

2010



**BANKING  
REGULATION AND SUPERVISION  
AGENCY**

# ANNUAL REPORT





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REGULATION AND SUPERVISION  
AGENCY**

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## 2010

The Banking Regulation and Supervision Agency Annual Report is prepared in accordance with the transparency and accountability principles and in order to inform the authorities concerned as well as public.

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The Annual Report prepared in accordance with Articles 97 and 101 of the Banking Law Nr. 5411 regarding the activities of the Banking Regulation and Supervision Agency is submitted to the Council of Ministers and the Grand National Assembly of Turkey. The Plan and Budget Commission of Grand National Assembly is also informed about the activities of BRSA once a year. Furthermore, the Report is announced to public through the web site of the Agency.

The Annual Report 2010 prepared within this framework is consisted of four main parts:

- The first part gives a general information on the Agency,
- The second part includes the activities conducted by the BRSA on a functional basis in 2010,
- The third part deals with financial information of the Agency,
- The fourth part evaluates the institutional capacity.





In 2010, national and international efforts for removing the impacts of global economic crisis as well as for the determination and prevention of systemic risks were accelerated. International formations, mainly the G-20 platform, encouraged international principle and standard-setting agencies to revise the principles and standards for the regulation and supervision of financial system in line with the past experiences. On the other hand, national authorities were encouraged for the strengthening of regulation and supervision systems and having closer cooperation in the highlight of new developments. The BRSA participated actively in this process and Turkish banking sector continued to serve as a model thanks to its strong capital and profitability structure, manageable risk profile and stable growth.

As of end-2010, there is a total of 211 financial institutions under the scope of regulation and supervision of the BRSA pursuant to the Banking Law, namely 49 banks, 40 foreign bank representative offices, 35 financial leasing companies, 76 factoring companies and 11 financing companies. Total balance-sheet value of the said institutions increased by 21% when compared to the previous period and amounted to TL 1.043 billion as of December 2010. This level is equivalent to 94% of gross domestic product. Furthermore, the number of the institutions which are under the BRSA's supervision would reach to 281 if six asset management companies, three financial holding companies, 40 external audit institutions, three rating institutions, 14 valuation institutions, one credit reference institution and three institutions operating in bank cards and credit cards field are taken into consideration.

The Agency carried out many activities in 2010 in international, national and corporate levels. In order to provide adaptation with EU as well as international banking rules and implementations; banking legislation was reviewed, preparations were made on transition process to Basel 2, contributions were made to Istanbul International Financial Center (IFC) Project operations and non-bank financial institutions were acclimated to

the new legislation provisions. In order to improve cooperation between G-20 countries against global economic crisis, the Agency participated in the activities for strengthening international financial system and international financial institutions. In addition, Strategic Plan of the Agency concerning 2010-2012 period was put into force.

The main agenda of our Agency for 2011 is composed of the completion and implementation of regulations concerning Basel 2, contribution to the Istanbul International Financial Center Project, implementation of the second Financial Sector Evaluation Program from Turkey and the evaluation of its results and finally putting into practice the Strategic Plan (2010-2012) with all its elements.

The Agency considers the Annual Reports as an effective instrument of transparency and accountability. I present the BRSA Annual Report 2010 prepared in this context to the public attention with the intention to be useful for everyone and I thank my colleagues for their hardworking.

**Tevfik BİLGİN**  
Chairman



## BANKING REGULATION AND SUPERVISION BOARD



**Selim Servet TAŞDELEN**

**Erol BERKTAŞ**

**Hüseyin AL**

**Ahmet ŞİRİN (Second Chairman)**

**Tevfik BİLGİN (Chairman)**

**Mutalip ÜNAL**

**Mustafa AKIN**

**(from left to right)**

## GENERAL INFORMATION

- Mission and Vision
- Main Values
- Duties, Authorities and Responsibilities
- Goals and Targets
- Information on the Agency

## ANNUAL ACTIVITIES OF THE AGENCY

- Banking Regulation and Supervision Board
- Organization of the Chairmanship

## FINANCIAL INFORMATION

- Budget Realization Results
- Balance Sheet
- Financial Audit of the Agency

## EVALUATION OF INSTITUTIONAL CAPACITY

- Superiorities
- Difficulties
- Evaluation

## ANNEXES

- Institutions within the Field of Authority of the Agency
- List of 2010 BRSA Publications
- Chairmen and Members of the BRSA

## Table of Contents

|  |           |
|--|-----------|
| <b>1. GENERAL INFORMATION.....</b>   | <b>1</b>  |
| 1.1. Mission and Vision .....  | 1         |
| 1.2. Main Values .....   | 1         |
| 1.3. Duties, Authorities and Responsibilities .....                                  | 2         |
| 1.4. Goals and Targets.....  | 3         |
| 1.5. Information on the Agency .....   | 5         |
| 1.5.1. Physical Structure .....  | 5         |
| 1.5.2. Organizational Structure.....   | 5         |
| 1.5.3. Information Sources.....  | 6         |
| 1.5.4. Human Resources .....   | 7         |
| 1.5.5. Working Hours.....  | 10        |
| <b>2. ANNUAL ACTIVITIES OF THE AGENCY .....</b>                                      | <b>11</b> |
| 2.1. Banking Regulation and Supervision Board .....                                  | 11        |
| 2.2. Organization of the Chairmanship .....  | 14        |
| 2.2.1. Regulation Activities .....   | 14        |
| 2.2.2. Supervision Activities .....  | 23        |
| 2.2.3. Enforcement Activities.....   | 33        |
| 2.2.4. Research Activities .....   | 45        |
| 2.2.5. Activities Concerning Corporate Governance .....                              | 47        |
| 2.2.6. Advisory Activities .....   | 52        |
| 2.2.7. Support Activities .....  | 54        |
| <b>3. FINANCIAL INFORMATION .....</b>  | <b>61</b> |
| 3.1. Budget Realization Results.....   | 61        |
| 3.2. Balance Sheet .....   | 64        |
| 3.3. Financial Audit of the Agency .....   | 65        |
| <b>4. EVALUATION OF INSTITUTIONAL CAPACITY .....</b>                                 | <b>66</b> |
| 4.1. Superiorities .....   | 66        |
| 4.2. Difficulties .....  | 66        |
| 4.3. Evaluation .....  | 66        |
| <b>ANNEX 1. Institutions within the Scope of Authority Field of the Agency .....</b> | <b>71</b> |
| <b>ANNEX 2. List of BRSA Publications in 2010 .....</b>                              | <b>79</b> |
| <b>ANNEX 3. Chairmen and Members in BRSA .....</b>                                   | <b>80</b> |

## Boxes

|  |    |
|--|----|
| Box-1: Data Sources Used in Supervision Process .....              | 24 |
| Box-2: Risk-Focused Supervision .....                              | 25 |
| Box-3: Coordination Committee Activities .....                     | 42 |
| Box-4: Istanbul International Financial Center (IFC) Project ..... | 48 |

## Tables

|   |    |
|---|----|
| Table 1-1: Developments in Information Sources .....  | 7  |
| Table 1-2: Distribution of The Agency's Personnel.....  | 8  |
| Table 1-3: Distribution of Career Personnel by Seniority .....                                  | 8  |
| Table 1-4: Distribution of the Personnel by Age .....   | 9  |
| Table 1-5: Number of Personnel by Academic Background .....                                     | 9  |
| Table 1-6: Distribution of Personnel by Graduation Fields .....                                 | 10 |
| Table 2-1: General Outlook of Board Resolutions .....   | 11 |
| Table 2-2: Classification of Board Resolutions by Topics .....                                  | 12 |
| Table 2-3: Board Resolutions on Making Regulations .....  | 12 |
| Table 2-4: Board Resolutions on Permission Transactions.....                                    | 13 |
| Table 2-5: Board Resolutions on Sanction Implementation .....                                   | 14 |
| Table 2-6: Distribution of Regulations Put into Force by Types .....                            | 15 |
| Table 2-7: Institutions within the Scope of Supervision .....                                   | 27 |
| Table 2-8: Reports Drawn up as a Result of Supervisions .....                                   | 28 |
| Table 2-9: Reports Drawn up as a Result of Information Systems Audit.....                       | 29 |
| Table 2-10: Consolidated Analysis and Macro Reportings .....                                    | 30 |
| Table 2-11: Memorandums of Understanding Signed .....   | 32 |
| Table 2-12: Establishment and Operating Permissions .....                                       | 34 |
| Table 2-13: Institutions of which Operating Licenses and Authorities were Cancelled .....       | 35 |
| Table 2-14: Establishment and Authorization Applications of Institutions Under Evaluation ..... | 36 |
| Table 2-15: Permissions for Representative Office in Turkey .....                               | 40 |
| Table 2-16: Distribution of Administrative Fines.....   | 41 |
| Table 2-17: Distribution of Denunciations and Complaints by Subject .....                       | 43 |
| Table 2-18: Distribution of Complaints Concerning Credit Cards.....                             | 44 |
| Table 2-19: Applications Made to the Agency within the Scope of Right to Information Act.....   | 45 |
| Table 2-20: Cases to Which the Agency is a Party .....  | 53 |
| Table 2-21: Opinions Given to the Regulations Concerned.....                                    | 53 |
| Table 2-22: The Most Visited Pages within the Scope of the Agency's Web Site .....              | 56 |
| Table 2-23: Domestic and Foreign Training Activities .....                                      | 57 |
| Table 2-24: Training Activities by Subjects .....   | 58 |
| Table 2-25: Distribution of Foreign Training Activities by Institutions .....                   | 58 |
| Table 2-26: Distribution of Domestic Training Activities by Subject and Participants .....      | 59 |
| Table 2-27: Training Expenses .....   | 59 |
| Table 2-28: Press Releases by Their Subjects .....  | 60 |
| Table 3-1: Income Budget and Realizations .....   | 61 |
| Table 3-2: Brief Income Statement .....   | 62 |
| Table 3-3: Allocation and Expenses Realizations .....   | 62 |
| Table 3-4: Travel Expenses .....  | 63 |
| Table 3-5: 2010 Budget Final Account Situation .....  | 64 |
| Table 3-6: Brief Balance-Sheet .....  | 65 |

## Abbreviations

|         |  |
|---------|--|
| BADES   | External Audit Follow-Up System                                  |
| BCBS    | Basel Committee on Banking Supervision                           |
| BDTS    | BRSA Data Transfer System  |
| BRS     | Banks Reporting System   |
| BRSA    | Banking Regulation and Supervision Agency                        |
| CBRT    | Central Bank of the Republic of Turkey                           |
| CMB     | Capital Market Board   |
| ECB     | European Central Bank  |
| EU      | European Union   |
| FDIC    | USA Federal Deposit Insurance Corporation                        |
| FED     | Federal Reserve System   |
| FİNTURK | Turkish Financial Map  |
| FSC     | Financial Sector Commission                                      |
| FSI     | Financial Stability Institute                                    |
| FSIs    | Financial Soundness Indicators                                   |
| ICTA    | Information and Communication Technologies Authority             |
| IFC     | Istanbul International Financial Center                          |
| IFSB    | Islamic Financial Services Board                                 |
| IMF     | International Monetary Fund                                      |
| IOSCO   | International Organization of Securities Commissions             |
| IPA     | Instrument for Pre-Accession Assistance                          |
| ISDB    | Islamic Development Bank   |
| JSC     | Joint Stock Company  |
| KPSS    | Public Personnel Selection Examination                           |
| MASAK   | Financial Crimes Investigation Board                             |
| OCC     | Office of the Comptroller of the Currency                        |
| OECD    | Organization for Economic Cooperation and Development            |
| OG      | Official Gazette   |
| ÖSYM    | Student Selection and Placement Center                           |
| POS     | Point of Sale  |
| RFA     | Risk Focused Audit   |
| SPO     | State Planning Organization                                      |
| SAN     | Storage Area Network   |
| SDIF    | Saving Deposit Insurance Fund                                    |
| SMS     | Short Message Service  |
| SSRN    | Social Science Research Network                                  |
| TAIEX   | Technical Assistance Information Exchange Unit                   |
| TAS     | Turkish Accounting Standards                                     |
| TASB    | Turkish Accounting Standards Board                               |
| TC      | Republic of Turkey   |
| TFRS    | Turkish Financial Reporting Standards                            |
| TL      | Turkish Lira   |
| TRNC    | Turkish Republic of Northern Cyprus                              |
| TÜBİTAK | The Scientific and Technological Research Council of Turkey      |
| UEKAE   | Turkish National Research Institute of Electronic and Cryptology |
| UFT     | Undersecretariat of the Prime Ministry for Foreign Trade         |
| USA     | United States of America   |
| WB      | World Bank   |



## 1. GENERAL INFORMATION

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### 1.1. Mission and Vision

---

The Banking Regulation and Supervision Agency's (the Agency) mission is, within the framework of its duties and authorities, to ensure confidence and stability in financial markets, to enable credit system to operate effectively, to protect the rights and benefits of depositors, to ensure the institutions subject to the Agency's supervision to operate in a sound, secure and well-organized manner in market discipline and to determine strategies for the improvement of financial services sector.

The BRSA's vision is to be an administrative authority at international standards and having regional leadership taking as basis good regulation and effective supervision in financial markets, efficient risk management, competitiveness and efficiency at international scale, the EU accession, transparency and accountability as well as innovativeness and perfectionism in financial markets, considering the balance between parties, being reliable and having organizational integrity.

### 1.2. Main Values

---

The main values of the Agency in order to carry out its mission and implement its vision while establishing and implementing the required regulatory and supervisory framework are as follows;

**Reliability** is to carry out the activities of the Agency by considering public benefit in an equal, fair, consistent, predictable and independent manner for all related parties, ensuring the transparency by informing the public regularly on activities, being accountable by always being open and ready for public evaluation and audit.

**Independency** is to, as a public legal person with administrative and financial autonomy, perform and use independently the duties and rights under the responsibilities and assigned thereto by the legislation without taking order or instruction from any organ, authority, entity or person, to use independently the financial resources allocated thereto, to the extent the duties and powers necessitate within the framework of the principles and procedures set out in budget, to employ adequate number of personnel with required qualifications in order to efficiently fulfill the duties and powers and its decisions shall not be made subject to fitness audit.

**Impartiality** is to treat all parties equally and objectively and to avoid all types of discrimination while fulfilling the duties and exercising authorities.

**Efficiency** is to carry out the activities of the Agency by qualified and specialized staff in the light of cost/benefit approach and on-time basis, in risk and quality-focused manner and in a manner which will increase the competition power of financial sector and open to innovation.

**Cooperation and Participation** are to carry out the activities of the Agency in active cooperation and solidarity with related national and international agencies/institutions by considering the views of related parties.

**Responsiveness** is to evaluate and respond the developments in global and local financial system as well as reasonable demands, suggestions and complaints of the related persons timely and efficiently and making them subject to regulation and enforcement in case of necessity.

### 1.3. Duties, Authorities and Responsibilities

Pursuant to the related provisions of the Banking Law Nr. 5411, Bank Cards and Credit Cards Law Nr. 5464, Financial Leasing Law Nr. 3226 and Decree Law Nr. 90 on Lending Transactions; main duties, authorities and responsibilities of the Agency in order to ensure the reliability and stability in financial markets, the sound operating of the credit system and the protection of the rights and interests of savers are determined as:

- To regulate, enforce and ensure the enforcement thereof, to monitor and supervise the implementation of establishment and activities, management and organizational structure, merger, disintegration, change of shares and liquidation of banks and financial holding companies as well as leasing, factoring and financing companies without prejudice to the provisions of other laws and related legislation,
- To use the authorities given by the legislation through the regulatory transactions or case-specific decisions by the Board, to issue regulations and communiqués on implementing the Law upon the resolution of the Board,
- To be member of international financial, economic and professional organizations to which equivalent institutions, domestic and abroad, attend, accordingly to participate actively to activities of the Financial Stability Board and Basel Committees, to sign memorandums of understanding with the competent authorities of foreign countries on subject that fall within the field of activity of the Agency,
- To prevent any transactions and practices that may jeopardize the rights and benefits of savers and regular and safe operation of banks and which may cause significant losses in economy, to take necessary decisions and measures so as to ensure and to implement thereof an effective operating of the credit system,
- To set strategies in order financial services sector to be developed,
- To monitor, audit and analyze the implementation of the provisions in the legislation about the institutions within the scope of the Banking Law and any transaction of these institutions as well as all factors affecting their financial structures,
- To conduct licensing transactions stipulated in the Banking Law and the related laws,



- To demand any information and documents from the institutions within the scope of supervision and their partnerships relating the implementation of the legislation,
- To publish reports on its own activities and strategies, important developments in the related sectors and performances of the institutions within the scope of audit and to prepare the necessary environment for the Turkish Court of Accounts' audit, to submit information to the Turkish Grand National Assembly and ensure transparency and accountability by announcing its final accounts to public,
- To cooperate with competent authorities, domestic and abroad, in conducting money, credit and banking policies, audit, information sharing and other issues,
- To carry out the Systemic Risk Coordination Committee, the Financial Sector Commission and the Coordination Committee operations and the related secretariat services thereof,
- To ensure an effective operating card payment system by regulating the procedures and principles for issuing and using bank cards and credit cards and settlement and clearing transactions thereof,
- To carry out license transactions and to monitor and audit the activities of institutions, which seek to establish a card system, to issue card, to make agreements with merchants, to carry out exchange of information and settlement and clearing transactions.

#### 1.4. Goals and Targets

---

Within the scope of the BRSA Strategic Plan (2010-2012) which entered into force as of January 1, 2010 pursuant to the Resolution of the Banking Regulation and Supervision Board dated May 6, 2010 and Nr. 3657, the main goals of the Agency are determined as: (1) Improving administrative capacity, (2) Establishing a flexible, efficient and comprehensive regulatory framework, (3) Increasing reliability and stability in financial markets, (4) Improving financial sector and (5) Protecting consumer/customer rights.

Targets of the Agency with respect to the goals to which they are related are as follows:

##### **Improving administrative capacity;**

- Developing human resources in compatible with the changing financial and economic environment,
- Improving corporate governance,
- Increasing research and analysis capacity,
- Improving physical sources,
- Increasing cost efficiency in activities of the Agency,
- Improving institutional culture,

- Strengthening communication with public,
- Improving financial and social facilities of the Agency,

**Establishing a flexible, efficient and comprehensive regulatory framework;**

- Reviewing the regulations in accordance with current conditions within the scope of good regulation principle,
- Making all institutions, markets and instruments within the scope of the Agency's authority subject to regulation and supervision with a prudential approach.
- Increasing efficiency and effectiveness of the supervision in the light of new approaches and instruments,
- Increasing the efficiency of enforcement processes,

**Increasing confidence and stability in financial markets;**

- Monitoring the risks in household and corporate sectors as well as asset markets,
- Monitoring financial markets more efficiently,
- Monitoring the policies relating to financial markets,
- Increasing the efficiency of systemic risk management,
- Increasing the cooperation with related domestic and abroad authorities,

**Improving financial sector;**

- Enhancing the competitive capacity of the financial system,
- Evaluating the efficiency of transaction and intermediation costs on a regular basis,
- Increasing and maintaining the cooperation and dialogue among the related parties of the financial sector,
- Supporting joint projects amongst the institutions under the BRSA's supervision,
- Increasing the capacity of financial sector,

**Protecting consumer/customer rights;**

- Focusing on programs for raising awareness of consumers/customers,
- Ensuring consumers/customers to benefit fairly from financial services and be treated equally,
- Increasing sensitivity in protecting consumer/customer information,
- Improving the solution process for consumer notices and complaints,
- Extensification of the professional principles.

## 1.5. Information on the Agency

### 1.5.1. Physical Structure

The BRSA uses Ankara İş Tower which was rented from İş Gayrimenkul Yatırım Ortaklığı A.Ş. as the main service building as of the date of its establishment; the said building is constituted of three blocks and a total use of 24.400 square meters. Istanbul service building of the Agency was rented from Anadolu Hayat Emeklilik A.Ş. in 2001 and total area of the building is 5.833 square meters.

### 1.5.2. Organizational Structure

As a result of the policies for increasing the efficiency of supervision and surveillance system and providing independent decision mechanisms, the Agency was established as an authority vested with legal personality and having administrative and financial autonomy upon the abolished Banks Act Nr. 4389 entered into force subsequent its publication in the Official Gazette dated June 23, 1999, numbered 23734 and the said structure has been improved pursuant to the Banking Law Nr. 5411 published in the repeated Official Gazette dated November 1, 2005 Nr. 25983.

Current organizational structure of the Agency has basically been regulated by the Banking Law Nr. 5411 published in the Official Gazette dated November 1, 2005 Nr. 25983 and the Decision of Council of Ministers Regarding Regulation on the Organization of the Banking Regulation and Supervision Agency published based on this Law in the Official Gazette dated December 31, 2005 and Nr. 2005/9859. However, considering the broadness of duties and authorities of the BRSA, the Regulation on the Organization of the Banking Regulation and Supervision Agency was amended through the Decision of Council of Ministers published in the Official Gazette dated March 1, 2008 and Nr. 26803.

Headquarter of the Agency is in Ankara and some part of the activities are carried out in Istanbul. On the other hand, according to the provisions of the Banking Law amended pursuant to the Law Nr. 6111 published in the (Repeated) Official Gazette dated February 25, 2001 Nr. 27857, the headquarter of the Agency is determined as Istanbul; and it is provisioned that the administrative center of the Agency will be in Ankara until the finalization of the operations concerning its moving to Istanbul.

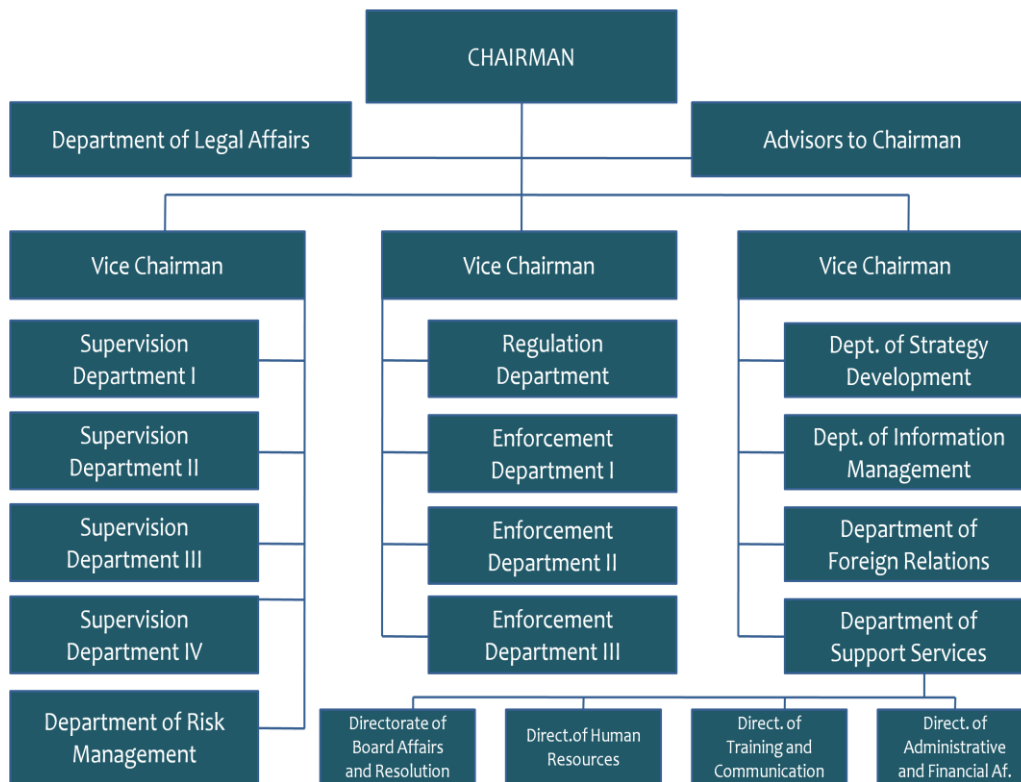
The Agency is constituted of the Banking Regulation and Supervision Board (the Board) and the Chairmanship.

**The Board** is the decision-making body of the Agency and comprised of seven members including the Chairman and the Second-Chairman. The Chairman of the Board is the Chairman of the Agency, as well. Terms of office of the Chairman and members of Board are determined as six years in the Banking Law Nr. 5411 and it is provisioned that their duty cannot be terminated for any reason before their terms of office are expired, except the circumstances stipulated in the Law.

**Chairmanship Organization** is comprised of the Chairman, Vice-Chairmanships and service units. There are three vice-chairmanships in the organization of the BRSA; and advisors to the chairmanship can be assigned in fields such as law, press and public relations, administration and finance on condition not to exceed fifteen advisors.

Service units of the Agency are composed of 14 departments which are main service, advisory and support service units organized as departments.

On the other hand, there are audit groups comprised of sworn banks auditors and assistant sworn banks auditors as well as banking specialists under the structure of audit departments and there are audit teams in those audit groups carrying out their duties on institutions basis. In addition, joint control, examination, investigation, project and/or other working teams may be constituted from the career personnel in audit departments and other departments; also teams may be constituted for the audit of risk models and examination of risk analysis, banking issues as well as specialization in accounting standards, exclusively for auditing information systems or subjects related with law or in cases when deemed necessary by the Chairmanship approval.



### 1.5.3. Information Sources

Agency Library which is one of the leading specialization libraries of our country in banking and finance field continued to enhance its collection through following actual domestic and foreign information sources published in its area. Accordingly, 864 books and 13 audio-visual materials mainly on economics, banking, law and audit were purchased and 27 new periodical subscriptions were realized within 2010.

In electronic librarianship; domestic and foreign database subscriptions have been renewed, Actual Announcement Service which includes table of contents of pages of periodicals subscribed as well as electronic database subscriptions and the list of periodicals accessed have been published on the intranet. Theses of the personnel as well as the documents concerning the trainings and seminars attended by the personnel inside and outside the country continued to be published on the intranet and presented in separate shelves in the library.

**Table 1-1: Developments in Information Sources**

| Type of Material       | End-2009<br>Total |          | Included in 2010 |          | End-2010<br>Total |          |
|------------------------|-------------------|----------|------------------|----------|-------------------|----------|
|                        | Ankara            | Istanbul | Ankara           | Istanbul | Ankara            | Istanbul |
| Books                  | 10,178            | 4,606    | 697              | 167      | 10,875            | 4,773    |
| Turkish Periodicals    | 154               | 68       | 2                | -        | 156               | 68       |
| Foreign Periodicals    | 30                | 10       | 25               | -        | 55                | 10       |
| Turkish Databases      | 3                 | 2        | -                | -        | 3                 | 2        |
| Foreign Databases      | 10                | 9        | -                | -        | 9                 | 8        |
| Audio-Visual Materials | 225               | 85       | 13               | -        | 238               | 85       |

Within the scope of 2011 library working program; it is planned to enrich the existing collection with actual published and electronic sources relating to the Agency's field of activity, to renew the design and contents of the library intranet page, to provide incentives to increase the use of information sources and to meet the requirements.

#### 1.5.4. Human Resources

Pursuant to Article 92 of the Banking Law, permanent duties and services required by the responsibilities granted to the Agency are carried out by the career personnel and administrative personnel comprised of sworn bank auditors, assistant sworn bank auditors, banking specialists and assistant banking specialists, law specialists and assistant law specialists as well as information technologies specialists and assistant information technologies specialists. Vice-Chairmen, heads of departments, managers, advisors to the Chairmanship, career personnel as well as Agency specialists and lawyers are employed in staff equivalent contract status. The personnel in staff equivalent contract status are subject to the Civil Servants Law Nr. 657 except wage, financial and social rights, while the remaining personnel are subject to the above-mentioned Law concerning any rights and responsibilities.

Total staff number of the Agency is determined as 851 pursuant to the statement (I) annexed to the Law Nr. 5411 and the ratio of staff who does not have the title of manager, advisor, and career personnel is limited with 30% of total staff number.

**Table 1-2: Distribution of the Agency's Personnel**

|               | 2006       | Share%       | 2007       | Share%       | 2008       | Share%       | 2009       | Share%       | 2010       | Share%       |
|---------------|------------|--------------|------------|--------------|------------|--------------|------------|--------------|------------|--------------|
| Manager       | 14         | 2.7          | 15         | 3.0          | 20         | 4.0          | 20         | 3.8          | 20         | 3.8          |
| Advisor       | 4          | 0.8          | 5          | 1.0          | 7          | 1.4          | 13         | 2.5          | 12         | 2.2          |
| Career Person | 363        | 70.6         | 348        | 69.3         | 342        | 68.5         | 357        | 68.8         | 369        | 69.5         |
| Other Person  | 133        | 25.9         | 134        | 26.7         | 130        | 26.1         | 129        | 24.9         | 130        | 24.5         |
| <b>Total</b>  | <b>514</b> | <b>100.0</b> | <b>502</b> | <b>100.0</b> | <b>499</b> | <b>100.0</b> | <b>519</b> | <b>100.0</b> | <b>531</b> | <b>100.0</b> |

In determination and providing of human resource requirement, it is acted with a principle of realizing the activities to be executed with qualified and adequate number of personnel by taking into account of mission and vision of the Agency. Within the scope of that, with a view to provide human resource requirement in 2010, a total of 19 career personnel who were successful in entering to career examination, 17 assistant sworn bank auditors, 2 assistant banking specialists were employed.

When the distribution of career personnel as to seniority is observed, it can be seen that 47% of the personnel have seniority of 5-10 years, and 22% of the personnel has seniority of 10 -20 years.

**Table 1-3: Distribution of Career Personnel by Seniority**

| Nr / Percent                  | 2006       | Share%     | 2007       | Share%     | 2008       | %          | 2009       | %          | 2010       | %          |
|-------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>Sworn Bank Auditor</b>     | <b>150</b> | <b>100</b> | <b>137</b> | <b>100</b> | <b>135</b> | <b>100</b> | <b>146</b> | <b>100</b> | <b>158</b> | <b>100</b> |
| 20 years and over             | 6          | 4          | 6          | 4          | 9          | 7          | 8          | 5          | 7          | 4          |
| 10-20 years                   | 19         | 13         | 16         | 12         | 20         | 15         | 22         | 15         | 26         | 16         |
| 5-10 years                    | 30         | 20         | 25         | 18         | 18         | 13         | 33         | 23         | 69         | 44         |
| 3-5 years                     | 1          | 1          | 13         | 9          | 27         | 20         | 33         | 23         | 19         | 12         |
| 1-3 years                     | 94         | 63         | 77         | 56         | 61         | 45         | 50         | 34         | 37         | 23         |
| <b>Banking Specialists</b>    | <b>213</b> | <b>100</b> | <b>211</b> | <b>100</b> | <b>207</b> | <b>100</b> | <b>211</b> | <b>100</b> | <b>211</b> | <b>100</b> |
| 20 years and over             | 7          | 3          | 6          | 3          | 8          | 4          | 7          | 3          | 9          | 4          |
| 10-20 years                   | 34         | 16         | 39         | 18         | 45         | 22         | 49         | 23         | 55         | 26         |
| 5-10 years                    | 65         | 31         | 67         | 32         | 59         | 29         | 76         | 36         | 105        | 50         |
| 3-5 years                     | 2          | 1          | 15         | 7          | 27         | 13         | 30         | 14         | 24         | 11         |
| 1-3 years                     | 105        | 49         | 84         | 40         | 68         | 33         | 49         | 23         | 18         | 9          |
| <b>Total Career Personnel</b> | <b>363</b> | <b>100</b> | <b>348</b> | <b>100</b> | <b>342</b> | <b>100</b> | <b>357</b> | <b>100</b> | <b>369</b> | <b>100</b> |
| 20 years and over             | 13         | 4          | 12         | 3          | 17         | 5          | 15         | 4          | 16         | 4          |
| 10-20 years                   | 53         | 15         | 55         | 16         | 65         | 19         | 71         | 20         | 81         | 22         |
| 5-10 years                    | 95         | 26         | 92         | 26         | 77         | 23         | 109        | 31         | 174        | 47         |
| 3-5 years                     | 3          | 1          | 28         | 8          | 54         | 16         | 63         | 18         | 43         | 12         |
| 1-3 years                     | 199        | 55         | 161        | 46         | 129        | 38         | 99         | 28         | 55         | 15         |

When the distribution of personnel by age is observed, it can be seen that 78% of the personnel is at the age of 40 and under, and that the highest share in age groups is belonging to 31-40 age group with 39.2%.

**Table 1-4: Distribution of the Personnel by Age**

| Age Group    | 2009                |              | 2010                |              |
|--------------|---------------------|--------------|---------------------|--------------|
|              | Number of Personnel | Share %      | Number of Personnel | Share%       |
| Age of 20-30 | 217                 | 41.8         | 206                 | 38.8         |
| Age of 31-40 | 198                 | 38.1         | 208                 | 39.2         |
| Age of 41-50 | 84                  | 16.2         | 93                  | 17.5         |
| Age of 51-60 | 20                  | 3.9          | 24                  | 4.5          |
| <b>Total</b> | <b>519</b>          | <b>100.0</b> | <b>531</b>          | <b>100.0</b> |

While 92.3% of the Agency's personnel has received undergraduate and graduate education, the ratio of personnel having master's degree and PhD to total personnel was increased by 2 points to 25.9% as to the previous year in end-2010.

**Table 1-5: Number of Personnel by Academic Background**

| Personnel (Unit) | Foundation Degree  |            | Undergraduate |             | Graduate    |             | Post Graduate |            | Other      |            |
|------------------|--------------------|------------|---------------|-------------|-------------|-------------|---------------|------------|------------|------------|
|                  | (two years degree) |            |               |             |             |             |               |            |            |            |
|                  | 2009               | 2010       | 2009          | 2010        | 2009        | 2010        | 2009          | 2010       | 2009       | 2010       |
| Manager          | -                  | -          | 5             | 4           | 13          | 14          | 2             | 2          | -          | -          |
| Advisor          | -                  | -          | 7             | 6           | 3           | 3           | 3             | 3          | -          | -          |
| Career Personnel | -                  | -          | 267           | 264         | 84          | 99          | 6             | 6          | -          | -          |
| Other Personnel  | 16                 | 12         | 73            | 78          | 11          | 9           | 2             | 2          | 27         | 29         |
| <b>Total</b>     | <b>16</b>          | <b>12</b>  | <b>352</b>    | <b>352</b>  | <b>111</b>  | <b>125</b>  | <b>13</b>     | <b>13</b>  | <b>27</b>  | <b>29</b>  |
| <b>Share %</b>   | <b>3.1</b>         | <b>2.3</b> | <b>67.8</b>   | <b>66.3</b> | <b>21.4</b> | <b>23.5</b> | <b>2.5</b>    | <b>2.4</b> | <b>5.2</b> | <b>5.5</b> |

Besides, when the distribution of personnel having undergraduate degree by education fields is observed, it can be seen that they received education mostly on economics and administrative sciences.

**Table 1-6: Distribution of Personnel by Graduation Fields**

| Departments               | 2009                |            | 2010                |            |
|---------------------------|---------------------|------------|---------------------|------------|
|                           | Number of Personnel | Share %    | Number of Personnel | Share %    |
| Econ. and Admin. Sciences | 357                 | 75.0       | 373                 | 76.1       |
| Law                       | 35                  | 7.3        | 35                  | 7.1        |
| Engineering               | 45                  | 9.5        | 45                  | 9.2        |
| Mathematics-Statistics    | 16                  | 3.4        | 16                  | 3.3        |
| Other                     | 23                  | 4.8        | 21                  | 4.3        |
| <b>Total</b>              | <b>476</b>          | <b>100</b> | <b>490</b>          | <b>100</b> |

### 1.5.5. Working Hours

Pursuant to the Decision of Council of Ministers dated August 26, 2010 Nr. 201/887, working hours for the Agency's departments resident in Ankara which were 09:00 AM-12:30 PM and 13:30 PM-18:00 PM have been changed as 08:30 AM-12:30 PM and 13:30 PM-17:30 PM according to the amendment made in "the List Relating to Working Hours by Institutions" attached to the Decree dated December 06, 1982, Nr. 8/5752. By this amendment, it is aimed to increase the adjustment of working hours with agencies and institutions with which the Agency have close contact and collaboration by its scope of duties, to draw benefit from daylight and to ameliorate the transportation and working conditions of the personnel.



## 2. ANNUAL ACTIVITIES OF THE AGENCY

### 2.1. Banking Regulation and Supervision Board

The Board which is the decision making body of the Agency makes resolutions on topics such as regulation, permissible activities, administrative sanction pursuant to the Banking Law and the other related legislation. Furthermore, the Board also makes resolutions on some matters on administrative and financial transactions of the Agency as well as personnel transactions.

Within this scope, 54 meetings were held and a total of 530 resolutions were made by the Board in 2010.

Board resolutions may contain the conclusion of more than one subject. For instance, a decision may be taken on whether or not an administrative sanction is going to be imposed relating to a practice contrary to the legislation, as well as whether or not an amendment is required to be made in the legislation on the same subject. Similarly, in a resolution, both criminal complaints may be filed and signature authorizations of the related banks' authorities may be terminated temporarily; separate fines may be imposed upon the same resolution due to illegitimate activities of a bank against both the Banking Law and Bank Cards and Credit Cards Law. While making classification, a resolution is not been associated with more than one subject in order not to contradict with the total number of resolutions taken.

Within the scope of the above-mentioned classification, when the resolutions are analyzed by topics, it is observed that board resolutions on banks which comprise 61% of total resolutions increased by 10.2% in 2010 compared to previous year.

**Table 2-1: General Outlook of Board Resolutions**

| Subject  | 2009       |              | 2010       |              |
|--|------------|--------------|------------|--------------|
|  | Number     | % Share      | Number     | % Share      |
| Banks  | 293        | 57.8         | 323        | 60.9         |
| Financial Leasing, Factoring and Financing Companies     | 75         | 14.8         | 76         | 14.3         |
| External Audit Companies                                 | 20         | 3.9          | 14         | 2.6          |
| Valuation/Rating/Outsource Companies                     | 14         | 2.8          | 23         | 4.3          |
| Asset Management Companies                               | 7          | 1.4          | 4          | 0.8          |
| Filing/Not Filing Criminal Complaint                     | 32         | 6.3          | 30         | 5.7          |
| Adaptation to Provis. of Bank Cards and Credit Cards Law | 1          | 0.2          | 0          | 0.0          |
| Administrative, Financial and Personnel Transactions     | 65         | 12.8         | 60         | 11.3         |
| <b>Total</b>   | <b>507</b> | <b>100.0</b> | <b>530</b> | <b>100.0</b> |

When board resolutions are analyzed by topics, it is observed that resolutions on sanction take the first place by 39.6%, followed by permissible activities by 22.5% and resolutions on regulation by 14.2%.

When compared to the previous year, resolutions on both permissible activities and regulations have increased both proportionally and in amount. Share of resolutions on permissible activities in total which was 16.8% in 2009 increased to 22.5% in 2010 while share of resolutions on regulation in total increased from 8.7% to 14.2%.

**Table 2-2: Classification of Board Resolutions by Topics**

| Subject   | 2009       |              | 2010       |              |
|---|------------|--------------|------------|--------------|
|   | Number     | % Share      | Number     | % Share      |
| Regulation  | 44         | 8.7          | 75         | 14.2         |
| Permissible Activities                                      | 85         | 16.8         | 119        | 22.5         |
| Sanction  | 219        | 43.2         | 210        | 39.6         |
| Filing/Not Filing Criminal Complaints                       | 32         | 6.3          | 30         | 5.7          |
| Adaptation to Provisions of Regulation on Principles for    | 15         | 3.0          | 1          | 0.2          |
| Adaptation to Provisions of Bank Cards and Credit Cards     | 1          | 0.2          | 0          | 0.0          |
| Administrative, Financial and Personnel Transactions of the | 65         | 12.8         | 60         | 11.3         |
| Other   | 46         | 9.1          | 35         | 6.6          |
| <b>Total</b>  | <b>507</b> | <b>100.0</b> | <b>530</b> | <b>100.0</b> |

Pursuant to the Article 88 of the Banking Law, it is provisioned that the Board is responsible for and authorized to make the sub-regulations in accordance with international principles or standards relating to the sector and fields which it is authorized to regulate and supervise and to take resolutions thereof, while pursuant to the Article 93(4), the Agency shall use its authorities furnished by the provisions of this Law and related other legislations through regulatory transactions to be established by the Board or through special resolutions and it is authorized to publish regulations and communiqués relating to the implementation of this Law upon the Board resolution.

Accordingly, the issues concerning the review of the demands submitted to the Agency and solving the problems encountered by the Agency during implementation as well as subjects which require regulation are submitted to the Board in the first place and necessary studies are carried out concerning those deemed appropriate to be amended by the Board and draft regulations which have been finalized are submitted to the Board.

Information on regulations put into force within the frame of the resolutions made by the Board in 2010 is given in detail in the section relating to regulation activities under the title of Organization of Chairmanship.

**Table 2-3: Board Resolutions on Making Regulations**

| Subject (1)  | 2009      |              | 2010      |              |
|--|-----------|--------------|-----------|--------------|
|  | Number    | % Share      | Number    | % Share      |
| Banks  | 37        | 84.1         | 62        | 82.7         |
| Financial Leasing, Factoring and Financing Companies | 7         | 15.9         | 13        | 17.3         |
| <b>Total</b>   | <b>44</b> | <b>100.0</b> | <b>75</b> | <b>100.0</b> |

(1) The number of Board resolutions on demands which have been disapproved is included to the numbers in the Table.

According to the Banking Law and regulations put into force based on this Law, many topics are made subject to the permission of the Board. Information on the resolutions made in 2010 by the Board concerning permissible activities is available in detail in the section relating to enforcement activities under the title of Organization of Chairmanship.

**Table 2-4: Board Resolutions on Permission Transactions**

| Subject (1)  | 2009      |              | 2010       |              |
|--|-----------|--------------|------------|--------------|
|  | Number    | % Share      | Number     | % Share      |
| Share Transfer   | 22        | 25.9         | 34         | 28.8         |
| Transfer-Merger  | 0         | 0.0          | 2          | 1.7          |
| Activity Expansion   | 27        | 31.8         | 21         | 17.8         |
| Opening Branches/Representative Offices Abroad,            | 5         | 5.9          | 12         | 10.2         |
| Opening/Liquidation of Branch or Representative Offices by | 4         | 4.7          | 5          | 4.2          |
| Permission for Establishment                               | 7         | 8.2          | 15         | 12.7         |
| Financial Leasing, Factoring and Financing Companies       | 7         | 8.2          | 12         | 10.2         |
| Asset Management Companies                                 | 0         | 0.0          | 3          | 2.5          |
| Operating License  | 8         | 9.4          | 7          | 5.9          |
| Financial Leasing, Factoring and Financing Companies       | 7         | 8.2          | 7          | 5.9          |
| Asset Management Companies                                 | 1         | 1.2          | 0          | 0.0          |
| Authorization  | 12        | 14.1         | 22         | 18.6         |
| External Audit   | 0         | 0.0          | 4          | 3.4          |
| Valuation  | 4         | 4.7          | 12         | 10.2         |
| Rating   | 4         | 4.7          | 0          | 0.0          |
| Outsourcing Activities                                     | 4         | 4.7          | 6          | 5.1          |
| <b>Total</b>   | <b>85</b> | <b>100.0</b> | <b>118</b> | <b>100.0</b> |

(1) The figures in this Table include all positive or negative resolutions made by the Board on the related subject submitted to the Board. For instance, 21 resolutions made by the Board relating to expansion of activity in 2010 refer to all positive/negative resolutions made, not the number of resolutions on which activity expansion is permitted.

Adaptation of the institutions which are subject to surveillance and supervision of the Agency, to the Banking Law and to the other related legislation are supervised by on-site audit and surveillance activities carried out in these institutions by the career personnel of the Agency. Details of the resolutions made by the Board in 2010 relating to sanction implementation are available in the section of enforcement activities under the title of Organization of Chairmanship.

It is seen that the ratio of Board resolutions on administrative fine, which comprises 94.3% of resolutions on sanction implementation, to total number of resolutions is realized as 37.4% in 2010.

**Table 2-5: Board Resolutions on Sanction Implementation**

| Subject   | 2009       |              | 2010       |              |
|---|------------|--------------|------------|--------------|
|   | Number     | % Share      | Number     | % Share      |
| Temporarily Termination of/Restoring the Signing    | 4          | 1.8          | 3          | 1.4          |
| Administrative Fine                                 | 197        | 90.0         | 198        | 94.3         |
| Violation of the Abolished Law Nr. 4389 and/or Law  | 178        | 81.3         | 172        | 81.9         |
| Violation of the Law Nr. 5464                       | 19         | 8.7          | 26         | 12.4         |
| Termination of Operating License                    | 15         | 6.8          | 9          | 4.3          |
| Financial Leasing, Factoring, Financing Companies   | 15         | 6.8          | 9          | 4.3          |
| Termination of Permission to Perform External Audit | 3          | 1.4          | 0          | 0.0          |
| <b>Total</b>  | <b>219</b> | <b>100.0</b> | <b>210</b> | <b>100.0</b> |

## 2.2. Organization of the Chairmanship

Services carried out by service units and advisors under the structure of organization of Chairmanship are comprised of the following activities by function; regulation, audit, enforcement, research, corporate governance, advisory and support activities.

### 2.2.1. Regulation Activities

Pursuant to the Article 93 of the Banking Law, it is provisioned that the Agency shall use the powers assigned thereto within the scope of the Law and other related legislation provisions by the regulatory transactions or special resolutions to be made by the Board and it is authorized to publish regulations and communiqués relating to the implementation of the Law hereof upon the resolution of the Board. Accordingly, within the scope of the regulation function; studies for making amendments to the banking legislation and expressing opinion on the hesitations that arose about the related legislation provisions were carried out in order to establish conformity with the European Union (EU) as well as international banking rules and practices.

Within the scope of legislation studies, draft regulations prepared by the Agency are presented to the public opinion and are available in the web-site of the Agency. The sector's opinions on all drafts are taken through associations of institutions and views and proposals of the related agency and institutions are demanded when necessary. The drafts revised in the framework of the opinions and proposals are submitted to the consultation of the related Ministry for its relation with sector strategy and policies, to the State Planning Organization for its relation with the progress plan and annual program in accordance with the Article 93(5) of the Banking Law. Following the evaluation of the mentioned views and proposals, final drafts are submitted to the Board. Regulations and communiqués accepted by the Board (excluding those to be put into force by the Decision of Council of Ministers) are submitted to the Prime Ministry in order to be published in the Official Gazette.

Accordingly, some articles of "Draft Law on Making Amendments to the Banking Law" were merged with "Draft Law on Restructuring of Some Receivables as well as Making Amendments to the Law on Social Insurance and General Health Insurance and to Some Other Laws and Decree Laws" which were both prepared in 2008

activity period, and the mentioned Draft Law was published as the Law Nr. 6111 in the repeated Official Gazette dated February 25, 2011 Nr. 27857. Another draft law "Draft Law on Financial Leasing, Factoring and Financing Companies" is still on hold in the sub-commissions of the Grand National Assembly of Turkey. In 2010, a new regulation and a new communiqué were prepared and put into force. Besides, amendments were made to six regulations and two communiqués.

**Table 2-6: Distribution of Regulations Put into Force by Types**

| Type of Regulation      | 2009      | 2010      |
|-------------------------|-----------|-----------|
| Law                     | -         | -         |
| Regulation              | -         | 1         |
| Amendment to Regulation | 9         | 6         |
| Communiqué              | -         | 1         |
| Amendment to Communiqué | 5         | 2         |
| Circular                | 3         | 2         |
| Board Resolution        | -         | 1         |
| <b>Total</b>            | <b>17</b> | <b>13</b> |

#### 2.2.1.1. Regulations in Force

In 2010, amendments were made to the related legislation in order to meet the needs occurred during the enforcement process of the regulations put into force pursuant to the Banking Law. Within this scope, amendments made are classified under six main titles.

##### 1- Regulations on Establishment and Operations of Banks

**Regulation on Making Amendments to the Regulation on Operations of Banks Subject to Permission and Indirect Shareholding (OG dated October 08, 2010 Nr. 27723):** In the last paragraph of Article 18 of the Banking Law, it is provisioned that the Banking Regulation and Supervision Board shall determine the principles and procedures regarding the purchase of shares of banks whose shares are exchanged on the market from the stock exchange. Within this scope, Article 11 of the Regulation on Operations of Banks Subject to Permission and Indirect Shareholding is amended concerning the shares obtained from the stock exchange.

**Regulation on Making Amendments to the Regulation on Loan Transactions of Banks (OG dated July 30, 2010 Nr. 27657):** Loan transactions which are not subject to restrictions are listed in Article 55 of the Banking Law. By this Regulation, Article 16 of the Regulation on Loan Transactions is amended pursuant to Article 55(i) of the Banking Law in order to ensure that loans granted in exchange for warrantees given by loan guarantee agencies within the scope of provisional Article 20 of the Law Nr. 4749 on the Regulation of Public Financing and Debt Management not to be taken into consideration in loan limits. By the mentioned amendment, it is aimed that loans granted in exchange for warrantees given within the scope of support granted by the

Undersecretariat of Treasury within the scope of provisional Article 20 of the Law Nr. 4749 shall not be subject to loan restriction.

On the other hand, it is aimed by this Regulation that loan in the amount of debt instruments shall not be subject to loan restriction in the case that debt instruments issued as securities by the bank are given as guarantee to the bank in exchange for the loan granted.

**Board Resolution dated September 30, 2010 Nr. 3875 on bill and bond issue of banks (OG dated October 02, 2010 Nr. 27717):** By considering the requirement of follow-up of the areas having the potential of rapid growth and important risk concentration by audit authorities and taking prudential measures on those areas, the principles and procedures to be applied in TL-denominated bond-bill issue of banks in the first phase without considering whether or not they are supplied to public, during the observation of emerging private bond/bill market, are determined by this Board Resolution.

## 2- Regulations on Corporate Governance

**Regulation on Making Amendments to the Regulation on Internal Systems of Banks and Communiqué on Making Amendments to the Communiqué on the Principles to be Taken as Basis in the Information Systems Management of Banks (OG dated June 01, 2010 Nr. 27598):** By these amendments, in order to ensure the domestic sustainability of bank activities based on information systems in line with business continuity principles, the main frame of the issues expected from the system which is obligatory to be established by a bank and the obligation of holding these systems in the country or abroad is clarified. Without prejudice to the existing provisions on information systems, banks which do not hold the mentioned systems domestically are given two years for the establishment of the related systems.

Furthermore, “contingency plan” which is obligatory to be prepared by banks is updated within the scope of currently accepted business continuity concept. “Business continuity management”, “business continuity plan”, “business impact analysis” terms are included in the Regulation on Internal Systems of Banks and the contingency plan is classified under business continuity plan. Information systems continuity which is necessary for ensuring the business continuity is demanded to be handled as a part of business continuity plan within the scope of information systems continuity plan.

## 3- Regulations on Protective Provisions

**Regulation on Making Amendments to the Regulation on the Principles and Procedures For Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside (OG dated March 06, 2010 Nr. 27513):** By this Regulation, enforcement period of Provisional Article 2 and 3 is extended for one year in order to ensure to diminish the impacts of global economic crisis and it enabled banks having capital adequacy ratio as 16% and over to implement their general provision ratio as 0% for one year for cash loans excluding credit cards. Furthermore, the ratio to be set aside as provision from dividends, of participation banks to be used for the portion falls for participation accounts share of special provisions is increased from 0.5% to 5%.

**Regulation on Making Amendments to the Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks (OG dated July 16, 2010 Nr. 27643):** By this Regulation, it is provisioned that, in the application of Article 8 relating to FX-indexed assets and liabilities of the Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks, FX-indexed assets and liabilities shall be taken into consideration as FX-denominated assets and liabilities in the calculation of FX liquidity adequacy ratio and taken into consideration as TL-denominated assets and liabilities in the calculation of total liquidity adequacy ratio until December 31, 2011.

#### 4- Regulations on Non-Bank Financial Institutions

**Communiqué on Making Amendments to the Communiqué of the Principles and Procedures Relating to the Provisions to be Set Aside by Financial Leasing, Factoring and Financing Companies for their Receivables (OG dated April 09, 2010 Nr. 27547):** This Communiqué is put into force in order to ensure that, parallel with the banking regulations, special provision implementation relating to customers having more than one debt shall be optional for companies until March 01, 2011.

**Circular dated July 08, 2010 on Factoring Transactions:** Pursuant to the Board Resolution dated June 24, 2010 Nr. 3752; in order to ensure the removal of problems concerning false invoice as well as invoice and cheque/bond harmony which appear during the audits made and which are frequently observed in practice, and to ensure the operating of factoring companies in accordance with the legislation, the following issues are announced to all factoring companies operating in the sector; factoring companies shall revise their internal control, accounting, reporting and data processing systems and take necessary additional measures, whether or not the invoice of the transaction is false is primarily in the responsibility of factoring company, primarily factoring companies shall be held responsible in the case of determination of factoring transactions which do not arise from a real goods or services purchase or which do not base on a real invoice.

#### 5- Regulations on Bank Cards and Credit Cards

**Regulation on Making Amendments to the Regulation on Bank Cards and Credit Cards (OG dated December 17, 2010 Nr. 27788):** By this Regulation, within the frame of the authority granted to the Board relating to increasing the minimum payment ratios of credit cards pursuant to amended Article 24(3) titled "Contract conditions" of Bank Cards and Credit Cards Law which entered into force by being published in the Official Gazette dated July 07, 2009 Nr. 27281 minimum payment ratios of credit cards are changed as 25% and 40% of term debt thereby associated in parallel with the card limits of card holders.

On the other hand, in order to follow the process for meeting the demand of a credit card customer who wishes credit card withdrawal via bank branches in seven days which is the legal period, it is regulated that in demands made via branches concerning card withdrawal, it is obligatory that a copy of a document signed by branch authorities showing the date on which this demand has been received or the termination form is submitted to the card holder. Furthermore, with the purpose of increasing the efficiency of payment habits in credit card limit increasing process, a Regulation is made for taking measures in direction that credit card limits to which a payment up to fifty per cent of period debt is made three times at most within a

calendar year cannot be increased until period debt is fully covered and these type of cards are closed for cash use.

## 6- Other Regulations

**Regulation on Audit of Bank Information Systems and Banking Processes to be Made by External Audit Companies (OG dated January 13, 2010 Nr. 27461):** By this Regulation, detailed changes were made to the issues concerning the scope, frame and methodology of audit of information systems and banking processes made by external audit companies.

**Communiqué on the Report Relating to Audit of Bank Information Systems and Banking Processes to be Made by External Audit Companies (OG dated January 13, 2010 Nr. 27461):** This Communiqué determines the frame of the reports to be arranged as a result of the audit of information systems and banking processes made by external audit companies. By this Communiqué, it is aimed that reports shall have a more simple and target-oriented scope.

**Circular dated July 30, 2010 Nr. 2010/3 on Management Notification:** Pursuant to Articles 19(7) and 33(1) of the Regulation on Audit of Bank Information Systems and Banking Processes to be Performed by External Audit Companies; it is provisioned that banks are obliged to submit the management notification to be arranged relating to internal controls on information systems and banking processes by their executive boards as of audit period to the external auditor each year as of 2011 audit period. By the Circular; the scope of management notification, its period and content, reporting process relating to the notification and the evaluation process of the notification by external audit company are described clearly. By the notification, it is aimed that executive board of bank shall make an evaluation of efficiency, adequacy and harmony of internal controls on bank's information systems and banking processes in line with information audit period and give a guarantee relating to the current situation and studies carried out within this scope.

### 2.2.1.2. Regulations Put into Force in 2011

**Regulations Made for Compliance to Prime Ministry Circular Nr. 2008/8 on the Implementation of Address Registration System:** Pursuant to the Prime Ministry Circular Nr. 2008/8 published in the Official Gazette dated May 21, 2008 Nr. 26882, place of residence and other address document (certificate of residence) as well as birth certificate shall not be demanded from register offices and citizens in business and transactions carried out by public agencies and institutions, above-mentioned documents shall be obtained by the related agency directly from "Identity Sharing System" which is included in the data base of Central Civil Registration System (MERNİS) and affiliated with the identity number. In order to ensure the compliance to the mentioned Circular, regulations which were put into force by the Agency have been revised; and

- Regulation on Making Amendments to the Regulation on the Principles and Procedures for Notification of and Taking Oath and Declaration of Assets by Executives to be Appointed to Top Management of Banks and Maintenance of the Book of Resolutions,



- Regulation on Making Amendments to the Regulation on Banks' Procurement of Outsourcing Services and Authorization of Such Service Providers,
- Regulation on Making Amendments to the Regulation on the Principles Regarding the Authorization and activities of Rating Agencies,
- Regulation on Making Amendments to the Regulation on Authorization and Activities of Institutions which will Provide Valuation Services to Banks,
- Regulation on Making Amendments to the Regulation on the Establishment and Operating Principles of Asset Management Companies,
- Regulation on Making Amendments to the Regulation on Procedures and Principles for Establishment and Operations of Financial Leasing, Factoring and Consumer Financing Companies,
- Regulation on Making Amendments to the Regulation on Bank Cards and Credit Cards,

have been published in the Official Gazette dated January 14, 2011 Nr. 27815.

**Communiqué on Making Amendments to the Communiqué on Financial Statements to be Announced to Public by Banks as well as Explanations and Footnotes Thereof (OG dated January 23, 2011 Nr. 27824):** To be implemented of "Financial Reporting Standards of Turkey (TFRS) 9 Financial Instruments" standard which is in line with the International Financial Reporting Standards (IFRS) 9 by banks as of December 31, 2010, necessary amendments were made in these Regulations.

**Communiqué on Making Amendments to the Communiqué on Arrangement of Consolidated Financial Statements of Banks (OG dated January 23, 2011 Nr. 27824):** By this Communiqué which aims to ensure the compliance to Turkish Accounting Standards (TAS), amendments are made to the exemptions for the consolidation of financial statements.

**Regulation on Making Amendments to the Regulation on Operations of Banks Subject to Permission and Indirect Shareholding (OG dated February 04, 2011 Nr. 27836):** Pursuant to the Principle Nr. 5 on investment criteria of Fundamental Principles Relating to Efficient Supervision in Banking which is published by Basel Committee on Banking Supervision, an amendment is made to Article 8 of the Regulation on Operations of Banks Subject to Permission and Indirect Shareholding in order to ensure the permission issue relating to establishment of domestic partnerships by banks or their participation into established partnerships.

**Regulation on Making Amendments to the Regulation on Internal Systems of Banks (OG dated February 24, 2011 Nr. 27856):** By the amendment, it is aimed that the Board Resolutions on the enforcement of the Regulation on Internal Systems of Banks shall be included within the mentioned Regulation and the problems faced in the enforcement shall be removed. Within this scope, it is provisioned that; at least one of the members of the audit committee shall be residing in the country, registrations to made by information systems on transaction basis pursuant to Uniform Chart of Account shall be also in compliance with TAS at the same time and be directly held over primary systems, opportunities shall be given to aggregate accounting in transaction-based accounting, any kind of reporting and intra-bank rules such as

strategy, policy, enforcement procedures to be formed pursuant to the Regulation provisions as well as memos to be made pursuant to Regulation provisions shall be made in Turkish.

**Regulation on Making Amendments to the Regulation on the Principles on Establishment and Operations of Financial Leasing, Factoring and Financing Companies (OG dated February 24, 2011 Nr. 27856):** There were some changes in several topics such as paid-up capital amounts, establishment permission principles, usage of bank channels for the promotion of products, notification liability regarding with real estate transfer before the end of four year minimum period and external audit of these institutions by this Regulation.

**Circular dated January 04, 2011 on Factoring Transactions:** By the Circular, the issues to be taken into consideration by factoring companies for assigning the receivable to bear depending on the sales of goods or services were determined.

**Law Nr. 6111 on Restructuring of Some Receivables as well as Making Amendments to the Law on Social Insurance and General Health Insurance and to Some Other Laws and Decree Laws (Repeated OG dated February 25, 2011 Nr. 27857):** Within the scope of the mentioned Law; the provisions relating to outsourcing services, responsibility insurance liability of external audit, rating, valuation and outsourcing companies which were previously included in the Draft Law on Making Amendments to the Banking Law, confidential information and documents owned by the Agency, moving the headquarter of the Agency to Istanbul and establishing a Risk Center under the Banks Association of Turkey are regulated and put into force.

**Regulation on Making Amendments to the Regulation on Own Funds of Banks (OG dated March 10, 2011 Nr. 27870):** By the amendment, the ratio of including primary subordinated debts to Tier 1 capital are restructured according to their features, cash paid-up expenditures are excluded from being an item discounted from Tier 1 capital and subjected to credit risk, the portion of primary subordinated debts included in Tier 2 capital are limited with 50% of Tier 1 capital in Tier 2 capital together with secondary subordinated debts and the limitation concerning that Tier 2 capital cannot exceed the Tier 1 capital shall not be applied temporarily in extraordinary conditions upon the permission of the Agency.

### 2.2.1.3. Regulations on Hold in Grand National Assembly of Turkey

**Draft Act on Making Amendments to the Banking Law:** Provisions deemed appropriate by the Council of Ministers of the Draft Law on Making Amendments to the Banking Law prepared with a view to solve the problems faced during implementation and finalized by the Agency upon the Resolution of the Banking Regulation and Supervision Board dated July 3, 2008 and Nr. 2675 has been submitted to the Grand National Assembly of Turkey as Draft Law as of February 19, 2009. The said Draft is presently in the Grand National Assembly of Turkey "Justice Commission", "Plan and Budget Commission" and "Industry, Commerce, Energy, Natural Resources, Information and Technology Commission", while some of its provisions have been entered into force within the scope of the "Law on Restructuring of Some Receivables and Making Amendments to the Law on Social Insurances and General Health Insurance and to Some Other Laws and Decree Laws" Nr. 6111, prepared afterwards

and entered into force following its publication on the Repeated Official Gazette dated February 25, 2011 and Nr. 27857.

**Draft Act on Financial Leasing, Factoring and Financing Companies:** Draft Law on Financial Leasing, Factoring and Financing Companies which foresees to abolish the Financial Leasing Law Nr. 3226 and Decree Law on Leasing Nr. 90 aims financial leasing, factoring and financing companies to operate under current conditions. The said Draft has been submitted to the Grand National Assembly of Turkey Justice Commission, Plan and Budget Commission and Industry, Commerce, Energy, Natural Resources, Information and Technology Commission.

#### 2.2.1.4. Regulation under Preparation

1. The Agency which was accepted as a member to the Basel Committee on Banking Supervision (BCBS) in 2009 participates to the related working groups in various levels. Preparations on transition process of Turkish banking sector to Basel II continues and the amendments to be made in the related legislation accordingly are planned to constitute focus point of 2011 regulation activities of the Agency. Hence, it is foreseen that particularly the Regulation on Measurement and Evaluation of Capital Adequacy of Banks as well as the Communiqués relating to it, the Regulation on Internal Systems of Banks and the Communiqué on the Financial Statements to be Announced to Public by Banks and Explanations and Footnotes Thereof will be amended. The opinions of parties concerning the drafts announced to public have also been evaluated and finalized. Within the parallel implementation process which will begin on July 01, 2011 and end on June 30, 2012 to ensure the adaptation of both banks and loan customers to the innovations concerning the Basel 2 implementation process brought by the Board Resolution dated February 24, 2011 and Nr. 4099, it is foreseen that the Draft Regulation on the Measurement and Evaluation of Capital Adequacy of Banks and the Annexes of this Draft as well as the Draft Communiqués relating to this Draft Regulation shall be implemented by banks, only within the aim of reporting to the Agency.
2. Draft regulations have been prepared concerning the measurement and management of interest rate risk in the banking book and it is foreseen that these drafts will be evaluated with the regulations concerning Basel 2 transition.
3. In line with the Financial Stability Board membership of Turkey (FSB), the FSB studies are followed closely by the Agency, studies are conducted in order to maintain the adaptation of banking legislation to the FSB principles and standards and active participation is ensured to the related topics such as international cooperation and information sharing. Within the frame of the adaptation obligation of member countries to the FSB standards, the provisions of “FSB Principles Concerning Charging and Application Standards of These Principles” are taken into consideration and a Draft Regulation on Amendments to be Made on Regulation on Corporate Management Principles of Banks has been prepared and this Draft was published in order to take the opinions of related institutions. Within the scope of the Regulation on the Authorization and Activities of Institutions to Provide Valuation Service to Banks, the phase of taking opinions inside the Agency concerning the annulment of obligation of sending some information concerning

the contracts made with valuation institutions to the Agency has been finalized and it is planned to present the said Draft to the attention of authorities outside the Agency.

4. By the aim of appeasing the hesitations seen during the application of the Regulation on the Authorization and Activities of Institutions to Realize External Audit in Banks and satisfying the needs appeared, a Draft Regulation envisaging amendments in the said Regulation has been prepared. Various provisions relating to the subjects such as the annulment of authorization to conduct external audit, the principle of independence and circumstances annulling the independence, obligations of authorized audit institution and minimum elements of quality assurance report have been put in the said Draft. This Draft is presently in the phase of taking opinions outside the Agency.
5. In the Draft Regulation on Making Amendments to the Regulation on Banks Information Systems and Banking Processes Audit to be Realized by External Audit Institutions, it is foreseen to make amendments to the article concerning the annulment of the authorization to realize information systems and banking processes audit and the said Draft is presently in the phase of taking opinions outside the Agency.
6. A Draft Regulation on Making Amendments to the Regulation on Principles and Procedures Concerning Deposit, Participation Fund, Custody and Receivables has been prepared to determine the income and expense items to be taken into account in the transition to daily unit value calculation by participation banks and in the calculation of total profit or loss amounts based on each pool emanating from the use of funds in the participation accounts and required to be distributed to participation accounts has been prepared and the said Draft is presently in the phase of taking opinions outside the Agency.
7. A “Draft Regulation on Bank’s Procurement of Outsourcing and Making Authorization of such Service Providers” has been prepared to ensure the clarification of the scope of subjects to procure support services for, realization of support service procurements within the scope of effective risk management principles, ensuring the banks to approach more sensitively to the procurement of outsourced services due to their increasing responsibilities and liabilities and minimizing the uncertainties seen in outsourced services. The phase of taking opinions inside the Agency has been finalized for the mentioned Draft.
8. With the Draft Regulation on Making Amendments to the Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside, it is foreseen that if a loan customer having a loan monitored within the second group has more than one loan granted by the same bank, all of these loans shall be classified within this group, in case the maturities of loans granted for five years or more have been changed within specified conditions, these loans shall be classified within first group, for banks of which total non-cash loans exceed ten times the amount of their own funds, the general provision ratio for all of their standard nature non-cash loans shall be applied as three per thousand and new items shall be added to

cover the part within the share of special and general provisions and SDIF premium participation accounts.

### 2.2.2. Supervision Activities

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Supervision activities include all of the on-site audit and surveillance activities realized in institutions by career personnel within the scope of the authorization granted to the Agency pursuant to the Banking Law. These activities consist basically of the examination and analysis of various indicators of banks concerning their financial performances on consolidated and/or non-consolidated basis and preparation of periodical reports, audit of their accordance with the law and related legislation, detection of potential problems and fragilities via stress tests and notification of related units and decision making bodies without waiting for the preparation of standard reports in case there are negative developments or detections. A variety of sources and especially the Agency's database are used in the realization of audit function.

Principles and procedures concerning audit and surveillance were determined pursuant to the "Regulation on Principles and Procedures Concerning the Audit to be Realized by Banking Regulation and Supervision Agency" published in the Official Gazette dated July 22, 2006 and Nr. 26236. Within the scope of the mentioned Regulation, the activities concerning the audit process are conducted through audit guides.

Moreover, to ensure the coordination and complementing of the personnel responsible of the surveillance and on-site audit activities, the "Principles and Procedures of Activities to be conducted by Career Personnel Responsible for Audit" were determined by the Approval of the Chairmanship dated January 4, 2011 and Nr. 9895.

**Box-1: Data Sources Used in Supervision Process**

Various data sources are used in order to ensure supervision function to be carried out effectively. Basic data sources used in supervision process are particularly the information prepared by the related institutions on consolidated and/or non-consolidated basis and reported to the database of the Agency are as follows:

- “Surveillance Reporting Set” which is constituted of forms taken in various periods concerning the follow-up of financial conditions of banks and legal restrictions they must comply with within the scope of Banking Law and the related legislation,
- “Weekly Liquidity Ratio Notification Form” and “Two-Weeks Stock Liquidity Ratio Notification Form” including the standard ratios calculated on a daily basis so as to monitor banks to provide and maintain their liquidity adequacy level, in a way the assets of banks to meet their liabilities, in line with the Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks,
- “Market Risk Reporting Set” prepared so as to monitor interest rate, FX and equity position risks and capital requirements relating to these risks within the scope of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks and “Operational Risk Analysis Form” prepared annually to procure the information concerning the measurement of operational risk,
- Weekly forms including standard ratios calculated on a daily basis in order to ensure FX assets and liabilities as well as balances between own funds of banks to be monitored and evaluated, within the scope of the “Regulation on the Calculation and Implementation of Foreign Currency Net General Position/Own Funds Standard Ratio by Banks on Consolidated and Non-Consolidated Basis”,
- “Reporting set of Financial Institutions Abroad” constituted of quarterly forms relating to subsidiaries of banks subject to consolidated supervision and branches performing off-shore banking activities,
- “Non-Banks Financial Institutions Reporting Set” composed of legal restrictions which non-bank financial institutions shall abide by within the scope of the Law Nr. 5411 and the related legislation and quarterly forms to monitor their financial conditions,
- Reports, opinions and other analysis results drawn-up by audit teams as a result of on-site audit activities,
- External audit reports,
- Analytical information produced from Early Warning System,
- Other information obtained or collected from institutions subject to supervision.

Duties and authorities given to the Agency concerning supervision are performed by the Board, Office of the Chairmanship, Vice Chairmanship, Departments and heads of related groups and career personnel employed permanently and/or temporarily in audit teams, according to their concerns. Departments of Audit I and Audit II attached to the Vice Chairmanship responsible for audit performs the audit and surveillance of private banks headquarters of which are in Istanbul, while the Department of Audit III performs the audit and surveillance of state-owned banks headquarters of which are mostly in Ankara, Department of Audit IV performs the analysis, evaluation and reporting activities concerning the sector as well as the audit

and surveillance of leasing, factoring and consumer financing companies and the Department of Risk Management performs the audit of risk management systems and risk models of banks.

#### Box-2: Risk-Focused Supervision

Risk-focused supervision (RFS) Approach the Agency adopts in supervision activities refers to; form, extent, time, intensity, resource allocation of the supervision and supervision procedures to be shaped by taking risk profile of each bank as well as existence and adequacy of internal audit and risk management systems as a basis. Benefits expected from RFS Approach are:

- Increasing the efficiency and effectiveness of supervision function of the Agency,
- Conducting supervision in a dynamic and uninterrupted way,
- Adapting to EU Directives and international standards,
- Detecting important changes in risk profiles of banks due to change and complexity in financial activities and products,
- Using new supervision techniques to ensure changing risk profiles of banks to be audited effectively,
- Taking measures (proactive audit) so as to manage the risks banks bear effectively and to decrease the possibility of losses by defining, measuring, controlling and monitoring them,
- Preventing the problems to arise again in banks by focusing on causes rather than results,
- Adapting to the changes in financial system,
- Decreasing systemic risks,
- Increasing endurance of the banking system and banks against crisis by ensuring them to have an effective internal audit and risk management systems.

The aim of the supervision conducted in line with RFS approach is to ensure banks to be aware of and control the level and type of the risks they encounter. Accordingly, it is quality and efficiency of management of the said risks which is important, rather than the risks banks undertook as a result of their activities.

RFS enables banks to transfer resource from low-risk areas to high-risk areas. The Agency realizes this, by;

- Determining the risks within the scope of generally accepted risk definitions,
- Measuring risks in the basis of general risk assessment factors,
- Evaluating risk management systems so as to determine the banks manage and control their determined risk levels adequately,

Considering the analysis to be made in the basis of the risks the banks bear, opinions reached on risk profile and condition as well as follow-ups and supervisions relating to problematic areas.

Audit teams monitor the developments in financial markets from actual sources and conduct their audit activities in line with guides prepared in parallel with international implementations and risk-focused supervision approach.

#### 2.2.2.1. On-Site Audit

Within the frame of current legislation, it is foreseen that the on-site audit to be conducted in institutions subject to supervision shall be performed in line with working programs formed pursuant to the Banking Law and with the Approval of Agency Chairman and by audit teams composed of sworn bank auditors and their assistants, banking specialists and their assistants, informatics specialists and their assistants, law specialists and their assistants composing the career personnel of the Agency.

Audit activities are conducted through 18 Audit teams composed of sworn bank auditors, assistant sworn bank auditors, banking specialists and assistant banking specialists. Within each audit team, a head of group is assigned by Chairmanship Approval among the career personnel having at least five years of audit experience to ensure the coordination and conduct of the audit. The Head of group conducts the audit of the institutions under his/her responsibility via the audit teams formed by Chairmanship Approval and which are performing based on institutions. In addition to the sworn bank auditors and their assistants and banking specialists and their assistants in audit groups, sufficient number of informatics specialists and assistant informatics specialists and law specialists and assistant law specialists may be assigned in the audit group if needed upon the suggestion of Vice-Chairman and by Chairmanship Approval.

On-Site Audit consists of:

- Analyzing the relation and balance between assets, receivables, own funds, debts, profit and loss calculations, liabilities and commitments of banks as well as all other factors effecting their financial structure,
- Analyzing adequacy and effectiveness of banks' risk management and internal control systems,
- Making risk assessment of banks and determining their risk profile,
- Supervising the adaptability of financial statement and records of banks to accounting principles and standards,
- Supervising the appropriateness of activities of banks to the provisions of Banking Law and provisions in other laws within the scope of this Law,
- Analyzing the adequacy and reliability of the banks' information systems,
- Analyzing the subjects concerning characteristic activities of banks,
- Evaluating the banks' corporate management quality,
- Consolidated supervision of affiliates and jointly controlled partnerships of the financial holding institution and/or parent bank,
- Supervising the activities of factoring, financial leasing and financing companies,



- Supervising the activities of asset management companies,
- Supervising the activities of external audit institutions,
- Supervising the activities of natural persons and legal entities providing services to institutions, on condition to be limited with the service provided,
- Supervising the institutions within the scope of the Law on Banking Cards and Credit Cards,
- Supervising the internal models which the banks plan to use within the scope of Basel 2 credit risk internal rating based approach,
- Supervising the rating agencies in the phase of authorization,
- Investigating the denunciations and complaints concerning the subjects within the scope of related legislation,
- Investigations made based on the requests made by Prime Ministry Inspection Board, Parliamentary Investigation Committees, Ministry of Finance Financial Crimes Investigation Board, Public Prosecution Offices as well as other related institutions and agencies,
- Other on-site audits.

### Institutions within the Scope of Supervision and Activity Results

As of end-2010, there are 281 institutions within the scope of supervision of the Agency; 49 of which are banks, 122 of which are non-bank financial institution and 110 of which are other institutions (Annex 1).

**Table 2-7: Institutions within the Scope of Supervision**

| Institution Type                              | Number     |            |            |            |            |
|---|------------|------------|------------|------------|------------|
|   | 2006       | 2007       | 2008       | 2009       | 2010       |
| Deposit Banks                                 | 33         | 33         | 33         | 32         | 32         |
| Participation Banks                           | 4          | 4          | 4          | 4          | 4          |
| Development and Investment Banks              | 13         | 13         | 13         | 13         | 13         |
| Financial Leasing Companies                   | 82         | 65         | 50         | 47         | 35         |
| Factoring Companies                           | 87         | 85         | 81         | 78         | 76         |
| Financing Companies                           | 9          | 9          | 10         | 10         | 11         |
| Asset Management Companies                    | 5          | 5          | 5          | 6          | 6          |
| Independent Audit Institutions for Banks (1)  | 49         | 51         | 40         | 39         | 40         |
| Rating Institutions                           | 0          | 0          | 0          | 3          | 3          |
| Valuation Institutions                        | 0          | 0          | 0          | 4          | 14         |
| Foreign Bank Representative Offices in Turkey | 48         | 48         | 47         | 42         | 40         |
| Financial Holding Companies                   | 0          | 0          | 3          | 3          | 3          |
| Credit Reference Institution                  | 1          | 1          | 1          | 1          | 1          |
| Card System Institution                       | 3          | 3          | 3          | 3          | 3          |
| <b>Total</b>                                  | <b>334</b> | <b>317</b> | <b>290</b> | <b>285</b> | <b>281</b> |

(1) As of end-2010, 6 of the institutions having the authorization to perform independent audit in banks have the authorization to perform information systems audit, while 2 of them have the authorization to perform information systems audit via outsourcing process.

As a result of audits realized within the period of 2010; total 504 reports have been drawn up on legislation, financial analysis, denunciation and complaints, risk assessment and other subjects. 34 of these reports are constituted of reports on non-bank financial institutions while 23 of them are reports on branch supervisions. Moreover, 17 reports have been drawn up on overseas inspection.

**Table 2-8: Reports Drawn Up as a Result of Supervisions**

| Subjects   | 2009           |              | 2010           |              |
|--|----------------|--------------|----------------|--------------|
|  | Nr. of Reports | % Distr.     | Nr. of Reports | % Distr.     |
| Risk Assessment  | 41             | 10           | 40             | 7.9          |
| Legislation Supervision                                    | 132            | 32.1         | 202            | 40.1         |
| Financial Structure Analysis                               | 41             | 10           | 43             | 8.5          |
| Denunciations and Complaints                               | 76             | 18.5         | 112            | 22.2         |
| Overseas Inspection  | 6              | 1.5          | 17             | 3.4          |
| Duty Loss Determination                                    | 2              | 0.5          | 1              | 0.2          |
| Legislation Supervision Concerning Other Fin. Ins.         | 20             | 4.9          | 24             | 4.8          |
| Denunciations/Complaints Investigation for Other Fin. Ins. | 10             | 2.4          | 10             | 2.0          |
| Rating Institution Authorization                           | 6              | 1.5          | 1              | 0.2          |
| Liability Supervision                                      | 22             | 5.4          | -              | 0.0          |
| Branch Investigation                                       | 46             | 11.2         | 23             | 4.6          |
| Other  | 9              | 2.2          | 31             | 6.2          |
| <b>Total</b>   | <b>411</b>     | <b>100.0</b> | <b>504</b>     | <b>100.0</b> |

### Information Systems Audit

Information systems audit of institutions subject to the Law Nr. 5411 is realized by the Agency as well as external audit institutions.

Within the scope of Chairmanship Approval taken as part of Information Systems Audit Guide prepared by the Agency personnel relating to information systems and banking processes audit; evaluations of four banks have been finalized, detailed information systems audit studies have been initiated in one bank in consequence of these evaluations and audit of adaptation to the action plan prepared pursuant to Board directive has been realized in one bank. Furthermore, information systems audits have been realized in three banks and in one factoring company, concerning the subjects requiring technical knowledge in the information systems area and mostly upon the demands of other units of the Agency.

Among the determinations within the audit reports drawn up by several units of the Agency, the ones concerning information systems and banking processes audits have been investigated, the scope of audits realized by external audit companies has been extended and the studies conducted by banks relating to the directives given to banks have been included to the external audit of 2010.

**Table 2-9: Reports Drawn Up as a Result of Information Systems Audit**

| Type of Audit                       | Scope of Audit                   | 2009      | 2010      |
|-------------------------------------|----------------------------------|-----------|-----------|
| 1. Performed by External Audit Ins. |                                  |           |           |
| Individual Audit                    | Inf. Systems + Banking Processes | 46        | 3         |
|                                     | Banking Processes                | 3         | 46        |
| Consolidated Audit                  | Inf. Systems + Banking Processes | 24        | 24        |
| 2. Performed by BRSA Staff          |                                  |           |           |
| Individual Audit                    | Special Ranging                  | 4         | 8         |
| <b>Total</b>                        |                                  | <b>77</b> | <b>81</b> |

On 2011; it is planned on-site investigations to be realized by the Agency staff within the aim of evaluating the efficiency of information systems audit activities which are realized in banks by institutions having the authorization to perform information systems audit and necessary developments to be made to increase the efficiency of the design and operation of External Audit Follow-Up System.

#### 2.2.2.2. Surveillance

Surveillance activities on the banks basis are conducted by the personnel within audit groups and are composed of:

- Stress tests and scenario analyses,
- Monitoring and evaluating the change in financial structure and performance via periodical reporting,
- Follow-up of the development of rating scores by using previous on-site audit results and current data,
- Providing the change in financial structure and performance to be perceived on time through early warning systems,
- Follow-up and analysis of financial developments on the basis of sector and institution,
- Reporting contradictions to the legislation and reporting errors detected through institution reportings to the group leaders,
- Analysis of compliance to the legislation,
- Other surveillance activities.

Within the scope of surveillance activities, periodical reportings, information notes and comments are prepared by audit groups on the basis of bank, these studies are shared with the members of audit groups and delivered to heads of departments if necessary.

Furthermore, within the scope of surveillance activities based on sector; periodical surveillance reports are drawn up concerning market developments, deposit, loans, derivative products, cumulative sector data, liquidity, exchange rate risk, stress test

on weekly, two-weekly, monthly, quarterly, semi-annual and annual basis. Within 2010; total 229 reports, information notes and presentations have been drawn up including the “Weekly Report”, “Deposit, Loan and Interest Rates Development Report” and “Foreign Exchange Net General Position Report”.

**Table 2-10: Consolidated Analysis and Macro Reportings**

| Report (1)   | Nr. Of     |              | %          |              | Frequency    |
|--|------------|--------------|------------|--------------|--------------|
|  | Reports    | % Distr.     | Reports    | Distr.       |              |
|  | 2009       |              | 2010       |              |              |
| Monthly Sectoral Data Report   | 11         | 5.0          | 12         | 5.2          | Monthly      |
| Non-Bank Fin. Inst. Sectoral Data Report                             | 3          | 1.4          | 4          | 1.7          | Quarterly    |
| Balance Sheet, Income Statement                                      | 3          | 1.4          | 2          | 0.9          | Quarterly    |
| Weekly Report  | 53         | 23.9         | 49         | 21.4         | Weekly       |
| Loans Report   | 4          | 1.8          | 1          | 0.4          | Quarterly    |
| Turkish Ban. Sector Exchange Rate Risk Rep.                          | 1          | 0.5          | 1          | 0.4          | Semiannually |
| Deposit, Loan and Interest Rate Dev. Report                          | 34         | 15.3         | 14         | 6.1          | Three Weeks  |
| Stress Test Report   | 3          | 1.4          | 3          | 1.3          | Quarterly    |
| Turkish Ban. Sector Derivative Transact. Rep.                        | 1          | 0.5          | 2          | 0.9          | Semiannually |
| F/X Net General Position Report                                      | 24         | 10.8         | 25         | 10.9         | Two Weeks    |
| Abroad Inst. of Banks Establis. in Turkey Rep.                       | 2          | 0.9          | 1          | 0.4          | Semiannually |
| Turkish Banking Sector Surveillance Report                           | 2          | 0.9          | 2          | 0.9          | Semiannually |
| Turkish Banking Sector Country Risks Report                          | 2          | 0.9          | 2          | 0.9          | Semiannually |
| Non-Cash Loans for Cash Procurement and FX Extended to Abroad Report | 3          | 1.4          | 3          | 1.3          | Quarterly    |
| Potential Non-performing Loans Report                                | 1          | 0.5          | 2          | 0.9          | Annually     |
| Turk. Ban. Sec. Fundamen. Indic. Presentation                        | 11         | 5.0          | 12         | 5.2          | Monthly      |
| Turkish Banking Sector General View Report                           | 3          | 1.4          | 4          | 1.7          | Quarterly    |
| Retail Loans Information Note  | 17         | 7.7          | 50         | 21.8         | Weekly       |
| Other Reports and Studies  | 44         | 19.8         | 40         | 17.5         | -            |
| <b>Total</b>   | <b>222</b> | <b>100.0</b> | <b>229</b> | <b>100.0</b> | <b>-</b>     |

(1) This table has been drawn up to give a general opinion about the reports prepared. Some reports may be prepared by combining other reports during the period or their frequency may be changed according to the current conditions.

Moreover the studies for increasing the efficiency of surveillance function have also continued during 2010 and these studies were concentrated on the development of reporting sets and applications concerning surveillance.

**Banks and Non-Bank Financial Sector Reporting Set:** Reporting sets of deposit, development and investment and participation banks were combined excluding a few forms to form a single reporting set. Within this scope, all applications based on the Agency’s database were reviewed, the changes emanated from form combinations were implemented and the infrastructure of the Agency’s statistical publications emanating from form combinations was also updated. Another update area required due to form combination was in-form controls and cross controls.

In these forms aiming to monitor the effects of the changes made pursuant to the “Regulation on Making Amendments to the Regulation on the Principles and

Procedures for Determination of Qualifications of Loans and Other Receivables and Provisions to be Set Aside” published in the Official Gazette dated January 23, 2009 and Nr. 27119 and which were initiated as of June 2009 reporting, necessary updates were made for supervision and surveillance needs within the frame of the last amendment made on the above mentioned Regulation on March 6, 2010.

Within the scope of consolidated supervision of banks, it is foreseen that the form set devoted to evaluate the shareholders with qualified shares in banks will be started to be collected as of the first half of 2011. Furthermore, within the scope of adaptation studies to TFRS (Turkish Financial Reporting Standards), two forms were added to the external audit reporting set for banks which started to apply TFRS 9 and these forms were started to be collected as of December 2010 reporting period.

**Bank Financial Performance Report (BAFPER) Application:** The template report which is in the present BAFPER application has been updated and the application has been made compatible with the system installed in users’ computers. Furthermore the “BAFPER Data Defining” application devoted to reflect the changes made on Banking Reporting System to the application has been developed and the data defining process has been made automatic. In the new application, the source of the financial data within BAFPER report can be changed by the specialist authorized to make changes in the report and thus the system can be tested before the report is made available to use.

**T.R. Identity Number and Tax Number Verification:** Verification of T.R. number area in credit forms received from banks and participation banks was begun in 2009. The application made in order to expand the present protocol made with the Ministry of Interior to include foreign national residents was finalized and thus control of residents with foreign nationality was enabled. The verification of forms, other than credit forms, that are received from banks, participation banks, non-bank financial institutions and financial holding companies and that include T.R. identity number, has begun.

### 2.2.2.3. Cooperation Relating to Supervision

Within the scope of the article 72 of the Banking Law, the studies concerning the preparation of a contingency plan against a possible systemic risk which may occur in financial sector and the determination of measures to manage the risk were continued in cooperation with related institutions. The studies within the scope of Cooperation and Information Sharing Protocol Between Undersecretariat of Treasury, the Banking Regulation and Supervision Agency, Savings Deposit Insurance Fund and Central Bank of the Republic of Turkey and Protocol of Cooperation for Systemic Risk Relating to Financial System were continued and the Cooperation and Information Sharing Protocol has been updated on December 31, 2010 so as to include the provisions concerning consolidated supervision and to include the CMB to the process.

As foreseen in the article 98 of the Banking Law, The Agency signs memorandum of understanding with the supervisory authorities of foreign countries for harmonizing the policies and regulations. In line with the common target of strengthening financial system, in addition to the memorandums of understanding signed in previous years, memorandums of understanding between the Agency and Ukraine, Macedonia,

Russia and Syria were signed in 2010. Negotiations to sign memorandums of understanding in 2011 with Belgium, Netherlands, Germany, Italy, Austria, France, United Kingdom, Qatar and South Africa are still continuing.

**Table 2-11: Memorandums of Understanding Signed**

| Country              | Agency  | Date       |
|----------------------|---|------------|
| TRNC                 | Central Bank of the TRNC                              | 17/09/2001 |
| Albania              | Bank of Albania                                       | 19/10/2001 |
| Romania              | National Bank of Romania                              | 19/02/2002 |
| Bahrain              | Central Bank of Bahrain                               | 30/07/2002 |
| Indonesia            | Bank Indonesia  | 11/12/2002 |
| Kazakhstan           | National Bank of Kazakhstan                           | 22/05/2003 |
| Pakistan             | State Bank of Pakistan                                | 20/01/2004 |
| Malta                | Central Bank of Malta                                 | 10/12/2004 |
| Greece               | Bank of Greece  | 28/01/2005 |
| Kyrgyzstan           | National Bank of the Kyrgyz Republic                  | 17/05/2005 |
| Azerbaijan           | Central Bank of the Republic of Azerbaijan            | 14/06/2005 |
| Bulgaria             | Bulgarian National Bank                               | 13/09/2005 |
| China                | China Banking Regulatory Commission                   | 11/07/2006 |
| Dubai                | Dubai Financial Services Authority                    | 23/08/2007 |
| Georgia              | National Bank of Georgia                              | 02/11/2007 |
| Kosovo               | Central Bank of the Republic of Kosovo                | 12/05/2008 |
| United Arab Emirates | Central Bank of the United Arab Emirates              | 17/02/2009 |
| Luxembourg           | Banque Centrale de Luxembourg                         | 13/03/2009 |
| Lebanon              | Central Bank of Lebanon                               | 10/06/2009 |
| Bosnia- Herzegovina  | Central Bank of Bosnia and Herzegovina                | 12/06/2009 |
| Kazakhstan           | Kazakhstan Financial Supervision Agency               | 28/08/2009 |
| Ukraine              | National Bank of Ukraine                              | 19/02/2010 |
| Macedonia            | National Bank of the Republic of Macedonia            | 30/08/2010 |
| Russia               | Central Bank of Russia                                | 30/09/2010 |
| Syria                | Central Bank of Syria, Council of Monetary and Credit | 21/12/2010 |

#### 2.2.2.4. Other Activities

A work plan has been formed to enable the Basel 2 application in our country and studies have been conducted relating to the subjects taking place in the draft regulations determined within the scope of this plan. In this context a national quantitative impact study (QIS-TR3) has been conducted to measure the quantitative effect of these draft regulations. In consequence of this study to which 45 banks operating in the sector have participated, a general evaluation report which is shared with public and a restricted evaluation report on individual banks have been drawn up.

Within the scope of the investigations concerning supervision and surveillance activities during 2010, studies relating to Basel 2 Progress Reports have been

conducted. Furthermore, technical adequacies of two rating agencies applied for authorization have been analyzed and the investigation process of one rating agency is still continuing. Several meetings and training activities related to risk management have been participated as trainers or lecturer. Due to the membership of the Agency to the Basel Committee on Banking Supervision (BCBS), meetings of study groups in different levels under the Basel Committee have been participated.

### 2.2.3. Enforcement Activities

Activities carried out within the scope enforcement activities are gathered under two groups; establishment, authorization and licensing activities and evaluation, enforcement activities. Accordingly, licensing activities as well as evaluation and enforcement activities of the institutions under supervision and surveillance of the Agency are carried out.

#### 2.2.3.1. Establishment, Authorization and Permission Activities

Applications made to the Agency by institutions under the authority of the Agency within the scope of establishment, authorization and permission activities on cases subject to licensing according to the Banking Law and related legislation are examined, evaluated and finalized.

Accordingly; license for establishment, activity, share transfer, merger, acquisition, opening branches and representative offices are granted to banks and financial leasing, factoring and financing companies, transactions relating to capital increase requests are consummated, amendments to principal contract and assignments of general manager and deputy general managers are evaluated in accordance with the legislation. Furthermore, authorization of institutions to provide valuation, rating, support and external audit services to banks as well as establishment applications of asset management companies are concluded. On the other hand, documents proving the top level managers of institutions mentioned above bear the qualifications stipulated in the legislation are followed along with their oaths and declarations of property. Authorization of the institutions under the Bank Cards and Credit Cards Law are also carried out in this context.

#### **Establishment and Authorization Activities**

Establishment permissions were granted to 7 companies; operating permissions were granted to 17 companies in 2010.

Table 2-12: Establishment and Operating Permissions

| Title of Institution                       | Type of Transaction            | Date and Number of Resolution |
|--|--------------------------------|-------------------------------|
| <b>Financial Leasing Companies (1)</b>     |                                |                               |
| ING Finansal Kiralama A.Ş.                 | Operating                      | 03/03/2010-3564               |
| <b>Factoring Companies (1)</b>             |                                |                               |
| Değer Faktoring A.Ş.                       | Establishment                  | 07/01/2010-3493               |
| Değer Faktoring A.Ş.                       | Operating                      | 10/08/2010-3804               |
| İki Yıldız Faktoring Hiz.A.Ş.              | Establishment                  | 22/01/2010-3503               |
| İki Yıldız Faktoring Hiz.A.Ş.              | Operating Permission Cancelled | 30/09/2010-3866               |
| Ar Faktoring Finansal Hiz. A.Ş.            | Establishment                  | 11/02/2010-3526               |
| Ar Faktoring Finansal Hiz. A.Ş.            | Operating                      | 25/08/2010-3818               |
| Eren Finans Faktoring Hiz. A.Ş.            | Establishment                  | 18/02/2010-3535               |
| Eren Finans Faktoring Hiz. A.Ş.            | Operating                      | 21/10/2010-3882               |
| ING Faktoring A.Ş.                         | Operating                      | 03/03/2010-3564               |
| Sardes Faktoring A.Ş.                      | Establishment                  | 16/12/2010-3967               |
| As Faktoring Hiz. A.Ş.                     | Establishment                  | 16/12/2010-3968               |
| <b>Independent Audit Institutions</b>      |                                |                               |
| Anıl YMM ve Bağımsız Denetim A.Ş.          | Operating                      | 08/07/2010-3780               |
| AC İstanbul Uluslararası Den.ve SMMM A.Ş.  | Operating                      | 21/10/2010-3890               |
| <b>Valuation Institutions</b>              |                                |                               |
| Avrupa Gayrimenkul Değerl. ve Danış. A.Ş.  | Operating                      | 24/06/2010-3758               |
| Harmoni Gayrimenkul Değer. ve Danış. A.Ş.  | Operating                      | 15/09/2010-3843               |
| Denge Gayrimenkul Değer. ve Danış. A.Ş.    | Operating                      | 03/03/2010-3577               |
| Vektör Gayrimenkul Değer. ve Danış. A.Ş.   | Operating                      | 03/03/2010-3577               |
| Vizyon Taşınmaz Değer. ve Danış. A.Ş.      | Operating                      | 03/03/2010-3577               |
| Ekol Gayrimenkul Değer. ve Danış. A.Ş.     | Operating                      | 24/06/2010/3759               |
| Elit Gayrimenkul Değerleme A.Ş.            | Operating                      | 03/03/2010-3577               |
| Artı Gayrimenkul Değerleme Danış. A.Ş.     | Operating                      | 03/03/2010-3577               |
| Epos Gayrimenkul Danış. ve Değer. A.Ş.     | Operating                      | 03/03/2010-3577               |
| Platform Gayrimenkul Değer. ve Danış. A.Ş. | Operating                      | 03/03/2010-3577               |
| <b>Asset Management Companies</b>          |                                |                               |
| Efes Varlık Yönetim Şirketi                | Establishment                  | 02/12/2010-3942               |

(1) Pursuant to the Board Resolution dated March 03, 2010 and Nr. 3565, it is decided that establishment permissions of Caterpillar Finansal Kiralama A.Ş. to which establishment permission was granted in 2008 and Gazikent Faktoring Hizmetleri A.Ş. to which establishment permission was granted in 2009 shall be null and void.

On the other hand, while operating licenses of nine factoring and 13 financial leasing companies were terminated for various reasons, audit authority of one external audit institution was cancelled temporarily due to contradiction to the provisions of the related Legislation.



**Table 2-13: Institutions of which Operating Licenses and Authorities were cancelled**

| Title of Institution                            | Reason of Cancellation       | Date and Number of Resolution |
|---|------------------------------|-------------------------------|
| <b>Factoring Companies</b>                      |                              |                               |
| Seray Faktoring A.Ş.                            | Company Demand               | 07/01/2010-3481               |
| Ana Faktoring Hizmetleri A.Ş.                   | Adaptation                   | 15/04/2010- 3643              |
| Akçe Finans Faktoring Hizmetleri A.Ş.           | Adaptation                   | 15/04/2010-3644               |
| Fon Faktoring Hizmetleri A.Ş.                   | Adaptation                   | 15/09/2010-3845               |
| Gisad Faktoring A.Ş.                            | Company Demand               | 06/10/2010-3877               |
| Ulus Faktoring A.Ş.                             | Inactive                     | 21/10/2010-3884               |
| D Faktoring A.Ş.                                | Inactive                     | 21/10/2010-3884               |
| Era Finans Faktoring Hizmetleri A.Ş.            | Inactive                     | 21/10/2010-3884               |
| İlke Faktoring A.Ş.                             | Company Demand               | 11/11/2010-3922               |
| <b>Financial Leasing Companies</b>              |                              |                               |
| Süzer Finansal Kiralama A.Ş.                    | Merging                      | 03/03/2010-3567               |
| Es Finansal Kiralama A.Ş.                       | Company Demand               | 03/06/2010-3706               |
| Ulusal Finansal Kiralama A.Ş.                   | Company Demand               | 15/09/2010-3846               |
| K Finansal Kiralama A.Ş.                        | Inactive                     | 21/10/2010-3884               |
| Atlas Finansal Kiralama A.Ş.                    | Inactive                     | 21/10/2010-3884               |
| Bayındır Finansal Kiralama A.Ş.                 | Inactive                     | 21/10/2010-3884               |
| İktisat Finansal Kiralama A.Ş.                  | Inactive                     | 21/10/2010-3884               |
| İmar Finansal Kiralama A.Ş.                     | Inactive                     | 21/10/2010-3884               |
| Eti Finansal Kiralama A.Ş.                      | Inactive                     | 21/10/2010-3884               |
| EGS Finansal Kiralama A.Ş.                      | Inactive                     | 21/10/2010-3884               |
| Era Finansal Kiralama A.Ş.                      | Inactive                     | 21/10/2010-3884               |
| Era-Deniz Finansal Kiralama A.Ş.                | Inactive                     | 21/10/2010-3884               |
| Tasfiye Halinde MNG Finansal Kiralama A.Ş.      | Liquidation                  | 27/10/2010-3909               |
| <b>External Audit Companies</b>                 |                              |                               |
| Anadolu Bağımsız Den. Serb. Muh. Mali Müş. A.Ş. | Contradiction to Legislation | 02/12/2010-3939               |

(1) Due to contradiction to the provisions of the Regulation on Authorization and Activities of Institutions to Perform External Audit in Banks, it is decided that the authority of the Company to perform external audit in banks shall be cancelled temporarily for 6 months.

On the other hand, pursuant to the decisions of the Council of State in 2010 in various dates for stay of execution concerning establishment and authorization, establishment permission is granted to Net Faktoring A.Ş., operating licenses of EDF Finans Faktoring Hizmetleri A.Ş. and Çağdaş Finans Faktoring Hizmetleri A.Ş. of which operating licenses were terminated in 2009 have been restored.

Information on requests concerning establishment and authorization which were sent to the Agency this year and are still under evaluation is displayed in the table below.

**Table 2-14: Establishment and Authorization Applications of Institutions under Evaluation**

| Company and Transaction Type | Type of Transaction                           | 2007      | 2008      | 2009      | 2010      |
|------------------------------|---|-----------|-----------|-----------|-----------|
| Banks                        | Auth. Application                             | 0         | 3         | 4         | 1         |
| Leasing Companies            | Est. App. /Auth. Application                  | 3         | 2         | 2         | 0         |
| Factoring Companies (1)      | Est. App. /Auth. Application                  | 19        | 12        | 14        | 13        |
| Financing Companies          | Est. App. /Auth. Application                  | 4         | 3         | 2         | 0         |
| Housing Fin. Companies(2)    | Auth. Application                             | 12        | 13        | 0         | 0         |
| Indepen. Audit Companies     | Auth. Application                             | 11        | 2         | 4         | 3         |
| Valuation Companies          | Auth. Application                             | 5         | 11        | 29        | 27        |
| Rating Agencies              | Auth. Application                             | 3         | 3         | 1         | 2         |
| Asset Manag. Companies       | Est. App. /Auth. Application                  | 2         | 0         | 0         | 0         |
| Card System Companies        | Auth. Application                             | 4         | 0         | 0         | 0         |
| Foreign Banks                | Application for Opening Representative Office | 5         | 3         | 1         | 1         |
| Banks Established Abroad     | Application for Opening Branch                | 0         | 0         | 0         | 0         |
| <b>Total</b>                 |   | <b>68</b> | <b>52</b> | <b>57</b> | <b>47</b> |

(1) Application of eight factoring companies could not be concluded due to outstanding documents and the fact that application process could not be maintained.

(2) There are no housing financing establishment application sent to our Agency in 2010, applications of 11 companies could not be concluded due to outstanding documents and the fact that application process could not be maintained.

### Permission Activities

In 2010, within the scope of the Banking Law and Regulation on Principles for Establishment and Activities Financial Leasing, Factoring and Financing Companies, applications for permission activities sent to the Agency are continued to be evaluated.

### Permissions for Share Transfer, Merger and Acquisitions

In 2010, share transfer permissions were granted to the institutions under the Law within the scope of the provisions of the related legislation and upon the above-mentioned Board Resolutions.

1. According to the Board Resolutions dated January 07, 2010 and Nr. 3484, dated February 18, 2010 and Nr. 3548, dated March 25, 2010 and Nr. 3609, dated June 24, 2010 and Nr. 3729, dated July 15, 2010 and Nr. 3782, it is deemed appropriate that eight natural persons to take over the share by TL 694.999 with A group nominal value of TL 1 within the paid-up capital of Asya Katılım Bankası A.Ş., within the scope of the article 18 of the Banking Law.
2. Pursuant to the Resolution of the Board dated March 03, 2010 and Nr. 3567; it is deemed appropriate that Süzer Finansal Kiralama A.Ş. to be taken over and merged to Kent Finansal Kiralama A.Ş., subsequent to the transfer of its financial leasing contracts with Süzer Faktoring A.Ş., without prejudice to the provisions of other related legislation, to be permitted within the scope of the Financial Leasing Law Nr. 3226, Decree Law Nr. 90 on Loan Extension Processes and article 30(1) of the Regulation on Principles for Establishment and Activities of Financial Leasing,

Factoring and Financing Companies, in consequence of the said merger, operating license of Süzer Finansal Kiralama A.Ş. to be terminated within the scope of the provisions of the said Regulation.

3. Pursuant to the Resolution of the Board dated March 12, 2010 and Nr. 3585; it is deemed appropriate within the scope of article 13 of the Regulation on Principles for Establishment and Activities of Financial Leasing, Factoring and Financing Companies that share of Ahmet ÇETİNKAYA by 9.8% to increase to 19.4% after the transfer of shares of Halil ÇETİNKAYA in Saray Faktoring A.Ş. to Ahmet ÇETİNKAYA, without prejudice to the provisions of other related legislation.
4. Pursuant to the Resolution of the Board dated May 27, 2010 and Nr. 3691; it is deemed appropriate within the scope of article 18 of the Law that there is no inconvenience in respect of the Law and the related legislation for permitting the capital of Citigroup Inc. to be increased and shares of the United States of America in Citigroup Inc. to decrease to 27.2% from 33.6% as the United States of America failed to participate in this capital increase, due to the fact that this causes direct shareholding ratio of the United States Department of Treasury in Citibank Overseas Investment Corporation which directly owns Citibank A.Ş. wholly and indirect shareholding ratio in Citibank A.Ş. to decrease in ratios within the scope of the article 18 of the Banking Law; shareholding ratio in Citibank Overseas Investment Corporation which is direct shareholder of Akbank T.A.Ş. by 20% to decrease in accordance with the article 18(1) of the Law.
5. Pursuant to the Resolution of the Board dated June 24, 2010 and Nr. 3755; it is deemed appropriate that all shares belonging to Siemens Finance & Leasing GmbH which owns 99.6% of Siemens Finansal Kiralama A.Ş. to be transferred to Siemens Aktiengesellschaft'a (Siemens AG) resident in Germany within the scope of the article 13 of the Regulation on Principles for Establishment and Activities of Financial Leasing, Factoring and Financing Companies, without prejudice to Turkish Commercial Code and related other legislation.
6. Pursuant to the Resolution of the Board dated July 08, 2010 and Nr. 3775; share acquisition of Alpha Lease and Finance Holding Co. B.S.C. in Haliç Finansal Kiralama A.Ş. by 59% is deemed appropriate within the scope of article 13 of the Regulation on Principles for Establishment and Activities of Financial Leasing, Factoring and Financing Companies.
7. Pursuant to the Resolution of the Board dated July 22, 2010 and Nr. 3790; it is deemed appropriate within the scope of article 13 of the Regulation on Principles for Establishment and Activities of Financial Leasing, Factoring and Financing Companies that control of Fortis Commercial Finance Holding N.V. to be transferred to ABN Amro Bank N.V. in consequence of the merger under ABN Amro Bank N.V. of ABN Amro Bank N.V. and Fortis Bank Nederland N.V. which wholly owns the shares of Fortis Commercial Finance Holding N.V. that has 99.99% shares in the capital of Fortis Faktoring A.Ş..
8. Pursuant to the Resolution of the Board dated September 15, 2010 and Nr. 3844; it is deemed appropriate within the scope of article 13 of the Regulation on Principles for Establishment and Activities of Financial Leasing, Factoring and Financing Companies that Şekerbank T.A.Ş. to have 51% share in İstanbul Mortgage

Finansman A.Ş., without prejudice to the Turkish Commercial Code and other related legislation.

- 9.** Pursuant to the Resolution of the Board dated September 21, 2010 and Nr. 3859, it is permitted that share of BNP Paribas SA in TEB Mali Yatırımlar A.Ş. by 50% to be transferred to BNP Paribas Fortis Yatırımlar Holding A.Ş., which bears the result, that;

A) As a consequence of the examination and evaluation made in line with the authority granted to the Board pursuant to the paragraphs one and six of the article 18 of the Banking Law as well as article 11 of the Regulation on Operations of Banks Subject to Permission and Indirect Shareholding;

- a) Indirect share of Société Fédérale de Participations et d'Investissement (SFPI) in Türk Ekonomi Bankası A.Ş. to increase to 13.989% from 4.597%,
- b) Direct and indirect share of BNP Paribas SA in Türk Ekonomi Bankası A.Ş. to decrease to 32.044% from 42.605%,
- c) Fortis Bank SA/NV to have 42.125% of indirect share in Türk Ekonomi Bankası A.Ş.,
- d) BNP Paribas Fortis Yatırımlar Holding A.Ş. to have 42.125% of indirect share in Türk Ekonomi Bankası A.Ş.,
- e) Indirect share of SFPI in TEB Mali Yatırımlar A.Ş. to increase to 16.542% from 5.395%,
- f) Fortis Bank SA/NV to have 50% of indirect share in TEB Mali Yatırımlar A.Ş.,

B) Upon the article 93 of the Banking Law and pursuant to the article 13(3) of the Regulation on Principles for Establishment and Activities of Financial Leasing, Factoring and Financing Companies, BNP Paribas Fortis Yatırımlar Holding A.Ş. to acquire indirect share in TEB Tüketici Finansmanı A.Ş. which is a subsidiary of TEB Mali Yatırımlar A.Ş. with a share ratio by 100%.

- 10.** Pursuant to the Resolution of the Board dated September 21, 2010 and Nr. 3860; it is deemed appropriate within the scope of article 13 of the Regulation on Principles for Establishment and Activities of Financial Leasing, Factoring and Financing Companies that share of TEB Finansal Kiralama A.Ş. by 89.99% to be transferred to Fortis Finansal Kiralama A.Ş., without prejudice to the Turkish Commercial Code and other related legislation.
- 11.** Pursuant to the Resolution of the Board dated September 21, 2010 and Nr. 3861; it is deemed appropriate within the scope of article 13 of the Regulation on Principles for Establishment and Activities of Financial Leasing, Factoring and Financing Companies that share of EB Tüketici Finansman A.Ş. by 79.99% to be transferred to BNP Paribas Personal Finance S.A., without prejudice to the Turkish Commercial Code and other related legislation.
- 12.** Pursuant to the Resolution of the Board dated September 30, 2010 and Nr. 3865; it is deemed appropriate within the scope of article 13 of the Regulation on Principles for Establishment and Activities of Financial Leasing, Factoring and Financing Companies that partnership shares of Kapital Factoring Hizmetleri A.Ş.

and Atak Faktoring Hizmetleri A.Ş. by 99% to be transferred to Kapital Mali ve Gayrimenkul Yatırımlar Holding A.Ş., without prejudice to the Turkish Commercial Code and other related legislation.

- 13.** Pursuant to the Resolution of the Board dated September 30, 2010 and Nr. 3868; it is deemed appropriate pursuant to the article 18 of the Banking Law that share transfers after the death of Recep Sami YAZICI who had a share by 45% in Diler Yatırım Bankası A.Ş., which bears the result that direct share of his wife, Fatma Tuba YAZICI, to increase to 26,719% from 0% as well as direct and indirect share total of his children Samim YAZICI, Eren Sami YAZICI and Ömer Mustafa YAZICI to increase to %13,430% from 0%, due to the distribution of estates.
- 14.** Pursuant to the Resolution of the Board dated December 09, 2010 and Nr. 3958; it is deemed appropriate that 192.408.550.200 shares which is directly equivalent to 95% of the Millennium Bank A.Ş. to be taken over by CEB N.V. which bears the results that Credit Europe Group N.V. to directly acquire 94.74% of the Bank, Fiba Holding A.Ş. to acquire 89.5% and Hüsni M. ÖZYEGİN to acquire 94.1%, within the scope of article 18 of the Banking Law, and share BCP Internacional II and Sociedade Unipessoal SGPS Lda owns to decrease to 5% from 100%.
- 15.** Pursuant to the Resolution of the Board dated December 09, 2010 and Nr. 3961; it is deemed appropriate within the scope of article 18(6) that shares of Citigroup Inc. to decrease to 12.3% from 27.2% due to the fact that the United States Department of Treasury sold 4.1 billion shares it owns in Citigroup, since this bears the result that direct shareholding ratio of the United States Department of Treasury in Citibank Overseas Investment Corporation which directly owns Citibank A.Ş. wholly and indirect shareholding ratio in Citibank A.Ş. to decrease in ratios within the scope of the ratios prescribed in article 18(1) of the Banking Law; and shareholder ratio in Citibank Overseas Investment Corporation which is a direct shareholder of Akbank T.A.Ş. by 20% to decrease below the ratios stipulated in the article 18(1) of the Law.
- 16.** Pursuant to the Resolution of the Board dated December 21, 2010 and Nr. 3983; it is deemed appropriate within the scope of article 18 of the Banking Law that 19.85% of share of General Electric Araştırma ve Müşavirlik Ltd. Şirketi (GE Araştırma) in Garanti Bankası A.Ş. by 20.85% to be transferred to GE Capital Corporation (GECC) via downstream transactions, which bears the result that the direct share of GE Capital Corporation (GECC) in T. Garanti Bankası A.Ş. to increase to 19.85% and the share of General Electric Araştırma ve Müşavirlik Ltd. Şirketi (GE Araştırma) in the Bank to decrease to 1%, indirect shareholding of General Electric Global Capital Financial Holdings (GEGCFH), General Electric Capital Fleet Services International Holdings (GECFSIH), General Electric Capital International Financing Corporation (GECIFC), General Electric France Financial Holdings LLC (GEFFH) and General Electric France SNC (GE France) in the Bank to decrease to zero.
- 17.** Pursuant to the Resolution of the Board dated December 30, 2010 and Nr. 3998; it is deemed appropriate upon the article 19 of the Banking Law and pursuant to the article 13 of the Regulation on Merger, Acquisition, Division and Changes in Shares of Banks that share transfer contract signed upon the authority granted from their general boards and the amendment draft on articles 5, 22, 24 and 31 of the articles

of association of Türk Ekonomi Bankası A.Ş. to be approved by members of board of directors of Fortis Bank A.Ş. and Türk Ekonomi Bankası A.Ş..

### Partial Division Permissions

Pursuant to the Resolution of the Board dated March 03, 2010 and Nr. 3566; it is deemed appropriate pursuant to the Article 13(1) of the Regulation on Principles for Establishment and Operations of Financial Leasing, Factoring and Financing Companies that capital shares of FFK Fon Finansal Kiralama A.Ş. owns in Türkiye Finans Katılım Bankası A.Ş. and Kaynak Finansal Kiralama A.Ş. by 3.44% and 45%, respectively in line with the financial statements dated June 30 ,2009 to be partly divided via investing as capital in kind to the newly established company titled as Gözde Finansal Hizmetler A.Ş., without prejudice to the provisions of other related legislation.

### Cross-Border Activities, Permissions for Opening Representative Offices and Branches, Registration Transactions

In 2010, four banks were granted permission to have subsidiaries abroad, six banks were granted permission to open branches abroad and one bank was granted permission to open representative offices abroad.

On the other hand, pursuant to the article 8 of the Financial Leasing Law, in cases where financial leasing companies residing abroad have no branches in Turkey, the financial leasing contracts thereto are registered by the Agency. Accordingly, the Agency registered 66 financial leasing contracts on air vehicles in 2010.

On the other hand, applications of three banks established abroad to open branches in Turkey were approved in 2010.

**Table 2-15: Permissions for Representative Office in Turkey**

| Name of Bank                                       | Country of |                  | Date of Activity |
|--|------------|------------------|------------------|
|  | Origin     | Date/ Number     |                  |
| Banca Infrastrutture Innovazione e Sviluppo S.p.A. | Italy      | 22/01/2010- 3506 | 24/06/2010       |
| Wells Fargo Bank N.A.                              | USA        | 15/04/2010- 3633 | 01/06/2010       |
| QInvest LLC  | Qatar      | 27/10/2010-3910  | -                |

In 2010; four foreign bank representatives ended their activities; which are Wachovia Bank N.A., Royal Bank of Canada (Suisse), Credit Suisse Securities (Europe) and Banque de Commerce et de Placements S.A..

### 2.2.3.2. Evaluation and Enforcement Activities

In line with evaluation and enforcement activities, information obtained from on-site audit and surveillance results are evaluated along with the information and documents received from institutions subject to audit and external audit companies as well as other persons and institutions and organizations, so as to ensure institutions to operate in compliance with the legislation. Measures determined as a result of the

evaluation are delivered to the related institutions for necessary transactions and are taken into consideration in supervision and surveillance.

In addition, within the scope of evaluation and enforcement activities, complaints and denunciations submitted to the Agency concerning institutions and subjects under the Banking Law as well as complaints and denunciations for settling disputes that may arise among these institutions and third parties, excluding private law relations.

In 2010, 12 denunciations were filed concerning persons who were determined to be responsible for various banks in consequence of on-site audit and surveillance results as well as the evaluations of denunciations and complaints; accordingly, signature authorization of 12 persons were terminated temporarily and authorities to sign which had been terminated previously of 10 persons were restored. Eight denunciations were filed concerning persons who were determined to be responsible regarding various factoring companies and unlicensed factoring transactions.

Pursuant to the Banking Law, 24 administrative fines were imposed concerning development and investment banks, upon the said Law and the Financial Leasing Law Nr. 3226, 13 administrative fines were imposed concerning the related persons and institutions.

**Table 2-16: Distribution of Administrative Fines**

| Institution                      | 2009       |              | 2010       |              |
|----------------------------------|------------|--------------|------------|--------------|
|                                  | Number     | % Share      | Number     | % Share      |
| Banks                            | 173        | 77.2         | 142        | 89.9         |
| Deposit and Participation Banks  | 156        | 64.1         | 118        | 74.7         |
| Development and Investment Banks | 17         | 13.2         | 24         | 15.2         |
| Representatives of Foreign Bank  | 27         | 0.0          | 0          | 0            |
| Leasing and Factoring Companies  | 16         | 3.0          | 13         | 8.2          |
| External Audit Companies         | 11         | 18.0         | 5          | 1.3          |
| Asset Management Companies       | 1          | 1.8          | 0          | 0            |
| Valuation Companies              | 0          | 0.0          | 1          | 1            |
| <b>Total</b>                     | <b>228</b> | <b>100.0</b> | <b>161</b> | <b>100.0</b> |

Adaptation operations initiated in order the financial leasing, factoring and financing companies of which supervision and surveillance have been under the responsibility of the Agency as of January 01, 2006 comply with the provisions of the Regulation on Principles for Establishment and Activities of Financial Leasing, Factoring and Financing Companies were carried on. Adaptation operations include submission of the information and documents determined in the said Regulation to the Agency as well as forming an opinion that companies have established appropriate service departments and internal control, accounting, data processing and reporting systems, adequate personnel were employed for these departments and appropriate job definitions and authorities and responsibilities of the personnel were determined.

Accordingly, upon the Resolution of the Board in various dates, adaptation processes to the said Regulation of all companies were concluded in 2010.

### Box-3: Coordination Committee Activities

According to the article 100 titled "Coordination Committee" of the Banking Law, it is foreseen that a coordination committee formed by the Chairman and the vice-chairmen of the Agency and the Chairman and vice-chairmen of the SDIF shall be established.

According to the article mentioned, this Committee is entitled to share; information regarding general status of Banking sector, measures taken in consequence of audits realized in credit institutions, analysis results of credit institutions showing their financial structures to be used in the calculation of risk-based insurance premiums, account numbers of deposit and participation accounts, exchange of necessary information about insured deposit and participation funds as well as total deposit and participation fund amounts; and to provide that maximum coordination is established between the Agency and the Fund in subjects that fall within the sphere of duty of the Fund and in situations which requires transactions. It is foreseen in the Law that the Committee shall meet at least quarterly and in a frequency approved by both parties and that the information and documents demanded by parties from themselves shall be shared in a compromised period.

The Committee has gathered four times in 2010 in January 15, 2010, April 30, 2010, July 7, 2010 and October 22, 2010 and information were exchanged on general status of banking system, measures to be taken in consequence of audits of credit institutions, calculation of risk-based insurance premiums and situations which require transactions to be realized by the SDIF.

Furthermore, in 2010, evaluations of the reports concerning information systems and banking processes audits conducted by external audit institutions in banks were made. Hence, primarily, findings in the reports were analyzed and evaluations were made in bank basis. Subsequent to these evaluations, opinions of banks regarding the findings included in the reports and action plans thereto approved by the administrative board were received through BADES implementation. The plans presented were examined and their adequacy was evaluated accordingly.

Upon the Circular Nr. 1 dated February 17, 2010, it is provisioned that the surveillance of the process concerning information systems and banking processes audit performed by external audit institutions in banks shall be made through BADES. Follow-up of external audit, human resource, planning, contract and engagements is carried out through BADES. In addition, submission to the Agency and follow-up of information systems and banking processes audit reports and findings as well as bank action plans were begun to be realized through BADES.

On the other hand, in the light of information, findings and determinations presented in information systems and banking processes external audit reports belonging to 2009; "Turkish Banking Sector Information Systems Evaluation Report" was prepared so as to evaluate information systems profile of the banking sector in a broad point of view. Besides, operations to improve BADES implementation have been finalized in a



way to include functions such as establishing an infrastructure for efficient submission, evaluation and follow-up of reports, results and findings concerning information systems audits realized by external audit institutions, efficient prosecution of follow-up process concerning audit results in Agency-external audit company-bank triangle, establishing functions for submission, evaluation and follow-up of bank action plans concerning the findings and realizing submission and follow-up of corporate information about external audit companies.

**Table 2-17: Distribution of Denunciations and Complaints by Subject**

| Subjects  | 2009         |              | 2010         |              |
|---|--------------|--------------|--------------|--------------|
|   | Number       | % Share      | Number       | % Share      |
| Credit Cards  | 1,720        | 27.2         | 2,112        | 27.7         |
| Consumer Loans  | 1,458        | 23           | 1,383        | 18.1         |
| Interest, Fees and Commissions                        | 545          | 8.6          | 678          | 8.9          |
| Corporate Loans                                       | 544          | 8.6          | 331          | 4.3          |
| Negative Loans  | 501          | 7.9          | 504          | 6.6          |
| Deposit and Participation Fund Accounts               | 459          | 7.3          | 867          | 11.4         |
| Problems Emanating from Cheques                       | 114          | 1.8          | 94           | 1.2          |
| Bank not Responding to an Application                 | 88           | 1.4          | 176          | 2.3          |
| Departments and Legal Entity of the Agency            | 88           | 1.4          | 45           | 0.6          |
| Denunciations   | 48           | 0.8          | 35           | 0.5          |
| ATM Problems  | 39           | 0.6          | 54           | 0.7          |
| Liquidation Operations of İhlas Finans A.Ş.           | 32           | 0.5          | 37           | 0.5          |
| Factoring Companies                                   | 30           | 0.5          | 15           | 0.2          |
| Departments and Legal Entity of the SDIF              | 24           | 0.4          | 9            | 0.1          |
| Maltreatment of Bank Personnel                        | 22           | 0.3          | 36           | 0.5          |
| Money Transfer Transactions                           | 18           | 0.3          | 36           | 0.5          |
| Pledge/Mortgage Problems                              | 18           | 0.3          | 26           | 0.3          |
| Stocks  | 17           | 0.3          | 11           | 0.1          |
| Financial Leasing Companies                           | 14           | 0.2          | 13           | 0.2          |
| Off Shore   | 14           | 0.2          | 2            | 0.0          |
| Property Investigation                                | 10           | 0.2          | 13           | 0.2          |
| Financing Companies                                   | 9            | 0.1          | 11           | 0.1          |
| Banking Activities Made due to Special Acts/Contracts | 7            | 0.1          | 18           | 0.2          |
| Deposit Insurance                                     | 6            | 0.1          | 4            | 0.1          |
| Demands of Court Prosecutor's Office/Legal Authority  | 4            | 0.1          | 1            | 0.0          |
| Government Securities                                 | 2            | 0            | 1            | 0.0          |
| Job Applications                                      | 2            | 0            | 0            | 0.0          |
| Internet Banking                                      | 0            | 0            | 7            | 0.1          |
| Other Subjects  | 496          | 7.8          | 1,108        | 14.5         |
| <b>Total</b>  | <b>6,329</b> | <b>100.0</b> | <b>7,627</b> | <b>100.0</b> |

On the other hand, as a result of the evaluation of complaints and denunciations submitted to the Agency concerning institutions and subjects within the scope of the

Banking Law as well as the requests and complaints submitted to the Agency for resolving the contradictions that may arise among institutions within the scope of the Law and the third parties, excluding private law relations, transactions were carried out concerning 7.627 requests and complaints submitted to the Agency in person and via e-mail.

When the complaint petitions submitted to the Agency are analyzed by subject, it is observed that the most intensive application is realized in credit cards. The Agency cannot interfere with the contradictions, as long as the cases subject to complaint do not violate the mandatory provisions of the Banking Law and Bank Cards and Credit Cards Law.

**Table 2-18: Distribution of Complaints Concerning Credit Cards**

| Subjects                                    | 2009         |              | 2010        |              |
|---|--------------|--------------|-------------|--------------|
|   | Number       | % Share      | Number      | % Share      |
| Restructuring of the Debt                   | 590          | 34.3         | 311         | 14.7         |
| Credit Card Fees and Commissions            | 225          | 13.1         | 371         | 17.8         |
| Issuing Card without Informing the Customer | 107          | 6.2          | 16          | 7.7          |
| Bank not Cancelling Credit Card             | 105          | 6.1          | 231         | 11.2         |
| Insurance Problems                          | 103          | 6.0          | 18          | 8.6          |
| Stolen/Lost/Fraud                           | 85           | 4.9          | 71          | 3.3          |
| Non-agreement in the Amount of Debt         | 60           | 3.5          | 11          | 5.4          |
| Credit Card/POS Machine not Granted         | 47           | 2.7          | 4           | 2.1          |
| Interest relating Problems                  | 43           | 2.5          | 41          | 2.3          |
| Bank not Responding to an Application       | 35           | 2.0          | 5           | 2.5          |
| Limit Excess                                | 25           | 1.5          | 2           | 1.3          |
| Granting Card to an insolvent person        | 22           | 1.3          | 11          | 0.9          |
| Account Statement                           | 21           | 1.2          | 3           | 1.7          |
| Automatic Payment Order                     | 19           | 1.1          | 1           | 0.3          |
| Campaign                                    | 17           | 1.0          | 5           | 2.5          |
| Indemnity Problems                          | 5            | 0.3          | 1           | 0.2          |
| Customer Confidentiality                    | 5            | 0.3          | 1           | 0.1          |
| Other Subjects                              | 206          | 12.0         | 37          | 17.6         |
| <b>Total</b>                                | <b>1,720</b> | <b>100.0</b> | <b>2,11</b> | <b>100.0</b> |

Within the scope of the provisions of the Right to Information Act Nr. 4982, 10.429 applications were made to the Agency and information and documents concerning 14% of these were accessed.

**Table 2-19: Applications made to the Agency within the Scope of Right to Information Act**

| Result of the Application                                    | 2009         |              | 2010          |              |
|--|--------------|--------------|---------------|--------------|
|  | Number       | Share%       | Number        | Share%       |
| Provided Full Access To Information Or Documents             | 1,219        | 16.0         | 1,285         | 12.3         |
| Provided Partial Access To Information Or Documents          | 294          | 3.9          | 179           | 1.7          |
| Denied   | 6,120        | 80.1         | 8,927         | 85.6         |
| Provided Access by Deducting/Discarding Confid./Secret Info. | 1            | 0.0          | 1             | 0.0          |
| Redirected To Other Institutions                             | 2            | 0.0          | 37            | 0.4          |
| Denied And Became Subject Of Objection To Jurisdiction       | 1            | 0.0          | 0             | 0.0          |
| <b>Total</b>   | <b>7,637</b> | <b>100.0</b> | <b>10,429</b> | <b>100.0</b> |

## 2.2.4. Research Activities

### 2.2.4.1. Working Papers

In 2010, research and analysis studies on subjects within the Agency's duty scope were carried on. Hence, the revised third edition of the Financial Sector Restructuring: Turkey Experience, which was initially prepared in 2009, and is about the restructuring of Turkish banking system, was published in September, with a new take on lessons for global financial crisis.

### 2.2.4.2. Periodicals

2010 became a year, in which global activity entered into a recovery, and international financial markets displayed a more stable trend. In this period, a clear asymmetry was also observed in the performances of emerging market economies and developed economies. In the said conjuncture, operations for mainly monitoring and evaluating national and international economic and financial developments and for determining the possible risks of these on banking system were carried out. The results of these efforts as well as periodicals and reports/notes have been presented to the usage of those concerned.

Pursuant to the Article 97 of the Banking Law, the Financial Markets Report on important developments experienced in financial sector and performances of banks as well as leasing, factoring and financing companies have been enriched and continued to be published. In the report which is published quarterly and announced to public on the official web-site of the Agency; economic developments, financial sector evaluation and banking sector risk analysis take place mainly, and the scopes of analysis and examinations concerning risk level of the banking sector were expanded. Furthermore, "General Outlook of Turkish Banking System", which gives information on the number of personnel and branches in Turkish Banking Sector quarterly as well as on important items of their assets and liabilities, profitability structure and development of these, continued to be published on the official web-site of the Agency.

Fourth edition of the Structural Developments in Banking, which is a supplementary of the Financial Markets Report and includes the evaluations regarding structural developments in banking sector and non-bank financial sector, was published. With

this report, it is aimed that market structure, intermediation activities and restructuring process of banking sector as well as integration process with foreign markets particularly EU and the developments concerning the capacity of the sector are monitored and evaluated.

Seventh edition of the Turkish Banking Sector Foreign Exchange Evaluation Report was announced to public in 2010. In the mentioned periodical, development of foreign exchange provision in bank group basis and derivative transactions with which banks balance their on-balance sheet positions are analyzed in detail and GAP analysis of the sector is made in FX basis according to the re-pricing period.

In 2010, the periodicals of many authorities such as the Committee of European Banking Supervisors, the Bank for International Settlements and equivalent supervisory authorities in other countries have been followed and the developments considered important have been analyzed in detail and continued to be published in the Risk Bulletin.

Furthermore, so as to contribute to the development of financial markets and to support academic studies, the Journal of BRSA Banking and Financial Markets which is a refereed journal including original articles in Turkish and in English is continued to be published in its fourth year.

### 2.2.4.3. Projects

In order to review and neutralize the factors which prevent the banking sector to achieve international competitive power and to operate profitably, productively and rationally; operations continue for detecting and decreasing intermediation costs, removing competition barriers which the institutions subject to supervision encounter through cooperation to be established between the institution concerned, and developing policies to bring competitive power to the financial system. Accordingly; a working group was constituted in coordination of the Agency and a competition questionnaire for banks was taken so as to be included in the report the working group shall prepare. Besides, intermediation costs questionnaire was prepared so as to measure the factors in detail which determine intermediation costs and the draft thereto was submitted to the working group for opinion.

Within the scope of the operations for strengthening cooperation between the Agency and the institutions, employee associations and unions, operations continue, under the guidance of the Agency, for constituting a mutual platform which is also supported by an electronic portal between the representatives of institutions concerned and employee associations. In line with the platform, it is foreseen that working groups shall be constituted on subjects such as regulations regarding the sector, innovations, mutual problems, professional cases and training and the exposure draft on working procedures and principles of the platform has been submitted to the opinion of the institutions concerned, associations/unions and employee organizations.

In line with the project of establishing mechanisms that shall provide cooperation and coordination between the institutions which are member of the Financial Sector Commission; the portal which has been opened for the access of the said institution representatives is being used actively; and the portal enables notifications concerning

the activities of the Commission to be made on time, evaluations made in the meetings and determinations reached as well as suggestions to be shared efficiently and rapidly with the persons concerned.

Operations continue on preparing a financial services guideline and establishing systems that shall resolve the problems on time that stem from the services customers receive.

## **2.2.5. Activities Concerning Corporate Governance**

### **2.2.5.1. Strategies and Policies**

In 2010, the most important activity carried out in strategy and policies was the enforcement of the BRSA Strategic Plan (2010-2012) upon the Resolution of the Banking Regulation and Supervision Board dated May 06, 2010 and Nr. 3657. The Plan which was shaped in the light of the needs of the Agency and the sector, opinions and suggestions of the stakeholders in the market, the international best practices and experiences of equivalent authorities were put into force valid from January 01, 2010.

Moreover, in the scope of the IFC Strategy and Action Plan; working committees was participated actively, necessary coordination in and out of the Agency concerning the activities under the direct responsibility of or in cooperation with our Agency, and monitoring/evaluation activities have been realized.

On the other hand, Main Strategies and Policies Guide which aims to monitor, implement and report effectively and efficiently the strategies and policies constituted in various levels concerning the sphere of duty of the Agency continued to be published and the Guide was shared by the Agency more effectively through intranet of the Agency.

In 2011, in respect of strategies and policies; it is planned that the BRSA Strategic Plan will continue to be implemented with all its elements, the second Financial Sector Evaluation Program (FSAP-Turkey) shall be put into practice and the activities stipulated to be performed within the scope of IFC Project shall be carried on.

### **2.2.5.2. Systemic Risk Coordination Committee**

The Systemic Risk Coordination Committee was constituted so as to; strengthen coordination, cooperation and exchange of information between parties within the scope of the Systemic Risk Cooperation Protocol Concerning Financial System put into force in April 14, 2009 in order to ensure the procedures and principles for the cooperation to determine the measures to be taken effectively and rapidly for establishing stability, in case, within the scope of the article 72 of the Banking Law, it is determined, collectively, by the Turkish Treasury, Banking Regulation and Supervision Agency, Savings Deposit Insurance Fund and Central Bank of the Republic of Turkey that there are serious threats against stability of the financial sector. According to the said protocol, it is foreseen that the Committee shall meet at least twice a year.

**Box-4: Istanbul International Financial Center (IFC) Project**

IFC Strategy and Action Plan which was approved upon the Decision of the High Planning Council Nr. 2009/3 dated September 29, 2009 and published in the OG dated October 02, 2009 and Nr. 27364 calls for that Istanbul shall be transformed into at first a regional, and ultimately a global financial center. Strategy Document comprises of the primary activity fields, assessment and targets concerning these fields; and presents a detailed action plan concerning each field of activity. Main fields of activity as well as targets relating thereto within the Document are as follows:

**Enhancing Legal Infrastructure:** Improving jurisdiction system, developing alternative solutions for disputes as well as the related legislation,

**Increasing Diversity of Financial Products and Services:** Increasing the product and service range, making the conditions they are offered attractive, creating an environment convenient for developing and offering new products and services in line with investor demands,

**Building a Simple and Effective Tax System:** Decreasing transaction costs to a competitive level, removing ambiguities for financial institutions and investors and promoting initial public offering,

**Improving Regulatory and Supervisory Framework:** Bringing the regulatory framework to a flexible structure that may respond to rapid changes, strengthening the current structure relating to procuring permanent and efficient cooperation-coordination between regulatory and supervisory authorities and managing systemic risk,

**Enhancing Physical Infrastructure:** Increasing quality and standards in living spaces, security and transportation as well as technology throughout Istanbul,

**Strengthening Technologic Infrastructure:** With intent to strengthen technology and communication infrastructures and to provide electronic communication services in fast, reliable, uninterrupted and low-cost manner, bringing the said sectors to a more competitive structure; reviewing the public burdens on them,

**Establishing IFC-Istanbul Organizational Structure:** Carrying out the operations mainly in cooperation of private and public sectors and via joint working groups,

**Developing Human Resources:** Strengthening the cooperation between universities and financial sector for increasing current human resource and creating qualified human resource in certain special fields in finance, renewing training contents in finance, constituting a compatible human resource in finance, improving coordination between the related institutions, improving foreign language knowledge,

**Promoting IFC-Istanbul and Building its Image:** Publicizing the project accurately and efficiently, monitoring and managing image of the project and Istanbul constantly,

**Monitoring and Evaluation of the Strategy and Action Plan:** Sharing the evaluations made on developments in becoming an international financial center with public.

On the other hand, pursuant to the Prime Ministry Circular published on the OG dated May 01, 2010 and Nr. 27568, eight working committees were constituted and began to operate so as to carry out the technical works concerning the main fields of activity included in the Action Plan. The BRSA actively participates in the committees on Law, Markets and Instruments, Tax, Regulatory and Supervisory Frame, Infrastructure, Technology and Human Resources.

The Committee held its first meeting in February 2010; it was decided in this meeting that Legislation Working Group and Analysis and Evaluation Group shall be established. In 2010, the said sub-working groups gathered six times; focusing on activities of strengthening the legal infrastructure of the Committee, specifying the outlook relating to stress test infrastructure, determining data and regulation need, earning prominence in organizational structures, updating Systemic Risk Cooperation Protocol Concerning Financial System and annexes as well as scenario and measures concerning stress tests.

### 2.2.5.3. Financial Sector Commission

Pursuant to the article 99 of the Banking Law; the Financial Sector Commission consisting of the representatives of Agency, Ministry of Finance, the Treasury Undersecretariat, Central Bank, Capital Market Board, Saving Deposit Insurance Fund, Competition Board, Undersecretariat of State Planning Organization, Istanbul Gold Exchange, Istanbul Stock Exchange, Futures and Options Markets and the associations of institutions, has been established to ensure exchange of information, cooperation and coordination among institutions, propose joint policies and express views regarding the matters that relate to the future of the financial sector.

The Commission convenes at least once in six months upon the provision of the Banking Law. According to the Regulation on Working Procedure and Principles of Financial Sector Commission, the meetings of the Commission are realized in May and November of every year. In this framework, The Commission's first meeting was realized in May 2006 and ten meetings have been realized so far. The Commission convened twice in 2010 in May and November.

In the stated meeting of the Commission dated May 31, 2010, the following topics were discussed;

1. Evaluation of developments concerning financial sector,
2. New tax implementations for financial sector activities,
3. Within the scope of exchange of information among institutions; works on the Project of Istanbul as a Financial Centre, 2010 working programs of member institutions/organizations regarding financial sector.

In the stated meeting of the Commission dated November 26, 2010, the following topics were discussed;

1. Developments concerning financial sector,
2. Post-crisis new competition understanding in financial markets,
3. Within the scope of exchange of information between institutions;
  - Activities carried out within the scope of G-20, Financial Stability Board (FSB), International Organization of Securities Commissions (IOSCO), Basel Committee on Banking Supervision (BCBS), International Monetary Fund (IMF) and World Bank as well as Organization for Economic Cooperation and Development (OECD) memberships and methods to increase the efficiency of the mentioned activities,

- In accordance with the Financial Sector Evaluation Program (FSAP) to be held in 2011; cooperation between institutions regarding consolidated supervision and financial conglomerates,
- Developments regarding Project of Istanbul as a Financial Centre,
- Other topics deemed beneficial to be shared.

The results of the meeting were submitted within the scope of the provisions of the Regulation on Working Procedures and Principles of Financial Sector Commission to the Council of Ministers subsequent to signing of the parties.

In order to ensure exchange of information among the members of Financial Sector Commission, the portal brought into service of member institutions and organizations in 2009 was used actively also in 2010 in obtaining on time and efficient exchange of information regarding the activities of the Commission as well as communication.

#### 2.2.5.4. Institutional Cooperation

##### **Relations with Domestic and Foreign Institutions**

Pursuant to the article 98 of the Banking Law, mutual exchange of views and information were carried on also in 2010 between Turkish Treasury, CMB, SPO, SDIF and CBRT, in order to ensure coordination and cooperation between institutions on subjects relating to following money, loan and banking policies. Besides, information was exchanged with other public institutions and organizations particularly the Undersecretariat of Foreign Trade (UFT) on subjects regarding banking sector.

The Agency participated in the technical delegation meetings assembling in Ankara periodically with participations of the Republic of Turkey and Turkish Republic of Northern Cyprus and the meeting held in Nicosia in October 20-22, 2010 for reviewing the financial protocol between two countries. In the negotiations made with authorities of the Central Bank of Republic of Indonesia in January 27, 2010 and authorities of the Central Bank of Republic of Kosovo in July 20, 2010, opinions regarding banking sector were exchanged, furthermore training was provided for 15 personnel of the Central Bank of Republic of Kosovo responsible for supervision in December 20-24, 2010 concerning Basel 2 and Basel 3 practices.

On the other hand, meetings were held with several institutions and organizations which operate in international field and opinions were delivered on reports regarding our country prepared by international rating institutions.

##### **Relations with the EU**

Operations of implementing the commitments on subjects that fall under the sphere of duty of the Agency under the title of Ability to Assume the Obligations of Membership included in the National Program of Turkey for the Adoption of the EU Acquis published in the Official Gazette dated December 31, 2008 and Nr. 27097 were carried on.

The Agency representatives participated in the meetings of Internal Market and Competition Sub-Committee Nr. 2, one of the eight sub-committees founded upon the Decision Nr. 3/2000 of the EU-Turkey Association Council and which aims to direct



the analytic inspection process concerning the legislation between EU and our country held in January 19, 2010 and Economics and Monetary Issues, Capital Movements and Statistics Sub-Committee Nr. 4 in February 02, 2010 in Ankara and presentation was made relating to the developments realized in Turkish banking sector.

The Project titled as “Strengthening Macro and Micro Supervision in Countries which are Candidates or Potential Candidates to European Union” carried out by the European Central Bank (ECB) within the scope of the European Union Multi Beneficiary IPA Program was brought into force and related personnel of the Agency participated in the training programs executed in 2010 in line with the said Project.

#### **Relations with the IMF**

Negotiations were made with the IMF delegations who visited our country within the scope of Post-Program Monitoring Operations with the International Monetary Fund (IMF) on topics regarding banking sector and under the sphere of duty of the Agency. In line with the “Post-Program Monitoring Operations” the IMF conducted in Turkey, a meeting was held with the IMF authorities on December 03, 2010 concerning the developments on banking sector.

#### **Relations with other International Institutions**

The Agency participates in the meetings of the Bank for International Settlements (BIS) Basel Committee on Banking Supervision (BCBS) which are held in Basel quarterly and which the Agency became a member in 2009. The Agency also became a member and participated in the activities of 20 sub-committees of the said Committee that operate in the second and third level.

In line with the operations conducted within the structure of the Organization for Economic Cooperation and Development (OECD); the Agency participated in the Working Groups it is related to, particularly the OECD Financial Markets Committee.

The Agency became a member of the Islamic Financial Services Board - IFSB in December 14, 2010, which was founded in 2002 so as to develop the best practices in regulation and supervision of Islamic financial services, announcing and standardizing thereof and which has 195 members.

#### **2.2.5.5. Informing Public**

The Agency informs the public with various instruments and methods concerning regulating and supervision activities primarily, thus providing contribution to transparency in financial system.

**Interactive Monthly Bulletin:** Interactive monthly bulletin application is presented to the public by reviewing as to form amendments made in August 2010 with “Basic Analysis” in which main statements can be analyzed in period basis by adding new items to it and, “Advanced Analysis” in which all data items can be analyzed on time basis.

**Non-Bank Financial Institutions Interactive Bulletin:** The study of interactive bulletin application for non-bank financial institutions has been completed and presented to the public in 2010. Data published quarterly, , was presented to the public by the mediation of interfaces of “Basic Analysis” in which the users can analyze main

statements periodically and “Advanced Analysis” in which the users can analyze all data items in time series basis as in Interactive Monthly Bulletin Application.

**Financial Map of Turkey (FINTURK):** FINTURK application, aiming to see banking sector deposit and loan information presentation in province basis and geographic distribution of financial services quarterly has been published on the official web-site of the Agency as of 2008, starting from December 2007 data. Within the scope of the application, as of September 2010, the presentation manner which was “the province in which the branch to which the customer is related is found” has been changed as “the province in which the customer is resident”. With the said amendment, it is aimed that the deposit and loan information of customers of branches in provinces they are not residents to be monitored in the provinces they are residents, thus to monitor more accurately the access level of users to financial services in a definite province. The studies concerning updating FINTURK application according to expectation and requirements of users are continuing.

**Publishing Cost Information of Individual Customers:** While regulation studies initiated in 2010, for providing opportunity to banks to publish the information of all non-interest component and legal deduction in reply to services given and information of interest rate for certain banking products which is main cost component on their web-site and on the official web-site of the Agency simultaneously, was completed in the first months of 2011, it is planned to start using the application following the completion of technical infrastructure and test studies, in the second quarter of the year.

**Reporting made to International Institutions:** Bank profitability-Financial Statements of Banks, including each year-end information starting from 2002 period, has been transmitted to OECD by producing it for end-2009. By holding annual meetings with authorities of the said institutions and the CBRT; the content of information, reasons of periodical variance and changes were explained orally.

Certain amendments were made by the IMF in ratios prepared by the IMF under the name of Financial Stability Indicators (FSIs) and reporting files used in transfer of detailed data relating to them with a view to determine powerful and fragile sides of financial system in world scale and develop adequate policies in the light of these information. Due to the changes made, the required amendments were realized in the said ratio set infrastructure and uploaded to IMF database with previous period data prepared pursuant to new template. The said data is published on <http://fsi.imf.org/> pursuant to new presentation which IMF has renewed with data of other participant countries.

### 2.2.6. Advisory Activities

Within the scope of advisory activities, the actions on representation of the Agency in front of the legal and administrative authorities and execution offices in following-up, defending and resolving all kinds of disagreements to which the Agency is a party or the Agency is related as well as declaring opinion on legal subjects were continued in 2010.

**Table 2-20: Cases to which the Agency is a Party**

| Type of Cases          | 2009          |              | 2010          |              |
|------------------------|---------------|--------------|---------------|--------------|
|                        | Number        | %            | Number        | %            |
| Administrative Cases   | 25,306        | 98.5         | 25,339        | 98.6         |
| T. İmar Bankası T.A.Ş. | 23,723        | 92.3         | 23,723        | 92.3         |
| Demirbank T.A.Ş.       | 1,173         | 4.6          | 1,173         | 4.6          |
| Other                  | 410           | 1.6          | 443           | 1.7          |
| Criminal Cases         | 171           | 0.7          | 160           | 0.6          |
| Civil Cases            | 209           | 0.8          | 197           | 0.8          |
| Pending Cases          | 24,582        | 95.7         | 24,482        | 95.3         |
| Finalized Cases        | 1,104         | 4.3          | 1,214         | 4.7          |
| <b>Total</b>           | <b>25,686</b> | <b>100.0</b> | <b>25,696</b> | <b>100.0</b> |

98.6% of the lawsuits to which the Agency is party are composed of administrative lawsuits. This situation is emanating from the full remedy actions brought by those demanding the compensation of losses claimed to be occurred because of treasury bills sale and deposit transactions realized by T. İmar Bankası T.A.Ş, licenses to perform banking operations and accept deposit of which were revoked and full remedy actions brought by small shareholders of Demirbank T.A.Ş. The remaining administrative lawsuits are composed of annulment and full remedy actions brought against banking legislation and against several administrative operations executed by the Agency and by the Board pursuant to the general legislation. On the other hand, the penal suits brought as a result of criminal complaints made by the Agency and legal actions brought against or by the Agency are also followed.

Within the scope of advisory activities, while a total of 92 legal opinions in various subjects, such as MoUs signed between the Agency and surveillance and supervision authorities of foreign countries and implementation problems relating to personnel regime, were given to the concerned units of the Agency, and 540 writs of various courts were answered.

On the other hand, relating to the Banking Law and the Law on Bank Cards and Credit Cards, and sub-regulations concerned, a total of 324 opinions were given, 154 of them were intra-agency and 170 of them were out of the Agency.

**Table 2-21: Opinions given to the Regulations Concerned**

|   | 2009       |                   |            | 2010       |                   |            |
|---|------------|-------------------|------------|------------|-------------------|------------|
|   | In Agency  | Out of the Agency | Total      | In Agency  | Out of the Agency | Total      |
| The Banking Law and Sub Regulations         | 58         | 82                | 140        | 66         | 84                | 150        |
| Legislation relating to Non-Bank Fin. Inst. | 9          | 31                | 40         | 12         | 16                | 28         |
| The Law Nr.5464 and the Related Regul.      | 16         | 10                | 26         | 9          | 12                | 21         |
| Accounting                                  | 14         | 34                | 48         | 16         | 25                | 41         |
| Other Legislation                           | 20         | 45                | 65         | 51         | 33                | 84         |
| <b>Total</b>                                | <b>117</b> | <b>202</b>        | <b>319</b> | <b>154</b> | <b>170</b>        | <b>324</b> |

## 2.2.7. Support Activities

### 2.2.7.1. Agency Management Information Systems

**Filing System:** As a result of tender initiated pursuant to the Law Nr. 4734 on Public Procurement, the work of transferring the documents, found in archive of the Agency, to digital media was continued on by the firm secured the tender.

**The Follow-up Implementation of Report/Letter/Duty:** The software has been brought into service completely, by preparing the follow-up implementation of report/letter/duty developed for document users belonging to Supervision units and completing the screens providing follow-up of point of views dependent on reports and answers given to them.

**Information Systems Supervision Follow-up Implementation:** The implementation was put into service to the auditor institutions by completing its developing stage. Data belonging to audits which the institutions made in 2010 has been transmitted to the Agency by software and its controls were realized on the software by the Agency. Thanks to the said implementation; all information concerning the audit of information systems were ensured to be transmitted to the Agency in approved manner by the authorities of the institutions concerned, by providing information flow between the Agency, banks, and external audit institutions on information systems.

Information belonging to legal entities, auditors and contract of external audit institutions, findings belonging to audit realized and answer of the bank concerned to these findings can be followed-up with the implementation. Besides, while the automation of information systems audit monitoring process is realized with the implementation, the process was enabled to be standard and surveillance/monitor and control mechanism on the process was improved. It is planned to integrate the Information Systems Audit Monitoring Implementation with "Monitoring Implementation and Authorization Activities relating to Banks in Electronic Media and Implementation Activities Internal Control System" in 2011. The studies concerning the subject were initiated and it is planned that the enforcement departments shall actively use the Monitoring Information Systems Audit Implementation, together with auditing departments.

**Reuters Services Infrastructure Improvement Studies:** The new generation software (Reuters Trader) has been put into service in 2010 with a view to present Reuters Services used in the structure of the Agency in a faster and more productive manner.

**Examination Application Page:** Examination Application implementation operating previously in two phases on internet and Windows has been rewritten in a manner to operate completely on the internet. During receiving application on internet, the application owners were avoided to make wrong/false entrance by providing taking identity information from Population and Citizenship affairs database and PPSE information from Student Selection and Placement Center database by the mediation of special services, and loss of time emanating from false and fake applications were prevented.

**Hard Disk Encryption of Laptop Computers:** Hard disks of laptop computers used by the Agency's career personnel are encrypted with a strong method in order to prevent the capture of confidential corporate information residing in the laptops especially while the personnel is off the Agency performing their audit duties .

**Preparation to National Cyber Security Exercise:** Under the supervision of the Center of Research for Advanced Technologies of Informatics and Information Security (TUBITAK UEKAE), and Information and Communication Technologies Authority (BTK), National Cyber Security Exercise was held with the participation of 39 government and private corporations with a view to increase awareness against dangers that may arise from virtual environment in country level and provide protection against these. on increasing the security of the Agency's information systems for arranged by the Scientific and Technological Research Council of Turkey, to which 39 agencies and institutions have participated together with the Agency, were made. In order to prepare for this event and increase the security level of the Agency's information systems, Agency's firewall software and hardware were updated and some new security services were purchased for intrusion detection and prevention as well as preventing distributed d service attacks.

**Improvement of the Back-up Solution:** In the direction of issues which were noted in the audit report of the Presidency of State Auditing Board, some studies were performed concerning the keep of the institutional data backups in a different building other than the Agency's Ankara building. Within this scope, a data backup server was purchased for Istanbul building, a new data backup server that can make data backups in higher and faster capacity and also a new tape backup unit were purchased for Ankara building. Besides, studies about the transfer of data backups from Ankara building to the newly purchased backup server in Istanbul using the leased line between two buildings in an encrypted fashion were completed. Now, copy of all user and system data backups began to be kept in both Ankara and Istanbul.

**System Room Monitoring Solution:** With the aim of being able to be timely informed about emergency states that might occur in information system rooms of Ankara and Istanbul such as power failure, fire, flooding , a new systems room monitoring system which declares such emergent conditions to cell phones of the personnel by SMS was put into effect.

**Monitoring of Implementation and Authorization Activities relating to Banks and Implementation Activities Internal Control Systems:** 15 sub-implementations were determined with requirement analysis made in 2010 and a software infrastructure was comprised for these implementations within the scope of study initiated in 2009. Besides, in these studies, the Board Resolutions sub implementation was completed and was opened to test, Person Infrastructure and User Management sub implementation were completed, bank party implementation study for Senior Management Notification implementation study was initiated. With the system brought, it is aimed to build an institutional memory by transferring operations realized in the structure of the Agency to electronic media from printed media, for providing permanency of operations independent from persons, and preventing inconsistencies. All sub implementations are planned to be put into service within the scope of the said system, development studies of which are continuing by completing them within the first half of 2011.

**BDTS - BRS Application and Hardware Upgrades:** Development processes for upgrade of current active BRSA Data Transfer System (BDTS) and Banks Reporting System Client Application, that provides financial institutions to transfer financial reports, were completed and test process was initiated. Certain upgrades were made in server application and the hardware to increase transfer performance of BDTS to the database. Accordingly, BDTS web site was developed with new technologies, and it is in test phase. The Banks Reporting System (BRS) Client Application and the BDTS web site are planned to be put into service in the first quarter of 2011.

**TUBİTAK (The Scientific and Technological Research Council of Turkey) Test Preparations:** Applications to be opened for the test of TUBİTAK Cyber Security Practice were determined, a related copy of current systems was set up on virtual servers.

**Computer-Aided Audit Application:** Application software prepared within the scope of "Computer-Aided Audit Application Software, Advisory, Training and Outsourcing Procurement Project", which was initiated relating to strengthening and developing on-site audit activities of the Agency, shall be taken over from the contractor company due to the fact that its term of guarantee and maintenance will be expired as of November 2011. Study groups were comprised in order for realizing the transfer operation without a problem and maintaining the system and related technical preparations in this direction are planned to be concluded up to the said date.

**Internet Applications:** The official web site of the Agency was visited 1.069.295 times by 366.554 visitors in 2010. The average visiting amount, displaying changes between 70.000 and 110.00 monthly, was realized around 90.000.

**Table 2-22: The Most Visited Pages within the Scope of the Agency's Web Site**

| Pages visited                   | 2009    |             | 2010    |             |
|---------------------------------|---------|-------------|---------|-------------|
|                                 | Number  | Share % (1) | Number  | Share % (1) |
| Loan Regulation Application     | 229,075 | 24.5        | 0       | 0.0         |
| Legislation                     | 183,612 | 19.6        | 204,422 | 25.1        |
| Human Resources / Announcements | 172,788 | 18.5        | 169,134 | 20.8        |
| Publications/Reports            | 113,420 | 12.1        | 130,073 | 16.0        |
| Contact Us                      | 55,978  | 6.0         | 86,742  | 10.6        |
| Institutions                    | 50,945  | 5.4         | 80,995  | 9.9         |
| Statistical Data                | 57,421  | 6.1         | 74,359  | 9.1         |
| Basel 2                         | 26,942  | 2.9         | 39,073  | 4.8         |
| Credit Cards Information        | 45,071  | 4.8         | 29,961  | 3.7         |

(1) Shares in percent displays the internal distribution of number of visiting belonging to most visited pages in the table.

In 2010, the following activities were continued to be realized; to provide access to external audit reports relating to banks in official web site of the Agency, to put into service of banking sector manager sector expectation survey on internet by filling it, to present credit card information in including contractual interest rate in credit card basis (purchase sale and cash), commission ratio, annual wage and other costs,

example interest rate calculations and promotion information, to put into service of “Daily Banking Sector Report” and “Daily Economic Report” being prepared daily to public and researchers, to present public web site access statistics with monthly reports by including weekly, monthly, quarterly and annually periods.

The study initiated with a view to publishing the list of the institutions, activity licenses of which were abolished, was completed in the first quarter of 2010.

In case internet connection of the Agency is unreachable for any reason, an alternative internet line is targeted to be connected in 2011, in order to ensure uninterrupted internet output from the Agency network as well as uninterrupted access to Agency’s internet services from outside.

**Bringing New Technologies to the Agency’s Usage:** In 2011, it is planned to upgrade the Agency’s e-mail server to the latest version with a view to improve it in respect of security, performance and business continuity. Besides, it is aimed to switch to centralized data storage (CDS) system for providing improvement in data sharing belonging to Agency and back up respects.

#### 2.2.7.2. Training Activities

Within the scope of training activities; it is provided career personnel and other personnel of the Agency to participate in-service training, domestic courses, seminars and such training activities and foreign training programs to increase their information and skills relating to the duty, to monitor developments in profession and to renew themselves. A total of 3.709 days of domestic and foreign trainings have been realized in 2010.

**Table 2-23: Domestic and Foreign Training Activities**

| Number                 | 2009  | 2010  |
|------------------------|-------|-------|
| Number of Participants | 950   | 772   |
| Number of Days         | 4,141 | 3,709 |

When the distribution of training activities as to subjects is observed, it can be seen that the training programs in general banking, computer, supervision and accounting are in first ranks by participant and number of days, in 2010.

**Table 2-24: Training Activities by Subjects**

| Subjects                      | Number of Participants |            | Number of Days |              |
|-------------------------------|------------------------|------------|----------------|--------------|
|                               | 2009                   | 2010       | 2009           | 2010         |
| General Banking               | 50                     | 253        | 317            | 1,694        |
| Accounting                    | 22                     | 71         | 47             | 472          |
| Economics                     | 106                    | 47         | 222            | 140          |
| Supervision                   | 87                     | 116        | 239            | 467          |
| Law                           | 14                     | 5          | 35             | 23           |
| Risk                          | 102                    | 98         | 344            | 296          |
| Computer                      | 244                    | 118        | 799            | 514          |
| Black Money                   | 22                     | 3          | 53             | 15           |
| Quality                       | 11                     | -          | 33             | -            |
| Other (EU, legislation, etc.) | 262                    | 24         | 2,021          | 30           |
| Personal Development          | 30                     | 37         | 31             | 58           |
| <b>Total</b>                  | <b>950</b>             | <b>772</b> | <b>4,141</b>   | <b>3,709</b> |

European Central Bank, FDIC and IMF remains in first ranks in training activities in professional subjects such as general banking, economics, risk management arranged by international institutions and banking authorities of other countries in 2010.

**Table 2-25: Distribution of Foreign Training Activities by Institutions**

| Institutions           | Number of Days |              | Distribution % |              |
|------------------------|----------------|--------------|----------------|--------------|
|                        | 2009           | 2010         | 2009           | 2010         |
| FDIC                   | 0              | 178          | 0.0            | 17.6         |
| FED                    | 109            | 32           | 11.4           | 3.1          |
| FSI                    | 27             | 26           | 2.8            | 2.6          |
| IMF                    | 31             | 144          | 3.2            | 14.2         |
| WB                     | 16             | 2            | 1.7            | 0.2          |
| ISDB                   | 17             | 5            | 1.8            | 0.5          |
| FSA                    | 6              | 2            | 0.6            | 0.2          |
| OCC                    | 37             | 35           | 3.9            | 3.5          |
| ECB                    | 0              | 279          | 0.0            | 27.6         |
| BIS                    | 37             | 62           | 3.9            | 6.1          |
| Equivalent Authorities | 19             | 50           | 1.9            | 4.9          |
| Other                  | 658            | 197          | 68.8           | 19.5         |
| <b>Total</b>           | <b>957</b>     | <b>1,012</b> | <b>100.0</b>   | <b>100.0</b> |

In 2010, total of 549 in-service training programs were arranged such as primary and preparatory training, preparation to authorization examination relating to Intra-agency participants.

12 career personnel have been sent to universities in the USA and Europe for graduate program in banking, finance, economics, business administration, statistics, econometrics, accounting, mathematics, international relations, engineering and law



fields by the Agency in 2010 and foreign language support was provided in the country to 55 personnel for developing their foreign language levels.

**Table 2-26: Distribution of Domestic Training Activities by Subject and Participants**

| Subjects   | Participation |            | Number of Days |              | Profile of Participants (1) |
|--|---------------|------------|----------------|--------------|-----------------------------|
|  | 2009          | 2010       | 2009           | 2010         |                             |
| Primary and Preparatory Training Prog.                 | 37            | 16         | 970            | 240          | ASBA –ABS                   |
| Credit Risk (2)  | 38            | -          | 190            | -            | ASBA-ABS                    |
| Bank Management Simulation                             | -             | 21         | -              | 42           | SBA -BS-ABS                 |
| Risk Management and Current Developments in Basel II   | -             | 31         | -              | 62           | SBA-ASBA-BS-ABS             |
| Operations of Bank and Non-Bank Financial Institutions | -             | 34         | -              | 510          | SBA-ASBA -BS-ABS            |
| Microsoft Software and Syst. Trainings                 | -             | 83         | -              | 295          | BS-ABS                      |
| Bank Accounting- Financial Analysis                    | -             | 33         | 330            |              | SBA-ASBA-BS-ABS             |
| Risk Manag. and Internal Control (2)                   | -             | 39         | -              | 195          | SBA-ASBA-BS-ABS             |
| Research and Techniq. of Writing Thesis                | 61            | -          | 122            | -            | ASBA -ABS                   |
| Commenting on Macroeconom. Indic.                      | -             | 21         | -              | 42           | SBA-ASBA -BS- ABS           |
| Prepar. Training for Authorization Exam.               | 62            | -          | 310            | -            | ASBA -ABS                   |
| Financial Software User Training                       | 141           | -          | 282            | -            | SBA-ASBA-BS-ABS             |
| Efficient Balance & Stress Test Train.(3)              | 70            | -          | 121            | -            | SBA –ASBA -BS-ABS           |
| Project Management                                     | 14            | -          | 70             | -            | BS-ABS                      |
| Personal Development                                   | 30            | 28         | 31             | 56           | V                           |
| Other(4)   | 347           | 243        | 1,088          | 925          | SWA-ASBA -BS-ABS -V         |
| <b>Total</b>   | <b>800</b>    | <b>549</b> | <b>3,184</b>   | <b>2,697</b> |                             |

(1) SBA: Sworn Bank Auditors, ASBA: Assistant Sworn Bank Auditors, BS: Banking Specialists, ABS: Assistant Banking Specialists, V: Various

(2) Training was given by FED authorities

(3) Given by TAIEX authorities

(4) Programs with the subject such as general banking, economy, law, legislation etc. arranged by institutions such as The Banks Association of Turkey, OECD, CBRT and advisory companies.

Due to the relative increase in training expenses and the temporary increase caused especially by land purchase expenses within total Agency expenditure, the shares of training expenses in Agency expenditure decreased in recent years and realized as 1.4% in 2010.

**Table 2-27: Training Expenses**

| (TL Thousand)  | 2006         | 2007         | 2008         | 2009         | 2010         |
|--|--------------|--------------|--------------|--------------|--------------|
| Foreign Education Expenses (1)                               | 1,129        | 1,971        | 2,385        | 2,237        | 1,795        |
| Domestic and Foreign Course Expenditures                     | 187          | 516          | 262          | 132          | 228          |
| <b>Total Training Expenses</b>                               | <b>1,316</b> | <b>2,487</b> | <b>2,647</b> | <b>2,369</b> | <b>2,022</b> |
| <b>Share in Total Expenditure (%)</b>                        | <b>2.8</b>   | <b>4.9</b>   | <b>4.8</b>   | <b>1.5</b>   | <b>1.4</b>   |
| <b>Share in Total Expend. Except Land Purchasing (%) (2)</b> | <b>2.8</b>   | <b>4.9</b>   | <b>4.8</b>   | <b>3.9</b>   | <b>3.1</b>   |

(1) Monthly payments made to personnel having foreign education are included.

(2) Land Purchasing Expenditure, for once only, amounting to TL 172.9 million belonging to 2009 and 2010 is excluded.

### 2.2.7.3. Communication Activities

Within the scope of duty field of the Agency, in order to give information to public and sector, communication activities were continued. Within this scope, press conferences and introductions were made and information relating to sector was shared with public. A total of 45 press releases were made in four groups relating to informing the public.

**Table 2-28: Press Releases by their Subjects**

| Subject                           | 2009      |              | 2010      |              |
|-----------------------------------|-----------|--------------|-----------|--------------|
|                                   | Number    | %            | Number    | %            |
| Implementations relating to Banks | 2         | 6.5          | 23        | 51.1         |
| Basel II                          | 3         | 9.8          | 1         | 2.2          |
| Activities relating to Agency     | 6         | 19.4         | 1         | 2.2          |
| Publications                      | 19        | 61.1         | 20        | 44.5         |
| Other                             | 1         | 3.2          | 0         | 0.0          |
| <b>Total</b>                      | <b>31</b> | <b>100.0</b> | <b>45</b> | <b>100.0</b> |

While information demands relating to regulation and supervision activities of the Agency and the banking sector requested by the media were answered, documents and materials demanded to be used in concerning the Agency were transmitted to media institutions.

Daily Press Bulletin including news, comments and evaluations relating to banking sector and financial markets, prepared by collecting from newspapers, magazines and finance bulletins published in international platform, is being presented to the usage of personnel by the mediation of intranet is also transmitted to the Ministry of State concerned.

Various presentations were made relating to introduce the structure of the Agency and activities with a view to share information in activities such as conferences and symposiums which public Institutions, private sector and universities have arranged.

### 2.2.7.4. Other Activities

The tender offers submitted to the Agency by contractors for personnel transportation service, with a view to increase productivity of personnel employed in Ankara Building of the Agency by ameliorating transportation opportunities of them, was evaluated and concluded in July 2010 and the transportation service was initiated within the scope of contract signed with the firm.

### 3. FINANCIAL INFORMATION

#### 3.1. Budget Realization Results

In Article 17 of the Law Nr. 5018 on Public Finance Management and Control, it is provisioned that regulatory and supervisory agencies shall prepare their budgets according to three-year budgeting approach, strategic plans and performance targets as well as according to corporate, functional and economical classification system. In 2010 Budget of the Agency which was prepared according to Analytical Budget System (ABS) within the scope of the mentioned provisions of law and the regulations of Ministry of Finance, it was foreseen that a participation share amounting to TL 155.5 million would be collected from banks and other institutions within the scope of supervision. Moreover, participation share amounting to TL 152.2 million was collected from banks. While the ratio of participation share income within total income in 2010 is realized as 97.6%, the remaining part of 2.4% is comprised of interest income from forward TL deposit accounts and the income from the sales of some vehicles of the Agency.

**Table 3-1: Income Budget and Realizations**

| (TL Thousand)               | Budget         |                | Realization    |                | Difference<br>(Budget-Realization) |               |
|-----------------------------|----------------|----------------|----------------|----------------|------------------------------------|---------------|
|                             | 2009           | 2010           | 2009           | 2010           | 2009                               | 2010          |
| Participation Share Income  | 124,500        | 155,500        | 121,388        | 152,179        | - 3,112                            | -3,321        |
| Incidental Income           | 0              | 0              | 20,992         | 181            | + 20,992                           | +181          |
| Inc. from Sales of Land.    | 0              | 0              | 20,903         | 0              | + 20,903                           | 0             |
| Inc. from Sales of Vehicles | 0              | 0              | 89             | 181            | + 89                               | +181          |
| Other Income                | 15,500         | 9,500          | 11,111         | 3,464          | - 4,389                            | -6,036        |
| Interest Income             | 15,200         | 9,200          | 11,020         | 3,268          | - 4,180                            | -5,932        |
| Other Various Inc.          | 300            | 300            | 91             | 196            | - 209                              | -104          |
| <b>Total</b>                | <b>140,000</b> | <b>165,000</b> | <b>153,491</b> | <b>155,824</b> | <b>+ 13,491</b>                    | <b>-9,176</b> |

In the 2010 budget, it is specified that the Agency resources may be used in government debt securities, FX deposit accounts or TL time deposit accounts. As a result of the usage of Agency funds within the frame of the provisions of Communiqué on Public Treasurership and Board Resolution dated January 31, 2003 and number 979, an interest income amounting TL 3.3 million was obtained as of end- 2010.

**Table 3-2: Brief Income Statement**

| Items (TL Thousand)                           | 2009          | 2010          |
|---|---------------|---------------|
| 1. Participation Share Incomes and others     | 142,472       | 152,377       |
| 2. Sales Discounts                            | 0             | 0             |
| 3. Net Incomes (1-2)                          | 142,472       | 152,377       |
| 4. Cost of the Sales                          | 0             | 0             |
| 5. Activity Expenses                          | 60,068        | 66,007        |
| 6. Activity Profit or Loss (3-5)              | 82,404        | 86,370        |
| 7. Ordinary Incomes from Other Activities     | 11,019        | 3,268         |
| 8. Ordinary Expenses from Other Activities    | 0             | 0             |
| 9. Financing Expenses                         | 0             | 0             |
| 10. Extraordinary Incomes                     | 0             | 0             |
| 11. Extraordinary Expenses and Losses         | 0             | 0             |
| Result of the Period (6 + 7 - 8 - 9 + 10 -11) | 93,423        | 89,638        |
| 12. Payments for Land                         | 97,137        | 75,728        |
| <b>REMAINING AMOUNT</b>                       | <b>-3,714</b> | <b>13,910</b> |

With the “Central Management Budget Law for 2010” Nr. 5944 accepted by Board Resolution dated September 10, 2009 Nr. 3344 and then accepted by the Grand National Assembly of Turkey and published in the repeated Official Gazette dated December 31, 2009 Nr. 27449, an appropriation of TL 90 million was allocated. Then, to pay the amount not paid within 2009 of the Agency land purchased in Istanbul, a supplementary appropriation by TL 75 million was added pursuant to the Board Resolution dated January 14, 2010 Nr. 3497. Accordingly; when the initial appropriations of 2010 expenses budget, appropriation transfers, total expenses amounts are analyzed by main expenditure items of remaining appropriation amounts, it is seen that TL 141.8 million was spent from the TL 165 million budget appropriations.

**Table 3-3: Allocation and Expenses Realizations**

| (TL Thousand)           | Initial Allocation. |               | Available Budget Allocation. |                | Expenses       |                | Remaining    |               |
|-------------------------|---------------------|---------------|------------------------------|----------------|----------------|----------------|--------------|---------------|
|                         | 2009                | 2010          | 2009                         | 2010           | 2009           | 2010           | 2009         | 2010          |
| Personnel Expenses      | 37,912              | 42,188        | 35,314                       | 42,188         | 34,303         | 37,991         | 1,011        | 4,197         |
| Soc. Sec.Ins.Prem. Exp. | 2,157               | 2,643         | 1,755                        | 2,980          | 1,376          | 2,405          | 379          | 575           |
| Goods and Serv. Pur.    | 39,206              | 40,704        | 25,424                       | 40,432         | 23,185         | 23,175         | 2,239        | 17,257        |
| Current Transfers       | 1,936               | 750           | 760                          | 676            | 713            | 670            | 47           | 6             |
| Capital Expenses        | 58,789              | 3,715         | 97,650                       | 78,724         | 97,625         | 77,518         | 25           | 1,206         |
| <b>Total</b>            | <b>140,000</b>      | <b>90,000</b> | <b>160,903</b>               | <b>165,000</b> | <b>157,202</b> | <b>141,759</b> | <b>3,701</b> | <b>23,241</b> |

Among the total expenses amounting TL 141.8 million, capital expenses by TL 77.5 million, personnel expenses by TL 38 million and goods and service purchases by TL 23.2 million are the expenditure items with highest shares. Within this frame, of total expenditure amounts:

- 26.8% is composed of personnel expenses,
- 1.7% is composed of premiums expenses paid to social security institutions for Agency personnel,
- 16.3% is composed of purchases of goods and services,
- 0.5% is composed of current transfers,
- 54.7% is composed of capital expenses.

In 2010, the rents paid for the service buildings of the Agency constitute the most important element of the purchases of goods and services item. Generally, when the distribution of total expenses by appropriation types is analyzed, it is observed that the shares items such as consumption goods and supplies purchases, office equipment purchases, machines-equipment and vehicle purchases and traveling allowances are considerably low, which shows the saving policy of the Agency.

On the other hand, in 2010, the expenses of travel inside and outside the country have increased by 21% to TL 1.6 million and the share of these expenses within total expenses of the Agency is 1.1%.

**Table 3-4: Travel Expenses**

| (TL Thousand)  | 2006       | 2007         | 2008       | 2009         | 2010         |
|--|------------|--------------|------------|--------------|--------------|
| Domestic Travel Expenses (1)                                 | 608        | 1,596        | 466        | 511          | 797          |
| Foreign Travel Expenses (1)                                  | 207        | 436          | 419        | 827          | 828          |
| <b>Total Travel Expenses</b>                                 | <b>815</b> | <b>2,032</b> | <b>885</b> | <b>1,338</b> | <b>1,625</b> |
| <b>Share within Total Expenses (%)</b>                       | <b>1.8</b> | <b>4.0</b>   | <b>1.6</b> | <b>0.9</b>   | <b>1.1</b>   |
| <b>Share within Total Expenses without Land Purchase (%)</b> | <b>1.8</b> | <b>4.0</b>   | <b>1.6</b> | <b>2.2</b>   | <b>2.5</b>   |

(1) Includes the travel allocations for duties inside and outside the country.

When the functional distribution of the Agency expenses without the land purchasing expense is analyzed; it is seen that in 2010 the support services activities have the highest share by 36%, followed by audit activities and enforcement activities which are respectively by 23% and 8%.

Table 3-5: 2010 Budget Final Account Situation

| Budget Code and Name (TL Thousand)     | Start-up Allocation | Usable Allocation | Expenditures   | Remainder Allocation |
|--|---------------------|-------------------|----------------|----------------------|
| 00.02- Private Secretary               | 7,000               | 7,416             | 6,129          | 1,287                |
| 00.04- Depart. of Support Services     | 106,000             | 107,088           | 99,719         | 7,369                |
| 00.24- Department of Legal Affairs     | 7,100               | 7,038             | 3,167          | 3,871                |
| 41.00- Department of Audit I           | 5,400               | 4,889             | 3,872          | 1,017                |
| 42.00- Department of Audit II          | 5,300               | 5,137             | 4,287          | 850                  |
| 43.00- Department of Audit III         | 5,100               | 4,589             | 3,516          | 1,073                |
| 44.00- Department of Regulations       | 2,100               | 2,131             | 1,686          | 445                  |
| 45.00- Department of Enforcement I     | 2,200               | 2,318             | 2,148          | 170                  |
| 46.00- Department of Enforcement II    | 1,800               | 1,924             | 1,664          | 260                  |
| 47.00- Depart. of Strategy Development | 5,600               | 4,677             | 2,420          | 2,257                |
| 48.00- Depart. of Information Manag.   | 9,600               | 9,554             | 6,904          | 2,650                |
| 49.00- Depart. of Audit IV             | 3,000               | 3,089             | 2,098          | 991                  |
| 50.00- Department of Enforcement III   | 1,700               | 1,796             | 1,692          | 104                  |
| 51.00- Depart. of Risk Management      | 2,100               | 2,245             | 1,517          | 728                  |
| 52.00- Depart. of Foreign Relations    | 1,000               | 1,109             | 940            | 169                  |
| <b>General Total</b>                   | <b>165,000</b>      | <b>165,000</b>    | <b>141,759</b> | <b>23,241</b>        |

### 3.2. Balance Sheet

In end-2010, the total balance sheet of the Agency increased by 27.4% to TL 317.4 million comparing to the previous year. While the highest share belongs to tangible assets by TL 173.6 million, nearly the whole of TL 142.9 million, included within the scope of liquid assets in the second range, is comprised of bank accounts. The trade receivables item realized as TL 364 thousand which decreased slightly comparing to previous year, includes the receivables emanating from participation share.

While the biggest item is comprised of own funds by TL 186.4 million and income and expenditure collections belonging to future years by TL 129.2 million in the liabilities, TL 1.4 million of the Agency's short term debt of TL 1.8 million is showing the tax debt paid in January 2011, relating to December 2010.

**Table 3-6: Brief Balance-Sheet**

| <b>ASSETS (TL Thousand )</b>                                     | <b>2009</b>    | <b>2010</b>    |
|--|----------------|----------------|
| 1. Total Current Assets  | 78,432         | 143,843        |
| 1.1 Liquid Assets  | 77,357         | 142,939        |
| 1.2 Trade Receivables  | 376            | 364            |
| 1.3 Other Receivables  | 585            | 430            |
| 1.4 Stocks   | 113            | 94             |
| 1.5 Other Current Assets   | 0              | 16             |
| 2. Total Tangible Fixed Assets                                   | 170,722        | 173,567        |
| 2.1- Tangible Fixed Assets                                       | 170,722        | 173,567        |
| 2.1.1- Tangible Fixed Assets (gross)                             | 176,287        | 180,245        |
| 2.1.2- Accumulated Amortizations                                 | - 5,565        | -6,677         |
| 2.2- Intangible Fixed Assets                                     | 0              | 0              |
| 2.2.1- Rights  | 1,746          | 1,910          |
| 2.2.2- Accumulated Amortizations                                 | - 1,746        | -1,910         |
| <b>TOTAL ASSETS</b>  | <b>249,153</b> | <b>317,410</b> |
| <b>LIABILITY (TL Thousand)</b>                                   |                |                |
| 1. Total Short Term Foreign Liabilities                          | 76,326         | 1,785          |
| 1.1 Financial Debts  | 0              | 7              |
| 1.2 Trade Debts  | 74             | 105            |
| 1.3 Other Debts  | 179            | 274            |
| 1.4 Taxes Payable and Other Liabilities                          | 2,573          | 1,399          |
| 2. Total Long Term Foreign Liabilities                           | 76,089         | 129,248        |
| 2.1 Income and Expenditure Collections belonging to Future Years | 76,089         | 129,248        |
| 3. Total Own Funds   | 96,250         | 186,377        |
| 3.1 Previous Years Positive Activity Results                     | 85,924         | 179,347        |
| 3.2 Previous Years Negative Activity Results                     | -83,097        | -83,097        |
| 3.3 Period Negative Activity Result                              | 0              | 489            |
| 3.4 Period Positive Activity Result                              | 93,423         | 89,638         |
| <b>TOTAL LIABILITIES</b>   | <b>249,153</b> | <b>317,410</b> |

### 3.3. Financial Audit of the Agency

In the article 101 of the Banking Law, it is foreseen that the Law Nr.5018 on Public Financial Management and Control shall be implemented relating to internal and external audit of the Agency. Within this scope, the Agency's following expenditure external audit is made by the Turkish Court of Accounts pursuant to the article 68 of the said Law.

## 4. EVALUATION OF INSTITUTIONAL CAPACITY

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### 4.1. Superiorities

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- ⊕ Institutional reliability and reputation which passed the test of economic fluctuations,
- ⊕ Strong and flexible financial structure established by the Banking Law and the other related legislation,
- ⊕ Capability to use the authorities granted by the legislation in an autonomous way,
- ⊕ A risk focused and proactive administrative approach based on strategic plan,
- ⊕ Increasing specialization and efficiency in organizational structure,
- ⊕ High quality labor force; efficient combination of experience and young employment,
- ⊕ Information systems based on up-to-date technologies; flexible, efficient and effective technology usage.

### 4.2. Difficulties

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- ⊗ Global and regional economic and political ambiguities,
- ⊗ Necessity for new regulation for financial markets throughout the world,
- ⊗ Administrative and operational difficulties which may arise within the scope of the IFC Project,
- ⊗ Difficulties encountered in establishing institutional autonomy.

### 4.3. Evaluation

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Proactive administrative approach of the Agency based on strategic planning has been effective in limiting the negative results of global economic crisis experienced recently as well as its reflections on Turkish economy upon banking system and finance sector, and also institutional capacity of the Agency passed an important test successfully.

In 2010, performance displayed throughout the sector despite economic developments contributed to institutional reliability and reputation of the BRSA. The main driving power of this present situation in respect of the Agency is constituted of autonomy, organizational structure, human resource and technology.



Despite these current superiorities in respect of institutional capability and capacity, difficulties brought by global economic conditions and their effects on Turkish economy maintains its importance, while natural disasters and nuclear risks experienced globally as well as political and social developments arose recently in the geography in which our country locates brought new ambiguities. On the other hand, new regulation approaches which are tried to be developed so as to prevent and manage global economic fluctuations implies new difficulties for Turkey as well which is an important actor in the global economy. Another difficulty in respect of the Agency is administrative and operational problems that may arise within the scope of IFC Project. Difficulties encountered in establishing autonomy which is a superiority limit corporate capability and capacity.





# Annexes



**ANNEX 1. Institutions within the Scope of Authority Field of the Agency**

(As of December 31, 2010)

| Nr.          | TYPE /NAME OF INSTITUTION                  |
|--------------|--|
| <b>BANKS</b> |  |
| 1            | İller Bankası                              |
| 2            | İMKB Takas ve Saklama Bankası A.Ş.         |
| 3            | Türkiye İhracat Kredi Bankası A.Ş.         |
| 4            | Türkiye Kalkınma Bankası A.Ş.              |
| 5            | Adabank A.Ş.                               |
| 6            | Birleşik Fon Bankası A.Ş.                  |
| 7            | Aktif Yatırım Bankası A.Ş.                 |
| 8            | Diler Yatırım Bankası A.Ş.                 |
| 9            | GSD Yatırım Bankası A.Ş.                   |
| 10           | Nurol Yatırım Bankası A.Ş.                 |
| 11           | Türkiye Sınai Kalkınma Bankası A.Ş.        |
| 12           | Bankpozitif Kredi ve Kalkınma Bankası A.Ş. |
| 13           | Credit Agricole Yatırım Bankası Türk A.Ş.  |
| 14           | Merrill Lynch Yatırım Bank A.Ş.            |
| 15           | Taib Yatırım Bankası A.Ş.                  |
| 16           | T.C. Ziraat Bankası A.Ş.                   |
| 17           | Türkiye Halk Bankası A.Ş.                  |
| 18           | Türkiye Vakıflar Bankası T.A.O.            |
| 19           | Akbank T.A.Ş.                              |
| 20           | Alternatifbank A.Ş.                        |
| 21           | Anadolubank A.Ş.                           |
| 22           | Şekerbank T.A.Ş.                           |
| 23           | Tekstil Bankası A.Ş.                       |
| 24           | Turkish Bank A.Ş.                          |
| 25           | Türk Ekonomi Bankası A.Ş.                  |
| 26           | Türkiye Garanti Bankası A.Ş.               |
| 27           | Türkiye İş Bankası A.Ş.                    |
| 28           | Yapı ve Kredi Bankası A.Ş.                 |
| 29           | Arap Türk Bankası A.Ş.                     |
| 30           | Citibank A.Ş.                              |
| 31           | Denizbank A.Ş.                             |
| 32           | Deutsche Bank A.Ş.                         |
| 33           | Eurobank Tekfen A.Ş.                       |

## Annex 1: Institutions within the Scope of Authority Field of the Agency

|                          |   |
|--------------------------|---|
| 34                       | Finansbank A.Ş.                           |
| 35                       | Fortis Bank A.Ş.                          |
| 36                       | HSBC Bank A.Ş.                            |
| 37                       | ING Bank A.Ş.                             |
| 38                       | Millennium Bank A.Ş.                      |
| 39                       | Turkland Bank A.Ş.                        |
| 40                       | Bank Mellat                               |
| 41                       | Habib Bank Limited                        |
| 42                       | JP Morgan Chase Bank National Association |
| 43                       | Societe Generale S.A.                     |
| 44                       | The Royal Bank Of Scotland N.V.           |
| 45                       | Westlb A.G.                               |
| 46                       | Albaraka Türk Katılım Bankası A.Ş.        |
| 47                       | Asya Katılım Bankası A.Ş.                 |
| 48                       | Kuveyt Türk Katılım Bankası A.Ş.          |
| 49                       | Türkiye Finans Katılım Bankası A.Ş.       |
| <b>LEASING COMPANIES</b> |   |
| 1                        | A&T Finansal Kiralama A.Ş.                |
| 2                        | Ak Finansal Kiralama A.Ş.                 |
| 3                        | Alternatif Finansal Kiralama A.Ş.         |
| 4                        | Anadolu Finansal Kiralama A.Ş.            |
| 5                        | Arı Finansal Kiralama A.Ş.                |
| 6                        | Ata Finansal Kiralama A.Ş.                |
| 7                        | Citilease Finansal Kiralama A.Ş.          |
| 8                        | Deniz Finansal Kiralama A.Ş.              |
| 9                        | EFG Finansal Kiralama A.Ş.                |
| 10                       | Enka Finansal Kiralama A.Ş.               |
| 11                       | FFK Fon Finansal Kiralama A.Ş.            |
| 12                       | Finans Finansal Kiralama A.Ş.             |
| 13                       | Fortis Finansal Kiralama A.Ş.             |
| 14                       | Garanti Finansal Kiralama A.Ş.            |
| 15                       | Haliç Finansal Kiralama A.Ş.              |
| 16                       | Halk Finansal Kiralama A.Ş.               |
| 17                       | Harman Finansal Kiralama A.Ş.             |
| 18                       | IMG Finansal Kiralama A.Ş.                |
| 19                       | İş Finansal Kiralama A.Ş.                 |
| 20                       | Kaynak Finansal Kiralama A.Ş.             |

## Annex 1: Institutions within the Scope of Authority Field of the Agency

|                            |   |
|----------------------------|---|
| 21                         | Kent Finansal Kiralama A.Ş.                 |
| 22                         | Mercedes-Benz Finansal Kiralama Türk A.Ş.   |
| 23                         | Pamuk Finansal Kiralama A.Ş.                |
| 24                         | RBS Finansal Kiralama A.Ş.                  |
| 25                         | Siemens Finansal Kiralama A.Ş.              |
| 26                         | Şeker Finansal Kiralama A.Ş.                |
| 27                         | Teb Finansal Kiralama A.Ş.                  |
| 28                         | Tekstil Finansal Kiralama A.Ş.              |
| 29                         | Ticaret Finansal Kiralama A.Ş.              |
| 30                         | Turkish Finansal Kiralama A.Ş.              |
| 31                         | Vakıf Finansal Kiralama A.Ş.                |
| 32                         | VFS Finansal Kiralama A.Ş.                  |
| 33                         | Yapı Kredi Finansal Kiralama A.O.           |
| 34                         | Yatırım Finansal Kiralama A.Ş.              |
| 35                         | Ziraat Finansal Kiralama A.Ş.               |
| <b>FACTORING COMPANIES</b> |   |
| 1                          | Acar Factoring A.Ş.                         |
| 2                          | ACL Finans Faktoring Hizmetleri A.Ş.        |
| 3                          | Ak Factoring Hizm. Ticaret A.Ş.             |
| 4                          | Akdeniz Faktoring Hizmetleri A.Ş.           |
| 5                          | Akın Faktoring Hizmetleri A.Ş.              |
| 6                          | Anadolu Faktoring Hizmetleri A.Ş.           |
| 7                          | Analiz Faktoring A.Ş.                       |
| 8                          | Ar Faktoring Finansal Hizmetler A.Ş.        |
| 9                          | Arena Faktoring Hizmetleri A.Ş.             |
| 10                         | Artı Finans Faktoring Hizmetleri A.Ş.       |
| 11                         | Atak Faktoring Hizmetleri A.Ş.              |
| 12                         | Atılım Faktoring A.Ş.                       |
| 13                         | Başer Faktoring A.Ş.                        |
| 14                         | Batı Faktoring Hizmetleri A.Ş.              |
| 15                         | Bayramoğlu Finans Factoring Hizmetleri A.Ş. |
| 16                         | C Faktoring A.Ş.                            |
| 17                         | Creditwest Faktoring Hizmetleri A.Ş.        |
| 18                         | Çağdaş Finans Factoring Hizmetleri A.Ş.     |
| 19                         | Çözüm Finans Faktoring Hizmetleri A.Ş.      |
| 20                         | Değer Faktoring A.Ş.                        |
| 21                         | Demir Factoring A.Ş.                        |

## Annex 1: Institutions within the Scope of Authority Field of the Agency

|    |   |
|----|---|
| 22 | Deniz Faktoring A.Ş.                    |
| 23 | Destek Finans Faktoring Hizmetleri A.Ş. |
| 24 | Devir Faktoring Hizmetleri A.Ş.         |
| 25 | Doğa Faktoring Hizmetleri A.Ş.          |
| 26 | Doğan Faktoring Hizmetleri A.Ş.         |
| 27 | EDF Finans Faktoring Hizmetleri A.Ş.    |
| 28 | Eko Faktoring A.Ş.                      |
| 29 | Ekspo Faktoring A.Ş.                    |
| 30 | Eren Finans Faktoring Hizmetleri A.Ş.   |
| 31 | Erişim Finans Faktoring Hiz. A.Ş.       |
| 32 | Fiba Faktoring Hizmetleri A.Ş.          |
| 33 | Finans Faktoring Hizmetleri A.Ş.        |
| 34 | First Faktoring A.Ş.                    |
| 35 | Fortis Faktoring A.Ş.                   |
| 36 | Garanti Faktoring Hizmetleri A.Ş.       |
| 37 | Girişim Faktoring A.Ş.                  |
| 38 | Global Faktoring Hizmetleri A.Ş.        |
| 39 | Güven Finans Faktoring Hizmetleri A.Ş.  |
| 40 | Hedef Finans Faktoring Hizmetleri A.Ş.  |
| 41 | Hepkon Finans Faktoring Hizmetleri A.Ş. |
| 42 | Huzur Faktoring Finansal Hizmetler A.Ş. |
| 43 | ING Faktoring A.Ş.                      |
| 44 | İş Faktoring Finansman Hizmetleri A.Ş.  |
| 45 | Kapital Faktoring Hizmetleri A.Ş.       |
| 46 | Katar Faktoring Finans Hizmetleri A.Ş.  |
| 47 | Kent Faktoring A.Ş.                     |
| 48 | Kredi Finans Faktoring Hizmetleri A.Ş.  |
| 49 | Lider Faktoring Hizmetleri A.Ş.         |
| 50 | Makro Faktoring A.Ş.                    |
| 51 | Merkez Faktoring Hiz. A.Ş.              |
| 52 | Mert Finans Faktoring Hizmetleri A.Ş.   |
| 53 | Met-Ay Faktoring Finans Hizmetleri A.Ş. |
| 54 | MNG Faktoring Hiz. A.Ş.                 |
| 55 | Optima Faktoring Hizmetleri A.Ş.        |
| 56 | Pamuk Faktoring A.Ş.                    |
| 57 | Para Finans Faktoring Hizmetleri A.Ş.   |
| 58 | Prime Faktoring Hizmetleri A.Ş.         |



## Annex 1: Institutions within the Scope of Authority Field of the Agency

|                                    |  |
|------------------------------------|--|
| 59                                 | Saray Faktoring A.Ş.   |
| 60                                 | Strateji Faktoring Hizmetleri A.Ş.                               |
| 61                                 | Sümer Faktoring Hizmetleri A.Ş.                                  |
| 62                                 | Süzer Faktoring A.Ş.   |
| 63                                 | Şeker Faktoring Hizmetleri A.Ş.                                  |
| 64                                 | Şirinoğlu Faktoring Finansal Hizmetleri Ticaret A.Ş.             |
| 65                                 | Teb Faktoring A.Ş.   |
| 66                                 | Tek Faktoring Hizmetleri A.Ş.                                    |
| 67                                 | Tekstil Faktoring Hizmetleri A.Ş.                                |
| 68                                 | Trend Finans Faktoring Hizmetleri A.Ş.                           |
| 69                                 | Tuna Faktoring Hizmetleri A.Ş.                                   |
| 70                                 | Turkish Faktoring Hizmetleri A.Ş.                                |
| 71                                 | Ulusal Faktoring A.Ş.  |
| 72                                 | Vakıf Finans Faktoring Hizmetleri A.Ş.                           |
| 73                                 | VDF Faktoring Hizmetleri A.Ş.                                    |
| 74                                 | Yapı Kredi Faktoring A.Ş.  |
| 75                                 | Yaşar Faktoring Hizmetleri A.Ş.                                  |
| 76                                 | Yeditepe Faktoring Hizmetleri A.Ş.                               |
| <b>FINANCING COMPANIES</b>         |  |
| 1                                  | Assan Tüketici Finansmanı A.Ş.                                   |
| 2                                  | DD Konut Finansman A.Ş.  |
| 3                                  | Finans Tüketici Finansmanı A.Ş.                                  |
| 4                                  | Koç Fiat Kredi Tüketici Finansmanı A.Ş.                          |
| 5                                  | Koç Tüketici Finansmanı A.Ş.                                     |
| 6                                  | Man Financial Services Tüketici Finansmanı A.Ş.                  |
| 7                                  | Mercedes Benz Finansman Türk A.Ş.                                |
| 8                                  | Scania Tüketici Finansmanı A.Ş.                                  |
| 9                                  | Şeker Mortgage Finansman A.Ş.                                    |
| 10                                 | Teb Tüketici Finansman A.Ş.                                      |
| 11                                 | Volkswagen Doğu Tüketici Finansmanı A.Ş.                         |
| <b>FINANCIAL HOLDING COMPANIES</b> |  |
| 1                                  | Koç Finansal Hizmetler A.Ş.                                      |
| 2                                  | Özyol Holding A.Ş.   |
| 3                                  | Teb Mali Yatırımlar A.Ş.   |
| <b>INDEPENDENT AUDIT COMPANIES</b> |  |
| 1                                  | A-1 Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.             |
| 2                                  | Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. |

## Annex 1: Institutions within the Scope of Authority Field of the Agency

|    |  |
|----|--|
| 3  | Aktan Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.                   |
| 4  | Anadolu Bağımsız Denetim Serbest Muhasebeci Mali Müşavirlik A.Ş.         |
| 5  | Avrasya Bağımsız Denetim ve YMM A.Ş.                                     |
| 6  | Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.  |
| 7  | Başaran Nas Yeminli Mali Müşavirlik A.Ş.                                 |
| 8  | Baylan Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.       |
| 9  | Bilgi Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.                   |
| 10 | Can Uluslararası Bağımsız Denetim ve S.M.M.M. A.Ş.                       |
| 11 | Consulta Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.                |
| 12 | Değer Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.                   |
| 13 | Denet Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş.                      |
| 14 | Denge Bağımsız Denetim Serbest Muhasebeci Mali Müşavirlik A.Ş.           |
| 15 | DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.          |
| 16 | DRT Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.                     |
| 17 | Elit Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.                    |
| 18 | Engin Bağımsız Denetim ve Serbest Muhasebecilik Mali Müşavirlik A.Ş.     |
| 19 | Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.        |
| 20 | Gürel Yeminli Mali Müşavirlik ve Bağımsız Denetim Hizmetleri A.Ş.        |
| 21 | HLB Saygın Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.              |
| 22 | IHY Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.                     |
| 23 | Işık Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.                    |
| 24 | İrfan Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.                   |
| 25 | Kapital Karden Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.          |
| 26 | Kavram Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.                  |
| 27 | Kuzey Yeminli Mali Müşavirlik A.Ş.                                       |
| 28 | MGI Bağımsız Denetim ve Danışmanlık A.Ş.                                 |
| 29 | MOD Bağımsız Denetim Serbest Muhasebeci Mali Müşavirlik A.Ş.             |
| 30 | Rehber Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.                  |
| 31 | Ser&Berker Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.              |
| 32 | Türkerler Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş.                  |
| 33 | Ulusal Bağımsız Denetim ve YMM A.Ş.                                      |
| 34 | Uzman Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.                   |
| 35 | YKY Bağımsız Denetim ve YMM A.Ş.   |
| 36 | Olgu Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.                    |
| 37 | Birleşik Uzmanlar Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.       |
| 38 | Artı Değer Uluslararası Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş. |
| 39 | Mercek Bağımsız Denetim ve YMM A.Ş.                                      |

## Annex 1: Institutions within the Scope of Authority Field of the Agency

|  |  |
|--|--|
| 40   | Anil Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.      |
| <b>REPRESENTATIVE OFFICES OF FOREIGN BANKS</b> |  |
| 1  | Aareal Bank A.G.   |
| 2  | ABC International Bank Plc                                 |
| 3  | Banca Infrastrutture Innovazione e Sviluppo S.P.A.         |
| 4  | Banca Monte Dei Paschi di Siena S.P.A.                     |
| 5  | Banco Sabadell S.A.  |
| 6  | Bank Julius Baer & Co. Ltd.                                |
| 7  | Banque Internationale de Commerce-Bred                     |
| 8  | BNP Paribas S.A.   |
| 9  | Caja de Ahorros y Pensiones de Barcelona (La Caixa)        |
| 10   | Citibank N.A   |
| 11   | Commerzbank A.G.   |
| 12   | Credit Europe Bank (Suisse) S.A.                           |
| 13   | Credit Europe Bank N.V.                                    |
| 14   | Credit Industriel et Commercial                            |
| 15   | Credit Suisse Ag   |
| 16   | Deg-Deutsche Investitions-und Entwicklungsgesellschaft Mbh |
| 17   | Demir-Halk Bank (Nederland ) N.V.                          |
| 18   | Doha Bank  |
| 19   | Dubai Islamic Bank   |
| 20   | Dz Bank A.G.   |
| 21   | Euro Hypo A.G.   |
| 22   | Garantibank International N.V.                             |
| 23   | HSBC Private Bank (Suisse) S.A.                            |
| 24   | ING Bank N.V.  |
| 25   | Intesa Sanpaolo S.P.A.                                     |
| 26   | KBC Bank N.V.  |
| 27   | KfW (Kreditanstalt Für Wiederaufbau) Ipex-Bank GmbH        |
| 28   | Rabobank International                                     |
| 29   | Standard Bank Plc  |
| 30   | Standard Chartered Bank                                    |
| 31   | State Bank of India  |
| 32   | The Bank of New York Mellon                                |
| 33   | The Bank of Nova Scotia Türkiye                            |
| 34   | The Bank of Tokyo-Mitsubishi UFJ, Ltd.                     |
| 35   | The Economy Bank N.V.                                      |

## Annex 1: Institutions within the Scope of Authority Field of the Agency

|                                      |  |
|--------------------------------------|--|
| 36                                   | UBS A.G.   |
| 37                                   | Unicredit (Suisse) Bank S.A.   |
| 38                                   | Union Bancaire Privée, UBP Sa  |
| 39                                   | UPS Capital Business Credit  |
| 40                                   | Wells Fargo Bank N.A.  |
| <b>ASSET MANAGEMENT COMPANIES</b>    |  |
| 1                                    | Anadolu Varlık Yönetim A.Ş.  |
| 2                                    | Bebek Varlık Yönetim A.Ş.  |
| 3                                    | Girişim Varlık Yönetimi A.Ş.   |
| 4                                    | LBT Varlık Yönetim A.Ş.  |
| 5                                    | RCT Varlık Yönetim A.Ş.  |
| 6                                    | Standard Varlık Yönetim A.Ş.   |
| <b>VALUATION INSTITUTIONS</b>        |  |
| 1                                    | Artı Gayrimenkul Değerleme ve Danışmanlık A.Ş.                           |
| 2                                    | Avrupa Gayrimenkul Değerleme ve Danışmanlık A.Ş.                         |
| 3                                    | Denge Gayrimenkul Değerleme ve Danışmanlık A.Ş.                          |
| 4                                    | Ekol Gayrimenkul Değerleme ve Danışmanlık A.Ş.                           |
| 5                                    | Elit Gayrimenkul Değerleme A.Ş.  |
| 6                                    | Epos Gayrimenkul Danışmanlık ve Değerleme A.Ş.                           |
| 7                                    | Harmoni Gayrimenkul Değerleme ve Danışmanlık A.Ş.                        |
| 8                                    | Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.                          |
| 9                                    | Platform Gayrimenkul Değerleme ve Danışmanlık A.Ş.                       |
| 10                                   | TSKB Gayrimenkul Değerleme A.Ş.  |
| 11                                   | Vakıf Gayrimenkul Değerleme A.Ş.   |
| 12                                   | Vektör Gayrimenkul Değerleme A.Ş.  |
| 13                                   | Vizyon Taşınmaz Değerleme ve Danışmanlık A.Ş.                            |
| 14                                   | Yatırım Gayrimenkul Değerleme A.Ş.                                       |
| <b>RATING INSTITUTIONS</b>           |  |
| 1                                    | İstanbul Uluslararası Derecelendirme Hizmetleri A.Ş.                     |
| 2                                    | JCR Avrasya Derecelendirme Hizmetleri A.Ş.                               |
| 3                                    | Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hiz. A.Ş. |
| <b>CREDIT REFERENCE INSTITUTIONS</b> |  |
| 1                                    | KKB Kredi Kayıt Bürosu A.Ş.  |
| <b>CARD SYSTEM INSTITUTIONS</b>      |  |
| 1                                    | MasterCard Europa sprl (Representative)                                  |
| 2                                    | Bankalararası Kart Merkezi   |
| 3                                    | Visa Europa Services Inc. (Representative)                               |

**ANNEX 2. List of BRSA Publications in 2010**

| Nr.  | Title of Publication  | Date of Publication |
|--|---|---------------------|
| <b>Working Papers</b>  |   |                     |
| 1  | From Crisis to Financial Stability Turkey Experience<br>(Revised Third Edition) | September 2010      |
| <b>Financial Markets Report</b>                                    |   |                     |
| 1  | Financial Markets Report (September 2010)                                       | December 2010       |
| 2  | Financial Markets Report (June 2010)  | September 2010      |
| 3  | Financial Markets Report (March 2010)   | June 2010           |
| 4  | Financial Markets Report (December 2009)  | April 2010          |
| <b>Structural Developments in Banking</b>                          |   |                     |
| 1  | Structural Developments in Banking Issue 4                                      | August 2010         |
| <b>Journal of BRSA Banking and Financial Markets</b>               |   |                     |
| 1  | Journal of BRSA Banking and Financial Markets Volume 4<br>Issue 2               | December 2010       |
| 2  | Journal of BRSA Banking and Financial Markets Volume 4<br>Issue 1               | July 2010           |
| <b>Risk Bulletin</b>   |   |                     |
| 1  | Risk Bulletin Issue 8   | October 2010        |
| 2  | Risk Bulletin Issue 7   | July 2010           |
| 3  | Risk Bulletin Issue 6   | April 2010          |
| 4  | Risk Bulletin Issue 5   | January 2010        |
| <b>Turkish Banking Sector Exchange Rate Risk Evaluation Report</b> |   |                     |
| 1  | Turkish Banking Sector FX Risk Evaluation Report                                | September 2010      |
| <b>Banking Sector Basel 2 Progress Reports</b>                     |   |                     |
| 1  | Banking Sector Basel 2 Progress Report  | September 2010      |
| 2  | Banking Sector Basel 2 Progress Report  | February 2010       |
| <b>BRSA Annual Reports</b>   |   |                     |
| 1  | BRSA Annual Report 2009   | March 2009          |

**ANNEX 3. Chairmen and Members in BRSA**

| Name Surname                  | Title           | Date of Initiation | Date of Leaving |
|-------------------------------|-----------------|--------------------|-----------------|
| <b>Chairmen</b>               |                 |                    |                 |
| Tevfik BİLGİN                 | Chairman        | 01/12/2003         | Continuing      |
| R. Engin AKÇAKOCA             | Chairman        | 19/03/2001         | 05/11/2003      |
| Zekeriya TEMİZEL              | Chairman        | 06/04/2000         | 03/03/2001      |
| <b>Second Chairmen</b>        |                 |                    |                 |
| Ahmet ŞİRİN                   | Second Chairman | 12/08/2003         | Continuing      |
| İbrahim Halil ÇANAKCI         | Second Chairman | 11/12/2002         | 05/05/2003      |
| Ali Vefa ÇELİK                | Second Chairman | 13/06/2001         | 07/08/2001      |
| Biltekin ÖZDEMİR              | Second Chairman | 06/04/2000         | 13/06/2001      |
| <b>Members</b>                |                 |                    |                 |
| Selim Servet TAŞDELEN         | Member          | 25/01/2010         | Continuing      |
| Mutalip ÜNAL                  | Member          | 06/10/2009         | Continuing      |
| Mustafa AKIN                  | Member          | 16/11/2007         | Continuing      |
| Erol BERKTAŞ                  | Member          | 14/11/2007         | Continuing      |
| Hüseyin AL                    | Member          | 28/07/2005         | Continuing      |
| Mukim ÖZTEKİN                 | Member          | 02/10/2009         | 08/01/2010      |
| Prof. Dr. Yusuf TUNA          | Member          | 12/08/2003         | 12/08/2009      |
| Mustafa EKİM                  | Member          | 01/07/2003         | 01/07/2009      |
| Yusuf Ziya ÖNDER              | Member          | 13/06/2001         | 13/06/2007      |
| Prof. Dr. Kemal ÇEVİK         | Member          | 06/04/2000         | 13/06/2007      |
| Mehmet Nuri DOĞULU            | Member          | 13/06/2001         | 13/06/2005      |
| Atilla TAŞDEMİR               | Member          | 13/06/2001         | 13/06/2003      |
| Ali Akın TARI                 | Member          | 13/06/2001         | 13/06/2003      |
| Ural ŞEKERCİ                  | Member          | 06/04/2000         | 13/06/2001      |
| Selim Servet TAŞDELEN         | Member          | 06/04/2000         | 13/06/2001      |
| Prof. Dr. Bilge HACIHASANOĞLU | Member          | 06/04/2000         | 13/06/2001      |
| Halil YETGİN                  | Member          | 06/04/2000         | 13/06/2001      |

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