7.7	7.4	8.2	2.8	2.7	2.9	288.6	274.8	311.8	3.5	3.2	3.5
0-10 Real	29.0	29.2	30.7	6.9	6.9	7.0	103,571.0	104,310.6	106,143.1	96.3	96.0	96.0
Off, Com.andOth.Ins	3.4	3.4	3.7	1.2	1.2	1.3	7,685.7	8,036.7	8,318.4	94.2	94.7	94.3
Total Real	419.7	423.7	437.2	100.0	100.0	100.0	107,596	108,699	110,600.9	100.0	100.0	100
Off., Com and Oth.Ins	275.8	272.7	281.6	100.0	100.0	100.0	8,156.3	8,485.3	8,819.9	100.0	100.0	100

*Shows all the accounts belonging to the same depositor separately, including the accounts with zero balance.

When the distribution of deposit within the scope of insurance is analyzed by size and number of customer, it is seen that 49.7% of the said deposit are found in the interval of TL 40 thousand- TL 50 thousand by June 2012. In addition to that 91.7% of the account of the depositors having deposit within the scope of insurance is lower than TL 10 thousand. It is observed that the amount of deposit per depositor within the scope of insurance increased by TL 200 as to 2001 year-end and reached to TL 3.1 thousand and that there was an increase in the amount of deposit per depositor in tranches other than smaller tranches than TL 40 thousand-TL 50 thousand and less than TL 10 thousand.

Table 5.1-22: Distribution of Deposit within the scope of Insurance in respect of Size and Number of Customers

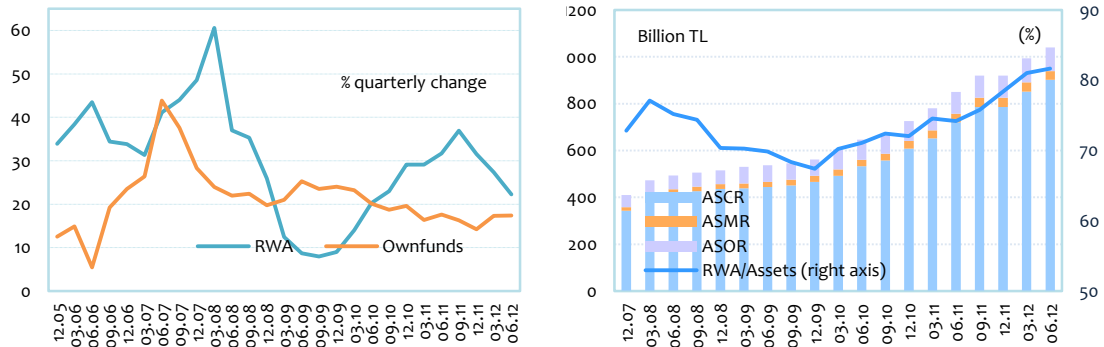
Deposit Amount	Total Deposit (%)			Number of Depositor (%)			Amount of Deposit by Depositor (TL Thousand)		
	Ara.11	Mar.12	Haz.12	Ara.11	Mar.12	Haz.12	Ara.11	Mar.12	Haz.12
Less than TL 10 thousand	15.6	14.6	16.3	90.9	92.1	91.7	0.6	0.5	0.5
TL 10 thousand-TL 20 thousand	12.8	12.7	13.1	3.0	2.6	2.8	14.3	14.1	14.3
TL 20 thousand-TL 30 thousand	11.1	11.2	11.3	1.5	1.3	1.4	24.6	24.1	24.5
TL 30 thousand-TL 40 thousand	9.4	9.7	9.5	0.9	0.8	0.8	34.6	34.1	34.6
TL 40 thousand-TL 50 thousand	51.1	51.8	49.7	3.6	3.1	3.2	48.1	48.4	48.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	3.4	2.9	3.1

5.2 Own fund Requirement Analysis

Capital adequacy ratio of banking sector realized by 16.5% level by showing a moderate decrease in the second quarter of 2012. Economic fluctuations experienced following 2005 also worked through own funds and risk weighted assets and the growth observed in own funds and risk weighted assets turned into a more stable structure. The recession observed in 2008, CAR showing increasing trend due to limited growth in amount subject to total risk and preference of making placement to risk-free assets entered to a moderate decrease tendency in parallel with the increase in risk and growth preferences as of the end-2009. As CAR showing a relative decrease in general as of 2009 year-end, it is protecting its powerful outlook.

The higher increase trend of risk weighted assets when compared to own funds as of 2010, turned into its old structure again in June 2012 in spite of the fact that it has shown a change in favour of own funds in the last quarter of 2011 and the first quarter of 2012. The higher increase trend of risk weighted assets as of 2011 when compared to own funds returned to its old structure as of June 2012 in spite of the fact that it has shown a change in favour of own funds in the last quarter of 2011 and the first quarter of 2012. The own funds of the sector increased by 4.06% in the first quarter of the year and risk weighted assets shown an increase by 4.69% and a decrease by 0.1 points in CAR occurred in CAR. The highest increase in own funds occurred in general provisions by 10.1% while the highest increase was by TL 21.5 billion in risk weighted assets and 100% risk weighted loans in the mentioned period. In the evaluation made for sector's asset size and risk weighted assets, it is seen that the increase rate of risk weighted assets progressed below increase rate of assets as of the second quarter of 2008 and that risk weighted assets increased in higher amount than assets in general by the effect of changes in risk preferences as of the second quarter of 2008. In the second quarter of 2012, the increase rates of risk weighted assets and assets were by 4.7% and 3.9% respectively and protected the same structure.

Chart 5.2-1: Development in Own Fund and Ris Weighted Assets



When analyzed by function groups, it is seen that there was a moderate decrease in the CAR of all functional bank groups in June 2012. In the mentioned period in spite of the increase seen in CAR of all medium scale banks, the fact that the own funds of small size bank group decreased more when compared to their risk weighted assets affected the sector's CAR in negative manner.

Table 5.2-1: Banks' Own Funds, RWA and CAR Growth in Type and Scale Basis

Sector	Own Fund			RWA			SYR		
	Dec.11	Mar.12	Jun.12	Dec.11	Mar.12	Jun.12	Dec.11	Mar.12	Jun.12
Deposit	4,06	4,69	4,06	3,79	4,09	4,69	0,26	0,58	-0,60
- Public	4,19	5,12	4,31	3,40	4,24	4,63	0,76	0,84	-0,31
- Domestic Private	3,91	7,77	4,92	5,09	4,88	2,91	-1,12	2,76	1,95
- Global	2,73	3,78	4,12	3,47	3,64	5,04	-0,72	0,14	-0,88
IDB	10,00	5,77	4,00	0,39	5,43	6,01	9,58	0,32	-1,89
Participation	2,86	2,06	1,72	10,44	1,31	4,23	-6,87	0,75	-2,41
Large Scale	4,33	2,28	4,56	6,82	3,25	6,17	-2,34	-0,94	-1,52
Medium Scale	3,03	5,07	4,31	4,37	3,99	4,29	-1,28	1,03	0,02
Small Scale	8,00	4,99	16,07	0,93	4,70	8,58	7,01	0,28	6,90
	3,75	2,70	-12,57	6,39	3,38	-2,04	-2,48	-0,66	-10,75

The share of tier-I capital in own funds realized as 89.1% in June 2012. In this period, tier-I capital of the banking sector has shown an increase by TL 4.9 billion. The highest increase in tier-I capital items occurred in capital reserves by TL 5.2 billion. The fact that weight of tier-I capital in own funds, even only tier-I capital rate realized quite over the minimum capital liability, and that the structure thereof was protected by years showing that Turkish banking sector has very strong, qualified and stable own fund structure.

Table 5.2-2: Own Fund Main Components

TL Million	2008	2009	Jun.10	Dec.10	Jun.11	Dec.11	Mar.12	Jun.12	Share in Own Fund	%Δ (Mar-Jun.12)
Tier-I Capital	88.619	104.139	113.056	123.625	132.276	142.600	147.677	152.529	89,1	3,3
-Paid-up Capital	39.406	42.542	46.298	47.931	49.490	50.487	50.888	52.427	30,6	3,0
-Paid-up Capital Inflation Difference	7.263	7.057	6.634	6.640	7.259	7.259	7.259	7.240	4,2	-0,3
-Share Premiums	3.333	3.174	3.169	3.170	3.170	3.170	3.170	3.132	1,8	-1,2
-Reserves	39.911	49.228	62.431	62.023	79.296	79.125	88.679	93.868	54,8	5,9
-Net Per.Pro. and Perv. Year Profit	13.718	20.568	13.159	22.752	10.522	19.795	14.221	11.760	6,9	-17,3
-Loss not covered with Reserves	-18.023	-17.992	-17.945	-17.867	-17.822	-17.823	-17.774	-17.776	-10,4	0,0
Tier-II Capital	8.560	12.201	12.321	14.493	14.567	15.450	17.801	19.447	11,4	9,3
-General Provisions	3.641	4.083	4.584	5.060	6.789	8.501	9.042	9.959	5,8	10,1
-Secondary Subordinated Debts	5.493	5.538	5.460	5.182	5.289	7.370	6.982	6.552	3,8	-6,2
-45% of SHTM and value increase funds of affiliates and subsidiaries	-692	2.461	2.111	4.022	2.301	-616	1.559	2.718	1,6	-74,4
Assets Deducted from Capital	-4.452	-1.300	-1.392	-553	-1.010	-918	-971	-783	0,5	19,3
Own funds	92.727	115.040	123.984	137.564	145.833	157.132	164.507	171.193	100,0	4,1

86.7%, 9.8%, 3.6% of banking sector capital liability is emanating from credit risk, operational risk and market risk respectively as of June 2012. In the free own fund amount calculated by decreasing the capital liability amount from own funds total, depending on the increase amounting to TL 4 billion seen in own funds, there is a growth by TL 2.9 billion. Due to relative increase in risk weighted assets as of the end-2010, it is seen that the decreasing trend observed in the free own funds amount was ended in December 2011 and that it has continued its increasing trend in the second quarter of the year.

Table 5.2-3: Distribution of Legal Capital Liability

June 2012	Deposit		DIB		Participation B.		Total	
	Mil. TL	% Share	TL Million	% Share	TL Million	% Share	TL Million	Share%
Credit Risk Capital Liability	66.139	86,6	2.330	84,5	3.628	89,1	72.098	86,7
Market Risk Capital Liability.	2.759	3,6	162	5,9	36	0,9	2.957	3,6
Operational Risk Capital Liability	7.475	9,8	264	9,6	407	10,0	8.146	9,8
Total Capital Liability	76.373	100,0	2.757	100,0	4.071	100,0	83.201	100,0
Free Own Fund	71.539		13.552		2.902		87.993	
March 2012								
Credit Risk Capital Liability	62.456	85,6	2.230	84,3	3.396	88,6	68.082	85,7
Market Risk Capital Liab.	3.061	4,2	151	5,7	31	0,8	3.243	4,1
Operational Risk Cap.Liab	7.475	10,2	264	10,0	407	10,6	8.147	10,3
Total Capital Liab.	72.993	100,0	2.645	100,0	3.835	100,0	79.472	100,0
Free Own Fund	68.812		13.388		2.835		85.035	

76.7% of the amount subject to loan risk comprising 86.7% of risk weighted assets comprises from 100% risk weighted assets. The highest increase between the items included in banking accounts occurred in 100% risk weighted items by TL 21.5 billion. It is seen that there was an increase by TL 1.5 billion in 0% risk weighted assets and TL 13 billion in 20% risk weighted assets in the said period. According to a regulation made in June 18, 2011, depending on the fact that the risk weight of consumer loans with a maturity from one year to two years, except housing and vehicle loans, increased to 150%; increase realized by 26.6% in 150% risk weighted assets and increase amounting to 27.6% in 200% risk weighted assets depending on the risk weight of consumer loans' with a maturity longer than 2 years increasing to 200%.

Table 5.2-4: Development in RWA and Amounts Subject to Risk

TL Million	2008	2009	Jun.10	Dec.10	Jun.11	Dec.11	Mar.12	Jun.12		%Δ Mar-lune
								Amount	Weighted	
- Assets having 0% Risk Weight	228.731	262.657	261.134	264.778	313.324	316.383	299.909	301.416	0	0,5
- Assets having 10% Risk Weight	0	0	0	0	0	0	0	0	0	0,0
- Assets having 20% Risk Weight	48.257	51.460	49.248	55.585	55.150	73.381	70.481	83.490	16.698	18,5
- Assets having 50% Risk Weight	94.785	99.039	113.131	129.169	150.401	167.879	171.410	178.964	89.482	4,4
- Assets having 100% Risk Weight	375.908	402.532	461.338	526.525	620.837	662.269	669.562	691.068	691.068	3,2
- Assets having 150% Risk Weight	1.747	2.228	2.464	2.942	4.254	11.707	13.923	17.622	26.434	26,6
- Assets having 200% Risk Weight	173	392	426	636	3.307	22.126	30.389	38.769	77.537	27,6
Amount Subject to Credit Risk	435.919	466.470	532.300	607.912	720.062	822.698	851.027		901.219	5,9
Amount Subject to Market Risk	19.947	24.939	28.494	32.694	36.304	37.638	40.543		36.968	-8,8
Amount sub.to Op.Risk	59.681	70.569	84.975	84.975	94.027	94.024	101.833		101.821	0,0
Total Risk Weighted Assets	516.547	561.979	645.769	725.581	850.392	954.360	993.403		1.040.008	4,7

*the amount subject to operational risk was taken from the form, SY450 and displaying difference from the value calculated according to main indicator approach.

When the effect of probable rate of exchange and interest changes to CAR is analyzed, it is seen that an increase amounting to 10%, that shall arise in USD rate of exchange, while other variables are constant, shall compose a decrease by 0.61 in CAR. An increase that shall arise by 10% in EUR rate of exchange shall compose a decrease by 0.24 points in CAR. Correspondingly, an uptrend change by 1 point that shall arise in interest rate shall decrease CAR by 0.51 point; a downtrend change by 1 point shall increase CAR by 0.52 point.

Table 5.2-5: the Effect of Probable Rate of Exchange and Interest Changes to CAR

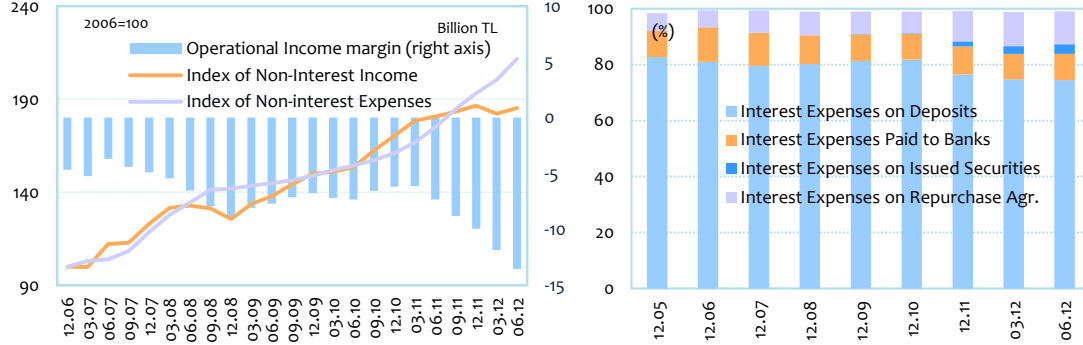
June 2012	Change in Rate of Exchange (USD) (%)				Change in Rate of Exchange (EUR) (%)				Change in TL interest rates (Point)			
	-10	1	5	10	-10	1	5	10	-2	-1	+1	+2
Estimated RWA Change(%)	-1,36	0,14	0,68	1,36	-0,71	0,07	0,35	0,71	0,86	0,43	-0,41	-0,82
Estimated Own fund Change (%)	-0,73	0,07	-0,46	-2,57	0,71	-0,07	-0,39	-0,83	7,62	3,75	-3,65	-7,19
Estimated CAR change (point)	0,10	-0,01	-0,18	-0,61	0,23	-0,02	-0,12	-0,24	1,06	0,52	-0,51	-1,02

5.3 Profitability Analysis

Net period profit of the banking sector is by TL 11.5 billion in June 2012. It is seen that net period profit of the banking sector increased by TL 1.2 billion as to the same period of the previous year. By the effect of the volume increase in loans, the interests taken from loans increased by 45.1%, an increase occurred in interests taken from securities by 20.1% by the effect of the fact that securities incomes increased. By the effect of the increase in interest incomes of loans and securities basically, interest incomes of the sector increased by 37.4%. Net interest incomes increased by 35.8% in the mentioned period. But the change occurred against non-interest incomes in the balance of non-interest incomes-expenses, affected the profitability in negative manner in the second quarter of the year. Thus, non-interest expenses shown a decrease by 0.02% and an increase occurred by 21.8% in non-interest expenses in the second quarter of the year. While the sector made loss from capital market transactions in the second quarter of the year, the said loss realized as TL 3.4 billion. Non-interest income-non-interest expenses position

changed against non-interest incomes due to increase occurred in non-interest expenses and negative operational income-expense margin increased to TL 13.6 billion.

Chart 5.3-1: Distribution of Interest Expenses and Non-Income-Expenses Change Index



Note: Change indexes were calculated by adding the amounts belonging to previous 12 months for each period.

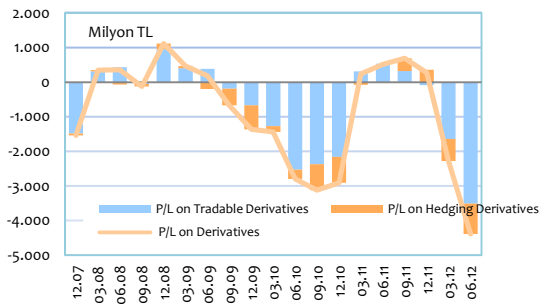
When the distribution of interest expenses, it is seen that the interest given to deposit comprises 74.5% of total interest expenses. The shares of Interest expenses given to securities issued in total continue their increasing trend. It is seen that the sector increased the usage of repo transactions and securities issue from non-deposit liabilities in the recent periods. The share of interest given to repo transactions in total interest expenses is 11.9%. When the development of interest expenses by loan types is analyzed, it is seen that interest incomes of consumer loans comprising from total consumer loans and credit cards is comprising 36.2% of total interest incomes. Interests taken from consumer loans in June 2012, increased by TL 2.6 billion as to the same period of the previous year by the effect of volume increase in consumer loans. Interest incomes taken from installment commercial loan showed an increase amounting to TL 732 million in the same period.

Table 5.3-1: Development of Interest Incomes by Loan Types

TL Million, Share %	12.09		12.10		06.11		12.11		03.12		06.12	
Int.Inc.from Consumer Loans	14.399	27,4	14.967	31,5	8.207	31,5	17.830	30,4	5.252	28,7	10.810	28,6
Int.Inc.from Install.com.loans	6.406	12,2	5.530	11,6	3.076	11,8	6.771	11,5	2.112	11,5	4.379	11,6
Int.Inc.from Credit Incomes	6.102	11,6	4.840	10,2	2.163	8,3	4.571	7,8	1.378	7,5	2.895	7,6
Int.Inc.from Directed loans	3.203	6,1	2.757	5,8	1.566	6,0	3.480	5,9	1.023	5,6	2.121	5,6
Int.Inc.from Export loans	2.643	5,0	1.655	3,5	965	3,7	2.202	3,8	638	3,5	1.344	3,6
Int.Inc. from Overdraft Account	2.603	5,0	2.372	5,0	1.242	4,8	2.857	4,9	987	5,4	2.055	5,4
Int.Inc.from Loans to Fin.Sect.	630	1,2	715	1,5	384	1,5	818	1,4	242	1,3	493	1,3
Int. Inc. from Rec. to be Liq. And Rec. Qua. As Loss	803	1,5	1.155	2,4	626	2,4	1.240	2,1	227	1,2	462	1,2
Int.Inc.from Loans	52.478	100	47.498	100	26.075	100	58.632	100	18.322	100	37.848	100

Within the scope of non-interest incomes, the sector made profit by TL 1.7 billion from securities purchase and sale transactions included in capital market transactions and made loss amounting to TL 4.4 billion from derivative financial instruments. While loss amounting to TL 3.5 billion from purchase and sale purposed derivatives was made, a loss amounting to TL 878 million was made from protection from risk purposed derivatives in June 2012. The highest loss item has been swap money transactions by TL 3.1 billion. A loss amounting to TL 3.4 billion in total was made from capital market transactions in June 2012.

Chart 5.3-2: Outlook of Loss/profit Obtained from Derivative Financial Instruments

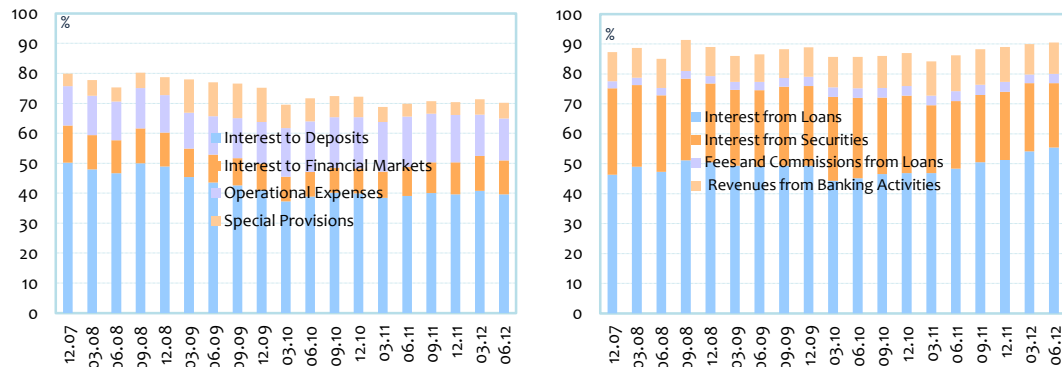


(TL Million)	12.10	12.11	06.12
Future FX Purchase and Sale	579	434	-522
Futures Int.Cont.Purchase and sale	4	26	81
Money Swap Purchase and sale	-1.745	90	-3.170
Interest Swap Purchase and Sale	-1.572	-614	-692
Credit Default	-7	-21	-12
Futures money p-s	6	-7	-5
Futures interest p-s	-9	0	0
Maoney p-s options	233	286	-202
Interest p-s options	15	2	9

*P/L from purchase-sale and hedging transactions were aggregated for each transaction type.

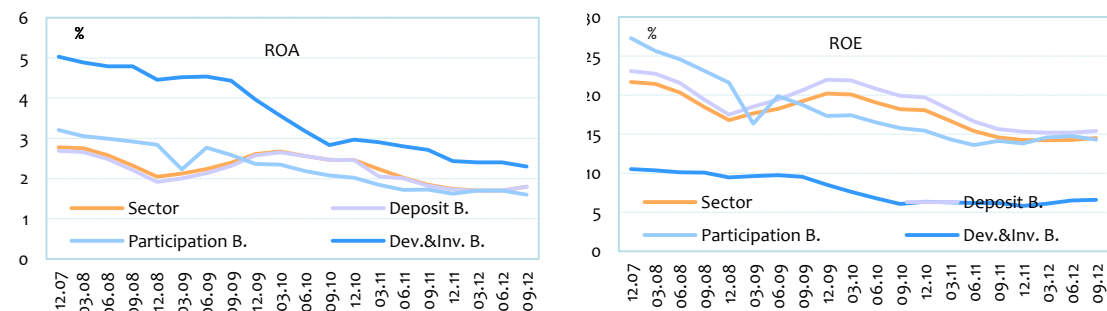
When the distribution of income items in total incomes is analyzed, in June 2012, it is seen that the share of interest incomes taken from loans in total increased to 55.3% from 54.1% in the second quarter of the year. The share of interests taken from securities in total incomes is 21.5%. It is seen that fees and commissions taken from loans and banking service incomes total is comprising 13.6% of total incomes of the sector. When the distribution of expenses item, it is seen that the share of interest expenses paid to deposit in total in the mentioned period regressed to 39.6% from 40.8% in the second quarter. In addition to that, while the share of interests paid to financial markets in total expenses was 11.6% in June 2012, operation expenses comprise 14.1% of total expenses.

Chart 5.3-3: Development of Income/Expenses Items within Total



When the profitability ratios are analyzed, it is observed that the decreasing trend of sector in ROA and ROE of the sector after tax stopped and the said ratios presented a parallel development in the last three quarter. ROE after tax of the sector was by 14.3% and ROA after tax of the sector was by 1.7% in June 2012.

Chart 5.3-4: Development of After-tax Return on Assets and Equities



In net interest margin and spread indicators off the sector, a partial increases observed as to the same period of the previous year. 45 banks of 48 banks operating in the sector made profit by June 2012. The ratio of assets of the banks made profit to sector assets is 99.9%. When the distribution of domestic-foreign branches of total profit, it is seen that 99.7% of the profit is emanating from domestic branches and 0.3% thereof is emanating from foreign branches. When the market value ratios are analyzed, it is seen that price/profit ratio which indicates the ratio of end of the period price to profit per stock of the stocks of the banks which their stocks are operating in ISE increased to 9.02% in the second quarter of 2012. The ratio of the dividend distributed to shareholders by the sector to net profit increased to 51.4% in the second quarter of 2012.

Table 5.3-2: Development of Profitability and Market Value Ratios

(%)	12.05	12.06	12.07	12.08	12.09	12.10	03.11	06.11	09.11	12.11	03.12	06.12
Profitability Ratios												
Net Interest Margin	5,4	4,7	4,9	4,8	5,4	4,3	0,96	1,8	2,6	3,5	1,02	2,01
Spread	5,1	4,6	4,5	4,6	5,3	4,0	0,93	1,8	2,6	2,6	1,04	1,99
Nr.Profit making banks/Total nr.of banks	45/51	41/50	46/50	44/49	46/49	46/49	41/48	45/48	44/48	45/48	46/48	45/48
Ass.of Prof.making banks /Tot. Assets	93,9	99,3	99,7	99,8	99,8	99,6	98,9	99,8	99,2	99,9	99,99	99,89
Profit of domest.branches/Total Profit	86,8	90,0	95,5	78,0	95,2	97,9	79,6	83,5	92,6	90,0	99,5	99,7
Market Value Ratios*												
Price/Profit	-	-	10,21	6,24	9,76	10,0	9,02	9,41	9,15	7,38	8,68	9,02
Price/Book Value	-	-	2,39	1,1	1,91	1,86	1,62	1,62	1,53	1,16	1,40	1,38
Dividend Payment Ratio			12,55	7,44	14,51	3,78	1,12	0,91	0,84	34,6	50,56	51,38

* Shares include banks operated in ISE and are taken from Bloomberg.

5.4 Stress Test Analysis

When international implementations are analyzed, it is seen that the most important and commonly used instruments relating to determining in efficient manner the defining of the fragilities and risks are stress test analysis depending on macroeconomic scenarios. In stress test analysis depending on macroeconomic scenarios made by BRSA, the effect of the change of risk factors simultaneously such as economic activities, consumer prices, and loan amount fall into default, TL and USD interest rate and USD/TL rate of exchange on banking sector is estimated. With a view to provide internally consistent change of the said risk factors, autoregressive econometric model depending on time series modeling is used. The said model is estimating the effect of shocks given to one or several risks on other risk factors within the scope of the scenario determined.

In the said analysis, O/N interbank sale ratios provided from Bloomberg as TL,USD and EUR interest rates , are taken as reference. Real economic growth, consumer price index and USD/TL rate of exchange data are gained from CBRT Electronic Data Distribution System. Data relating to loans turning to default are depending on the reporting made to BRSA by the banks. Logarithmic difference transformation of data is made in econometric calculations for providing fixation of the time series. Data relating to economic growth and loan default ratios are purified from periodicity.

For estimating in accurate manner the increasing credit risk in current period and purifying thereof from the effect of loan expansion in current period and NPL before; the ratio of total loan amount added newly to follow-up account in current period to total loan average in previous period is taken into account as loan risk factor. Risk factors gained from econometric model results are implemented to the banks' balance sheets dated December 2011. In calculations, TL interest rates, USD interest rates, EUR interest rates and CAR are taken into account as 8.4877%, 0.1675%, 0.2513% and 15.83% respectively as base values. Iller Bank data was excluded in evaluations. 4 scenarios were included to analysis in the current period. The first two scenarios is the scenario of 5% and 10% of shrinking in economy in one quarter, and other

two scenarios are the scenarios of increase amounting to 3 and 7 points in TL interests in one quarter. Model results are showing the fact that the changes in consumer prices have no definitive effect on other risk factors in quarter period. For this reason, the increase scenario in inflation rate is not included to the analysis.

Table 5.4-1: Scenarios and Scenarios Analysis Findings

Scenarios and Stress Factors Calculated as a Result of Scenarios	(%)Cash Loan Loss Ratio	(%)USD/TL Rate Exchange	TL Interest Rate ² (point)	USD Interest Rate ³ (point)	EUR Interest rate ³ (point)
Recession by 5% in economy in one quarter	2,27	2,74	8,2279	0,1628	0,2442
Recession by 10% in economy in one quarter	4,55	5,49	7,9681	0,1581	0,2372
Increase in TL interests by 3 points	0,00	-4,98	10,7570	0,1732	0,2598
Increase in TL interests by 7 points in one quarter	0,00	-10,71	13,3658	0,1798	0,2697

¹ Expresses the percentage of transition of loans to loss within the existing live credit portfolio into losses.

² Expresses the BAT overnight interbank TL interest.

³ Expresses the BAT overnight LIBOR USD interest.

⁴ Expresses the BAT overnight LIBOR EUR interest.

The changes expected quarterly in risk factors within the scope of the scenarios were estimated with econometric model. The economic shrinking included in the first and second scenario is thought to cause decreases in interests due to interest policy against coherent cycle with regime of targeting inflation and decrease in money demand and to increase loan risks of banking sector. It is expected that the third and fourth scenarios shall reflect the period in which the interests shall be high and shall correspond to the periods in which the growth shall be in rapid manner and that the loan risk shall be minimum. It is thought that USD and EUR interest rates and changes of USD/TL rate of exchanges are depending on global economic conjuncture and that effect the scenarios are limited on these risk factors. Within this scope, it is observed that model results are coherent with the expectations. Within the scope of the scenarios defined, the effect of the changes estimated in risk factors on banking sector balance sheet values in December 2011 is evaluated. In the said evaluation, it is estimated that the level gained following the changes on TL, EUR and USD interest rates shall be permanent and that the change in other risk factors shall be for once. Within this scope, it is seen that losses are emanating more from loan risk in the first and second scenarios and that the losses are emanating more from interest rate risk in the first and second scenarios. The most loss causing scenario is the shrinkage by 10% scenario in one quarter in economy.

Table 5.4-2: Stress Test Results Profit – Loss

Stress Test Results Profit – Loss (TL Million)	Exchange Rates			USD Interests	EUR Interests	Estimated total P/L	Sec. P/L
	Loans	TL Interests					
Recession by 5% in economy in one quarter	6	-14.772	1.738	7	4	-13.017	419
Recession by 10% in economy in one quarter	12	-29.609	3.491	13	8	-26.084	840
Increase by 3 points in TL interest in one quarter	1.371	0	-14.600	-8	-5	-13.242	-3.500
Increase by 7 points in TL interests in one quarter	5.923	0	-30.179	-18	-10	-24.284	-7.273

In parallel with estimated profit/loss information, it is estimated that the decrease observed in CAR shall be moderate and due to the decrease CAR of the sector shall be still over 12%. The scenario of shrinkage by 10% in one quarter in economy which is the most loss causing scenario is decreasing CAR to 13.4%. The results of scenario analysis is showing the fact that banking sector is stabile against the most severe macroeconomic shocks thanks to its strong capital structure and prudent risk management and its' fragilities is in minimum level.

Table 5.4-3: Stress Test Results– Capital Adequacy

Scenario results Capital Adequacy (TL Million)	Estimated Own funds	Est. P/L affecting RWA		Estimated RWA	Estimated CAR (%)	Deviation from existing CAR (point)
		(Exchange Rate Excluded)	Exchange rate affecting RWA			
Recession by 5% in economy in one quarter	149.332,5	-13.022,9	5.810,5	1.022.249,0	14,6	1,2
Recession by 10% in economy in one quarter	136.265,0	-26.096,6	11.642,1	1.018.611,0	13,4	2,5
Increase in TL interests by 3 points	149.107,5	-14.613,2	-10.560,6	1.004.833,5	14,8	1,0
Increase in TL interests by 7 points	138.065,4	-30.206,6	-22.711,7	981.503,9	14,1	1,8



BANKING
REGULATION AND SUPERVISION
AGENCY

Atatürk Bulvarı No:191 06680 Kavaklıdere / ANKARA
Phone :(0312) 455 65 29 Fax: (0312) 424 08 74

www.bddk.org.tr