



**Recent developments  
in banking sector  
in Turkey**

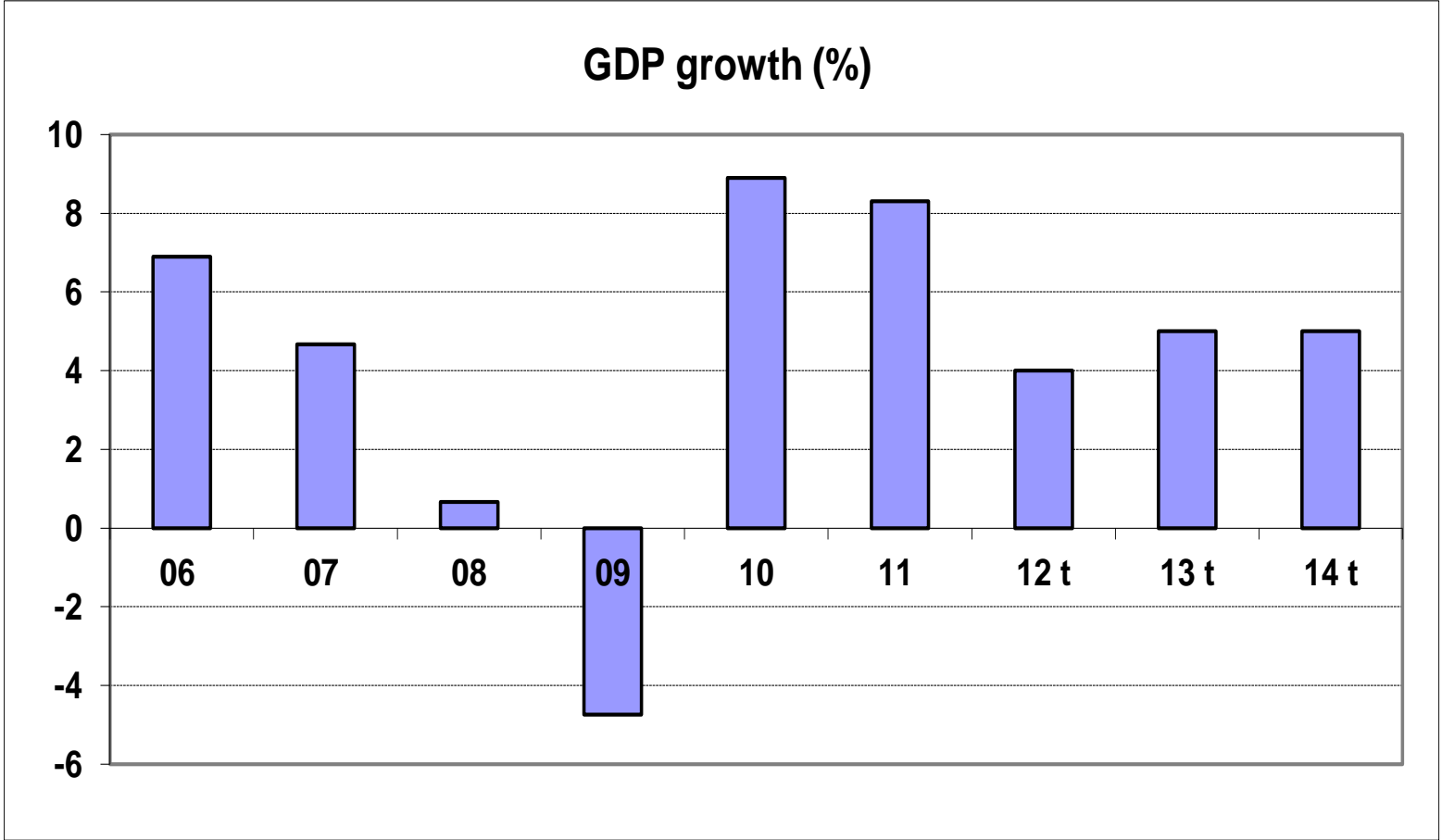
**Ankara  
February, 2012**

# Content

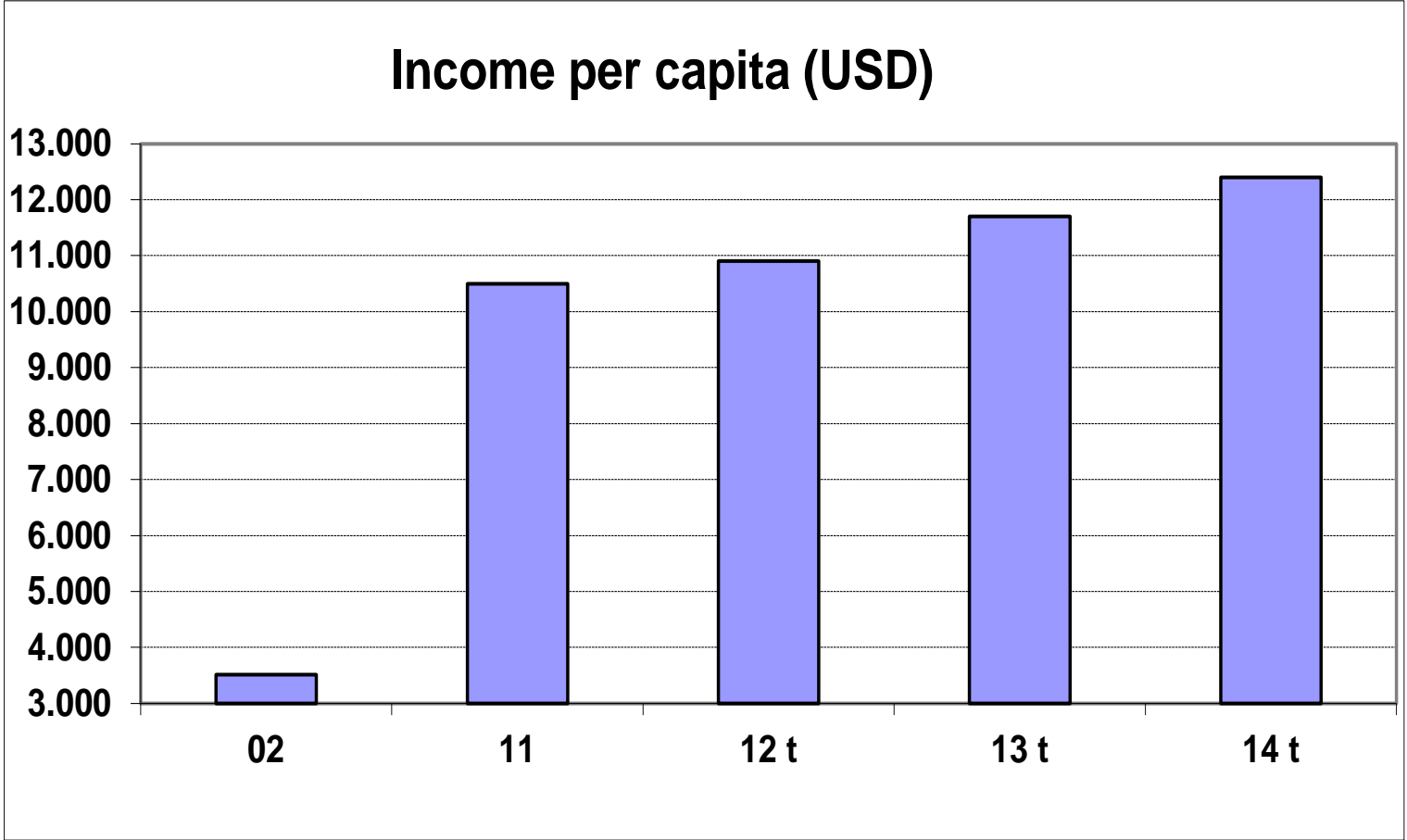
- I. Economic environment**
- II. Banking sector**
- III. Near-term expectations**

# Economic environment

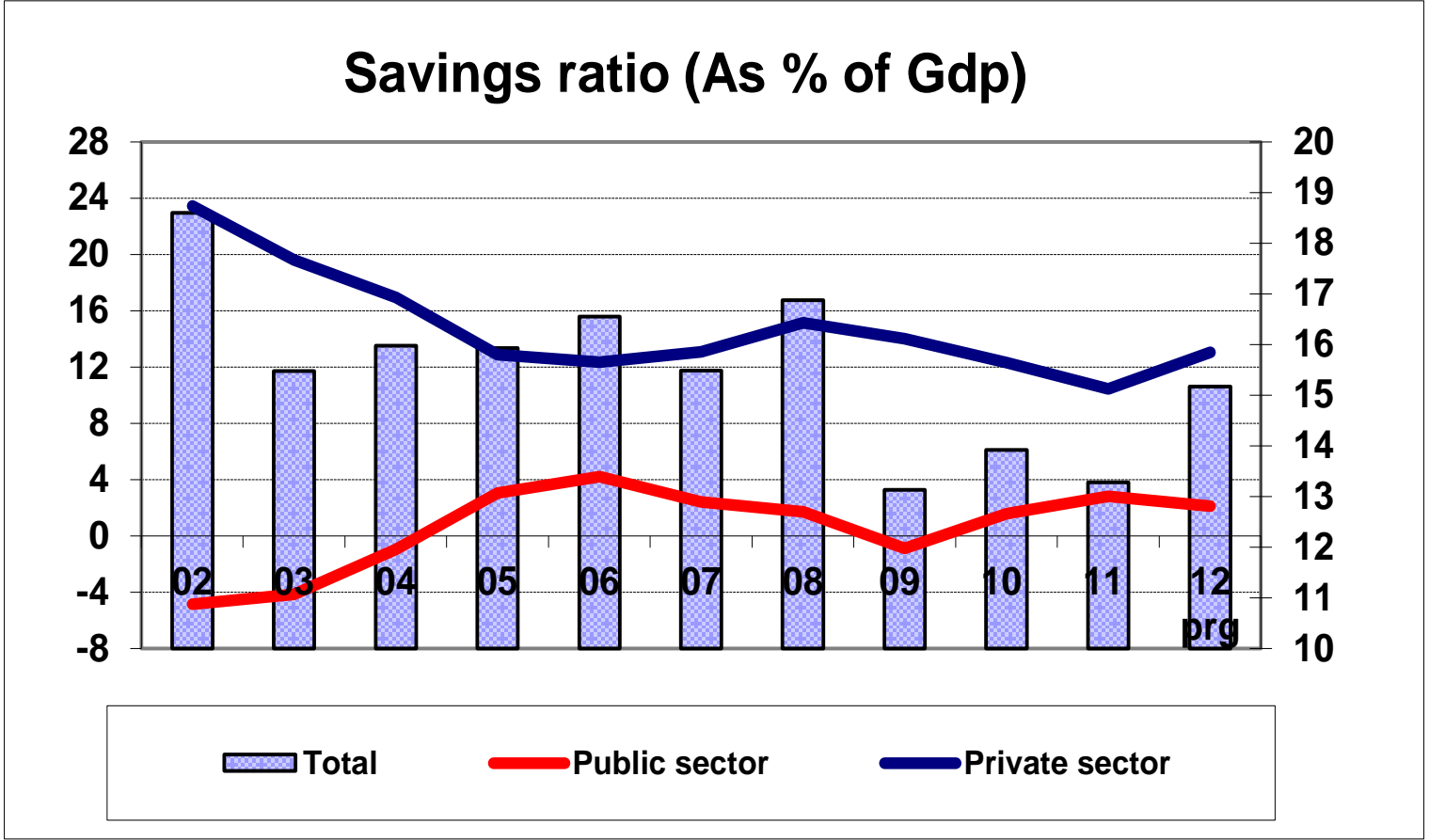
# Quick recovery and rather stable growth in Gdp



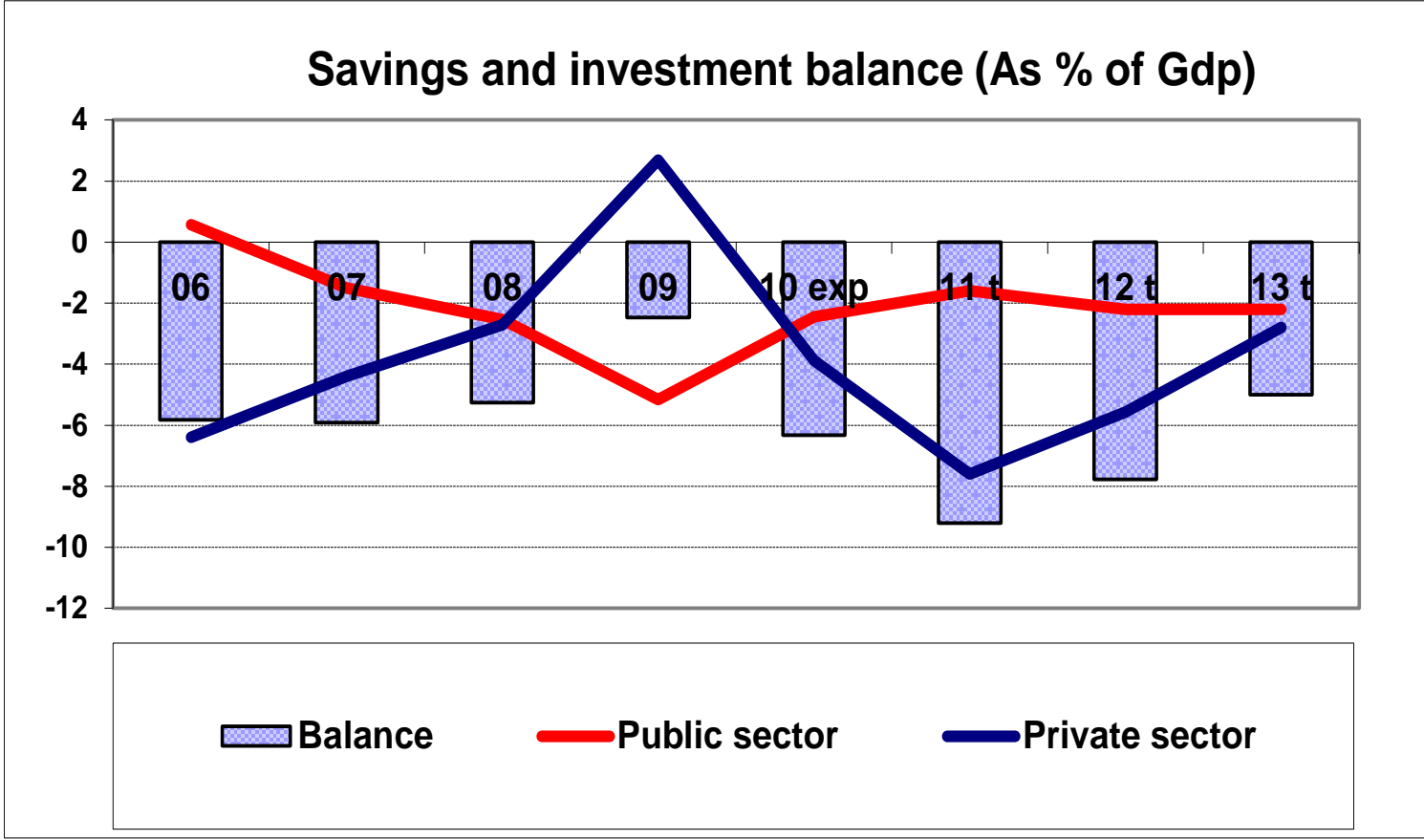
# Steady increase in income per capita



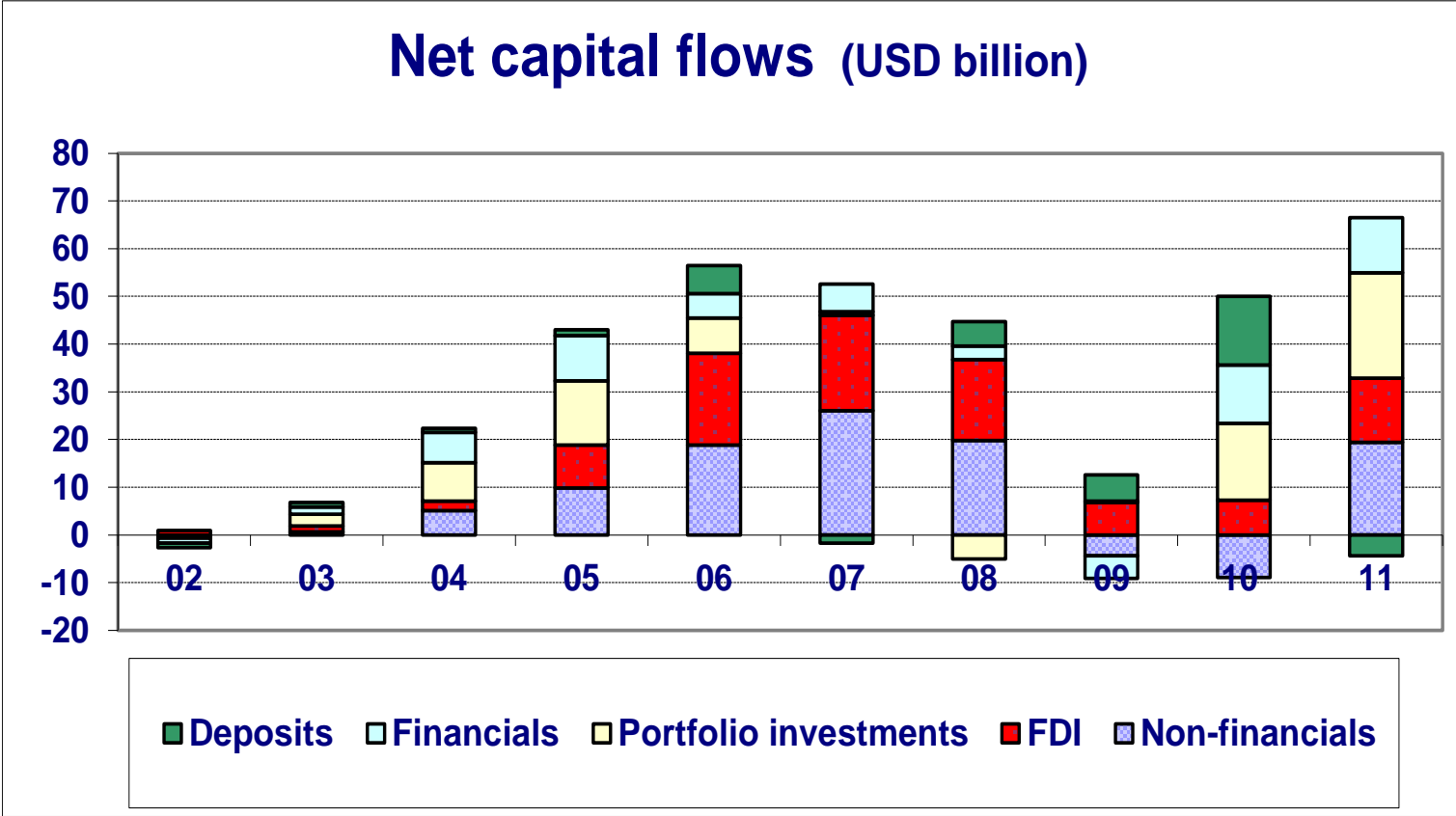
# Savings ratio in private sector has declined



# New measures are likely to narrow savings gap

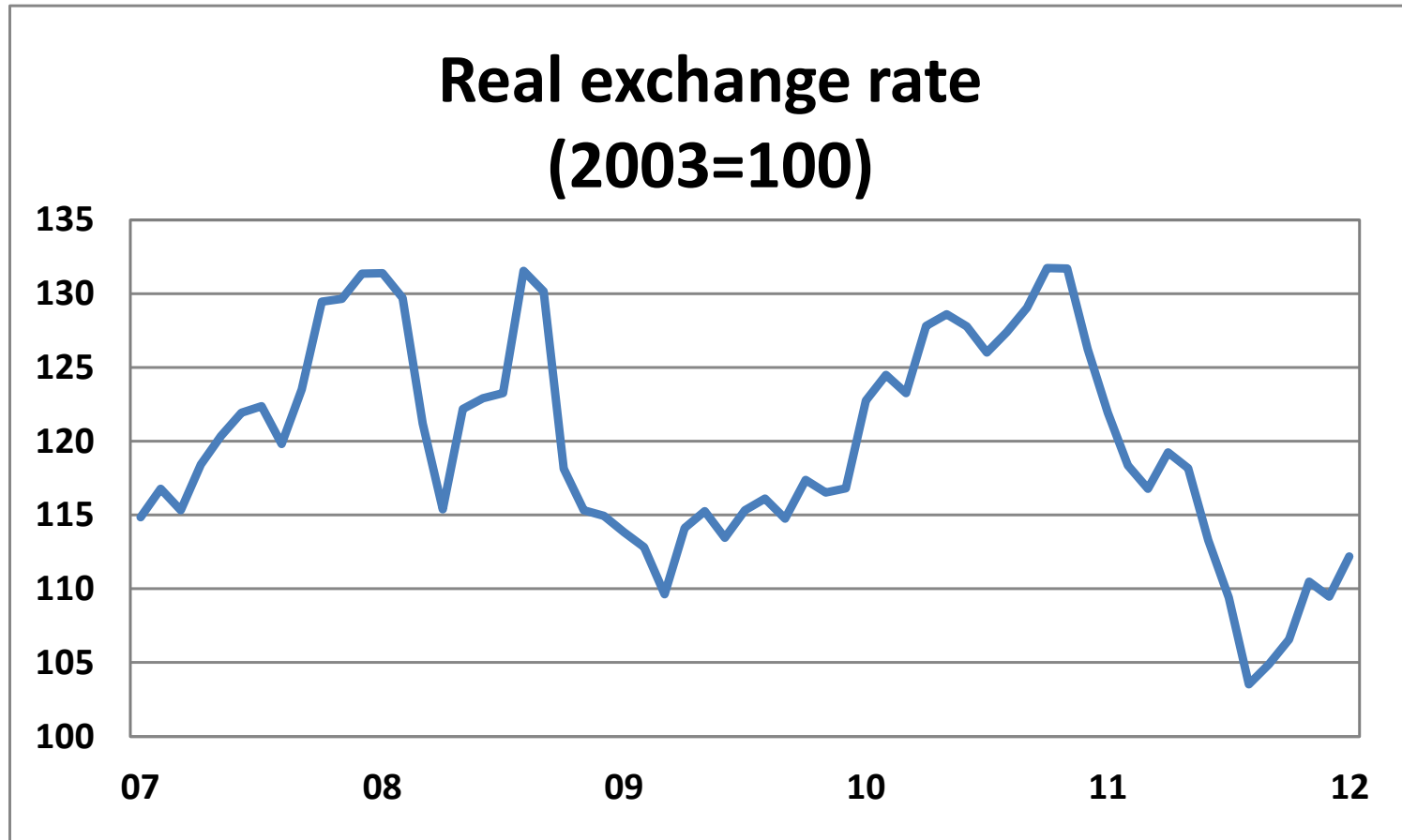


# Net capital inflow; change in structure with increasing volume to TL financial assets

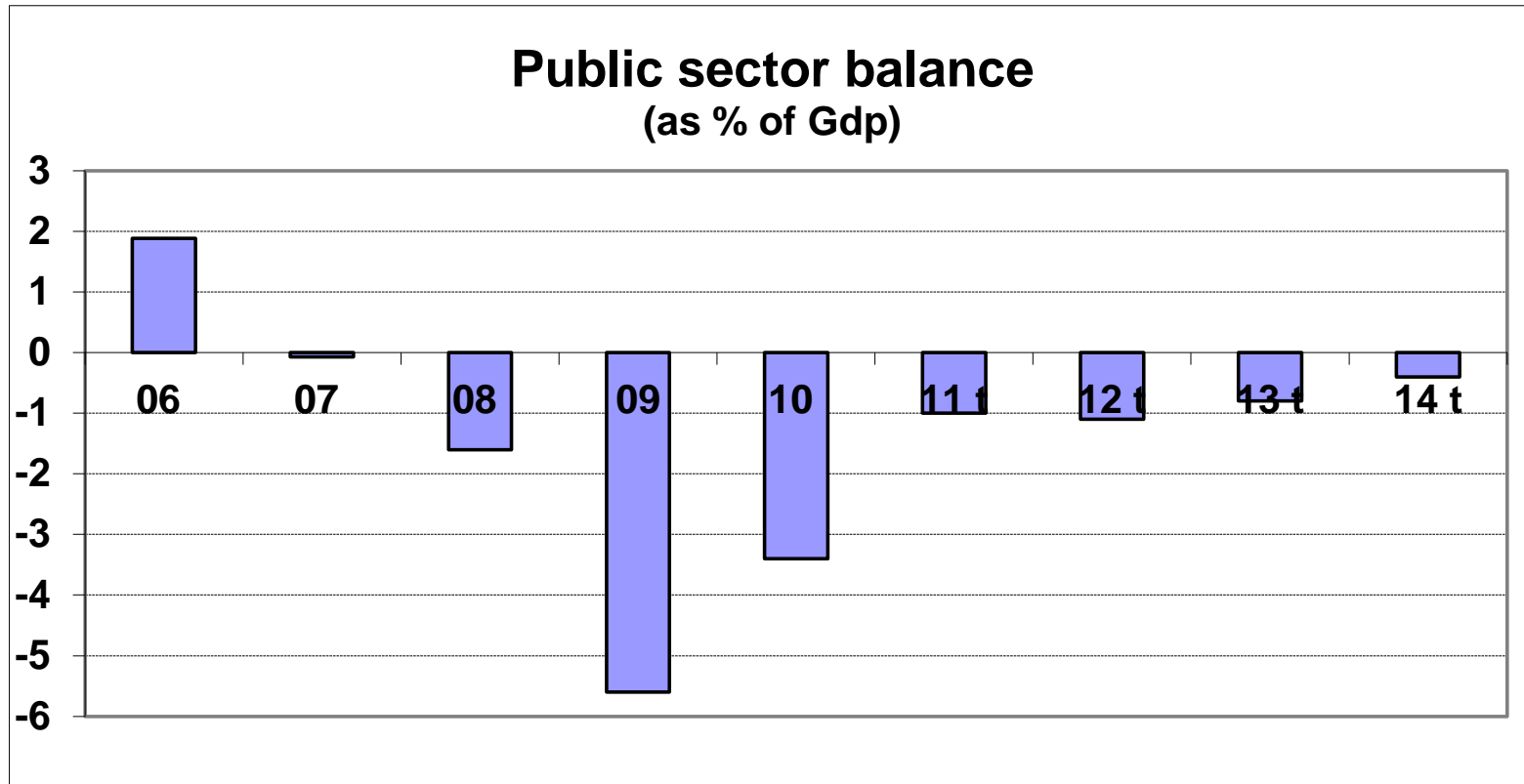




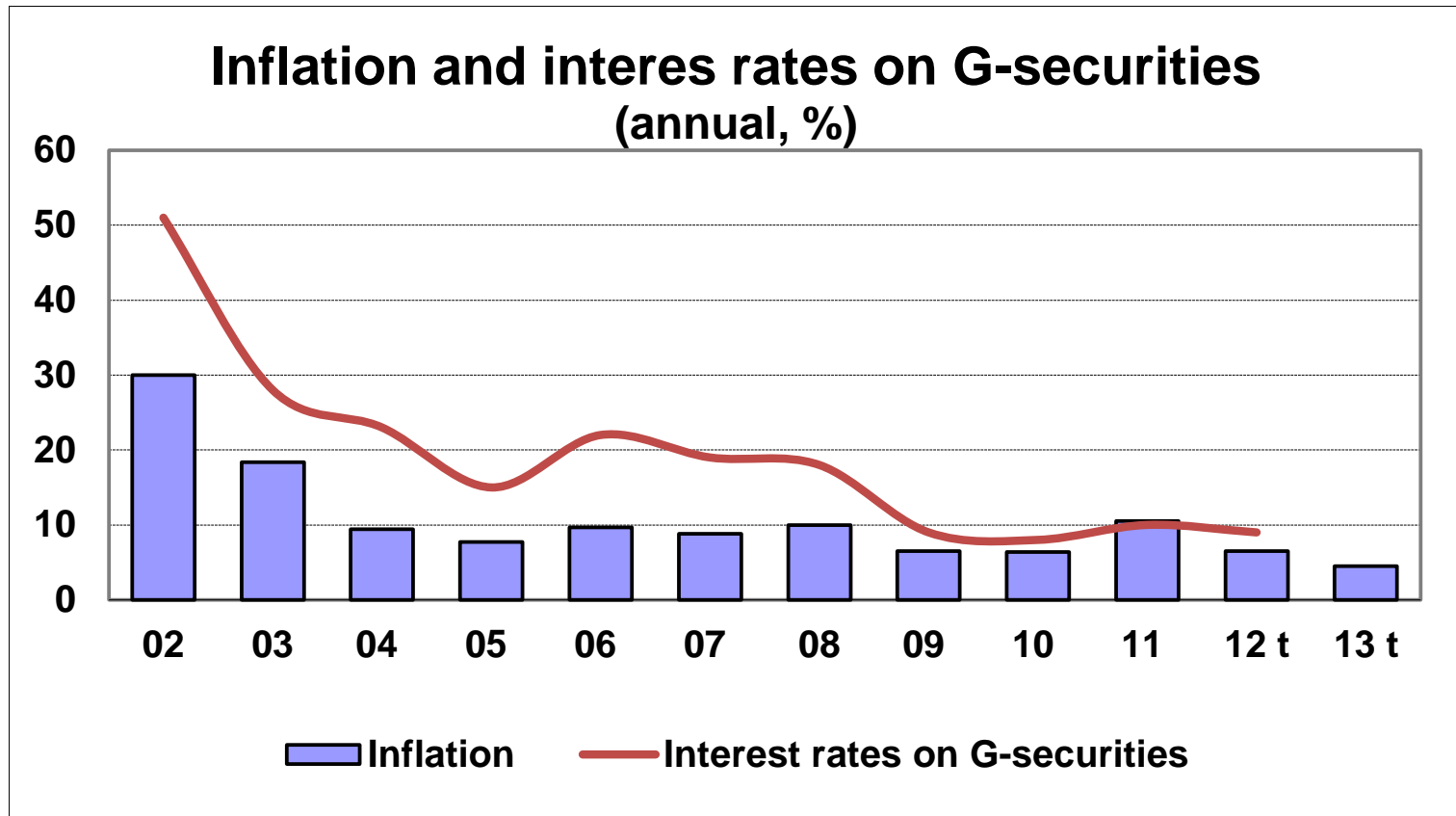
# TL began to appreciate against major currencies again, following a sharp depreciation in 2011



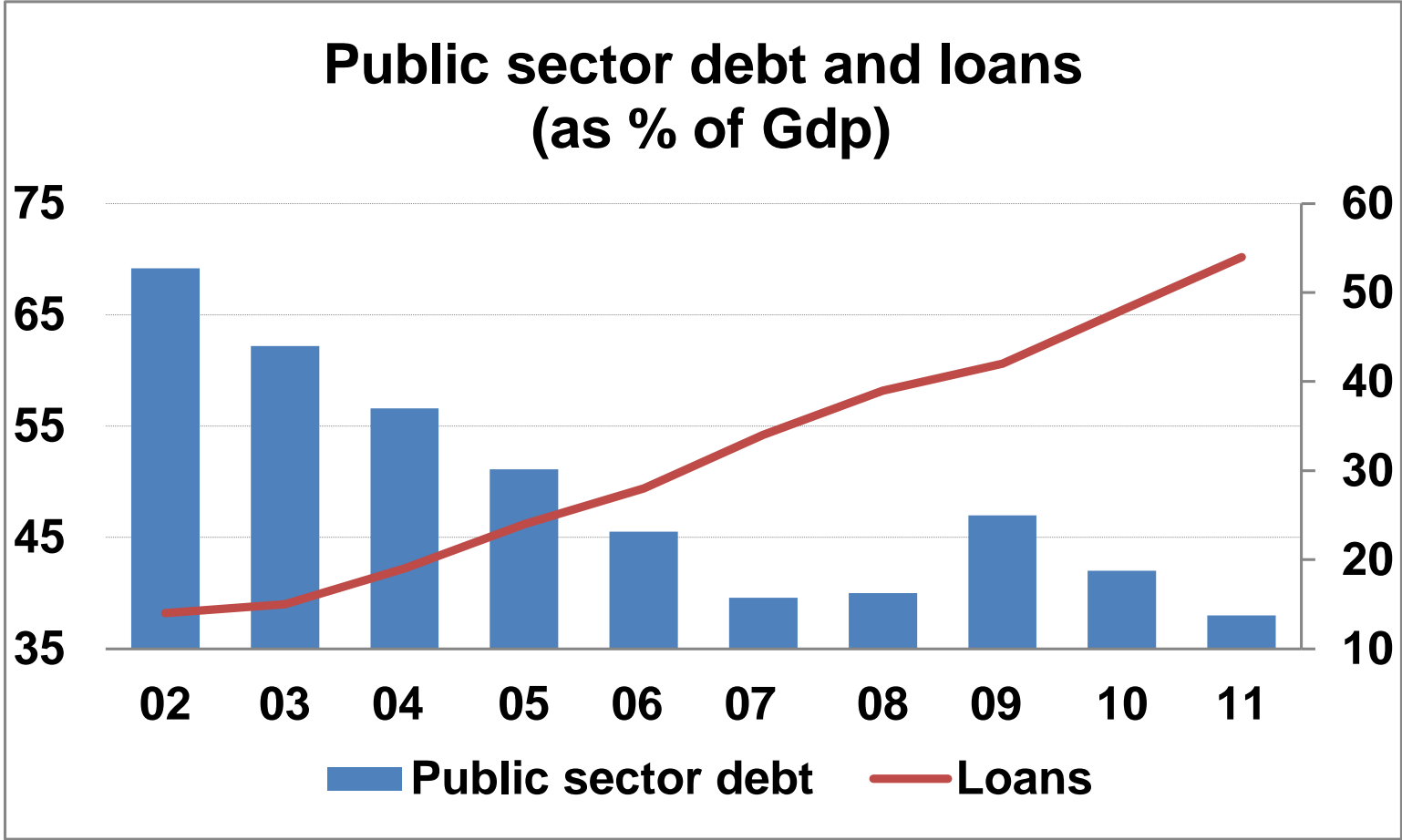
# Public sector borrowing requirement is getting lower



# Rapid disinflation: historically lowest level during the free market economy.



# Less crowding out, more loans



# Banking sector

# Banks in Turkey

## Banks in Turkey (As of December 2011)

	Number of banks	Share in total assets (%)
<b>Deposit banks</b>	<b>32</b>	<b>92</b>
<b>State-owned</b>	<b>4</b>	<b>28</b>
<b>Private</b>	<b>11</b>	<b>51</b>
<b>Foreign-owned*</b>	<b>17</b>	<b>13</b>
<b>Development and investment banks</b>	<b>12</b>	<b>3</b>
<b>Participation banks</b>	<b>4</b>	<b>8</b>
<b>Total</b>	<b>48</b>	<b>100</b>

# Supervision in financial sector

## Supervision and Regulation in the Financial Sector

Financial Sector Institutions		Supervisory and Regulatory Authorities
<input type="checkbox"/> Deposit Banks* <input type="checkbox"/> Development and Investment Banks*	→ →	BRSA
<input type="checkbox"/> Participation banks*	→	BRSA
<input type="checkbox"/> Insurance Companies	→	Treasury
<input type="checkbox"/> Leasing Companies	→	BRSA
<input type="checkbox"/> Factoring Companies	→	BRSA
<input type="checkbox"/> Consumer Finance Companies	→	BRSA
<input type="checkbox"/> Investment Trusts	→	CMB
<input type="checkbox"/> Private Pension Funds	→	CMB
<input type="checkbox"/> Intermediary Institutions	→	CMB



# Foreign owned banks' share

## Ownership structure (%)

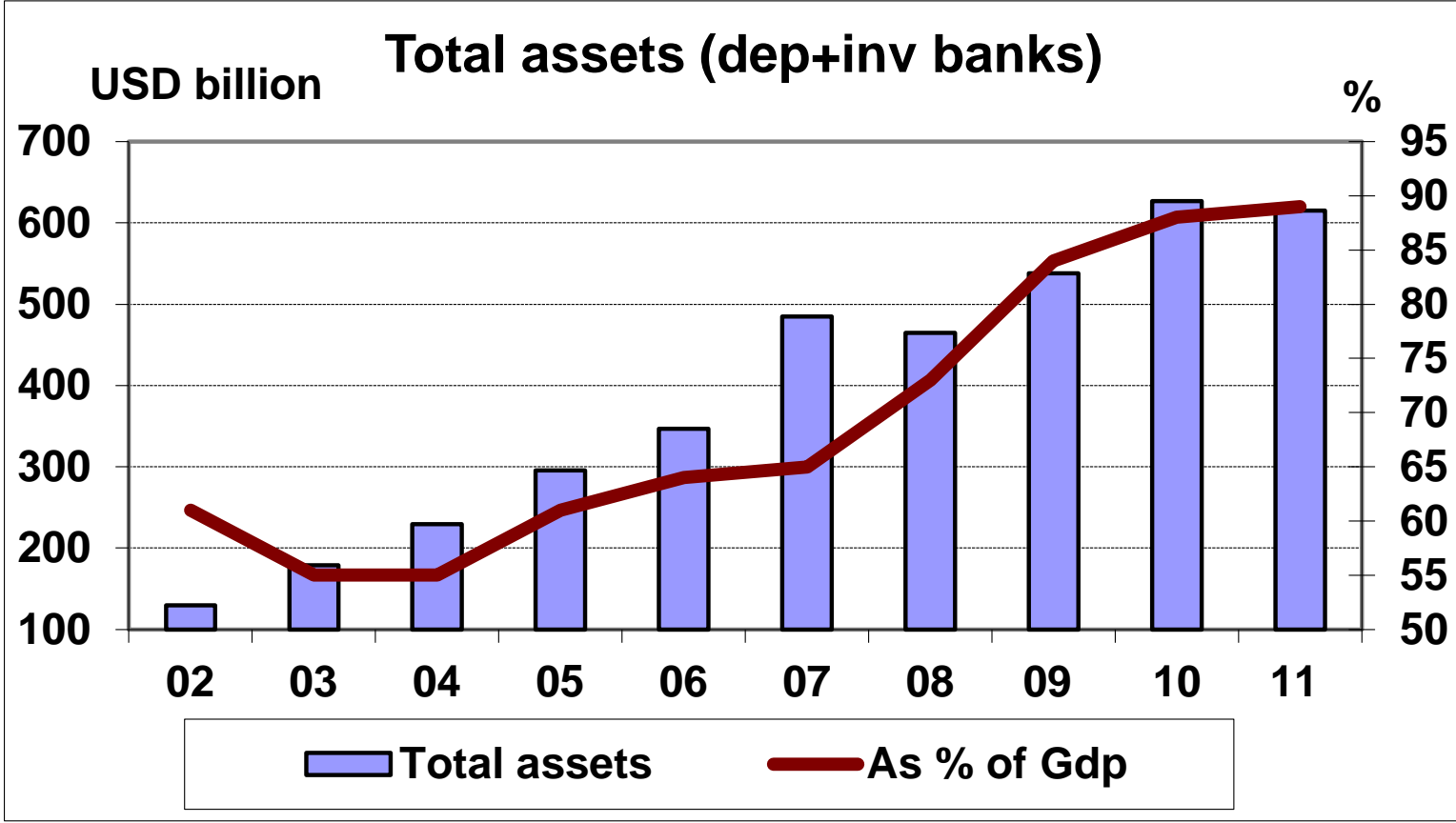
	Free flot	Non residents' share* Shareholders' equity	Non residents' share* Total assets
2002		5,4	3,2
2010	20,1	23,9	23,8
2011 Spt	20,0	24,4	24,7

\*weighted share in non-public shares





# Rapid growth in banking sector



# **“Remarkable resilience to the global crisis”**

**No “high risky” assets**

**Small investments in housing financing**

**Well-diversified lending portfolio, mainly to private sector and G-securities**

**High-capital adequacy level with 16,6%**

**High-liquidity level**

**No change in deposit-quaranty limit, current level is TL 50,000**

**No financial support form the Government**

**Banking sector has kept financing economic activities**

**Decrease in NPLs following a shortlive rise**

**2009, 2010, 2011; became profitable years**

# Rapid rise in lending

## Selected balance sheet items\*

As % of Gdp	2002	2010	2011
<b>Securities portfolio</b>	<b>25</b>	<b>26</b>	<b>22</b>
TL	15	22	18
<b>Total loans</b>	<b>15</b>	<b>45</b>	<b>49</b>
TL	7	32	35
Fx	8	13	14
<b>Total assets</b>	<b>61</b>	<b>87</b>	<b>90</b>
TL	34	65	65
Fx	26	23	26

\* Deposit, investment and development banks

2011 Gdp estimated

# Strong deposits base

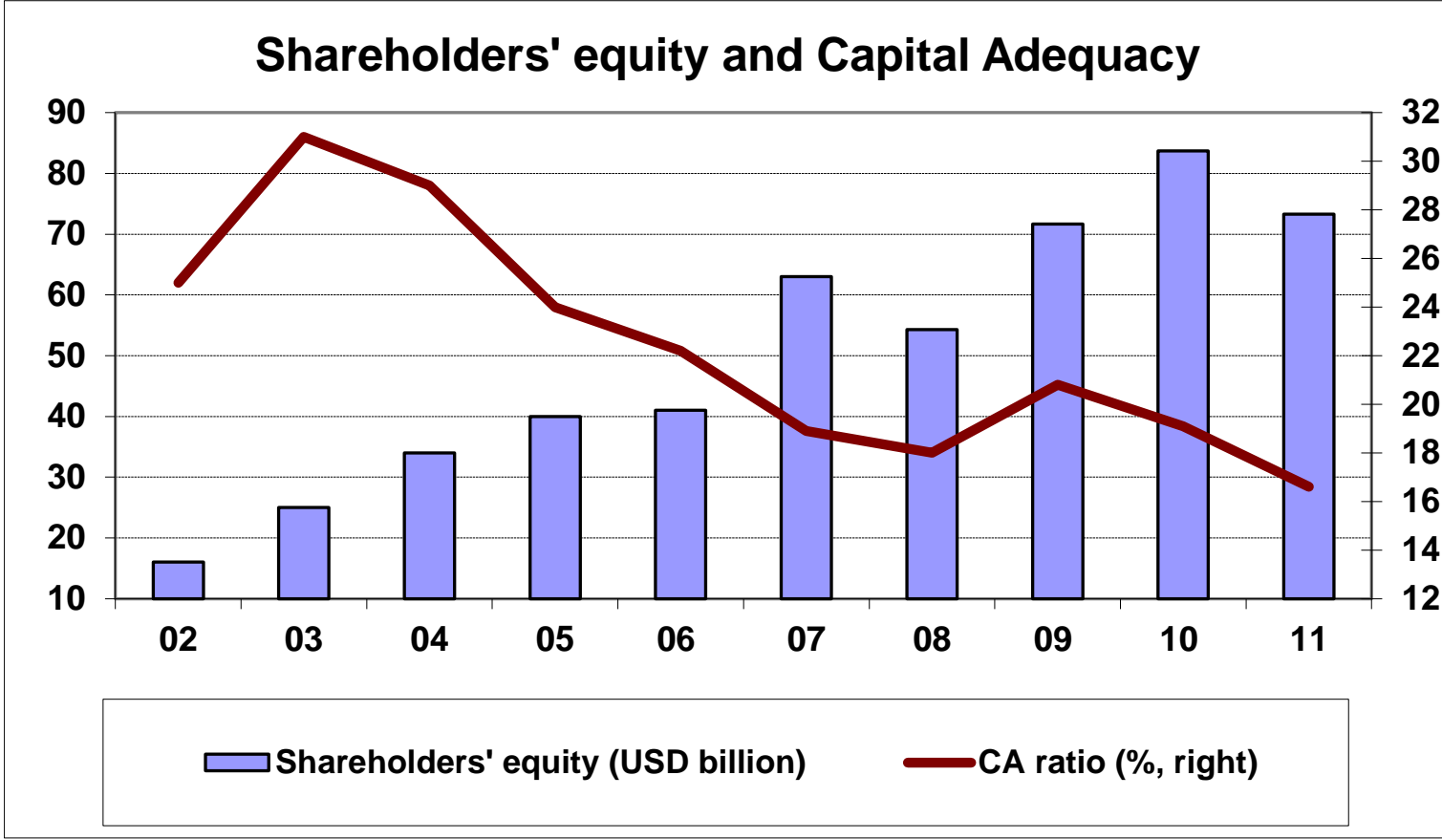
## Selected balance sheet items\*

As % of Gdp	2002	2010	2011
<b>Deposits</b>	39	53	50
<b>TL</b>	<b>17</b>	<b>37</b>	<b>33</b>
Fx	23	16	16
<b>Non-deposit funds</b>	10	17	24
<b>Shareholders' equity</b>	<b>7</b>	<b>12</b>	<b>11</b>
<b>Total liabilities</b>	61	87	90
TL	30	61	60
Fx	31	27	31

\* Deposit, investment and development banks

2011 Gdp estimated

# Stronger shareholders' capital enabled the banking sector to change its risk structure...



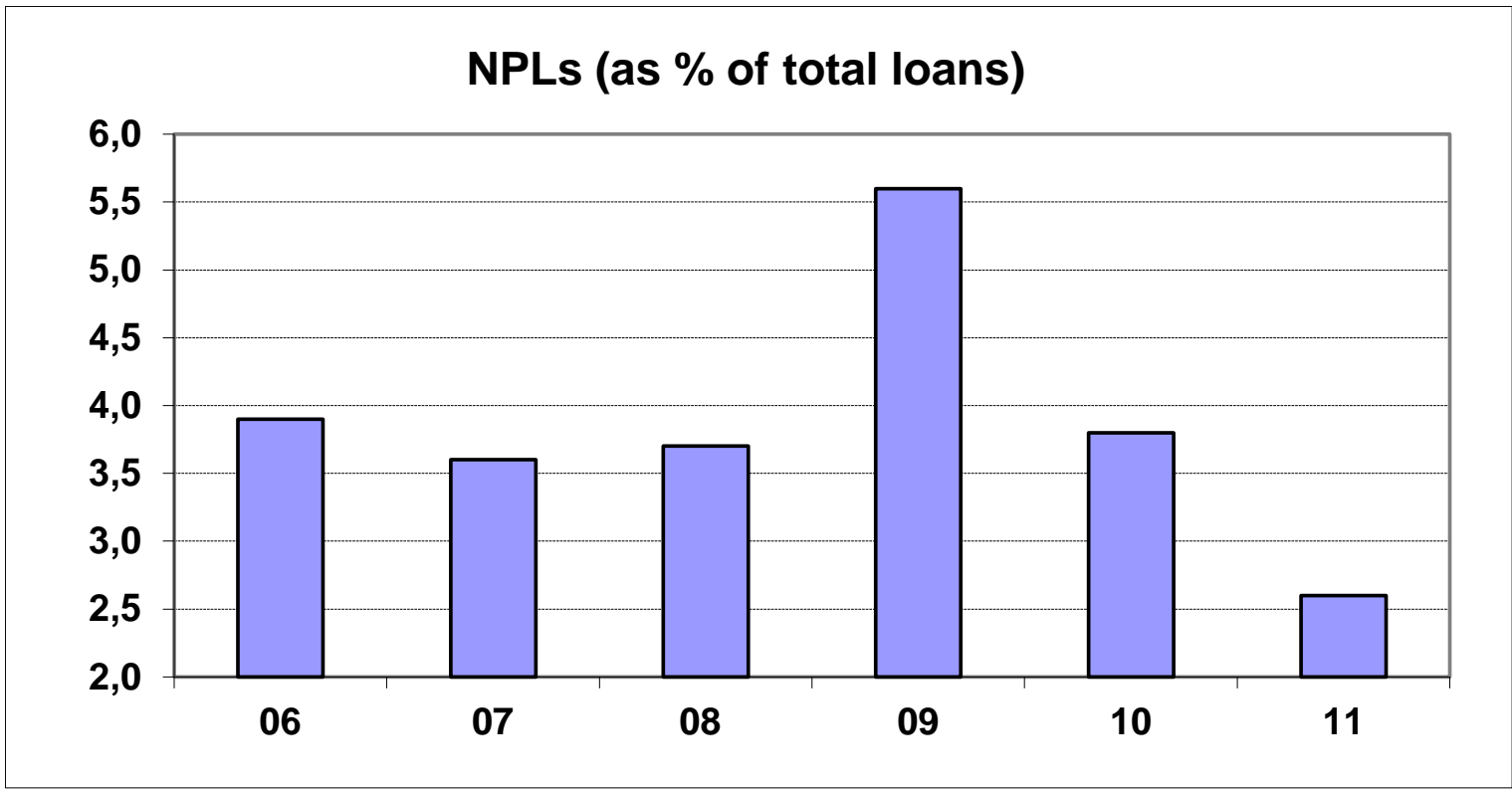
# Lending to consumer's share has risen

## Breakdown of total loans

(As % of GDP)	2002	2010	2011
<b>Corporates</b>	<b>13</b>	<b>29</b>	<b>33</b>
<b>SMEs</b>	<b>0</b>	<b>10</b>	<b>11</b>
<b>Consumer+credit cards</b>	<b>2</b>	<b>15</b>	<b>17</b>
<b>Consumer</b>	<b>1</b>	<b>11</b>	<b>13</b>
<b>Housing</b>	<b>0</b>	<b>5</b>	<b>5</b>
<b>Automobile</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>Others</b>	<b>0</b>	<b>6</b>	<b>7</b>
<b>Credit cards</b>	<b>1</b>	<b>4</b>	<b>4</b>
<b>Total</b>	<b>15</b>	<b>44</b>	<b>49</b>

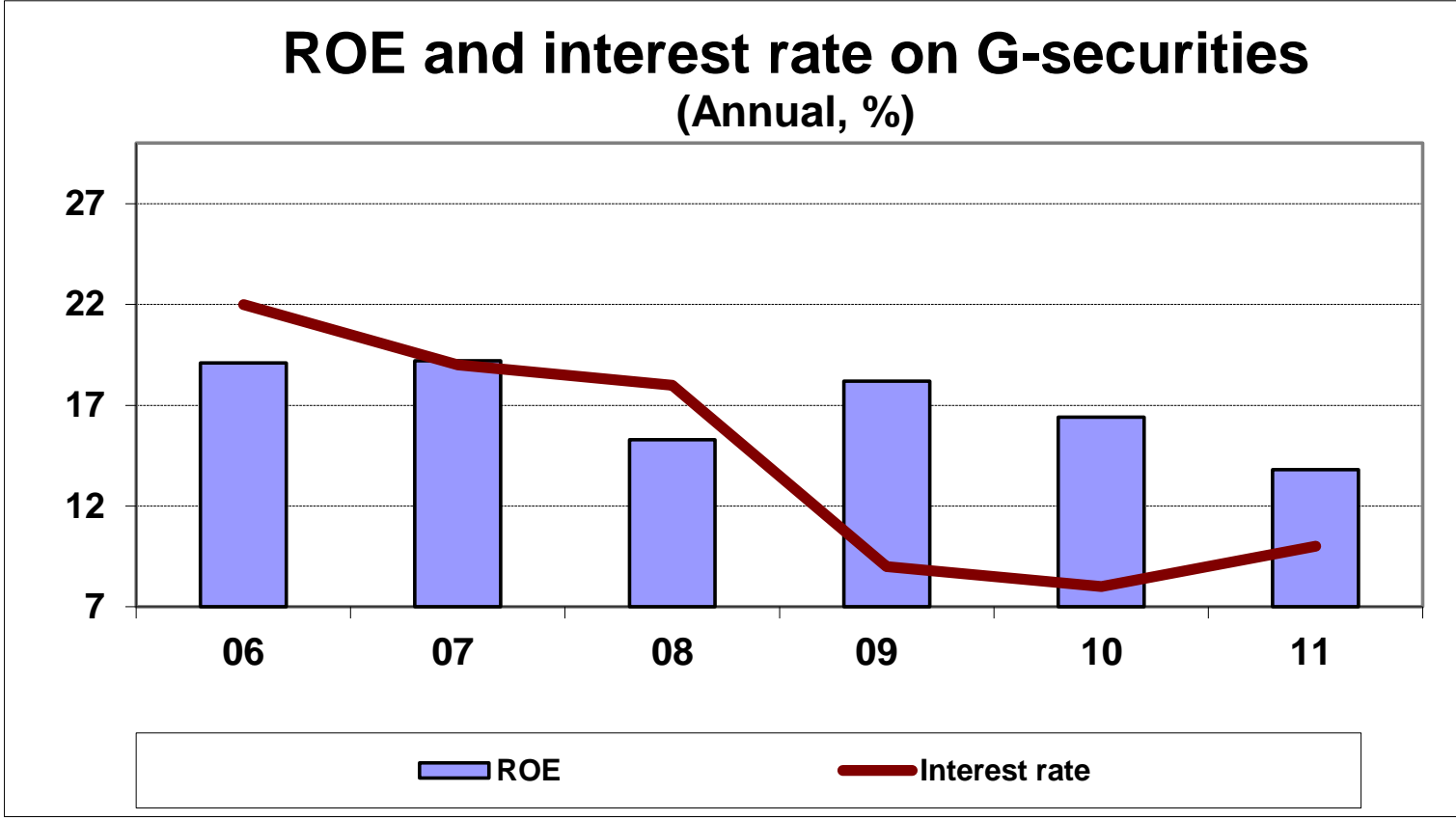
\*Deposits, investment and development banks

# NPLs have remained at a rather low level

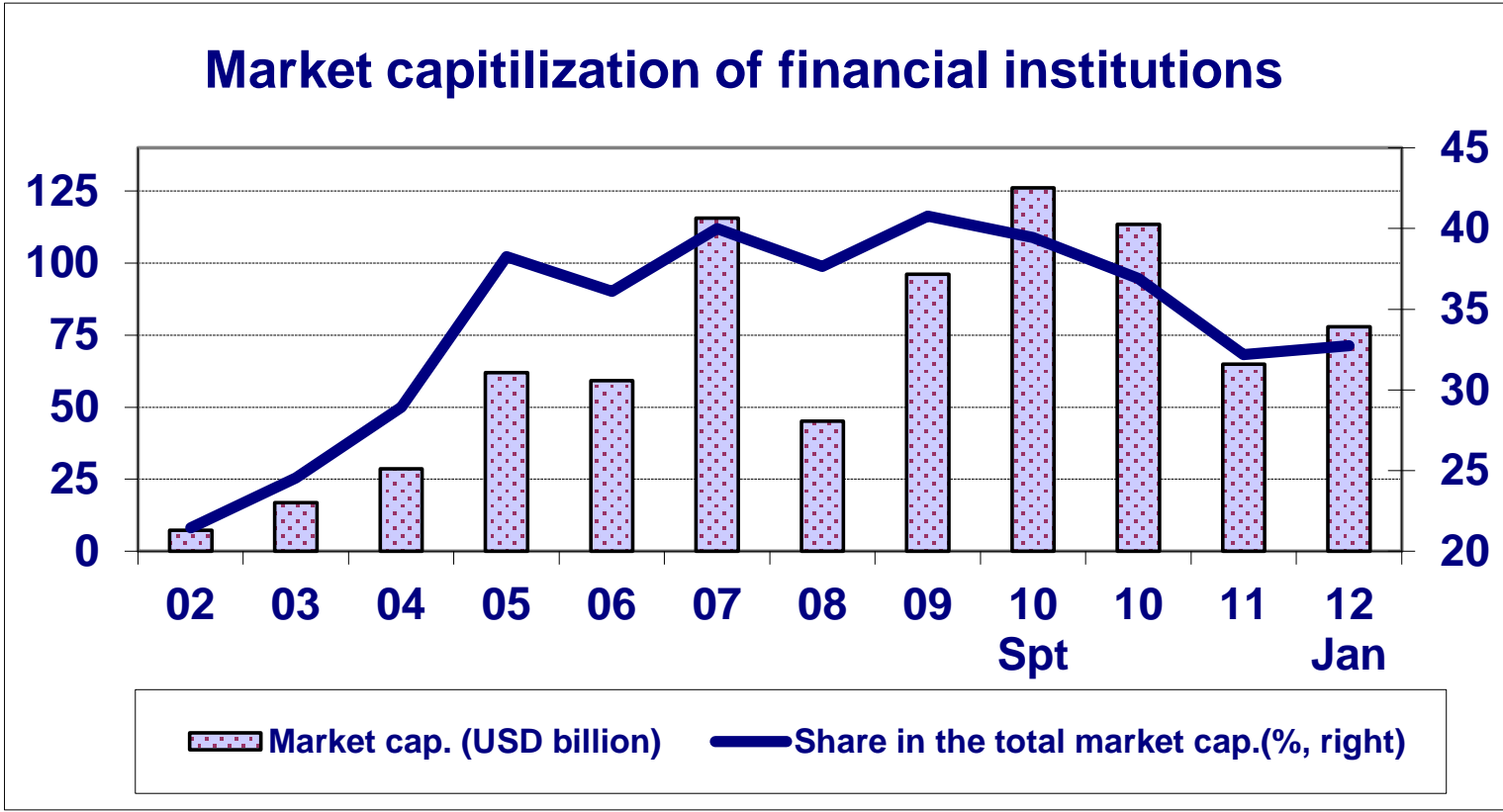




# ROE exceeded interest on G-securities recently



# Financial institutions have a share of 35 percent in the total market capitalization



# Compared with the international figures

## Financial sector Selected indicators

As % of GDP

2010	World	EM	TR
Bank assets	159	89	91
Capital markets	238	99	75
Market capitalization	88	58	43
Debt securities	151	41	32
Public	66	26	32
Private	85	16	1
Total	397	189	166

Source: IMF, Global Financial Stability Report, Spt 2011

# Compared with the EU figures

## EU-Turkey Selected indicators, 2010

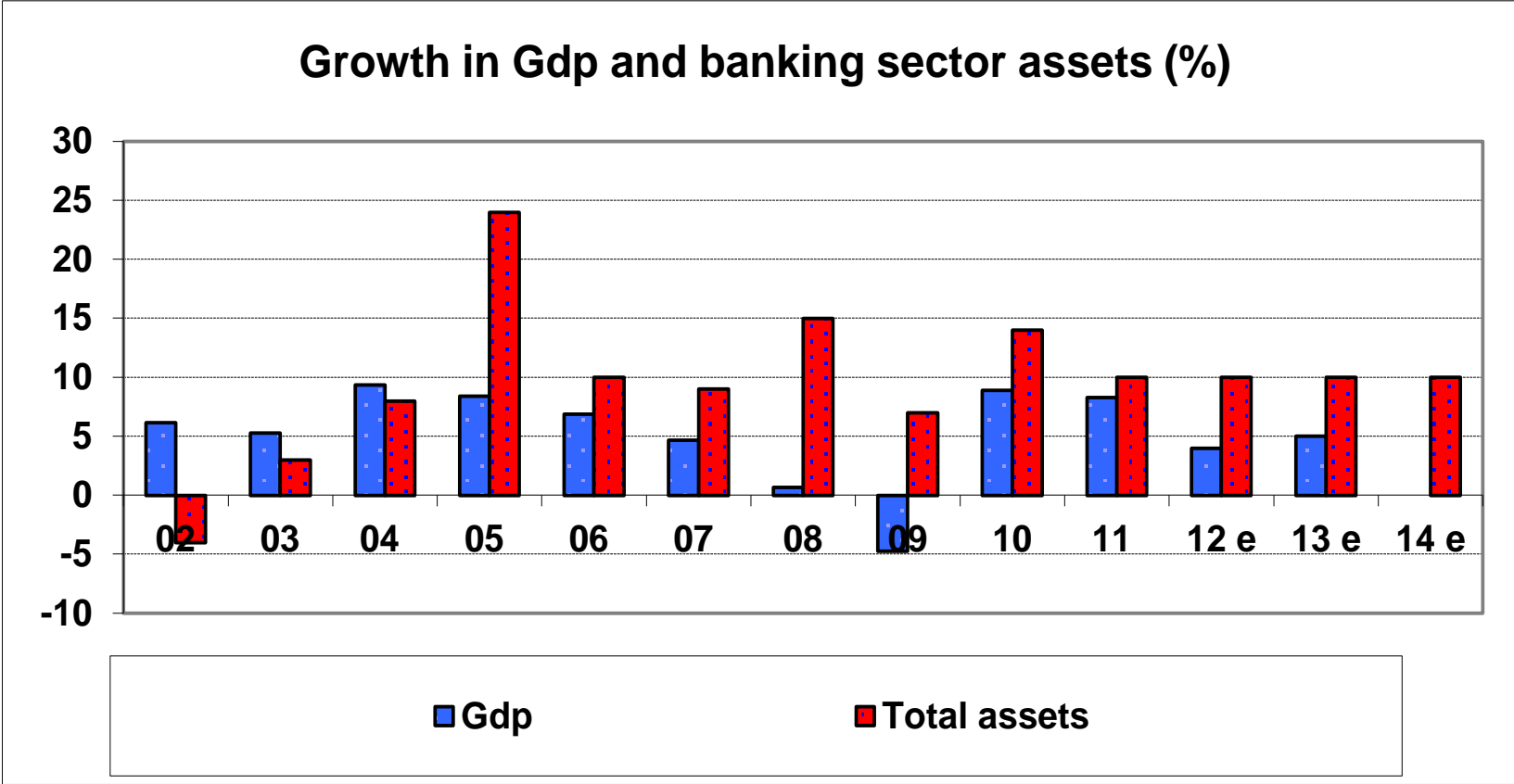
		EU	TR
Income per capita	Euro	24.405	7.377
Bank assets per capita	Euro	84.190	6.719
Assets/Gdp	%	345	91
Loans/Gdp	%	144	48
Consumer loans/Gdp	%	8	6
Housing loans/Gdp	%	43	5

Source: ECB, EBF, BAT

## SWOT analysis of the banking sector, 2012

<b>Strengths</b>	<b>Weakness</b>
Strong competition	St maturity of deposits
Capital adequacy	High intermediary costs
Assets quality	Small scale
Balance sheet structure	
<b>Opportunities</b>	<b>Threats</b>
Growth potential	Pressure on cost of funding
Increase in non-interest margin	Capital flows
Change in asset structure	Sudden contraction
Increase in off-balance sheet	Regulatory changes
Borrowing from abroad	Decline in capital adequacy

# Growth in banking sector has been faster than Gdp



# Expectations for the near future

- **Larger and deeper financial markets**
- **Measures to encourage domestic savings**
- **Lengthening the maturities of deposits and borrowing**
- **Higher lending to private sector**
- **Intense competition in retail business**
- **Better risk management and risk pricing**
- **Sufficient earnings to feed capital**
- **Decline in margin with widening business activity**
- **Positive atmosphere for foreign investors**

**Thank you.**

