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The Labour Market Implications of Large-Scale Restructuring in the Banking Sector in Turkey

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10. May 2006

Online at <http://mpa.ub.uni-muenchen.de/2457/>

MPRA Paper No. 2457, posted 30. March 2007

**CASE STUDIES OF LARGE-SCALE RESTRUCTURING:
THE BANKING SECTOR IN TURKEY**

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This document is part of the case studies on labour market implications of large scale restructuring. It was financed and prepared for the use of the European Commission, Directorate-General for Employment, Social Affairs and Equal Opportunities under contract no. VC/2005/0005.

Its content reflects the opinions of its authors only and does not necessarily represent the official position of the European Commission

Abbreviations

- BAT: Banks' Association of Turkey (Türkiye Bankalar Birliđi, www.tbb.org.tr)
- BRSA: Banking Regulation and Supervision Agency (Bankacılık Düzenleme ve Denetleme Kurumu, www.bddk.org.tr)
- BSF: Banking Sector Fragility
- CBRT: Central Bank of the Republic of Turkey (Türkiye Cumhuriyet Merkez Bankası, www.tcmb.gov.tr)
- FRP: Financial Restructuring Programme
- ILO: International Labour Organisation (www.ilo.org)
- IMF: International Monetary Fund (www.imf.org)
- JBDSB: Joint Board of Directors of State Banks
- NPLs: Non-Performing Loans
- SDIF: State Deposit Insurance Fund (Tasarruf Mevduatı Sigorta Fonu, www.tmsf.gov.tr)
- SIS: State Institute of Statistics (Devlet İstatistik Enstitüsü, www.die.gov.tr)

LABOUR MARKET IMPLICATIONS OF LARGE-SCALE RESTRUCTURING IN THE BANKING SECTOR IN TURKEY

1. Introduction

Over the past 30 years, Turkey has had 22 Governments and during this period, macroeconomic and political instability has become a major feature of the country. Populist macroeconomic policies, moral hazard problems, huge public sector deficits, high real interest rates, overvalued Turkish lira, strong currency substitution, large current account deficits, volatile short-term international capital flows, extremely risk-taking behaviour of banks, volatile economic growth, and high and persistent inflation resulted in several successive crises in the real and financial sectors in Turkey.¹ The 1994 financial crisis, which was regarded by many economists as the most severe economic crisis in Turkish history up until then, was followed by an even deeper financial crisis which hit the country hard between November 2000 and February 2001. In the subsequent months, unemployment in the economy generally as well as in the financial sector increased dramatically, and the need for economic and structural reforms became even more apparent.

After a period of restructuring of the banking sector and a rehabilitation programme from 2001 on, the sector seems to have recovered from crisis. On the political front, in the November 2002 election of Turkey's 58th Government, the Justice and Development Party (AK-Party) captured 34.3 % of the total votes and succeeded in building a single-party government. After three years in office, the AK-Party Government has lowered inflation rates to single digit levels by continuing to implement the strict disinflation policies that were designed initially by the previous Government. It has also finished successfully pushing through the necessary legislative reforms to be able to start accession talks with the European Union (EU) on 3 October 2005, which may last more than ten years.

Nevertheless, there are still millions of men and women in Turkey who have been unemployed for more than three years. A significant proportion of them appear to be well educated and were once employed in the banking sector. The total cost of the 2000-2001 crisis in the banking sector alone is estimated to be as high as \$53 billion, which is equivalent to 36% of Turkey's GDP in 2001 (Steinherr *et al.*, 2004).² It is argued that if Turkey had adopted the legislative, regulatory and institutional

¹ See Ertuğrul and Selçuk (2002), Kibritçioğlu (2001) and the references cited in there for more information on Turkey's economic crises which occurred over the last two decades.

² See Table 2 at the end of this study.

framework of the EU banking system in the early 1990s, and had implemented and enforced these rules effectively, then the country probably would not have been faced with a severe banking crisis like that in the early 2000s, the financial cost of the crisis would have been much smaller (Berument and Togan, 2005) and unemployment in the country would not have risen so dramatically in the early 2000s.

In general, this paper is concerned with the causes, timing and effects of banking sector restructuring and financial crisis in Turkey. The main focus of the study, however, will be on labour market implications of the banking crisis and banking reform in recent years. The paper is organised as follows. Section 2 presents a brief summary of the macroeconomic background to the latest banking sector crisis in Turkey. In section 3, the efforts of recent Turkish Governments towards restructuring and rehabilitation of the banking sector are considered. Then, following a statistical review of the main features of the Turkish banking sector, section 4 focuses on the labour market problems that can be linked to the Government's restructuring and rehabilitation programme in banking. Section 5 draws some lessons from this restructuring programme. Finally, section 6 concludes with some remarks on future prospects in the banking sector.

2. Macroeconomic background

In Turkey, the financial sector is dominated by banking activities, and banking has experienced several systemic crises since late 1970s (see Figure 1). In early 1980, in response to a strong balance-of-payments crisis accompanied by a deep recession and increased inflation, Turkey abandoned its inward-oriented development strategy and gradually started to introduce free-market based reforms. To liberalise the domestic financial system, many restrictions on domestic and external financial intermediation were removed or substantially reduced, between 1980 and 1989. The early attempt at domestic financial liberalization between 1980 and 1982 failed as a result of both the strong competition between banks and broker houses on interest rates and the lack of regulations for strengthening the legal basis of the Turkish banking sector.

In 1982, five banks, along with many brokerage houses, were closed. During the liberalization process in the 1980s as a whole, however, the number of commercial banks increased from 43 in 1980 to 66 in 1990, while their number of branches expanded from 5,954 to 6,560 with an accompanying rise in the number of employees from 125,312 to 154,089 over the same period (see Table 1, Figure 2 and Figure 3). As a result, the number of branches per bank declined from 138 in 1980 to 99 in 1990, with no significant change in the number of employees per branch (see Table 1 and Figure 2). Meanwhile, between 1980 and 1990, the number of foreign banks in Turkey increased from 4 to 23.

The opening of the Turkish economy to the rest of the world in the 1980s significantly increased the funding options abroad both for financial organisation and large corporations. However, it also increased the vulnerability of the domestic economy to external shocks. In Summer 1989, international capital flows were completely liberalised. Following this, the overvaluation of the Turkish lira and high domestic interest rates on government bonds attracted short-term capital inflows into Turkey. The so-called “hot-money” mechanism, which was driven mainly by the high real interest rates paid by the Government and the external open positions of Turkish banks, created a deep currency and banking crisis in early 1994 when it became apparent that this mechanism was no longer sustainable.³ Nevertheless, between 1994 and 1999, the number of banks increased from 67 to 81, while the number of bank branches climbed from 6087 to 7691 causing employment to rise from 139,046 to 173,988. The 1994 financial crisis resulted in Turkey being given a lower credit rating and in general pessimism about the economy. As a result, many small banks found it difficult to raise funds abroad. They, therefore, responded by expanding their domestic network of branches in an effort to collect more deposits.

Between 1995 and 1997, both the continuing failure of Government to lower the public sector deficit as well as inflation and the re-emergence of the “hot-money” policy were accommodated by repeated excessive risk-taking behaviour on the part of the banking sector (see Figure 1). Even after the currency and banking crisis of 1994, many (mostly smaller) banks continued to abandon traditional banking activities in favour of using their funds to purchase government securities.

Following the 1994 crisis, the Government introduced a full deposit insurance system (both for foreign and domestic currency savings accounts), which contributed significantly to creating ‘moral hazard’ problems in the banking sector. At the same time, the Government began placing weakened banks on the Treasury’s surveillance list for poor financial status but showed an unwillingness to close them. The number of listed banks rose to 15 between 1985 and 1999, and the financial position of many banks, which had largely abandoned sound banking practices started to deteriorate from around 1997.

By the end of the 1990s, the sole function of the banking system in Turkey was virtually reduced to transferring funds from the domestic and international markets to

³ During the 1990s, the high real interest rates on government bonds, mainly caused by high public sector deficits, were highly attractive for private banks. Therefore, they started to borrow funds from abroad to buy government bonds. Meanwhile, the central bank was slowing down the depreciation of the Turkish lira, which was additionally attracting capital inflows from abroad. As a result of this “hot-money policy”, the share of government securities in total assets of domestic private banks and their open foreign exchange positions expanded significantly. This development increased the vulnerability of private banks both to changes in interest rates and in exchange rates.

the Treasury (Denizer *et al.*, 2000). During the 1990s, most of the new domestic entry into the banking sector was from large industrial conglomerates founding their own banks, since the poor regulatory system enabled banks to lend large amounts to companies within their group (Denizer *et al.*, 2000, and Damar, 2004). In addition, illegal activities, such as the transfer of bank funds to bank owners or executives through fictional loans, also increased in the late 1990s.

Box 1: The Two Key Players in Turkish Banking: SDIF and BRSA

The Savings Deposit Insurance Fund (SDIF, www.tmsf.gov.tr) had been founded with the *Decree of Law On Banks* Nr. 70, dated July 22, 1983. The task of administrating and representing the Fund was given to Central Bank of the Republic of Turkey (CBRT) with the regulation prepared by the Ministry. Arrangements of the said *Decree of Law* regarding the SDIF were legalised with the *Banks Act* Nr. 3182, dated April 25, 1985. With the *Decree of Law* Nr. 538, dated June 16, 1994 the Fund was charged in strengthening and the restructuring the financial structure of the banks when necessary besides insuring savings deposits. *Banks Act* Nr. 4389, dated June 18, 1999 provisions that the Fund is to be administrated and represented by the Banking Regulation and Supervision Agency (BRSA, www.bddk.org.tr). BRSA, founded on June 23, 1999 with the status of a public legal entity with administrative and financial autonomy, is established in order to ensure application of the said *Act* and other relevant acts, and to supervise and conclude such application, and to ensure that savings are protected and to carry out other activities and to exercise its authority defined in *Banks Act* by also issuing regulations within limits of authority granted by the *Act* in accordance with the article 3/1 of Banks Act Nr. 4389 and initiate to operate on August 31, 2000. In conclusion, the administration and the representation of SDIF having legal entity as of 1983 was firstly enforced by CBRT and than by BRSA. It was provisioned with the *Act* Nr. 5020 on “Making Amendments to the Banks Act and Some Acts” on December 26, 2003, that the decision-making body of the Fund is the Fund Board and general directorate and representation, implementation of the resolutions taken by the Fund Board is the duty of the chairman of the Fund.

BRSA’s official mission is declared as “to safeguard the rights and benefits of depositors and to create the proper environment, in which, banks and financial institutions can operate with market discipline, in a healthy, efficient and globally competitive manner, thus, contributing to the achievement of long-run economic growth and stability of the country”. It aims to achieve the following five goals:

- ❖ *To enhance banking sector efficiency and competitiveness* - elimination of distortions created by the state banks; strengthening of the banks’ capital base; reduction of the banks’ intermediation costs; minimization of group banking and non-financial activities.
- ❖ *To maintain confidence in the banking sector* - in accordance with market discipline and “self responsibility” principle, to design the proper regulation for public awareness; making adequate, understandable and accurate information accessible to the markets in a timely manner; promoting international best standards in accounting and reporting systems; providing a transparent environment in which information on risks is clear and accessible for all parties.
- ❖ *To minimise the potential risks to the economy from the banking sector* - prevention of all kinds of transactions and practices that can jeopardise the smooth and safe operation of the banks; developing early warning and prompt correction systems to prevent individual problems from causing systemic risk.
- ❖ *To enhance the soundness of the banking sector* - enhancing the flexibility of the sector against risks; giving importance to the improvement of corporate governance; developing internal control and risk management systems; taking market risk into account in calculation of capital adequacy; improving the BRSA’s capacity for risk-focused and consolidated supervision and control.
- ❖ *To protect the rights of the depositors* - establishing a balance between the adverse effects of deposit insurance, such as erosion in market discipline and increase in moral hazard, and the need to protect the rights of depositors.

Source: SDIF and BRSA.

The number of state-owned banks in the sector diminished from 12 in 1980 to 8 in 1990, and then to 4 in 1999. During the 1990s, Governments usually used these banks for a number of non-commercial activities such as supporting agriculture (Togan, 2004). This led to them incurring so-called “duty losses”, or unrecovered costs from

undertaking duties on behalf of the Government, and they covered their need to finance these by borrowing from the market at very high interest rates at short maturities, so pushing up interest rates even further. These “duty losses” were shown on the balance sheets of state banks as performing assets accruing interest instead of as subsidised lending. At the end of 2000, they amounted to 50% of their balance sheet value (BRSA, 2003), while the stock of accumulated “duty losses” had reached almost 13% of GNP in 1999 (World Bank, 2000).

In the late 1990s, the ill-conceived macroeconomic policies of Governments, along with the excessive preference for risk-taking on the part of privately-owned banks, led to a similar situation as in the late 1970s, which was characterised by an “over-branched” and “over-staffed” banking system (Zaim, 1995, and Akçay, 2001). As a combined result of (i) non-feasible investment and unprofitable production decisions on the part of domestic industrialists, (ii) the lending connected to this and (iii) illegal activities in the banking sector, the weight of non-performing loans in the banks’ portfolios increased significantly, especially after 1997. At the same time, the increasing open positions of banks on foreign exchange markets gave rise to growing exchange-rate risk. By early 1999, the banking system was very vulnerable to a systemic crisis. In 1999, the *State Deposit Insurance Fund* (SDIF), which had been founded on July 22, 1983, took over six insolvent banks, using the authority given to it in 1994 when full deposit insurance was introduced (see Table 3 and Box 1).

In December 1999, the Government introduced a three-year (2000-2002) disinflation and macroeconomic restructuring programme, which was essentially an exchange-rate-based stabilization programme supplemented by fiscal adjustment and structural reform measures involving reform of agriculture, pensions, fiscal measurement, tax policy and administration combined with greater transparency. There were also measures to strengthen and regulate the banking sector. An independent *Banking Regulation and Supervision Agency* (BRSA) was established (see Box 1)⁴ and became fully functional in August 2000, taking over the supervisory powers and responsibilities previously divided between the Undersecretariat of the Treasury and the Central Bank of the Republic of Turkey.⁵

⁴ According to the Banks Act No. 4389, dated June 18, 1999, it was decided that the SDIF will be administrated and represented by the BRSA. However, on December 26, 2003, the administration of SDIF was transferred to the newly formed Fund Board of SDIF.

⁵ The major purpose of BRSA is to prevent all kinds of transaction and practice that might endanger the rights of savers and the regular and safe operation of banks, and might cause important losses in the economy, and to take all decisions and implement all measures required for ensuring the efficient operation of the credit system. It also aims to increase the efficiency and the competitiveness of the banking sector, to maintain public confidence in the sector, to minimise the effect of losses the sector might create on the economy, to improve the viability of the sector, and to protect the rights and interests of savers.

Initially, the 2000-2002 programme was relatively successful. Interest rates fell sharply below expected levels, inflation slowed down significantly, and production and domestic demand started to increase. Despite achieving some remarkable results in a short space of time, the programme had to be revised because of two successive liquidity and exchange-rate crises; first in November 2000, as a result of the extremely risky position of a medium-sized bank (Demirbank) with large holdings of government securities, and then in February 2001. The Government abandoned its crawling-peg policy and floated the Turkish lira in February 2001. This seems have been a response to the banks in Turkey being hit by three major shocks:

- i) a sharp increase in funding costs due to the increase in interest rates and a mismatch in maturities,
- ii) capital losses due to a sharp mark-to-market decline in the value of holdings of government securities;
- iii) capital losses due to a sharp fall in the exchange rate and an open foreign currency position (BRSA, 2001).

According to unofficial estimates, between 2000 and 2002, more than 2 million people lost their jobs in Turkey. Meanwhile, the decline in employment in the banking sector as a whole amounted to around 47,130, a reduction of 29% in relation to the number employed at the end of 2000. Tens of thousands of banking employees, who were mostly relatively well educated⁶ and well paid, became unemployed in 2001.

The major events, which preceded both the 2000-2001 banking and currency crisis, and the following inevitable reform process in banking in May 2001, can be summarised in a chronologically as follows:

⁶ In Section 4 below the changes in the number of bank employees by gender and education are examined in more detail.

<i>Date</i>	<i>Event</i>
1978 - 1980	Balance-of-payments crisis, productivity slowdown and accelerating inflation
January 1980	Announcement of a substantial stabilization and structural adjustment programme in order gradually to liberalise the economy
1980 - 1982	Domestic financial liberalisation, followed by closure of five banks, along with many brokerage houses
May 1981	Abandonment of the fixed exchange-rate regime
July 22, 1983	SDIF founded
June 1984 - August 1989	Capital account liberalisation and convertibility of the Turkish lira
December 1993 - April 1994	Occurrence of a major currency crisis and acceleration in inflation; three small banks liquidation process started for three small banks in the aftermath of the crisis
1995 - 1996	The banking sector recovered rapidly from the 1994 financial crisis
1998 - 1999	First signs of an approaching banking crisis
1997 - 2003	21 banks were taken over by the SDIF
June 23, 1999	BRSA founded
August 1999	Negative macroeconomic impact of the Marmara earthquake
December 1999	Announcement of an exchange-rate-based stabilisation programme for 2000-2002 with only a weak emphasis on banking
August 2000	BRSA became fully functional
November 2000 & February 2001	Occurrence of twin (banking and currency) crisis, and increasing political instability
May 2001	Announcement of a new economic programme called 'Transition to a Strong Economy' for 2001-2003;, the major component being the 'Banking Sector Restructuring and Rehabilitation Programme'
2003 - 2004	Recovery of banking sector from crisis; almost all of the SDIF banks 'resolved' by 2004; two major state banks (Ziraatbank and Halkbank) still not privatised or merged, but thoroughly reorganised

The following focuses on details of the banking reform in the aftermath of the 2000-2001 crisis and its labour market implications.

3. Banking sector restructuring and rehabilitation

In May 2001, in the aftermath of the 2000-2001 crisis, the Government initiated a new three-year programme "Transition to a Strong Economy". The most significant component of the programme in terms of the structural reforms was the *Banking Sector Restructuring and Rehabilitation Programme*, which was aimed at (i) the operational and financial restructuring of state-owned banks with the ultimate aim of privatising them, (ii) prompt resolution of the private banks transferred to SDIF through merger, sale, liquidation and other means, (iii) strengthening privately-owned banks, and (iv) developing the legal and institutional framework to improve supervision and audit in the sector and make it more effective and competitive. According to the May 2001 programme, the Government's intervention in Turkish banking was based on both existing and newly founded Organisations, such as the Joint Board of Directors of State Banks (JBDSB), SDIF and BRSA (see also Box 1 above), while the participation of bank employees and banking trade unions in restructuring or resolution of banks was almost completely ignored:

		Joint Board of Directors of State Banks (JBDSB, founded in April 2001, dissolved in April 2005)	Savings Deposit Insurance Fund (SDIF, founded in July 1983)	Banking Regulation and Supervision Agency (BRSA, founded in June 1999)
State-Owned Banks		JBDSB was authorised to restructure and prepare the state banks for privatisation.		
Privately-Owned Banks	'Problem' Banks		SDIF targeted prompt resolution of 21 private banks transferred to the Fund between 1997 and 2003.	BRSA implemented the <i>Bank Capital Strengthening Programme</i> to strengthen the capital structure of 25 banks identified as financially weak in the aftermath of the 2000-2001 crisis.
	'Non-problem' Banks			BRSA aims to safeguard the rights and benefits of depositors and to create the proper environment in which banks and financial institutions can operate under market discipline, in a healthy, efficient and globally competitive manner.

The details of activities of these three organisations are summarised below in subsections 3.1 to 3.3. Implementation of the restructuring and rehabilitation programme imposed a substantial financial burden on the economy, as before in other countries with similar banking problems. Turkish government officials estimate that Turkey spent some USD 47.2 billion (or 32 % of GDP in 2001) between 1997 and 2003 to reform the banking sector and to eradicate the inherent structural weaknesses (BRSA, 2003, and SDIF, 2005). Updated estimates (in Steinherr *et al.*, 2004) suggest a total cost of USD 53.2 billion or 36% of GDP in 2001 (see Table 2). However, it should be noted that all of these estimates are based on publicly announced figures for the accumulated losses and financial failure of the banks and, accordingly, do not cover any spending associated with Government efforts to prevent or moderate the adverse labour market effects resulting from restructuring of state-owned banks and resolution of private banks.

3.1. Restructuring of state-owned banks

The three state-owned banks began to be administered by a newly established *Joint Board of Directors* (JBDSB), consisting of professional bankers, in April 2001. The Board was granted authority to restructure and prepare the state banks for privatisation.⁷ In June 2001, the state-owned Emlakbank was turned over to another

⁷ By early 2005, the financial and operational restructuring of the state-owned banks had been completed, and hence, the JBDSB had been abolished in April, 2005. Since then, the decisions

state-owned bank, Ziraatbank, since it was not functioning efficiently, and 96 of its 406 former branches were transferred to Halkbank, also state-owned. Then in November 2004, Pamukbank, a private bank that had been under the control of SDIF since June 2002, was merged with Halkbank.

Simultaneously, the Treasury had strengthened the capital of state banks, established a payment plan for the duty losses by issuing special bonds and eliminated their short-term liabilities. Their interest rates on deposits were brought into line with market rates and the management of maturity and liquidity risks improved.

As a result, both Ziraatbank and Halkbank began undergoing a process of restructuring from mid-2001, with fundamental changes in their organisational structures to bring them into line with the requirements of contemporary banking and international competition. Their staff ceased to be civil servants and were employed instead under private sector contracts.

Not least importantly, tens of thousands of employees of state banks were classed as “employed in excess of requirements”, reflecting the excessive number of branches and staff. They were accordingly given financial incentives to take early retirement or obliged to transfer to other state institutions which operate outside the banking sector (see the figures in column 1 in Table 15). The pronounced labour market effects of this restructuring are discussed in section 4.1 below in more detail.

3.2. Resolution of the private banks transferred to SDIF

The 2002 Law on Restructuring of the Debts to the Financial Sector and Amendments to Some Laws No. 4743, established the legal framework for the strengthening the capital of private banks and restructuring the debts of insolvent companies with banks. Within this framework, legislative and institutional arrangements were adopted:

- to accelerate the follow-up and collection proceedings of the banks in the Fund in terms of receivables and to strengthen the organisational structure of SDIF;
- to provide capital support in order to strengthen the capital structures of the privately-owned banks;
- to ensure the institutional and operational restructuring of the state banks and to enable them to participate in the process of restructuring the debts to the financial sector;

regarding branches and staff have been made by the authorised bodies of the state banks in line with the in the sector and their own strategies in response to these.

- to prepare the framework agreements on financial restructuring programmes and to establish asset management companies,
- to ensure tax exemption for the institutions signing framework agreements.

SDIF's resolution practices since 1997 are summarised in Figure 4 and Table 3. Between 2001 and 2004, 12 banks of the 21 taken into the Fund since late 1990s were resolved through merger, and five of them were sold to private investors. In addition, as noted above, another one, Pamukbank, was transferred to a state bank. By the end of September 2005, the total number of banks in Turkey had fallen to 48, and only one of the SDIF banks (Bayındırbank) with 401 employees was still under the control of the Fund, while one bank (Türkbank) is in the process of being closed down and another (İmar Bank) was managed and supervised by SDIF.

The latest BAT (Banks Association of Turkey) statistics indicate small increases in the overall number of employees and branches in the sector in the past year or two (see also Figure 2 and 3). These rises (which are in accordance with the recent movement of the BSF index in Figure 1), suggest that the Turkish banking sector seems to have recovered from the 2000-2001 financial crisis by the end of 2003. But a great many of the employees of the banks involved in the resolution programme as a result of the bad management practices in the late 1990s remain badly affected. The extent and nature of their difficulties are discussed in section 4.2 below.

3.3. Strengthening of privately-owned banks

Strengthening private banks, the financial structure and profitability of which were worsened by the 2000-2001 financial crisis, represents an important part of the *Banking Sector Restructuring and Rehabilitation Programme*. Under this programme, measures have been put into place for the recapitalisation of private banks, resolving Non-Performing Loans (NPLs), limitation of foreign-exchange open-positions and encouragement of mergers and acquisitions. A special *Bank Capital Strengthening Programme* was implemented to strengthen the capital structure of 25 banks, identified by BRSA in mid-2002 and to limit market risks⁸.

⁸ These banks went through a three-stage independent audit process, designed to assess their asset structure under the recapitalisation process (BAT, 2003). Following a number of meetings with their to discuss the extent to which they were affected by the crisis and to come up with proposals to solve their problems, the BRSA agreed with the banks concerned "time bound commitment letters" with plans to raise their capital adequacy ratios to 8% by the end of 2001. As a result, the banks' financial statements were made more transparent, their capital base strengthened and their exposure to market risks limited by the end of 2002.

3.4. Financial restructuring of insolvent non-banking firms

In Turkey, the loan portfolio of the banking sector is now revised each year and the non-performing loans (NPLs) are classified in compliance with international standards, and necessary provisions are allocated. Significant progress has been achieved with the so-called *Istanbul Approach*, which is a voluntary debt restructuring mechanism for banks, developed to accelerate settlement of bad loans, following the 2000-2001 financial crisis. The *Istanbul Approach* or *Financial Restructuring Programme* (FRP)⁹ was initiated in 2002 to create a framework for firms in the real economy which became insolvent during the crisis and which were considered to be important for the economy, so as to enable them to maintain their activities and to regain their solvency (BAT, 2005).¹⁰

The Framework Agreement prepared by BAT¹¹ was agreed by the creditor organisations in mid-2002. As of January 2005, a total of 329 companies had been brought under the scope of the agreement, 219 of which were large (35 groups), and 110 small. A Framework Agreement had been concluded with almost all of these and the amount of restructured loans totalled USD 5.7 billion.

3.5. Recent developments

As stated in the *Letter of Intent* of the Turkish Government to the IMF in July, 2004, the Government's efforts to strengthen the financial system continue on several fronts. In February 2003, under the leadership of the BRSA, a coordination committee was formed with representatives of BAT, to ensure rapid implementation of the *New Capital Adequacy Agreement (Basel II)*, and capital adequacy arrangements (which are called *CAD-3* under EU legislation). The limited deposit guarantee system was put into effect in July 2004. In summer 2004, the Government completed a

⁹ Law on Restructuring of the Debts to the Financial Sector and Amendments to Some Laws No. 4743 and Regulation on General Conditions for Approval and Enforcement of Framework Agreements on Financial Restructuring Programme constituted the legal grounds of the framework agreement prepared under the financial restructuring programme known as the "Istanbul Approach", modelled after the "London Approach" of the 1970s, which applies to banks and corporates supervised under the auspices of the Bank of England. It should be noted that the London Approach was a non-statutory and informal framework introduced with the support of the Bank of England for dealing with temporary support operations mounted by banks and other lenders to a company or group in financial difficulties, pending a possible restructuring.

¹⁰ The main provisions under the FRP are Law no. 4743 on the Restructuring of Debts to the Financial Sector and Amendments to Certain Laws, and the Regulation on the General Terms Pertaining to the Approval, Acceptance and Implementation of the Financial Restructuring Framework Agreement.

¹¹ All banks operating in Turkey are legally bound to become members of BAT and to obey the provisions of the Association's statute and to adopt all the resolutions of the Board of Directors (BAT, 2005).

comprehensive review of the banking act to bring the legal framework more closely into line with EU standards. In October 2005, a new draft *Banking Law*, was approved by the Turkish Grand National Assembly. The new banking act and other relevant legislation suggest that the AK-Party Government is committed to maintaining the operational and financial independence of the BRSA and SDIF.

4. Employment in banking: structure and developments

Lack of data makes it difficult to examine employment developments in the banking sector in Turkey and the following analysis is based on investigating a range of sources and trying to piece together the effect of restructuring on those employed in the sector at the beginning of the process. Some estimation is, therefore, inevitably involved in doing this.

The banking sector in Turkey consists of commercial banks and non-depository, or development and investment, banks. Commercial banks are mainly owned by the domestic private sector or the State, though there are also a few foreign banks. (Changes in number of banks, branches and employees by type of ownership between 1961 and 2005 are given in Table 1. Selected indicators, which characterise the structural developments in the Turkish banking sector between 1990 and 2005, are presented in Table 4 and 5 and Table 6 and 7 show the numbers of employees and bank branches between 1995 and 2005 with respect to individual banks in the sector in 2005.)

In Turkey, the commercial banking market has always been dominated by a small number of banks, as indicated by the proportion of assets, deposits and lending controlled by the largest few of them (see Table 5). The largest 5 banks were, therefore, responsible for almost 60% of deposits in 1990. This declined to under 50% by the late-1990s with the expansion in banks in the intervening period but has subsequently increased again to 64% by 2004 as a result of the restructuring in banking since 2002.

The number of commercial banks operating in Turkey increased from 51 in 1961 to 60 in 1998 while the number of development and investment banks rose from 1 to 15 (see Table 1 and 4). Many new banks were set up during this period, the number falling during the 1970s in part because of acquisitions, but rising rapidly after 1980 again as a result of the deepening of the financial markets and lifting of regulatory barriers restricting entry into the banking system.¹²

¹² The reason for the falling number of state-owned banks in recent years is largely privatisation. It should also be noted that there was a significant increase in the number of foreign banks due to the implementation of industrial strategy based on liberalization policies in the 1980s.

The number of banks and bank employees reached an historically high level in 1999 (see Table 4 and 6), before the crisis of 2000-2001. Prior to the crisis, the number of banks and bank branches was rising, as even more so were the salaries paid particularly by privately-owned and foreign banks to their employees in real as well as nominal terms. This reflects the fact that the demand for high-qualified employees in banking was increasing faster than the supply, resulting in frequent transfers of personnel between banks.¹³ Between 1985 and 1999, the average index of real salary per employee increased by 2.4 times (Figure 5). The scale of this rise indicates that bank employees were paid relatively well before 2001, despite the fact that the sector had been gradually moving into a severe systemic crisis from the early 1990s.¹⁴

The three state-owned banks were dominant among commercial banks in terms of both employment and bank branches between 1995 and 2005, though both declined over the period (below and Tables 6 and 7):

	<i>Distribution of Bank Employees (%)</i>				<i>Distribution of Branches (%)</i>			
	Dec. 1995	Dec. 2000	Dec. 2001	June 2005	Dec. 1995	Dec. 2000	Dec. 2001	June 2005
Commercial Banks	71.7	69.5	85.4	96.6	73.5	70.0	86.8	99.7
State-owned Banks	41.0	35.3	40.8	30.1	37.6	31.0	39.4	33.7
Privately-owned Banks	29.8	32.8	40.4	61.5	35.4	38.0	43.7	62.5
Foreign Banks	0.7	1.1	3.9	4.7	0.3	0.7	3.4	3.4
Banks Under the Deposit Insurance Fund	0.1	0.3	0.3	0.3	0.1	0.3	0.2	0.0
Non-depository Banks	3.9	3.1	3.7	3.4	0.3	0.3	0.2	0.3
Total of Open Banks	75.6	72.6	89.1	100.0	73.8	70.3	87.0	100.0
Number of Employees of Closed Banks	24.4	27.4	10.9	0.0	26.2	29.7	13.0	0.0
Sector Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

The main features and trends as regards the composition of employment (see Tables 8 and 9) are as follows:

- The share of women in employment in banking has been increasing continuously. The overall rise in the share of women from 39.5% in 1997 to 46.4% in 2005 is a result in particular of their increased employment in privately-owned commercial banks. State-owned commercial banks still hire more men than women, though their share in total employment is shrinking because of privatisation and restructuring in recent years. In addition, foreign banks usually hire more women than men.
- The share of employees with university degrees in banking increased from 38% in 1997 to 64% in 2005, again due to their increased employment in privately-owned

¹³ In the monthly journal *Capital*, issued on 1 August 2003, it is claimed that, prior to the crisis, a director of the central branch of a typical medium-sized bank in Turkey was earning about USD 10,000 per month (net). This, however, fell to USD 3.5 – 4.0 by mid 2003.

¹⁴ Unfortunately, there is no reliable and comparable data on salaries in banking after 2001 that would show what happened during the period of restructuring of banks in Turkey.

commercial banks. At the same time, the share of employees with upper secondary education declined from 58% to 35%, while the share of those with only basic schooling fell from 4% to just 1.6%.

- There were more women among bank employees with university degrees than men over the period 1998-2005 (around 53%), though it is questionable whether there were also more women in senior positions than men.
- The number of employees in commercial banking declined by over 50,000 from December 1999 to December 2002 (from 168,558 to 118,329), a reduction of 30%. At the end of September 2005, the number employees was around 126,600, 7% more than in December 2002. The number of employees with upper secondary education, however, fell by 44% (by 40,200) between 1999 and 2002, and it is still continuing to decline gradually. By September 2005, it had fallen overall by 52% over the preceding 5 years. The number of university graduates working in commercial banks, on the other hand, declined by 15.5% percent between December 2000 and December 2002 (from 74,369 to 62,844) but rose again to 77,900 in 2005, more than 5 years earlier.
- The changing educational composition of employees in commercial banks (see Tables 8 and 9 for details) can be summarised as follows:

	Percentage Share of Commercial-Bank Employees with			
	University Degrees	Upper secondary education	Basic schooling	Total
December 1999	42.8	54.2	3.0	100.0
December 2002	55.6	43.1	1.3	100.0
June 2005	63.4	35.0	1.5	100.0

between	Percentage Increase in Number of Commercial-Bank Employees		
	with University Degree	with upper secondary education	With basic schooling
December 1999 and			
December 2002	- 8.9	- 44.1	- 70.2
June 2005	10.2	- 51.8	- 62.2

- The above figures suggest that, contrary to common belief in Turkey, most of the bank employees who lost their jobs during the last crisis are most probably those with upper secondary education rather than university graduates and, accordingly, are likely to have more difficulty finding alternative employment than has been assumed.

It should be evident that the overall fall in the total number of bank employees is not an accurate indicator of the number of people who lost their jobs during the banking crisis of 2000-2001 or during the process of restructuring in 2001-2003, since the decline is the net result of opposing changes in employment. In reality, therefore, job losses were concentrated to a large extent among employees of state-owned and SDIF

banks being restructured, while many ‘non-problem’ banks continued to hire new people even in the middle of the crisis (though overall employment in such banks nevertheless declined significantly – see below).

The starting-point for obtaining an indication of the relative scale of unemployment caused by restructuring in the sector is to consider the economy-wide employment and unemployment figures for recent years. Employees in commercial banks in Turkey represented under 0.8 percent of total employment in the first half of the 2000s and those in the financial intermediation sector as a whole, under 1.4% (Table 10). The official unemployment figures (based on the State Institute of Statistics’ (SIS) *Household Labour Survey*) show that the number of unemployed from the financial intermediation sector as a whole rose from 12 thousand in 2000 to 26 thousand in 2002, or from 0.8% to 1.1% of the total unemployed (Table 11).¹⁵

These figures seem confusing at first sight because the number of employees in banking fell by 47.1 thousand over the same period. To understand better what happened to these employees, there is a need to differentiate between those who worked for state-owned banks included in the restructuring programme and those who worked for SDIF banks.

4.1. Labour market effects of restructuring of state-owned banks

Between 2001 and 2004, significant steps were taken to reduce the number of employees and branches of state-owned banks to ‘rational’ levels (see Table 12). The number of personnel was, accordingly, reduced by 43% between December 2000 to December 2002 (from 70,191 to 40,158) and by 46% (to 37,994) by December 2003. As compared with 1999, over 34 thousand people classified as being ‘employed in excess of requirements’, were encouraged by public authorities to take early retirement or were obliged to transfer to other state institutions outside the banking sector. In addition, in late 2004, the privately-owned Pamukbank, under the control of SDIF for two years, merged with Halkbank so causing employment to increase in the latter (and in the state-banking sector as a whole) (see Table 15).

According to the official figures (announced in July 2003), 17,648 of the Ziraatbank and Halkbank employees, who were eligible to do so under the legislation, retired and did so within the prescribed time limit so as to be eligible for a bonus payment of 30%

¹⁵ As also described above, the 2000-2001 banking sector crisis was accompanied by a crisis in the real economy which also contributed significantly to the increase in overall unemployment in Turkey. The share of the unemployed persons from financial intermediation in total unemployed was therefore limited to 1.1% instead of rising up to 1.7%, which would have been the case if total unemployment had remained at its 2000 level (see Table 11).

of their retirement pension (Table 14). In addition, 14,352 employees, who were neither ready to retire nor willing to give up their rights as civil servants, were shifted to other parts of the public sector by the State Personnel Department.

Accordingly, almost none of the state bank employees became unemployed as a result of the restructuring process. The author's calculations in Table 14 indicate that the number of employees who became unemployed or had to change their job as a result of the restructuring of state-owned banks was only around 2,000.

Nevertheless, it is evident that the restructuring process resulted in many employees being forced to retire or leave the banking sector reluctantly. The main grievance seems to be among those classified as "employed in excess of requirements" obliged to shift to other state institutions (grievances which have come to light airing these via the internet)

In June 2004, three organisations, the Independent Trade Union of Office Employees (BÇS), the Association for State Banking (Kamubank-Der) and the Centre for Improving Public Sector Entrepreneurship (KİGEM), formed a joint body called the 'Platform of State-Bank Employees', to monitor the privatisation process in banking, and to work towards initiating the preparation of a new legal regulation to make it possible for employees who have been transferred to return to their previous jobs in state banks, to coordinate and unify the legal fight of ex-employees of state banks (around 5,000 people) against government regulations in state banking, and to contest the merger of Pamukbank with Halkbank in 2004. In criticising the measures taken to restructure state banks, ex-employees argue that:

- (a) the criteria used to determine whether a person is "employed in excess of requirements" is unclear and arbitrary,
- (b) the personal rights of state-bank employees who were transferred have been infringed as they have been downgraded virtually to the level of beginners in the state institutions to which they were moved,
- (c) the employees concerned have not been entitled to receive any increase in salary until the monthly salary of existing personnel in the institutions in question has risen to the level formerly paid in state banks;
- (d) employees who wished to keep their jobs in state banks were obliged to give up their civil servant status as this no longer applied to those employed in the banks concerned;

- (e) the merger of privately-owned Pamukbank with state-owned Halkbank in 2004 was ‘illegal and unfair’ because it led to a renewed increase in employment in state banks only a few years after thousands of Halkbank employees had had to retire or involuntarily transfer to a job outside banking;
- (f) the Government failed to privatise the state banks within three years as it had promised, so deceiving former state-bank employees.

Even today, five years after restructuring of state banks began, there are many ex-employees of these who were transferred to other state institutions who still hope to return to their former jobs and continue to fight to improve their reduced status in their new places of work. Daily newspapers in Turkey, therefore, still report almost every month a new court decision relating to cases brought by the ex-personnel of state banks.

Of the reduction of 46% or so in the number of state-bank employees between 1999 and mid-2005, 42.% consist of employees who retired and received a bonus grant for doing so, while 52% comprise the personnel who have been transferred to non-bank state institutions (Table 12 and 14). The remaining employees (including those in Vakıfbank which is mainly owned by the General Directorate of Foundations (GDF)), have been forced to convert from civil servant status into “contract employee” status, with a specified duration of employment.

The educational composition of employees in state banks, meanwhile, has changed markedly in favour of university graduates, the Pamukbank-Halkbank merger seeming to have significantly contributed to this shift (Table 15).

4.2. Labour market effects of resolution of SDIF banks

Between 1997 and 2003, the SDIF took over 21 banks with 39,409 employees and succeeded in creating new job places for 11,635 in their new banks (as officially reported in BRSA, 2003). Table 13 and Table 14 show the effects of SDIF practices on the number of employees of ‘resolution’ banks in detail. Some 27,774 employees of SDIF banks either retired or had eventually to leave the banking sector in the ‘resolution’ process. Unfortunately, there is no reliable statistical information for estimating the number who became unemployed or what happened to them subsequently. Nor is it possible to differentiate between them according to their education level. The following is, therefore, based on piecemeal information and is, therefore, essentially illustrative.

The author's investigations among current bank employees of non-problem banks indicates that during the resolution process many personnel of SDIF banks shifted to other sectors and started to work as owners of small restaurants, translation offices, bookshops, and consultancy and education/training firms, specialising to a large extent in areas relating to banking and finance.¹⁶ Since 2003, in particular, a small number of them have been hired by the BRSA or SDIF to work on the financial restructuring of insolvent non-banking firms. Some, in addition, seem to have left Turkey to work abroad.

In 2003, under the sponsorship of the World Bank, three state institutions, the Turkish Employment Agency (İŞKUR), the Privatisation Administration (ÖİB) and the Small and Medium Industry Development Organisation (KOSGEB), jointly initiated a retraining project *exclusively* for “high-qualified ex-bank-employees, who graduated from universities, have basic computer skills, were employed in the financial sector, are under 46, and resident in Istanbul”.¹⁷ (The project was carried out by Profit International, a consultancy firm based in Istanbul, under the title “*Siz DeğerSiniz*”).¹⁸ The project was designed for just 900 people with the aim that at least 150 would find a job (in or outside the banking sector) after finishing the programme. As many as 3,000, however, applied to participate in the project. Of the 900 who completed the one-year programme starting in October 2003, some 225 had reportedly found a job by September 2004, and it was expected that this figure would double within two to three months.¹⁹

A recent survey (conducted by the Research Centre of Active Academy) among 204 randomly chosen bank employees indicates, moreover, that most of those who did not lose their job during the crisis and the restructuring were also unhappy with their situation as of mid 2004. Some 70% of those surveyed were seriously thinking of looking for a job outside banking because of the lower earnings they were now getting.

¹⁶ It is generally believed that they were able to open their own companies because they were paid well prior to the banking crisis.

¹⁷ Actually, the project was designed as an *addition* to the broad “Privatisation Social Support Project” (PSSP), which was *already* started as a result of the meetings held by the World Bank, IMF, Turkish Treasury, İşkur, ÖİB and KOSGEB from January 2000 onwards. For further information about the PSSP, see www.oib.gov.tr/sosyal_destek/social_project.htm. See also Auer and Popova (2003) on this.

¹⁸ The title “*Siz DeğerSiniz*” actually has a double meaning in Turkish: Firstly, it means “you are worth it”, and secondly, “you are the value”.

¹⁹ Since the Profit International avoids giving the latest information on issue, it is unfortunately not possible to know whether this has indeed been the case.

A more recent survey (conducted by Ergeneli and Ari, 2005) among 220 bank managers working for non-SDIF bank branches located in Ankara was aimed at finding out whether they considered downsizing as an opportunity for their personal growth or simply as a development that increased their workload as well as raising concerns that they might be among the next to be laid-off. The study reveals that managers working in banks where employees had been laid off felt less commitment to the organisation, less trust in senior management and empowered than those working in banks where there were no lay-offs.

4.3. Unionisation in banking and the role of trade unions during the crisis

In Turkey, there is a general distinction between trade unions according to whether they are in the private or public sector. Unions of workers in *private* firms are established on an industrial basis (in line with the *Unions Act*, No. 2821 of May 1983). Membership of a union is voluntary and there is no obligation to conclude a collective agreement in all businesses or places of work. Such agreements (which are covered by the *Collective Bargaining Agreements, Strikes, and Lock Outs Act*, No. 2822, also of May 1983) cover only workers who are members of a trade union. A trade union can be authorised to negotiate a collective bargaining agreement if it covers at least *half* of the workers in a particular place of work and if at least 10% workers employed in the sector concerned are registered with the trade union in question.

The unionisation of employees in *private* banking is historically high and remains so. In July 2005, therefore, some 90% of employees in private banks were members of a trade union (see Table 16). For many decades, five trade unions were allowed to operate in the banking and insurance sectors in Turkey. The largest is BASİSEN, which accounts for some 44% of all employees in these sectors (as of July 2005), while the second largest, BANKSİS, represents around 17% of employees.²⁰

So far as state-owned banks are concerned, employees of these, as well as of state-owned insurance companies, have a choice between five trade unions, though they are not obliged to be a member of any of them (Table 17). (This is stipulated in the *Law on Unions of Public Employees*, No. 4688, of June 2001 and the related Regulation published in the *Official Journal* in November 2001.) The two largest unions, TÜRK BÜRO-SEN and TÜM BANKA-SEN, each account for over 40% of all unionised employees (45% and 41%, respectively), while the third largest, BÜRO MEMUR-SEN, accounts for 13%, with very few belonging to the smallest two union. The majority of employees in state-owned banks – just over 58% as at May 2005 – however, do not belong to any union.

²⁰ Since banking related unions also have members working in insurance and other financial sectors, it is difficult to know the exact number of members who work in banks.

Both the developments prior to and during the 2000-2001 banking crisis and the observed process of restructuring of commercial banks in Turkey imply that the power of trade unions to influence developments in the sector was extremely limited. To some extent, this might be explicable in terms of their relatively poor and over-politicised organisational structure. In addition, trade unions in *state-owned* banks have a relatively short history, which helps to explain the relatively low level of membership. More fundamentally, however, it is explicable in terms of the fact that, in general, the Government ignored the contribution of trade unions when formulating restructuring programmes and usually decided the contents of these alone.

Moreover, the five trade unions representing employees of *private* banks had a negligible effect on the resolution of banks which had been transferred to SDIF despite their large membership. Their efforts to support their members were, in practice, disorganised and weak. They were, therefore, almost entirely ignored by the Government both prior to the announcement and during the implementation of the programme.

5. Lessons to be learned from banking restructuring and resolution in Turkey

The estimates presented above indicate that more than 73 thousand people have been involved in the restructuring and rehabilitation of banks since 1997 in Turkey, over 42% of the total work force in the banking sector at the end of 1999 (Table 14 and Figure 7). Some 26 thousand employees have been transferred to other banks as a result of mergers and sales, or obliged to shift to other state institutions. Around 17.6 thousand employees, mainly from state banks, are estimated to have retired and so withdrawn from the work force. This leaves around 30 thousand employees who became unemployed.

At the same time, the ‘non-problem’ banks which were not involved in the restructuring or resolution process experienced a much smaller, if still significant reduction in employment during the crisis – of around 17% between the end 1998 and the end of 2001 – which has since been almost entirely reversed as jobs have expanded again (see Figure 7).

The decline in the number of banks, branches and employees between December 1999 and September 2005 (by 42%, 20% and 24%, respectively) and the substantial organisational changes which occurred were accompanied by a significant change in the educational composition of the work force along with a shift in employment from men to women. The share of university graduates among total employees increased from just under 44% to 65% over these five years, while 43.5 in 1999 to 64.6 in

2005,²¹ while, perhaps related to this, the share of men in total employment declined from 59% to 53%. The brunt of the impact of restructuring was, therefore, borne by those without university qualifications, mainly those with upper secondary level education and more by men than by women.

The above discussion indicates that efforts to privatise state-owned banks, evolving crisis, and attempts at restructuring all occurred at the same time over the last 10 years, making it difficult to distinguish between causes, effects and cures. The process of restructuring state-owned banks, on the one hand, and the resolution of private SDIF-banks, on the other, seems to have been speeded up by the deep crisis in the real economy, foreign exchange market and banking sector that occurred between November 2000 and February 2001. This process unquestionably had far-reaching labour market effects which, unfortunately, remain to be adequately investigated by economists. In part, this is a result of many aspects of the process itself being confidential and unclear and of a major lack of information and statistical data on the details of what happened.

The dominant role of the Turkish Government in the restructuring and resolution of banks in the wake of severe economic crisis is itself a reason for the process not being transparent. Moreover, as noted above, both the employers (i.e. the ‘problem’ private banks) and trade unions were largely ignored prior to restructuring and during the process itself. The illegal activities of many private-bank managers in the 1990s which resulted in the transfer of their banks to SDIF for resolution is an understandable reason for ignoring their views and suggestions during both prior consultation and the restructuring process. However, the lack of involvement in the restructuring programme of trade unions representing bank employees is a joint failure of both the trade unions themselves, which have proved to be far too weak to protect their members’ interests, and the Government that cannot be so easily overlooked.

To sum up, the Turkish case of large-scale restructuring in the banking sector indicates clearly that:

- Political and macroeconomic stability prior to the implementation of a restructuring programme seems to be a major prerequisite for the programme being successful. Political instability and a relatively short election cycles together with high inflation are likely to make it more difficult, especially so far as banking

²¹ Although there is a lack of detailed statistics on the jobs which university graduates who work for banks do, it is likely that this shift is also associated with the increasing demand of banks for electrical, electronics and computer engineers in recent years, as a result of ongoing automation and restructuring of jobs within banks.

restructuring is concerned – but also more generally – both to undertake the necessary changes and to moderate their effects on the economy and employment. A major lesson for the banking sector as such is that an environment of excessive risk-taking should be avoided since it can all too easily lead to a severe systemic crisis.

- Close monitoring of developments in the relevant market and the correct timing of government intervention are critical to keeping down the costs of restructuring in the broadest sense. If there is a significant delay in the restructuring being initiated, as seems to have been the case in Turkey, the adverse socio-economic effects can increase dramatically, as evidenced by the substantial number of banking employees affected by restructuring in Turkey once it got underway.
- A high degree of transparency, fairness in the implementation of measures and impartial and consistent imposition of the rule of law are essential for the success – widely defined – of the restructuring process.
- Government prior consultation with interested parties (particularly trade unions) is important to ensure fairness, transparency and the effectiveness of restructuring, as well as, in the Turkish case, of the process of privatisation. Accordingly, Governments should allow sufficient time between the announcement of a restructuring programme and the start of its implementation for the workers who are expected to be affected to take anticipatory action and to prepare themselves for facing the problems that are likely to arise.

In the Turkish case, however, to do this was almost impossible because of the sudden deepening of the banking and currency crisis between November 2000 and February 2001. The Turkish Government and employees of state banks which were expecting privatisation were not prepared to have to face a problem of this magnitude. As could be expected, therefore, the attempt of the Government to implement a restructuring programme without much if any prior consultation with those affected worsened the social effects and heightened grievances among bank staff, as reflected, for example, in the large number of lawsuit cases brought against their former employers by employees in state banks who were transferred or forced to take early retirement.

- The labour market consequences of restructuring are no less important than their financial costs, especially if they are concentrated in particular parts of the country. For example, although employment in banking represents a relatively small share of total employment in Turkey, it needs to be borne in mind that the labour market effects of the banking crisis, restructuring and resolution were particularly concentrated in large cities, Istanbul and Ankara especially. This in

turn implies that the social impact was itself concentrated and accordingly more significant as a result.

The Government, however, was mainly concerned with reducing the *financial* costs of the restructuring and of the other developments which occurred at the same time and made little effort to prevent or moderate the problems facing the workers affected.

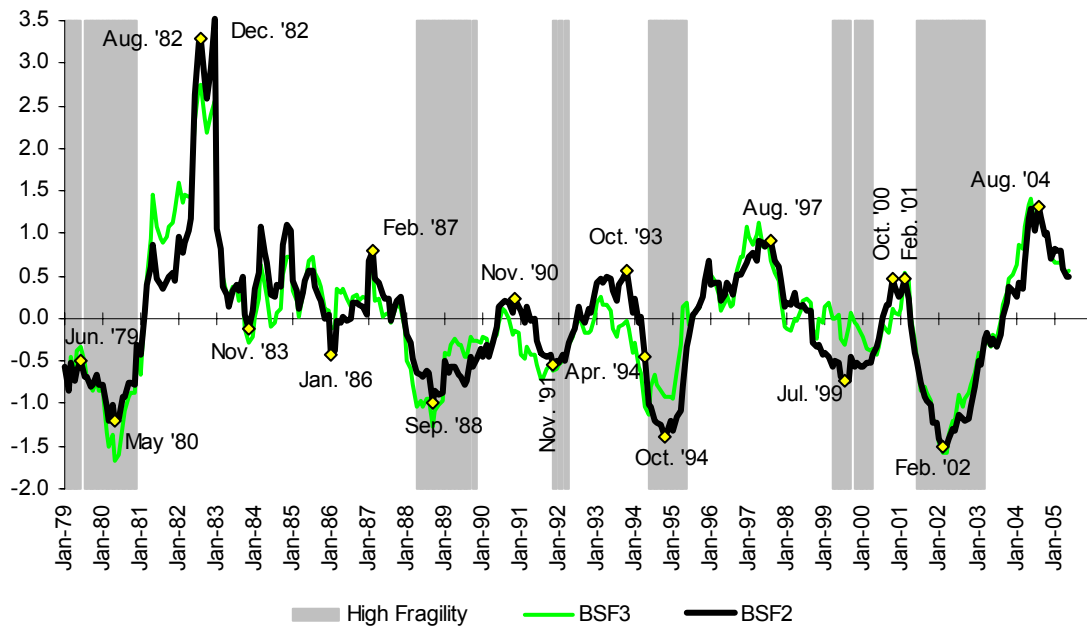
6. Future prospects for Turkish banking

In early October 2005, the EU decided to start accession negotiations with Turkey. During these negotiations, which might last ten years or more, Turkey will experience further significant economic and structural change, not least as the whole body of EU legislation and standards, the *Acquis Communautaire*, is applied. In December 2004, Mr. *Rodrigo de Rato*, IMF Managing Director, stated in his press release on Turkey (No. 04/265) that “in the banking sector, the goal over the next three years will be to align Turkey’s supervisory framework more closely with EU standards, accelerate resolution of assets held by the Savings Deposit Insurance Fund, and strengthen further the operations of the state banks. A key first step will be the introduction of a new financial services law that will upgrade rules relating to bank owners and managers, licensing, and related party lending, and allow the Banking Regulation and Supervision Agency to coordinate on-site and off-site inspection more effectively.”²²

Recent Deutsche Bank estimates, moreover, indicate that the Turkish banking sector stands to benefit from increasing macroeconomic stability, improving credit worthiness, higher economic growth, larger domestic savings and EU-related institutional reforms within the coming 10- 15 years and that the sector is likely to experience increased consolidation and foreign competition (see Jaeger, 2005). If this scenario is realised, the structure of the banking sector which remain under-developed with assets representing only 70% of GDP and loans a mere 20% may finally be transformed into one that can effectively support economic development and job creation in Turkey as has been needed for over three decades.

²² A review of the recent strengths and weaknesses of the banking sector are presented in the report of the Workinggroup for Financial Markets of BAT (2004). For a selective summary of the issues addressed in there, see Table 19 at the end of this study.

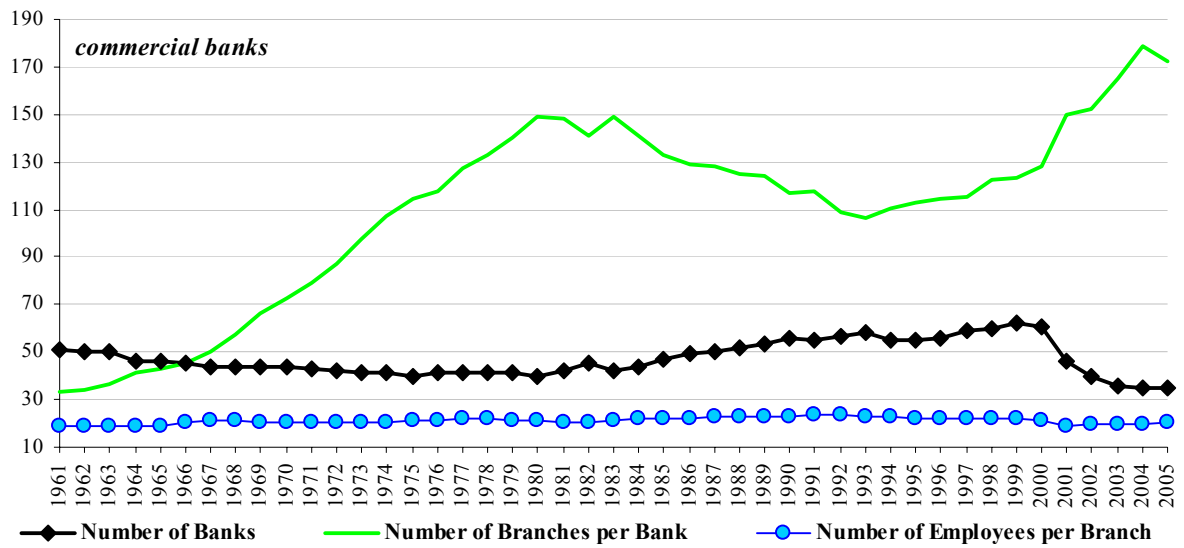
Figure 1: Banking Sector Fragility in Turkey (January 1979 – June 2005)



Data Source: Central Bank of Republic of Turkey, State Institute of Statistics, and the International Monetary Fund; author's own calculations. Methodology: Kibritçiöğlü (2003).

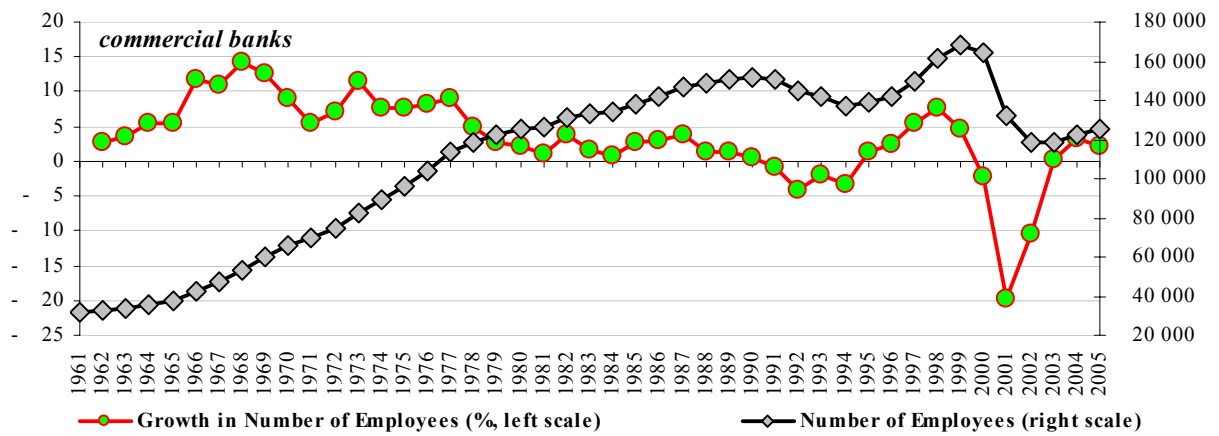
Note: Turkish commercial-banking sector experienced several difficulties, as a result of their own excessive risk-taking behaviour within the last 25 years. Figure 1 above shows a banking sector fragility (BSF) index developed by Kibritçiöğlü (2003). In one version, BSF3, it measures the weighted average of month-to-month real changes in bank claims on the domestic private sector, foreign liabilities of banks, and bank deposits, which are accepted as indicators of credit risk, exchange-rate risk and liquidity risk, respectively. The BSF2 version then excludes changes in bank deposits. The difference between these two versions shows roughly the effect of bank withdrawals, which becomes small if deposit insurance exists. Applied to Turkey, Figure 1 shows an excessive risk-taking behaviour prior to each of the banking crises, visible as a peak value of the BSF curve. Then, these periods of excessive risk-taking are followed by sharp falls in the BSF index. The periods in which the index is below -0.5 are entitled as "high-fragility" periods, which are depicted as grey-shaded areas in the figure.

Figure 2: Selected Indicators of the Commercial Banking Sector in Turkey (1961 – 2005)



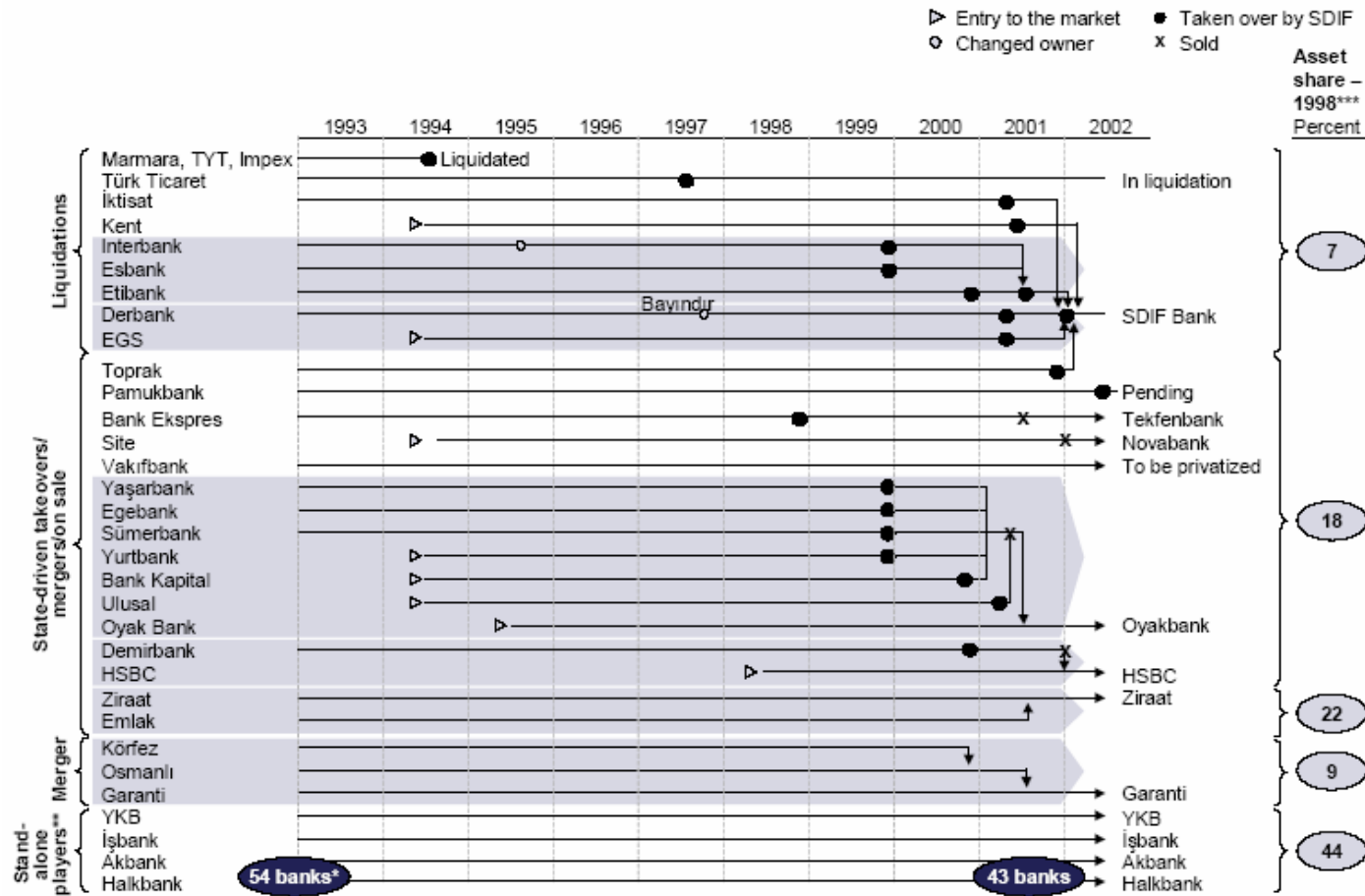
Source: Banks Association of Turkey (BAT); author's own calculations.
 Note: For 1961-2004, the data is as end of the year. The 2005 figures are as end of June.

Figure 3: Employment in the Turkish Commercial Banking Sector (1961 – 2005)



Source: Banks Association of Turkey (BAT); author's own calculations.
 Note: For 1961-2004, the data is as end of the year. The 2005 figures are as end of June.

Figure 4: The Road towards Restructuring and Consolidation in Turkish Banking Sector (1993-2002)



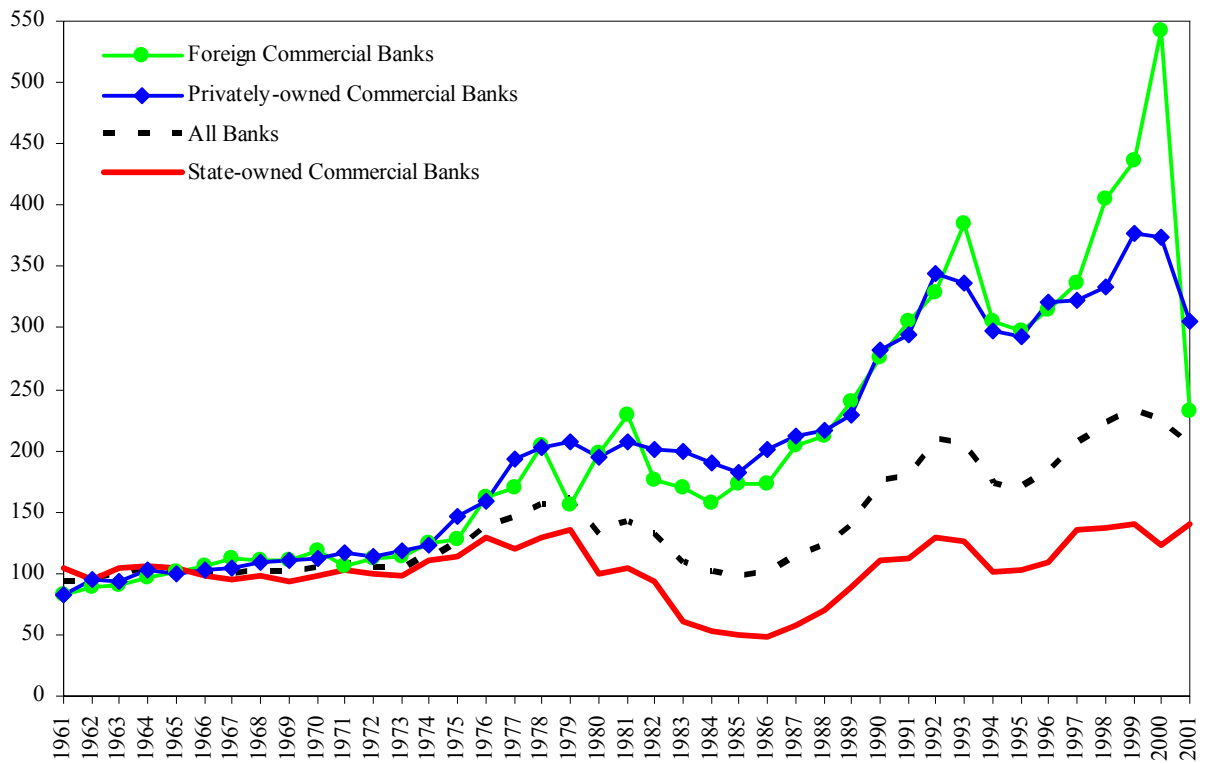
* Commercial banks as of 1990

** Small- to medium-size banks are omitted: Finans, Alternatif, Dış, TEB, Deniz, Tekstil, Fiba, Anadolu, İmar, Ada, MNG, Şeker

*** Within commercial banks; investment and development banks are not part of the calculation

Source: Banks Association of Turkey (BAT) and State Deposit Insurance Fund (SDIF); adapted from McKinsey (2003: 194).

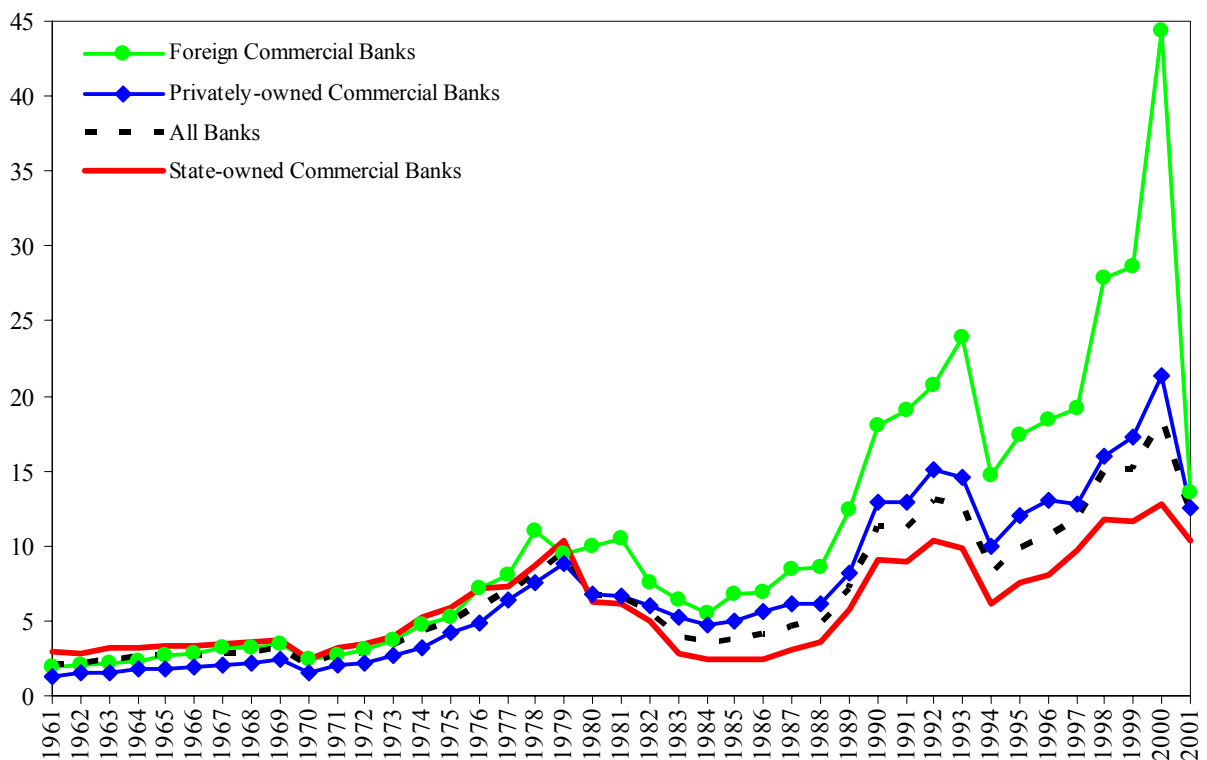
Figure 5: Real Annual Salaries and Employee Benefits per Employee (1961-69 = 100)



Source: Banks Association of Turkey (BAT); author's own calculations.

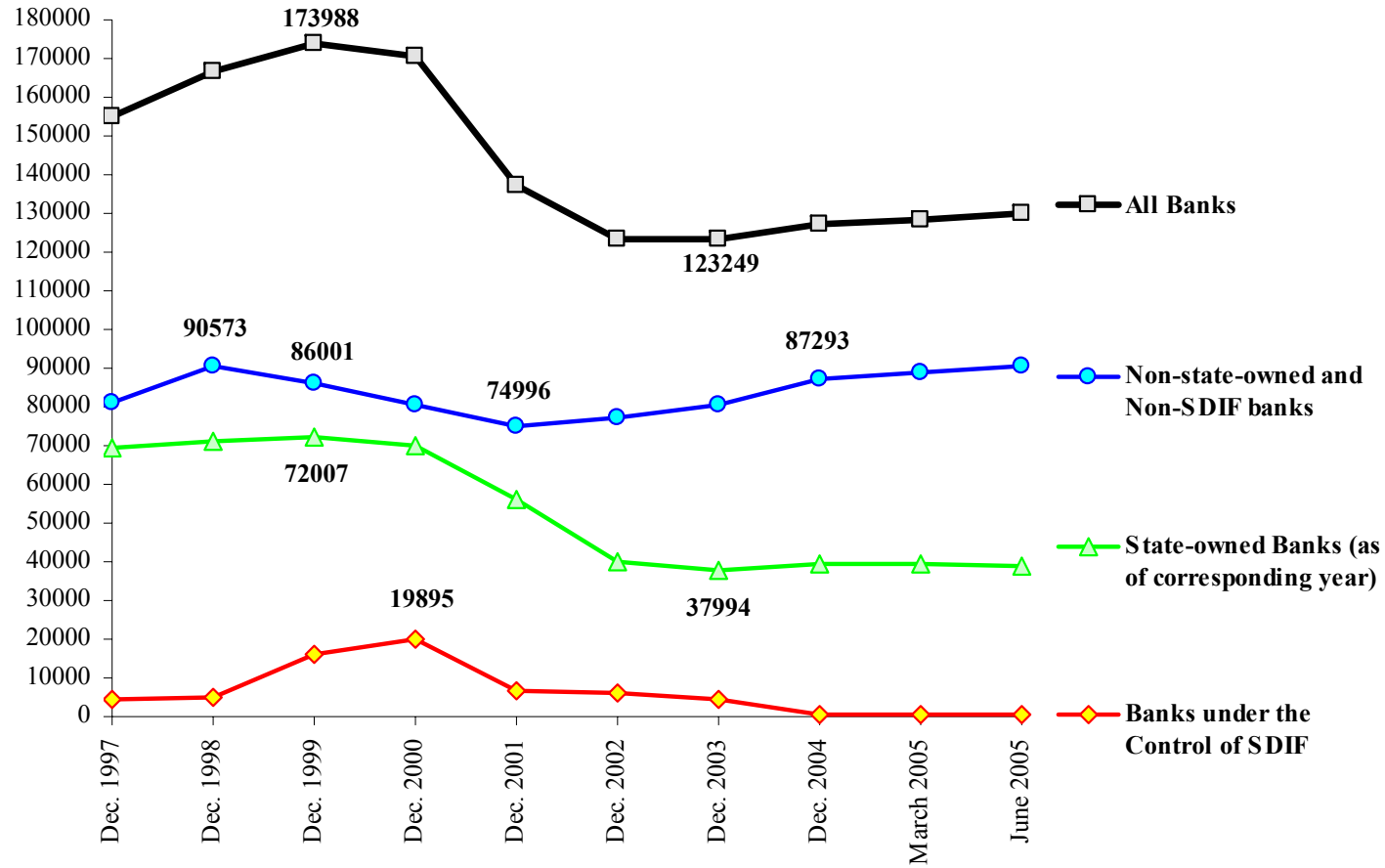
Note: There is no BAT data on salaries in Turkish banking for the period after 2001.

Figure 6: Nominal Annual Salaries and Employee Benefits per Employee (thousand USD/person)



Source: Banks Association of Turkey (BAT); author's own calculations.

Figure 7: Restructuring and Resolution of Banks and Employment in Banking System (1997-2005)



Source: Banks Association of Turkey (BAT) and State Deposit Insurance Fund (SDIF); author's own calculations.

Table 1: Number of Banks, Branches and Bank Employees in Turkey (1961-2005, as end of year) [Part I]

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
Number of Banks	52	51	51	48	48	47	46	47	46	46	45	44	43	43	42
<i>Commercial Banks</i>	51	50	50	46	46	45	44	44	44	44	43	42	41	41	40
Privately-owned Banks	20	22	22	23	23	23	22	22	22	22	23	22	21	22	23
Local Banks	12	9	9	6	6	5	5	5	5	5	3	3	3	2	0
State-owned Banks	14	14	14	12	12	12	12	12	12	12	12	12	12	12	12
Foreign Banks	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
Banks Under the Deposit Insurance Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>Development and Investment Banks</i>	1	1	1	2	2	2	2	3	2	2	2	2	2	2	2
Number of Branches	1 716	1 716	1 827	1 896	1 968	2 045	2 210	2 537	2 932	3 194	3 411	3 666	4 007	4 407	4 587
<i>Commercial Banks</i>	1 715	1 715	1 825	1 894	1 966	2 043	2 208	2 534	2 930	3 192	3 408	3 662	4 002	4 401	4 581
Privately-owned Banks	843	797	847	862	897	926	1 014	1 223	1 486	1 643	1 800	1 992	2 269	2 585	2 715
Local Banks	14	14	7	6	6	5	5	5	5	5	3	3	3	2	0
State-owned Banks	797	843	907	958	995	1 044	1 121	1 220	1 337	1 433	1 492	1 553	1 616	1 700	1 752
Foreign Banks	61	61	64	68	68	68	68	86	102	111	113	114	114	114	114
Banks Under the Deposit Insurance Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>Development and Investment Banks</i>	1	1	2	2	2	2	2	3	2	2	3	4	5	6	6
Number of Employees	32 055	32 913	34 108	35 941	37 956	42 457	47 100	53 748	60 534	65 968	69 603	74 562	83 077	89 446	96 358
<i>Commercial Banks</i>	31 945	32 793	33 949	35 776	37 748	42 228	46 853	53 475	60 255	65 695	69 297	74 245	82 753	89 097	95 999
Privately-owned Banks	15 862	14 668	15 737	16 323	17 365	18 854	20 884	24 118	28 040	30 809	32 949	36 520	41 590	45 012	48 839
Local Banks	82	66	36	32	33	29	32	31	37	32	13	12	19	8	0
State-owned Banks	14 310	16 352	16 499	17 710	18 543	21 564	24 184	27 462	30 299	33 006	34 362	35 697	39 037	41 997	45 015
Foreign Banks	1 691	1 707	1 677	1 711	1 807	1 781	1 753	1 864	1 879	1 848	1 973	2 016	2 107	2 080	2 145
Banks Under the Deposit Insurance Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>Development and Investment Banks</i>	110	120	159	165	208	229	247	273	279	273	306	317	324	349	359
Number of Employees per Branch	19	19	19	19	19	21	21	21	21	21	20	20	21	20	21
<i>Commercial Banks</i>	19	19	19	19	19	21	21	21	21	21	20	20	21	20	21
Privately-owned Banks	19	18	19	19	19	20	21	20	19	19	18	18	18	17	18
Local Banks	6	5	5	5	6	6	6	6	7	6	4	4	6	4	
State-owned Banks	18	19	18	18	19	21	22	23	23	23	23	23	24	25	26
Foreign Banks	28	28	26	25	27	26	26	22	18	17	17	18	18	18	19
Banks Under the Deposit Insurance Fund															
<i>Development and Investment Banks</i>	110	120	80	83	104	115	124	91	140	137	102	79	65	58	60
Number of Branches per Bank	33	34	36	40	41	44	48	54	64	69	76	83	93	102	109
<i>Commercial Banks</i>	34	34	37	41	43	45	50	58	67	73	79	87	98	107	115
Privately-owned Banks	42	36	39	37	39	40	46	56	68	75	78	91	108	118	118
Local Banks	1	2	1	1	1	1	1	1	1	1	1	1	1	1	
State-owned Banks	57	60	65	80	83	87	93	102	111	119	124	129	135	142	146
Foreign Banks	12	12	13	14	14	14	14	17	20	22	23	23	23	23	23
Banks Under the Deposit Insurance Fund															
<i>Development and Investment Banks</i>	1	1	2	1	1	1	1	1	1	1	2	2	3	3	3
Annual Growth in Number of Employees (%)		2.7	3.6	5.4	5.6	11.9	10.9	14.1	12.6	9.0	5.5	7.1	11.4	7.7	7.7
<i>Commercial Banks</i>		2.7	3.5	5.4	5.5	11.9	11.0	14.1	12.7	9.0	5.5	7.1	11.5	7.7	7.7
Privately-owned Banks		-7.5	7.3	3.7	6.4	8.6	10.8	15.5	16.3	9.9	6.9	10.8	13.9	8.2	8.5
Local Banks		-19.5	-45.5	-11.1	3.1	-12.1	10.3	-3.1	19.4	-13.5	-59.4	-7.7	58.3	-57.9	
State-owned Banks		14.3	0.9	7.3	4.7	16.3	12.1	13.6	10.3	8.9	4.1	3.9	9.4	7.6	7.2
Foreign Banks		0.9	-1.8	2.0	5.6	-1.4	-1.6	6.3	0.8	-1.6	6.8	2.2	4.5	-1.3	3.1
Banks Under the Deposit Insurance Fund															
<i>Development and Investment Banks</i>		9.1	32.5	3.8	26.1	10.1	7.9	10.5	2.2	-2.2	12.1	3.6	2.2	7.7	2.9

Table 1: Number of All Banks, Branches and Bank Employees in Turkey (1961-2005, as end of year) [Part II]

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Number of Banks	43	43	43	43	43	45	48	45	47	50	55	56	60	62
<i>Commercial Banks</i>	41	41	41	41	40	42	45	42	44	47	49	50	52	53
Privately-owned Banks	23	23	24	24	24	24	24	19	19	20	24	24	25	24
Local Banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0
State-owned Banks	13	13	13	13	12	12	12	13	12	12	8	9	8	8
Foreign Banks	5	5	4	4	4	6	9	10	13	15	17	17	19	21
Banks Under the Deposit Insurance Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>Development and Investment Banks</i>	2	2	2	2	3	3	3	3	3	3	6	6	8	9
Number of Branches	4 817	5 218	5 464	5 748	5 954	6 244	6 353	6 281	6 202	6 268	6 348	6 417	6 528	6 593
<i>Commercial Banks</i>	4 811	5 212	5 458	5 742	5 948	6 237	6 347	6 275	6 196	6 262	6 337	6 406	6 516	6 579
Privately-owned Banks	2 862	3 094	3 181	3 285	3 374	2 569	3 618	3 345	3 315	3 325	3 493	3 404	3 457	3 501
Local Banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0
State-owned Banks	1 835	2 009	2 173	2 353	2 469	3 545	2 602	2 817	2 764	2 817	2 727	2 898	2 953	2 972
Foreign Banks	114	109	104	104	105	123	127	113	117	120	117	104	106	106
Banks Under the Deposit Insurance Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>Development and Investment Banks</i>	6	6	6	6	6	7	6	6	6	6	11	11	12	14
Number of Employees	104 164	113 564	119 213	122 489	125 312	126 564	131 396	133 455	134 656	138 201	143 376	148 995	151 262	153 067
<i>Commercial Banks</i>	103 797	113 175	118 822	122 110	124 918	126 163	130 966	133 002	134 199	137 752	141 708	147 156	149 264	151 111
Privately-owned Banks	52 731	56 680	58 091	59 216	60 596	62 152	66 055	61 203	61 438	62 886	66 783	66 045	67 724	68 041
Local Banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0
State-owned Banks	48 931	54 341	58 931	61 076	62 480	61 977	62 458	69 196	69 992	72 214	72 024	78 390	78 730	80 141
Foreign Banks	2 135	2 154	1 800	1 818	1 842	2 034	2 453	2 603	2 769	2 652	2 901	2 721	2 810	2 929
Banks Under the Deposit Insurance Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>Development and Investment Banks</i>	367	389	391	379	394	401	430	453	457	449	1 668	1 839	1 998	1 956
Number of Employees per Branch	22	22	22	21	21	20	21	21	22	22	23	23	23	23
<i>Commercial Banks</i>	22	22	22	21	21	20	21	21	22	22	22	23	23	23
Privately-owned Banks	18	18	18	18	18	24	18	18	19	19	19	19	20	19
Local Banks														
State-owned Banks	27	27	27	26	25	17	24	25	25	26	26	27	27	27
Foreign Banks	19	20	17	17	18	17	19	23	24	22	25	26	27	28
Banks Under the Deposit Insurance Fund														
<i>Development and Investment Banks</i>	61	65	65	63	66	57	72	76	76	75	152	167	167	140
Number of Branches per Bank	112	121	127	134	138	139	132	140	132	125	115	115	109	106
<i>Commercial Banks</i>	117	127	133	140	149	149	141	149	141	133	129	128	125	124
Privately-owned Banks	124	135	133	137	141	107	151	176	174	166	146	142	138	146
Local Banks														
State-owned Banks	141	155	167	181	206	295	217	217	230	235	341	322	369	372
Foreign Banks	23	22	26	26	26	21	14	11	9	8	7	6	6	5
Banks Under the Deposit Insurance Fund														
<i>Development and Investment Banks</i>	3	3	3	3	2	2	2	2	2	2	2	2	2	2
Annual Growth in Number of Employees (%)	8.1	9.0	5.0	2.7	2.3	1.0	3.8	1.6	0.9	2.6	3.7	3.9	1.5	1.2
<i>Commercial Banks</i>	8.1	9.0	5.0	2.8	2.3	1.0	3.8	1.6	0.9	2.6	2.9	3.8	1.4	1.2
Privately-owned Banks	8.0	7.5	2.5	1.9	2.3	2.6	6.3	-7.3	0.4	2.4	6.2	-1.1	2.5	0.5
Local Banks														
State-owned Banks	8.7	11.1	8.4	3.6	2.3	-0.8	0.8	10.8	1.2	3.2	-0.3	8.8	0.4	1.8
Foreign Banks	-0.5	0.9	-16.4	1.0	1.3	10.4	20.6	6.1	6.4	-4.2	9.4	-6.2	3.3	4.2
Banks Under the Deposit Insurance Fund														
<i>Development and Investment Banks</i>	2.2	6.0	0.5	-3.1	4.0	1.8	7.2	5.3	0.9	-1.8	271.5	10.3	8.6	-2.1

Table 1: Number of All Banks, Branches and Bank Employees in Turkey (1961-2005, as end of year) [Part III]

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005 *
Number of Banks	66	65	69	70	67	68	69	72	75	81	79	61	54	50	48	48
<i>Commercial Banks</i>	56	55	57	58	55	55	56	59	60	62	61	46	40	36	35	35
Privately-owned Banks	25	26	31	32	29	32	33	36	38	31	28	22	20	18	18	19
Local Banks	0	0	0	0	0	0	0	0	0	0	-	-	-	-	-	-
State-owned Banks	8	8	6	6	6	5	5	5	4	4	4	3	3	3	3	3
Foreign Banks	23	21	20	20	20	18	18	18	19	18	15	15	15	13	13	12
Banks Under the Deposit Insurance Fund	0	0	0	0	0	0	0	0	0	8	11	6	2	2	1	1
<i>Development and Investment Banks</i>	10	10	12	12	12	13	13	13	15	19	18	15	14	14	13	13
Number of Branches	6 560	6 477	6 206	6 212	6 087	6 241	6 442	6 819	7 370	7 691	7 837	6 908	6 106	5 966	6 280	6 053
<i>Commercial Banks</i>	6 543	6 460	6 187	6 192	6 068	6 219	6 419	6 795	7 340	7 660	7 807	6 889	6 087	5 949	6 262	6 034
Privately-owned Banks	3 455	3 325	3 077	3 087	3 054	3 240	3 429	3 764	4 393	3 960	3 783	3 523	3 659	3 594	3 729	3 786
Local Banks	0	0	0	0	0	0	0	0	0	0	-	-	-	-	-	-
State-owned Banks	2 975	3 027	3 001	2 997	2 909	2 875	2 886	2 915	2 832	2 865	2 834	2 725	2 019	1 971	2 149	2 039
Foreign Banks	113	108	109	108	105	104	104	116	115	121	117	233	206	209	209	208
Banks Under the Deposit Insurance Fund	0	0	0	0	0	0	0	0	0	714	1 073	408	203	175	175	1
<i>Development and Investment Banks</i>	17	17	19	20	19	22	23	24	30	31	30	19	19	17	18	19
Number of Employees	154 089	152 901	146 823	143 983	139 046	144 793	148 153	154 864	166 492	173 988	170 401	137 495	123 271	123 249	127 163	129 887
<i>Commercial Banks</i>	151 982	150 780	144 570	141 725	136 879	138 694	142 046	149 618	161 189	168 558	164 845	132 274	118 329	118 607	122 630	125 416
Privately-owned Banks	68 145	66 555	63 337	62 764	59 161	63 010	68 592	76 601	86 066	76 386	70 954	64 380	66 869	70 614	76 880	79 870
Local Banks	0	0	0	0	0	0	0	0	0	0	-	-	-	-	-	-
State-owned Banks	80 825	81 214	78 223	76 553	74 462	72 699	70 284	69 218	71 072	72 007	70 191	56 108	40 158	37 994	39 467	39 080
Foreign Banks	3 012	3 011	3 010	2 408	3 256	2 985	3 170	3 799	4 051	4 185	3 805	5 395	5 416	5 481	5 880	6 065
Banks Under the Deposit Insurance Fund	0	0	0	0	0	0	0	0	0	15 980	19 895	6 391	5 886	4 518	4 03	401
<i>Development and Investment Banks</i>	2 107	2 121	2 253	2 258	2 167	6 099	6 107	5 246	5 303	5 430	5 556	5 221	4 942	4 642	4 533	4 471
Number of Employees per Branch	23	24	24	23	23	23	23	23	23	23	22	20	20	21	20	21
<i>Commercial Banks</i>	23	23	23	23	23	22	22	22	22	22	21	19	19	20	20	21
Privately-owned Banks	20	20	21	20	19	19	20	20	20	19	19	18	18	20	21	21
Local Banks																
State-owned Banks	27	27	26	26	26	25	24	24	25	25	25	21	20	19	18	19
Foreign Banks	27	28	28	22	31	29	30	33	35	35	33	23	26	26	28	29
Banks Under the Deposit Insurance Fund										22	19	16	29	26	2	401
<i>Development and Investment Banks</i>	124	125	119	113	114	277	266	219	177	175	185	275	260	273	252	235
Number of Branches per Bank	99	100	90	89	91	92	93	95	98	95	99	113	113	119	131	126
<i>Commercial Banks</i>	117	117	109	107	110	113	115	115	122	124	128	150	152	165	179	172
Privately-owned Banks	138	128	99	96	105	101	104	105	116	128	135	160	183	200	207	199
Local Banks																
State-owned Banks	372	378	500	500	485	575	577	583	708	716	709	908	673	657	716	680
Foreign Banks	5	5	5	5	5	6	6	6	6	6	7	16	14	16	16	17
Banks Under the Deposit Insurance Fund										89	98	68	102	88	175	1
<i>Development and Investment Banks</i>	2	2	2	2	2	2	2	2	2	2	2	1	1	1	1	1
Annual Growth in Number of Employees (%)	0.7	-0.8	-4.0	-1.9	-3.4	4.1	2.3	4.5	7.5	4.5	-2.1	-19.3	-10.3	0.0	3.2	2.1
<i>Commercial Banks</i>	0.6	-0.8	-4.1	-2.0	-3.4	1.3	2.4	5.3	7.7	4.6	-2.2	-19.8	-10.5	0.2	3.4	2.3
Privately-owned Banks	0.2	-2.3	-4.8	-0.9	-5.7	6.5	8.9	11.7	12.4	-11.2	-7.1	-9.3	3.9	5.6	8.9	3.9
Local Banks																
State-owned Banks	0.9	0.5	-3.7	-2.1	-2.7	-2.4	-3.3	-1.5	2.7	1.3	-2.5	-20.1	-28.4	-5.4	3.9	-1.0
Foreign Banks	2.8	0.0	0.0	-20.0	35.2	-8.3	6.2	19.8	6.6	3.3	-9.1	41.8	0.4	1.2	7.3	3.1
Banks Under the Deposit Insurance Fund										24.5	-67.9	-7.9	-23.2	-91.1	-0.5	
<i>Development and Investment Banks</i>	7.7	0.7	6.2	0.2	-4.0	181.4	0.1	-14.1	1.1	2.4	2.3	-6.0	-5.3	-6.1	-2.3	-1.4

Source: Banks Association of Turkey (BAT) and author's own calculations.

* As end of June 2005.

Table 2: The Estimated Cost of the 2000-2001 Banking Crisis

	in USD billion	as percent of GDP
<i>Total Cost to the Treasury</i>	43.7	29.5
Restructuring of State-owned Banks	21.9	14.8
Duty Losses	19.0	12.8
Recapitalization	2.9	2.0
For Private Banks Transferred to SDIF	21.8	14.7
<i>Total Cost to the Private Sector</i>	9.5	6.4
Cost borne by the SDIF	6.7	4.5
Capital Injection by Shareholders	2.8	1.9
<i>Total Cost of the Banking Crisis</i>	53.2	35.9

Source: BRSA (2003) and Steinherr, *et al.* (2004).

Table 3: Activities of the Savings Deposit Insurance Fund (SDIF), Part I

Banks	Established in	Date of Transfer to the SDIF	Current Status
Banks Merged			
<i>Interbank</i>	1888	January 7, 1999	Established with the name of Selanik Bankası T.A.Ş. which had foreign capital. The name was changed as Uluslararası End. ve Tic. Bankası in 1969 and the statue was changed in 1978. The name was changed again in 1990 as Interbank. Merged with Etibank bank on April 15, 2001.
<i>Esbank</i>	1927	December 21, 1999	Merged with Etibank bank on April 15, 2001.
<i>Egebank</i>	1928	December 21, 1999	Merged with Sümerbank on January 26, 2001.
<i>Yurtbank</i>	1993	December 21, 1999	Established with the name of Eurocredit Türk Fransız Ticaret Bankası A.Ş., the name was changed in 1994. Merged with Sümerbank on January 26, 2001.
<i>Yaşarbank</i>	1924	December 21, 1999	Established as T. Tütüncüler Bankası A.Ş., the name was changed in 1996. Merged with Sümerbank on January 26, 2001.
<i>Bank Kapital</i>	1986	October 27, 2000	Refining with Bank Indosuez Generale Euro Türk A.Ş. which was established with foreign capital in 1986, the bank had the name of Kapital Bank Türk A.Ş. in 1991 and in 1995 the statue was changed. Merged with Sümerbank on January 26, 2001.
<i>Ulusalbank</i>	1985	February 28, 2001	Established as Saudi American Bank, the name changed in 1997. Merged with Sümerbank on April 17, 2001.
<i>Iktisat Bankası</i>	1927	March 15, 2001	Established as a local bank with the name of Denizli İktisat Bankası. It's statue and name were changed in 1971 and in 1980 respectively. Banking and deposit taking license was revoked as of December 7, 2001 and the liquidation process initiated. Upon the resolution adopted in the General Assembly Meeting on April 04, 2002 the liquidation decision was revoked and the Bank was merged under Bayındırbank.
<i>EGS Bank</i>	1995	July 9, 2001	Established with the name of Ege Giyim Sanayicileri Yatırım Bank A.Ş., the name and the statue were changed in 1997. Banking and deposit taking license was revoked as of January 18, 2002 and merged into Bayındırbank as of the same date.
<i>Kentbank</i>	1992	July 9, 2001	Banking and deposit taking license was revoked as of December 28, 2001 and the liquidation process initiated. Upon the resolution adopted in the General Assembly Meeting on March 20, 2002 the liquidation decision was revoked and the Bank was merged into Bayındırbank.
<i>Etibank</i>	1935	October 27, 2001	Established with state-owned capital, privatised in 1997. Banking and deposit taking license was revoked as of December 28, 2001 and the liquidation process initiated. Upon the resolution adopted in the General Assembly Meeting on March 20, 2002 the liquidation decision was revoked and the Bank was merged into Bayındırbank.
<i>Toprakbank</i>	1992	November 30, 2001	Banking and deposit taking license of the bank was revoked as of September 30, 2002 and merged into Bayındırbank as of the same date.
<i>Pamukbank</i>	1955	June 19, 2002	In accordance with the "The transfer of Pamukbank Türk Anonim Şirketi to Türkiye Halk Bankası Anonim Şirketi and the Act Concerning Making Changes in Some Acts" Nr. 5230, was transferred to Türkiye Halk Bankası A.Ş. on November 12, 2004.
Banks Sold			
<i>Bank Ekspres</i>	1989	December 12, 1998	Sold to the Tekfen Holding on June 30, 2001. The transfer was approved by the BRSA on October 26, 2001. Operating as Tekfenbank A.Ş.
<i>Sümerbank</i>	1933	December 21, 1999	Established with state-owned capital and privatised in 1995. Merged Sümerbank was sold to the OYAK Group on August 9, 2001. Merger of Sümerbank and Oyakbank was approved on January 11, 2002. Operating as Oyakbank.
<i>Demirbank</i>	1953	December 6, 2000	Sold to HSBC on September 20, 2001. Approval of the transfer was made on October 30, 2001.
<i>Sitebank</i>	1991	July 9, 2001	Established with the name of Manufacturers Hanover Trust Company which was owned by foreign capital in 1984 and changed it's name as Chemical Bank in 1991. It had the name of Sitebank A.Ş. in 1997 with a change in it's statue. A share transfer agreement was signed with Greek Novabank on December 20, 2001. The transfer procedure was carried out on January 25, 2002. In early 2003 it's name changed to BankEuropa.
<i>Tarişbank</i>	1914	July 9, 2001	Established as Milli Aydın Bankası A.Ş. The share transfer agreement regarding the acquisition by Denizbank A.S. was signed on October 21, 2002. Actual share transfer was completed as of October 25, 2002. The merger of Tarişbank with Denizbank A.Ş. was approved by the BRSA on December 19, 2002 and merger was finalised on December 27, 2003.

Table 3: Activities of the Savings Deposit Insurance Fund (SDIF), Part II

Banks	Established in	Date of Transfer to the SDIF	Current Status
Banks under Liquidation Process (within the Scope of Article 18 of the Banks Act)			
<i>Türkbank</i>	1914	November 6, 1997 *	Established as Türk Ticaret Bankası A.Ş. Pursuant to the resolution dated June 15, 2001 Nr. 346 of the BRSA, license of Türkbank to perform banking activities and accept deposits were revoked upon decision dated July 1, 2001 and within the scope of the Articles concerning dissolution and transfer of the Turkish Code and the Article 18 of the Banks Act and the articles of association of the Bank master agreement, the transfer of the bank was decided to be realised. Upon the Resolution dated August 9, 2002 of the Extraordinary General Meeting and registered on August 14, 2002, the transfer transactions of the bank are continuing.
Banks Management and Control Transferred to SDIF (within the Scope of Article 16 of the Banks Act)			
<i>İmar Bankası</i>	1928	July 3, 2003	License of İmar Bank to perform banking activities and accept deposits were revoked upon the decision Nr: 1085 dated July 03, 2003 of the Banking Regulation and Supervision Board, pursuant to Article 14 /3 of the Banks' Act Nr. 4389 and the management and control hereof was transferred to the SDIF. Liquidation proceedings have not been initiated yet.
Banks Remaining under SDIF			
<i>Bayındırbank</i>	1958	July 09, 2001	Çaybank A.Ş. was established as a local bank. The statue changed in 1964. The name changed was as Derbank in 1991 and as Bayındırbank in 1998. It is being restructured as a bridge bank which will perform asset management function.

Source: State Deposit Insurance Fund (SDIF) (2005), *Annual Report 2004*, İstanbul, May, and Banks Association of Turkey (BAT), İstanbul.

* The majority holdings of the Bank taken up by the SDIF.

Table 4: Structural Characteristics of the Turkish Commercial Banking Sector (1990-2005, as of end of year) *

Years	Total Number of Banks	Total Number of Branches	Total Number of Employees	Employees per Bank	Total Assets (billion \$)	Total Loans (billion \$)	Total Deposits (billion \$)	Deposits per Employee (billion \$)	Loans / Assets	Securities / Assets	Foreign Bank Borrowing / Deposits	Memo Item: GDP (billion \$)
1990	56	5112	117618	2100	51.1	23.3	31.7	0.0003	0.46	0.11	0.08	150.7
1991	55	5060	116412	2117	52.4	22.2	32.2	0.0003	0.42	0.13	0.09	151.0
1992	57	4906	112722	1978	60.0	23.8	35.7	0.0003	0.40	0.12	0.15	159.1
1993	58	4931	111496	1922	67.3	26.8	37.7	0.0003	0.40	0.12	0.21	180.4
1994	55	4846	107693	1958	48.3	18.0	33.2	0.0003	0.37	0.12	0.06	130.7
1995	55	4586	109097	1887	62.2	25.4	43.6	0.0004	0.41	0.11	0.05	169.3
1996	56	4681	109921	1862	78.3	32.3	57.2	0.0005	0.41	0.16	0.08	181.5
1997	59	4859	114625	1837	89.6	39.5	61.3	0.0005	0.44	0.14	0.11	189.9
1998	60	5178	121752	1910	112.2	41.2	77.3	0.0006	0.37	0.15	0.10	200.3
1999	62	5399	126683	1926	127.2	36.0	89.4	0.0007	0.28	0.18	0.12	184.9
2000	61	5485	125914	1942	148.3	46.2	101.9	0.0008	0.31	0.12	0.15	199.3
2001	46	5995	124435	2552	112.0	22.1	81.0	0.0007	0.20	0.08	0.12	145.6
2002	40	5720	118329	2793	124.3	30.8	87.1	0.0007	0.25	0.10	0.09	184.2
2003	36	5949	118607	3182	171.6	45.4	102.01	0.0007	0.26	0.12	0.10	239.7
2004	35	6088	122630	3504	220.9	77.3	147.7	0.0012	0.35	0.06	0.12	300.3
2005	35	6034	125416	3583	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: Banking Regulation and Supervision Agency (BRSA), Banks Association of Turkey (BAT), and IMF, *International Financial Statistics*, August 2005, CD-ROM version.

* The figures for 2005 are as end of June.

Table 5: Concentration in Turkish Commercial Banking (1990-2004)

Years	Concentration Ratio for 5 Largest Banks			Concentration Ratio for 10 Largest Banks		
	Assets	Deposits	Credits	Assets	Deposits	Credits
1990	54	59	57	75	85	78
1991	n.a.	56	n.a.	n.a.	83	n.a.
1992	n.a.	57	n.a.	n.a.	82	n.a.
1993	50	52	53	71	76	75
1994	50	56	48	73	82	76
1995	48	53	50	71	73	75
1996	46	52	46	69	72	72
1997	44	47	46	67	70	72
1998	44	49	40	68	73	73
1999	46	50	42	68	69	73
2000	48	51	42	69	72	71
2001	56	55	49	80	81	80
2002	58	61	55	81	86	74
2003	60	62	54	82	86	75
2004	60	64	48	84	88	77

Source: Banking Regulation and Supervision Agency (BRSA) and Banks Association of Turkey (BAT).

Note: The higher (lower) the figures in the table are, the lower (higher) is the level of competition in the sector.

Table 6: Distribution of Bank Employees (1995-2005, persons)¹

	Dec. 1995	Dec. 1996	Dec. 1997	Dec. 1998	Dec. 1999	Dec. 2000	Dec. 2001	Dec. 2002	Dec. 2003	Dec. 2004	March 2005	June 2005	Established in
Commercial Banks	103,807	104,247	108,401	114,604	119,436	118,479	117,372	111,720	114,565	122,630	123,767	125,416	
State-owned Banks	59,419	57,684	57,165	60,469	61,730	60,191	56,108	40,158	37,994	39,467	39,214	39,080	
Türkiye Cumhuriyeti Ziraat Bankası A.Ş.	35,962	34,566	33,343	36,460	37,705	36,576	33,023	23,330	22,138	21,172	21,053	21,037	1863
Türkiye Halk Bankası A.Ş.	14,702	14,285	14,447	14,559	14,843	15,025	14,956	9,228	8,515	11,145	10,981	10,841	1938
Türkiye Vakıflar Bankası T.A.O.	8,755	8,833	9,375	9,450	9,182	8,590	8,129	7,600	7,341	7,150	7,180	7,202	1954
Privately-owned Banks	43,215	45,271	49,748	52,219	55,413	55,850	55,490	65,389	70,688	76,950	78,279	79,870	
Adabank A.Ş.	274	401	467	591	522	537	511	516	500	308	274	206	1985
Ak Uluslararası Bankası A.Ş. ²	79	80	82	90	102	109	106	105	74	70	64	17	1985
Akbank T.A.Ş.	7,209	7,308	7,620	7,911	8,383	8,244	8,403	9,011	9,964	10,413	10,401	10,938	1948
Alternatif Bank A.Ş.	261	336	413	654	678	738	635	486	482	547	551	568	1992
Anadolubank A.Ş.	0	0	66	213	356	742	688	826	983	1,036	1,129	1,164	1997
Denizbank A.Ş. ³	0	0	324	584	714	956	949	2,860	3,240	4,344	4,482	4,629	1997
Finans Bank A.Ş.	498	630	989	1,536	2,029	2,324	2,070	2,811	3,923	5,464	5,751	5,951	1987
Koçbank A.Ş. ⁴	1,447	1,978	2,096	2,362	2,434	2,460	2,830	3,257	3,254	3,611	3,861	3,705	1986
MNG Bank A.Ş. ⁵	139	139	150	319	408	332	147	179	208	226	240	263	1992
Oyak Bank A.Ş. ⁶	136	201	245	362	400	386	569	3,590	3,919	4,199	4,321	4,356	1996
Şekerbank T.A.Ş.	3,393	3,365	3,241	3,188	3,158	3,029	2,614	2,948	3,000	3,334	3,427	3,455	1954
Tekfenbank A.Ş. ⁷	396	429	517	667	653	629	618	654	563	578	565	546	1992
Tekstil Bankası A.Ş.	552	725	823	955	1,012	1,033	649	840	908	938	975	1,025	1986
Türkish Bank A.Ş. ⁸	265	257	248	251	226	200	187	183	180	188	189	199	1991
Türk Dış Ticaret Bankası A.Ş. (Dışbank) ⁹	839	931	1,309	1,384	1,627	1,586	2,056	2,735	3,404	3,843	3,871	3,907	1964
Türk Ekonomi Bankası A.Ş. ¹⁰	584	865	1,061	1,275	1,405	1,358	1,262	1,673	1,849	2,131	2,180	2,346	1927
Türkiye Garanti Bankası A.Ş.	3,890	4,208	5,179	5,383	5,350	4,728	5,981	7,407	8,145	9,128	9,483	9,902	1946
Türkiye İş Bankası A.Ş.	14,858	14,137	15,001	14,827	15,867	16,133	15,541	14,873	15,550	16,055	16,092	16,332	1924
Yapı ve Kredi Bankası A.Ş.	8,395	9,281	9,917	9,667	10,089	10,326	9,674	10,435	10,542	10,537	10,423	10,361	1944
Foreign Banks	1,070	1,174	1,374	1,529	1,808	1,952	5,360	5,261	5,405	5,810	5,869	6,065	
Abn Amro Bank N.V.	82	86	91	106	125	145	127	117	125	128	126	125	1921
Arap Türk Bankası A.Ş.	202	206	247	251	252	197	172	177	175	186	187	174	1977
Banca di Roma S.P.A.	81	69	66	45	42	42	40	31	29	30	28	28	1911
Bank Mellat	52	53	50	49	49	43	42	39	40	47	48	50	1982
BankEuropa Bankası A.Ş.	64	43	178	302	343	320	146	97	200	215	219	231	n.a.
Citibank A.Ş.	281	370	414	454	679	849	951	1,064	1,167	1,351	1,417	1,469	1981
Deutsche Bank A.Ş. ¹¹	36	35	27	28	25	34	32	29	30	36	39	41	1988
Habib Bank Limited	17	19	15	14	10	13	14	14	14	15	15	16	1983
HSBC Bank A.Ş. ¹²	51	56	46	47	67	110	3,645	3,525	3,477	3,652	3,641	3,787	1990
JPMorgan Chase Bank ¹³	65	83	83	75	58	58	54	43	35	36	37	36	1984
Société Générale (SA)	44	50	53	58	58	54	53	50	49	54	56	54	1990
WestLB AG ¹⁴	95	104	104	100	100	87	84	75	64	60	56	54	1986
Banks Under the Deposit Insurance Fund	103	118	114	387	485	486	414	912	478	403	405	401	
Bayındırbank A.Ş. ¹⁵	103	118	114	387	485	486	414	912	478	403	405	401	1958
Non-depository Banks	5,719	5,838	4,995	5,026	5,142	5,285	5,079	4,913	4,612	4,533	4,504	4,471	
C Kredi ve Kalkınma Bankası A.Ş.	0	0	0	0	32	28	26	24	44	46	50	48	n.a.
Calyon Bank Türk A.Ş.	39	27	27	28	28	30	30	29	39	38	38	38	n.a.
Çalık Yatırım Bankası A.Ş.	0	0	0	0	15	18	22	24	26	31	29	31	1999
Diler Yatırım Bankası A.Ş.	0	0	0	13	18	17	19	20	20	20	17	19	1998
GSD Yatırım Bankası A.Ş.	0	0	0	0	28	35	26	30	30	28	28	27	1999
İller Bankası ¹⁶	3,927	3,840	3,126	3,070	3,062	3,202	3,110	3,004	2,764	2,718	2,676	2,662	1933
İMKB Takas ve Saklama Bankası A.Ş.	0	242	206	220	235	243	233	230	225	231	228	225	n.a.
Nurol Yatırım Bankası A.Ş.	0	0	0	0	53	61	46	50	49	46	46	45	1999
Taib Yatırım Bankası A.Ş. ¹⁷	63	73	33	26	14	15	15	18	18	13	9	9	1988
Tat Yatırım Bankası A.Ş.	17	16	7	10	8	9	13	11	12	11	11	11	1992
Türk Eximbank ¹⁸	363	347	341	366	366	364	373	370	356	342	364	360	1987
Türkiye Kalkınma Bankası A.Ş. ¹⁹	955	923	890	905	908	890	839	800	762	740	733	725	1975
Türkiye Sınai Kalkınma Bankası A.Ş. ²⁰	355	370	365	388	375	373	327	302	277	268	275	271	1950
Total	109,526	110,085	113,396	119,630	124,578	123,764	122,451	116,633	119,177	127,163	128,271	129,887	
Number of Employees of Closed Banks ^d	35,267	38,068	41,468	46,862	49,410	46,637	15,044	6,638	4,072	0	0	0	
Sector Total	144,793	148,153	154,864	166,492	173,988	170,401	137,495	123,271	123,249	127,163	128,271	129,887	

Source: Banks Association of Turkey (BAT).

¹ Banks are grouped as of June 30, 2005.² Bnp-Ak Dresdner Bank A.Ş. was transferred to "Privately-owned Commercial Banks" group on March 9, 2005, and the name of the bank was changed to "Ak Uluslararası Bankası A.Ş." on March 30, 2005.³ The bank which was had state-owned capital was established with the name of Denizcilik Bankası in 1952, joining with Emlak Kredi Bankası in 1992, it was privatised in 1997.⁴ Bank Express I.B.C., which was established with foreign capital in 1981 and refined in 1985, changed its name as Koç Amerikan Bank A.Ş. in 1986. The name was changed as Koçbank in 1992.⁵ Established with the name of Tasarruf ve Kredi Bankası. The name was changed as Garanti Yatırım ve Ticaret Bankası A.Ş. in 1993. Its name was MNG Bank in 1997.⁶ Established with the name of The First National Bank of Boston A.Ş. which was owned by foreign capital in 1984. The name was changed as Türk Boston Bank A.Ş. in 1991 with a change in its statute. It had the name of Oyakbank in 1996.⁷ It was taken under the Deposit Insurance Fund in 1998 with the business title Bank Ekspres A.Ş. It was sold to Tekfenbank A.Ş. in June 2001 and its name was changed as Tekfenbank A.Ş.⁸ The name changed in 1991 while it had established as Türk Bankası Ltd. in 1982. It began to be classified as privately owned commercial bank in 1998.⁹ Established with the name of Amerikan-Türk Dış Ticaret Bankası A.Ş., changed the name in 1970, in 1987 the name was changed as Dışbank.¹⁰ Established with the name of Kocaeli Bankası T.A.Ş. as a local bank. Changed its statute in 1962 and its name in 1982.¹¹ Established as Türk Merchant Bank A.Ş., the name changed as Bankers Trust in 1997, and as Deutsche Bank in 1999.¹² Established as Midland Bank A.Ş., its name was changed in 1999 as HSBC Bank A.Ş.¹³ Its name was changed in December 2001 as JP Morgan & Chase Bank.¹⁴ Established as Standard Chartered Bank, the name changed in 1990.¹⁵ Çaybank A.Ş. was established as a local bank. The statute changed in 1964. The name changed was as Derbank in 1991 and as Bayındırbank in 1998. It was taken under the Deposit Insurance Fund in July 2001.¹⁶ Established with state-owned capital, the statute changed in 1986.

- ¹⁷ Established as Yatırım Bank A.Ş., its name was changed in 1997.
- ¹⁸ Established in 1964 with the name of Devlet Yatırım Bankası which was owned by state-owned capital, the statue changed in 1986.
- ¹⁹ The name of DESİYAB, which was established with state-owned capital and changed its statue in 1986 was changed.
- ²⁰ Established with privately-owned capital, its statue was changed in 1964.
- ²¹ Figure for 1995 includes the number of employees of banks that have been closed before that year.

Table 7: Distribution of Bank Branches (1995-2005)

	Dec. 1995	Dec. 1996	Dec. 1997	Dec. 1998	Dec. 1999	Dec. 2000	Dec. 2001	Dec. 2002	Dec. 2003	Dec. 2004	March 2005	June 2005	Established in
Commercial Banks	4,586	4,681	4,859	5,178	5,399	5,485	5,995	5,720	5,777	6,088	6,012	6,034	
State-owned Banks	2,349	2,354	2,382	2,426	2,459	2,429	2,725	2,019	1,971	2,149	2,038	2,039	
Türkiye Cumhuriyeti Ziraat Bankası	1,262	1,262	1,267	1,285	1,309	1,303	1,504	1,173	1,148	1,146	1,146	1,146	1863
Türkiye Halk Bankası A.Ş.	761	765	784	804	810	807	899	546	527	707	595	595	1938
Türkiye Vakıflar Bankası T.A.O.	326	327	331	337	340	319	322	300	296	296	297	298	1954
Privately-owned Banks	2,212	2,300	2,440	2,697	2,869	2,977	3,021	3,490	3,595	3,730	3,765	3,786	
Adabank A.Ş.	40	50	60	72	82	82	82	82	82	40	30	5	1985
Ak Uluslararası Bankası A.Ş.**	2	2	2	2	2	2	2	2	1	1	1	1	1985
Akbank T.A.Ş.	482	489	507	536	574	596	613	626	619	641	647	646	1948
Alternatif Bank A.Ş.	7	8	14	26	26	27	27	23	22	23	23	24	1992
Anadolubank A.Ş.	0	0	3	14	23	46	45	48	50	50	50	58	1997
Denizbank A.Ş.	0	0	13	29	33	47	55	161	165	199	199	205	1997
Finans Bank A.Ş.	13	24	40	65	106	109	108	126	150	170	174	184	1987
Koçbank A.Ş.	33	43	56	67	81	88	106	134	143	159	170	170	1986
MNG Bank A.Ş.	2	1	7	15	21	21	7	6	7	8	8	10	1992
Oyak Bank A.Ş.	4	6	8	9	12	12	14	221	272	293	300	300	1996
Şekerbank T.A.Ş.	190	204	208	209	193	182	174	196	197	197	200	201	1954
Tekfenbank A.Ş.	12	14	18	26	27	26	26	33	31	31	31	30	1992
Tekstil Bankası A.Ş.	15	20	24	26	28	28	23	35	38	38	38	38	1986
Türkish Bank A.Ş.	14	14	15	15	15	14	14	13	12	13	13	14	1991
Türk Dış Ticaret Bankası A.Ş.	22	32	50	60	84	101	117	147	158	171	172	173	1964
Türk Ekonomi Bankası A.Ş.	14	26	33	36	46	54	54	75	78	88	91	98	1927
Türkiye Garanti Bankası A.Ş.	169	171	181	226	234	266	295	304	313	349	360	360	1946
Türkiye İş Bankası A.Ş.	819	822	823	838	851	851	841	839	844	852	855	864	1924
Yapı ve Kredi Bankası A.Ş.	374	374	378	426	431	425	418	419	413	407	405	405	1944
Foreign Banks	21	21	31	38	44	52	233	202	208	208	208	208	
Abn Amro Bank N.V.	1	1	1	1	1	2	1	1	1	1	1	1	1921
Arap Türk Bankası A.Ş.	4	4	6	6	6	3	3	3	3	3	3	3	1977
Banca di Roma S.P.A.	2	2	2	2	2	1	1	1	1	1	1	1	1911
Bank Mellat	3	3	3	3	3	3	3	3	3	3	3	3	1982
BankEuropa Bankası A.Ş.	2	1	7	12	15	16	5	2	12	12	12	12	n.a.
Citibank A.Ş.	3	4	5	7	10	14	18	24	24	24	24	24	1981
Deutsche Bank A.Ş.	0	0	0	0	1	1	1	1	1	1	1	1	1988
Habib Bank Limited	1	1	1	1	1	1	1	1	1	1	1	1	1983
HSBC Bank A.Ş.	1	1	1	1	1	7	196	163	159	159	159	159	1990
JPMorgan Chase Bank	1	1	2	2	1	1	1	1	1	1	1	1	1984
Société Générale (SA)	1	1	1	1	1	1	1	1	1	1	1	1	1990
WestLB AG	2	2	2	2	2	2	2	1	1	1	1	1	1986
Banks Under the Deposit Insurance Fund	4	6	6	17	27	27	16	9	3	1	1	1	
Bayındırbank A.Ş.	4	6	6	17	27	27	16	9	3	1	1	1	1958
Non-depository Banks	17	18	19	22	24	24	17	18	16	18	19	19	
C Kredi ve Kalkınma Bankası A.Ş.	1	1	1	1	1	1	1	1	1	3	3	3	n.a.
Calyon Bank Türk A.Ş.	0	0	0	0	1	1	1	1	1	1	1	1	n.a.
Çalık Yatırım Bankası A.Ş.	1	1	1	1	1	1	1	1	1	1	1	1	1999
Diler Yatırım Bankası A.Ş.	1	1	1	1	1	1	1	1	1	1	1	1	1998
GSD Yatırım Bankası A.Ş.	0	0	0	1	1	1	1	1	1	1	1	1	1999
İller Bankası	0	0	0	0	1	1	1	1	1	1	1	1	1933
İMKB Takas ve Saklama Bankası A.Ş.	0	1	1	1	1	1	1	1	1	1	1	1	n.a.
Nurol Yatırım Bankası A.Ş.	0	0	0	0	1	2	2	3	3	3	3	3	1999
Taib Yatırımbank A.Ş.	2	2	2	2	1	1	1	1	1	1	1	1	1988
Tat Yatırım Bankası A.Ş.	1	1	1	1	1	1	1	1	1	1	1	1	1992
Türk Eximbank	3	3	3	3	3	3	2	2	2	2	2	2	1987
Türkiye Kalkınma Bankası A.Ş.	5	5	6	8	8	7	1	1	1	1	1	1	1975
Türkiye Sınai Kalkınma Bankası A.Ş.	3	3	3	3	3	3	3	3	3	1	2	2	1950
Total	4,603	4,699	4,878	5,200	5,423	5,509	6,012	5,738	5,793	6,106	6,031	6,053	
Number of Branches of Closed Banks***	1,637	1,743	1,941	2,170	2,268	2,328	896	368	173	0	0	0	
Sector Total	6,240	6,442	6,819	7,370	7,691	7,837	6,908	6,106	5,966	6,106	6,031	6,053	

Source: Banks Association of Turkey (BAT).

* Banks are grouped as of June 30, 2005.

** Bnp-Ak Dresdner Bank A.Ş. was transferred to "Privately-owned Commercial Banks" group on March 9, 2005, and the name of the bank was changed to "Ak Uluslararası Bankası A.Ş." on March 30, 2005.

*** Figure for 1995 includes the number of employees of banks that have been closed before that year.

Table 8: Distribution of Bank Employees by Gender and Education (1997-2005, persons), Part I

as of	Banks	Primary School			High School			Undergraduate			Masters or PhD			Total		
		Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Dec. 31, 1997	Sector Total	5 774	426	6 198	58 204	31 544	89 733	28 259	27 969	56 215	1 443	1 245	2 679	93 680	61 184	154 864
	<i>Commercial Banks</i>	5 546	400	5 946	57 120	31 031	88 151	26 375	26 893	53 268	1 181	1 072	2 253	90 222	59 396	149 618
	State-owned Banks	2 736	249	2 985	33 088	14 556	47 644	10 365	7 564	17 929	369	291	660	46 558	22 660	69 218
	Privately-owned Banks	2 649	140	2 789	23 296	15 913	39 209	15 252	18 059	33 311	672	620	1 292	41 869	34 732	76 601
	Foreign Banks	161	11	172	736	562	1 298	758	1 270	2 028	140	161	301	1 795	2 004	3 799
	Banks Under the Deposits Insurance Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>Non-depository Banks (Dev. & Inv. Banks)</i>	228	26	252	1 084	513	1 582	1 884	1 076	2 947	262	173	426	3 458	1 788	5 246	
Dec. 31, 1998	Sector Total	5 166	475	5 641	60 294	32 910	93 204	28 383	28 802	57 185	5 050	5 412	10 462	98 893	67 599	166 492
	<i>Commercial Banks</i>	4 964	448	5 412	59 207	32 402	91 609	26 496	27 670	54 166	4 768	5 234	10 002	95 435	65 754	161 189
	State-owned Banks	2 604	144	2 748	33 967	14 313	48 280	10 122	6 954	17 076	1 764	1 204	2 968	48 457	22 615	71 072
	Privately-owned Banks	2 226	297	2 523	24 540	17 586	42 126	15 526	19 193	34 719	2 839	3 859	6 698	45 131	40 935	86 066
	Foreign Banks	134	7	141	700	503	1 203	848	1 523	2 371	165	171	336	1 847	2 204	4 051
	Banks Under the Deposits Insurance Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>Non-depository Banks (Dev. & Inv. Banks)</i>	202	27	229	1 087	508	1 595	1 887	1 132	3 019	282	178	460	3 458	1 845	5 303	
Dec. 31, 1999	Sector Total	5 047	292	5 339	59 669	33 230	92 899	35 236	37 231	72 467	1 781	1 502	3 283	101 733	72 255	173 988
	<i>Commercial Banks</i>	4 840	261	5 101	58 566	32 710	91 276	33 314	36 052	69 366	1 492	1 323	2 815	98 212	70 346	168 558
	State-owned Banks	2 392	116	2 508	33 398	13 983	47 381	12 833	8 597	21 430	392	296	688	49 015	22 992	72 007
	Privately-owned Banks	1 969	110	2 079	20 340	14 518	34 858	16 349	21 588	37 937	788	724	1 512	39 446	36 940	76 386
	Foreign Banks	106	5	111	668	491	1 159	889	1 671	2 560	186	169	355	1 849	2 336	4 185
	Banks Under the Deposits Insurance Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<i>Non-depository Banks (Dev. & Inv. Banks)</i>	207	31	238	1 103	520	1 623	1 922	1 179	3 101	289	179	468	3 521	1 909	5 430	
Dec. 31, 2000	Sector Total	3 533	249	3 782	56 715	28 957	85 672	37 699	39 938	77 637	1 797	1 513	3 310	99 744	70 657	170 401
	<i>Commercial Banks</i>	3 343	220	3 563	55 612	28 447	84 059	35 659	38 710	74 369	1 525	1 329	2 854	96 139	68 706	164 845
	State-owned Banks	1 470	103	1 573	30 999	10 935	41 934	14 728	11 163	25 891	452	341	793	47 649	22 542	70 191
	Privately-owned Banks	1 364	65	1 429	19 019	13 171	32 190	15 602	20 292	35 894	756	685	1 441	36 741	34 213	70 954
	Foreign Banks	76	6	82	551	439	990	913	1 516	2 429	159	145	304	1 699	2 106	3 805
	Banks Under the Deposits Insurance Fund	433	46	479	5 043	3 902	8 945	4 416	5 739	10 155	158	158	316	10 050	9 845	19 895
<i>Non-depository Banks (Dev. & Inv. Banks)</i>	190	29	219	1 103	510	1 613	2 040	1 228	3 268	272	184	456	3 605	1 951	5 556	
Dec. 31, 2001	Sector Total	2 151	160	2 311	43 371	21 059	64 430	32 516	34 040	66 556	1 541	1 297	2 838	79 579	56 556	137 495
	<i>Commercial Banks</i>	1 999	139	2 138	42 325	20 637	62 962	30 512	32 844	63 356	1 311	1 147	2 458	76 147	54 767	132 274
	State-owned Banks	835	58	893	23 718	7 650	31 368	13 458	9 605	23 063	430	354	784	38 441	17 667	56 108
	Privately-owned Banks	954	67	1 021	15 885	11 107	26 992	14 756	20 231	34 987	729	651	1 380	32 324	32 056	64 380
	Foreign Banks	142	5	147	1 840	1 266	3 106	1 227	1 421	2 648	46	35	81	3 255	2 727	6 391
	Banks Under the Deposits Insurance Fund	68	9	77	882	614	1 496	1 071	1 587	2 658	106	107	213	2 127	2 317	5 395
<i>Non-depository Banks (Dev. & Inv. Banks)</i>	152	21	173	1 046	422	1 468	2 004	1 196	3 200	230	150	380	3 432	1 789	5 221	

Source: Banks Association of Turkey (BAT).

Table 8: Distribution of Bank Employees by Gender and Education (1997-2005, persons), Part II

as of	Banks	Primary School			High School			Undergraduate			Masters or PhD			Total		
		Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Dec. 31, 2002	Sector Total	1 502	158	1 660	34 792	17 611	52 403	30 996	34 902	65 898	1 787	1 523	3 310	69 077	54 194	123 271
	<i>Commercial Banks</i>	1 383	137	1 520	33 806	17 242	51 048	29 095	33 749	62 844	1 546	1 371	2 917	65 830	52 499	118 329
	State-owned Banks	404	16	420	16 216	5 318	21 534	10 189	7 406	17 595	335	274	609	27 144	13 014	40 158
	Privately-owned Banks	846	112	958	15 465	10 491	25 956	15 950	22 319	38 269	895	791	1 686	33 156	33 713	66 869
	Foreign Banks	70	7	77	908	608	1 516	1 368	2 029	3 397	216	210	426	2 562	2 854	5 416
	Banks Under the Deposits Insurance Fund	63	2	65	1 217	825	2 042	1 588	1 995	3 583	100	96	196	2 968	2 918	5 886
<i>Non-depository Banks (Dev. & Inv. Banks)</i>	119	21	140	986	369	1 355	1 901	1 153	3 054	241	152	393	3 247	1 695	4 942	
Dec. 31, 2003	Sector Total	1 895	142	2 037	31 670	15 982	47 652	32 567	37 685	70 252	1 776	1 532	3 308	67 908	55 341	123 249
	<i>Commercial Banks</i>	1 807	124	1 931	30 753	15 646	46 399	30 757	36 601	67 358	1 543	1 376	2 919	64 860	53 747	118 607
	State-owned Banks	344	14	358	14 714	4 699	19 413	10 204	7 448	17 652	326	245	571	25 588	12 406	37 994
	Privately-owned Banks	1 362	101	1 463	14 179	9 719	23 898	18 013	25 396	43 409	963	881	1 844	34 517	36 097	70 614
	Foreign Banks	70	7	77	900	592	1 492	1 381	2 177	3 558	182	172	354	2 533	2 948	5 481
	Banks Under the Deposits Insurance Fund	31	2	33	960	636	1 596	1 159	1 580	2 739	72	78	150	2 222	2 296	4 518
<i>Non-depository Banks (Dev. & Inv. Banks)</i>	88	18	106	917	336	1 253	1 810	1 084	2 894	233	156	389	3 048	1 594	4 642	
Dec. 31, 2004	Sector Total	1 721	182	1 903	30 474	15 756	46 230	34 436	40 918	75 354	1 935	1 741	3 676	68 566	58 597	127 163
	<i>Commercial Banks</i>	1 639	167	1 806	29 584	15 449	45 033	32 661	39 839	72 500	1 709	1 582	3 291	65 593	57 037	122 630
	State-owned Banks	318	12	330	14 146	4 665	18 811	10 969	8 594	19 563	410	353	763	25 843	13 624	39 467
	Privately-owned Banks	1 220	144	1 364	14 477	10 139	24 616	20 100	28 661	48 761	1 096	1 043	2 139	36 893	39 987	76 880
	Foreign Banks	92	9	101	833	561	1 394	1 499	2 503	4 002	199	184	383	2 623	3 257	5 880
	Banks Under the Deposits Insurance Fund	9	2	11	128	84	212	93	81	174	4	2	6	234	169	403
<i>Non-depository Banks (Dev. & Inv. Banks)</i>	82	15	97	890	307	1 197	1 775	1 079	2 854	226	159	385	2 973	1 560	4 533	
June 30, 2005	Sector Total	1 840	180	2 020	29 519	15 597	45 116	36 118	42 713	78 831	2 079	1 841	3 920	69 556	60 331	129 887
	<i>Commercial Banks</i>	1 762	166	1 928	28 658	15 295	43 953	34 359	41 648	76 007	1 849	1 679	3 528	66 628	58 788	125 416
	State-owned Banks	300	11	311	13 856	4 546	18 402	10 992	8 575	19 567	424	376	800	25 572	13 508	39 080
	Privately-owned Banks	1 362	145	1 507	13 890	10 160	24 050	21 605	30 349	51 954	1 232	1 127	2 359	38 089	41 781	79 870
	Foreign Banks	93	9	102	791	510	1 301	1 661	2 639	4 300	188	174	362	2 733	3 332	6 065
	Banks Under the Deposits Insurance Fund	7	1	8	121	79	200	101	85	186	5	2	7	234	167	401
<i>Non-depository Banks (Dev. & Inv. Banks)</i>	78	14	92	861	302	1 163	1 759	1 065	2 824	230	162	392	2 928	1 543	4 471	

Source: Banks Association of Turkey (BAT).

Table 9: Distribution of Bank Employees by Gender and Education (1997-2005, Sector Total = 100.0), Part I

as of	Banks	Primary School			High School			Undergraduate			Masters or PhD			Total		
		Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Dec. 31, 1997	Sector Total	3.7	0.3	4.0	37.6	20.4	57.9	18.2	18.1	36.3	0.9	0.8	1.7	60.5	39.5	100.0
	<i>Commercial Banks</i>	3.6	0.3	3.8	36.9	20.0	56.9	17.0	17.4	34.4	0.8	0.7	1.5	58.3	38.4	96.6
	State-owned Banks	1.8	0.2	1.9	21.4	9.4	30.8	6.7	4.9	11.6	0.2	0.2	0.4	30.1	14.6	44.7
	Privately-owned Banks	1.7	0.1	1.8	15.0	10.3	25.3	9.8	11.7	21.5	0.4	0.4	0.8	27.0	22.4	49.5
	Foreign Banks	0.1	0.0	0.1	0.5	0.4	0.8	0.5	0.8	1.3	0.1	0.1	0.2	1.2	1.3	2.5
	Banks Under the Deposits Insurance Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<i>Non-depository Banks (Dev. & Inv. Banks)</i>	0.1	0.0	0.2	0.7	0.3	1.0	1.2	0.7	1.9	0.2	0.1	0.3	2.2	1.2	3.4
Dec. 31, 1998	Sector Total	3.1	0.3	3.4	36.2	19.8	56.0	17.0	17.3	34.3	3.0	3.3	6.3	59.4	40.6	100.0
	<i>Commercial Banks</i>	3.0	0.3	3.3	35.6	19.5	55.0	15.9	16.6	32.5	2.9	3.1	6.0	57.3	39.5	96.8
	State-owned Banks	1.6	0.1	1.7	20.4	8.6	29.0	6.1	4.2	10.3	1.1	0.7	1.8	29.1	13.6	42.7
	Privately-owned Banks	1.3	0.2	1.5	14.7	10.6	25.3	9.3	11.5	20.9	1.7	2.3	4.0	27.1	24.6	51.7
	Foreign Banks	0.1	0.0	0.1	0.4	0.3	0.7	0.5	0.9	1.4	0.1	0.1	0.2	1.1	1.3	2.4
	Banks Under the Deposits Insurance Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<i>Non-depository Banks (Dev. & Inv. Banks)</i>	0.1	0.0	0.1	0.7	0.3	1.0	1.1	0.7	1.8	0.2	0.1	0.3	2.1	1.1	3.2
Dec. 31, 1999	Sector Total	2.9	0.2	3.1	34.3	19.1	53.4	20.3	21.4	41.7	1.0	0.9	1.9	58.5	41.5	100.0
	<i>Commercial Banks</i>	2.8	0.2	2.9	33.7	18.8	52.5	19.1	20.7	39.9	0.9	0.8	1.6	56.4	40.4	96.9
	State-owned Banks	1.4	0.1	1.4	19.2	8.0	27.2	7.4	4.9	12.3	0.2	0.2	0.4	28.2	13.2	41.4
	Privately-owned Banks	1.1	0.1	1.2	11.7	8.3	20.0	9.4	12.4	21.8	0.5	0.4	0.9	22.7	21.2	43.9
	Foreign Banks	0.1	0.0	0.1	0.4	0.3	0.7	0.5	1.0	1.5	0.1	0.1	0.2	1.1	1.3	2.4
	Banks Under the Deposits Insurance Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<i>Non-depository Banks (Dev. & Inv. Banks)</i>	0.1	0.0	0.1	0.6	0.3	0.9	1.1	0.7	1.8	0.2	0.1	0.3	2.0	1.1	3.1
Dec. 31, 2000	Sector Total	2.1	0.1	2.2	33.3	17.0	50.3	22.1	23.4	45.6	1.1	0.9	1.9	58.5	41.5	100.0
	<i>Commercial Banks</i>	2.0	0.1	2.1	32.6	16.7	49.3	20.9	22.7	43.6	0.9	0.8	1.7	56.4	40.3	96.7
	State-owned Banks	0.9	0.1	0.9	18.2	6.4	24.6	8.6	6.6	15.2	0.3	0.2	0.5	28.0	13.2	41.2
	Privately-owned Banks	0.8	0.0	0.8	11.2	7.7	18.9	9.2	11.9	21.1	0.4	0.4	0.8	21.6	20.1	41.6
	Foreign Banks	0.0	0.0	0.0	0.3	0.3	0.6	0.5	0.9	1.4	0.1	0.1	0.2	1.0	1.2	2.2
	Banks Under the Deposits Insurance Fund	0.3	0.0	0.3	3.0	2.3	5.2	2.6	3.4	6.0	0.1	0.1	0.2	5.9	5.8	11.7
	<i>Non-depository Banks (Dev. & Inv. Banks)</i>	0.1	0.0	0.1	0.6	0.3	0.9	1.2	0.7	1.9	0.2	0.1	0.3	2.1	1.1	3.3
Dec. 31, 2001	Sector Total	1.6	0.1	1.7	31.5	15.3	46.9	23.6	24.8	48.4	1.1	0.9	2.1	57.9	41.1	100.0
	<i>Commercial Banks</i>	1.5	0.1	1.6	30.8	15.0	45.8	22.2	23.9	46.1	1.0	0.8	1.8	55.4	39.8	96.2
	State-owned Banks	0.6	0.0	0.6	17.3	5.6	22.8	9.8	7.0	16.8	0.3	0.3	0.6	28.0	12.8	40.8
	Privately-owned Banks	0.7	0.0	0.7	11.6	8.1	19.6	10.7	14.7	25.4	0.5	0.5	1.0	23.5	23.3	46.8
	Foreign Banks	0.1	0.0	0.1	1.3	0.9	2.3	0.9	1.0	1.9	0.0	0.0	0.1	2.4	2.0	4.6
	Banks Under the Deposits Insurance Fund	0.0	0.0	0.1	0.6	0.4	1.1	0.8	1.2	1.9	0.1	0.1	0.2	1.5	1.7	3.9
	<i>Non-depository Banks (Dev. & Inv. Banks)</i>	0.1	0.0	0.1	0.8	0.3	1.1	1.5	0.9	2.3	0.2	0.1	0.3	2.5	1.3	3.8

Source: Banks Association of Turkey (BAT); author's own calculations.

Table 9: Distribution of Bank Employees by Gender and Education (1997-2005, Sector Total = 100.0), Part II

as of	Banks	Primary School			High School			Undergraduate			Masters or PhD			Total		
		Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Dec. 31, 2002	Sector Total	1.2	0.1	1.3	28.2	14.3	42.5	25.1	28.3	53.5	1.4	1.2	2.7	56.0	44.0	100.0
	<i>Commercial Banks</i>	1.1	0.1	1.2	27.4	14.0	41.4	23.6	27.4	51.0	1.3	1.1	2.4	53.4	42.6	96.0
	State-owned Banks	0.3	0.0	0.3	13.2	4.3	17.5	8.3	6.0	14.3	0.3	0.2	0.5	22.0	10.6	32.6
	Privately-owned Banks	0.7	0.1	0.8	12.5	8.5	21.1	12.9	18.1	31.0	0.7	0.6	1.4	26.9	27.3	54.2
	Foreign Banks	0.1	0.0	0.1	0.7	0.5	1.2	1.1	1.6	2.8	0.2	0.2	0.3	2.1	2.3	4.4
	Banks Under the Deposits Insurance Fund	0.1	0.0	0.1	1.0	0.7	1.7	1.3	1.6	2.9	0.1	0.1	0.2	2.4	2.4	4.8
<i>Non-depository Banks (Dev. & Inv. Banks)</i>	0.1	0.0	0.1	0.8	0.3	1.1	1.5	0.9	2.5	0.2	0.1	0.3	2.6	1.4	4.0	
Dec. 31, 2003	Sector Total	1.5	0.1	1.7	25.7	13.0	38.7	26.4	30.6	57.0	1.4	1.2	2.7	55.1	44.9	100.0
	<i>Commercial Banks</i>	1.5	0.1	1.6	25.0	12.7	37.6	25.0	29.7	54.7	1.3	1.1	2.4	52.6	43.6	96.2
	State-owned Banks	0.3	0.0	0.3	11.9	3.8	15.8	8.3	6.0	14.3	0.3	0.2	0.5	20.8	10.1	30.8
	Privately-owned Banks	1.1	0.1	1.2	11.5	7.9	19.4	14.6	20.6	35.2	0.8	0.7	1.5	28.0	29.3	57.3
	Foreign Banks	0.1	0.0	0.1	0.7	0.5	1.2	1.1	1.8	2.9	0.1	0.1	0.3	2.1	2.4	4.4
	Banks Under the Deposits Insurance Fund	0.0	0.0	0.0	0.8	0.5	1.3	0.9	1.3	2.2	0.1	0.1	0.1	1.8	1.9	3.7
<i>Non-depository Banks (Dev. & Inv. Banks)</i>	0.1	0.0	0.1	0.7	0.3	1.0	1.5	0.9	2.3	0.2	0.1	0.3	2.5	1.3	3.8	
Dec. 31, 2004	Sector Total	1.4	0.1	1.5	24.0	12.4	36.4	27.1	32.2	59.3	1.5	1.4	2.9	53.9	46.1	100.0
	<i>Commercial Banks</i>	1.3	0.1	1.4	23.3	12.1	35.4	25.7	31.3	57.0	1.3	1.2	2.6	51.6	44.9	96.4
	State-owned Banks	0.3	0.0	0.3	11.1	3.7	14.8	8.6	6.8	15.4	0.3	0.3	0.6	20.3	10.7	31.0
	Privately-owned Banks	1.0	0.1	1.1	11.4	8.0	19.4	15.8	22.5	38.3	0.9	0.8	1.7	29.0	31.4	60.5
	Foreign Banks	0.1	0.0	0.1	0.7	0.4	1.1	1.2	2.0	3.1	0.2	0.1	0.3	2.1	2.6	4.6
	Banks Under the Deposits Insurance Fund	0.0	0.0	0.0	0.1	0.1	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.2	0.1	0.3
<i>Non-depository Banks (Dev. & Inv. Banks)</i>	0.1	0.0	0.1	0.7	0.2	0.9	1.4	0.8	2.2	0.2	0.1	0.3	2.3	1.2	3.6	
June 30, 2005	Sector Total	1.4	0.1	1.6	22.7	12.0	34.7	27.8	32.9	60.7	1.6	1.4	3.0	53.6	46.4	100.0
	<i>Commercial Banks</i>	1.4	0.1	1.5	22.1	11.8	33.8	26.5	32.1	58.5	1.4	1.3	2.7	51.3	45.3	96.6
	State-owned Banks	0.2	0.0	0.2	10.7	3.5	14.2	8.5	6.6	15.1	0.3	0.3	0.6	19.7	10.4	30.1
	Privately-owned Banks	1.0	0.1	1.2	10.7	7.8	18.5	16.6	23.4	40.0	0.9	0.9	1.8	29.3	32.2	61.5
	Foreign Banks	0.1	0.0	0.1	0.6	0.4	1.0	1.3	2.0	3.3	0.1	0.1	0.3	2.1	2.6	4.7
	Banks Under the Deposits Insurance Fund	0.0	0.0	0.0	0.1	0.1	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.2	0.1	0.3
<i>Non-depository Banks (Dev. & Inv. Banks)</i>	0.1	0.0	0.1	0.7	0.2	0.9	1.4	0.8	2.2	0.2	0.1	0.3	2.3	1.2	3.4	

Source: Banks Association of Turkey (BAT); author's own calculations.

Table 10: Total Employment in Turkey, by economic activity (thousands, 2000 – 2004)

Total men and women	2000	2001	2002	2003	2004
All Sectors	21581	21524	21354	21147	21791
Financial Intermediation	281	258	238	229	237
Banking Sector (incl. non-dep. ban.) *	170	137	123	123	127
Commercial Banking *	165	132	118	119	123
State-owned Banks *	70	56	40	38	40
Privately-owned Banks *	71	64	67	71	77
Foreign Banks *	4	6	5	5	6
Banks under SDIF *	20	5	6	5	0
Other Sectors	21300	21266	21116	20918	21554
Men	2000	2001	2002	2003	2004
All Sectors	15780	15555	15232	15256	16023
Financial Intermediation	172	168	158	151	153
Banking Sector (incl. non-dep. ban.) *	100	80	69	68	69
Commercial Banking *	96	76	66	65	66
State-owned Banks *	48	38	27	26	26
Privately-owned Banks *	37	32	33	35	37
Foreign Banks *	2	3	3	3	3
Banks under SDIF *	10	2	3	2	0
Other Sectors	15608	15387	15074	15105	15870
Women	2000	2001	2002	2003	2004
All Sectors	5801	5969	6122	5891	5768
Financial Intermediation	109	90	80	78	84
Banking Sector (incl. non-dep. ban.) *	71	57	54	55	59
Commercial Banking *	69	55	52	54	57
State-owned Banks *	23	18	13	12	14
Privately-owned Banks *	34	32	34	36	40
Foreign Banks *	2	3	3	3	3
Banks under SDIF *	10	2	3	2	0
Other Sectors	5692	5879	6042	5813	5684

Source: SIS, *Household Labour Force Survey*, Ankara; ILO (<http://laborsta.ilo.org>); and BAT, İstanbul.

Note: Employed persons are those persons that are aged 15 years or over who, during the reference week, worked for at least one hour as regular or casual employees, employers, self-employed persons or unpaid family workers (persons at work), and persons with a job who did not work, during the reference week, for various reasons but had a job attachment (persons not at work).

* Employment data for the banking sector is taken from the Banks Association of Turkey (BAT). These figures are as end of the respective year.

Table 11: Unemployment in Turkey, by economic activity (thousands, 2000 – 2004)

Total men and women	2000	2001	2002	2003	2004
All Sectors	1497	1967	2464	2493	2498
Unemployed seeking their first job	467	477	513	480	612
Financial Intermediation	12	19	26	22	18
Other Sectors	1018	1471	1925	1991	1868
Men	2000	2001	2002	2003	2004
All Sectors	1111	1485	1826	1830	1878
Unemployed seeking their first job	282	273	279	262	361
Financial Intermediation	6	11	14	11	9
Other Sectors	823	1201	1533	1557	1508
Women	2000	2001	2002	2003	2004
All Sectors	387	482	638	663	620
Unemployed seeking their first job	186	204	234	218	251
Financial Intermediation	6	8	12	11	8
Other Sectors	195	270	392	434	361

Source: SIS, *Household Labour Force Survey*, Ankara, and ILO (<http://laborsta.ilo.org>).

Note: Unemployed persons are those persons that are aged 15 years or over (including persons subject to compulsory schooling or retired and receiving a pension) who, during the reference week, were not employed, had taken specific steps to obtain a job during the last three months and were available to start work within 15 days. Also considered as unemployed are persons who had already found a job or established their own enterprise but were waiting for documents to be completed in order to start work and were available to work within 15 days, as well as full- or part-time students seeking full- or part-time work and available to work within 15 days. Note that population groups are classified by industry according to their previous work experience.

Table 12: Restructuring of and Employment in State-owned Banks

	Dec. 1997	Dec. 1998	Dec. 1999	Dec. 2000	Dec. 2001	Dec. 2002	Dec. 2003	Dec. 2004	March 2005	June 2005	Remarks
State-owned Banks (as of 2000) [Ziraatbank + Halkbank + Vakıfbank + Emlakbank]	67,496	71,072	72,007	70,191	56,108	40,158	37,994	39,467	39,214	39,080	Starting from December 2000 the cumulative decline in number of employees climbed to 14,083 persons until December 2001, 30,033 persons until December 2002 and 32,197 persons until December 2003.
State-owned Banks (as of 2005) [Ziraatbank + Halkbank + Vakıfbank]	57,165	60,469	61,730	60,191	56,108	40,158	37,994	39,467	39,214	39,080	
Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (Ziraatbank)	33,343	36,460	37,705	36,576	33,023	23,330	22,138	21,172	21,053	21,037	Established in 1863 as a state-owned bank.
Türkiye Halk Bankası A.Ş. (Halkbank)	14,447	14,559	14,843	15,025	14,956	9,228	8,515	11,145	10,981	10,841	Established in 1938 as a state-owned bank.
Türkiye Vakıflar Bankası T.A.O. (Vakıfbank)	9,375	9,450	9,182	8,590	8,129	7,600	7,341	7,150	7,180	7,202	Established in 1954 as a bank owned by the GDF.* During the crisis, it was able to acquire deposits from struggling banks in BRSA deposit auctions and increase its market share. The regulatory changes have accelerated Vakıfbank's process of strengthening internal control systems and risk management procedures. Following a company-wide restructuring program to boost sale efficiency, it is in a block sale process as of mid November 2005.
Türkiye Emlak Bankası A.Ş. (Emlakbank)	10,331	10,603	10,277	10,000	turned over to Ziraatbank in June 2001, and then, it's 96 out of 406 branches are transferred to Halkbank in November 2001						Established in 1927 as a state-owned bank.
Pamukbank T.A.Ş.	4,809	5,494	5,733	5,784	5,425	4,974	4,040	was transferred to SDIF on 19 June 2002, and then, to Halkbank on 12 November 2004		Established in 1955 as a privately-owned bank.	

Source: Banks Association of Turkey (BAT), Banking Regulation and Supervision Agency (BRSA) and State Deposit Insurance Fund (SDIF); author's own calculations.

* The General Directorate of Foundations (GDF) owns the majority shares in Vakıfbank. The GDF was established in 1924 to administer and regulate existing and future Turkish charitable foundations as a state entity directly reporting to the Prime Minister. The GDF is a separate legal entity and has its own budget. It was given the authority to establish a bank subject to the Incorporation Law for the purpose of managing foundations' revenues and expenses.

Table 13: Resolution of and Employment in SDIF Banks

	Number of Employees										Number of Employees as of the Date of Transfer to SDIF	Number of Employees Who Changed their Bank during Resolution Process**	Number of Employees Who Lost or Changed their Job
	Dec. 1997	Dec. 1998	Dec. 1999	Dec. 2000	Dec. 2001	Dec. 2002	Dec. 2003	Dec. 2004	March 2005	June 2005			
All Banks	154,864	166,492	173,988	170,401	137,495	123,271	123,249	127,163	128,271	129,887	-	-	-
Non-state-owned and Non-SDIF banks	81,115	90,573	86,001	80,315	74,996	77,227	80,737	87,293	88,652	90,406	-	-	-
State-owned Banks (as of corresponding year)	69,218	71,072	72,007	70,191	56,108	40,158	37,994	39,467	39,214	39,080	-	-	-
Banks under the Control of SDIF	4,531	4,847	15,980	19,895	6,391	5,886	4,518	403	405	401	39409	11635	27774
Türkbank	4,531	4,180	4,025	3,664	2,438	On August 9, 2002, in accordance with the liquidation resolution, all branches of the Bank were closed and employment contracts of all personnel working in head office units and branches were terminated and special service contract was signed with personnel in limited numbers in order to make transactions concerned with the liquidation.					4,790	0	4,790
Bank Ekspres	517	667	653	629	sold to the Tekfen Holding on June 30, 2001; the transfer was approved by the BRSA on October 26, 2001; still operating as Tekfenbank					721	618	103	
					618	654	563	578	565	546			
Esbank	2,070	2,241	2,291	1,898	merged with Etibank bank on April 15, 2001					2,363	-	-	
Yaşarbank	1,609	1,755	1,810	1,626	merged with Sümerbank on January 26, 2001					1,821	-	-	
Sümerbank	1,392	1,788	1,692	1,407	was sold to the Oyak Group on August 9, 2001; merger was approved on January 11, 2002; still operating as Oyakbank					1,698	3,198	6,159	
					569	3,590	3,919	4,199	4,321	4,356			
Interbank	1,107	1,712	1,525	1,320	merged with Etibank bank on April 15, 2001					1,732	-	-	
Egebank	1,123	1,464	3,394	1,990	merged with Sümerbank on January 26, 2001					4,288	-	-	
Yurtbank	434	552	590	563	merged with Sümerbank on January 26, 2001					668	-	-	
Demirbank	1,603	2,018	2,556	4,225	sold to HSBC on September 20, 2001; approval of the transfer was made on October 30, 2001					4,241	3,565	676	
					HSBC (# of employees as of Dec. Dec. 2000: 110)								
					3,645	3,525	3,477	3,652	3,641	3,787			
Etibank A.Ş.	1,722	1,872	1,988	2,035	privatized in 1997, was taken under SDIF in 2000, and finally refined in December 2001; however, on March 20, 2002 the liquidation decision was revoked and the Bank was merged into Bayındırbank					2,076	(1,106)	-	
Bank Kapital	431	590	624	538	merged with Sümerbank on January 26, 2001					666	-	-	
Ulusalbank	143	197	231	251	merged with Sümerbank on April 17, 2001					216	-	-	
İktisat Bankası	1,007	1,110	1,321	1,339	was liquidated on December 7, 2001; however, on 4 April 2002 the liquidation decision was revoked and the Bank was merged under Bayındırbank					1,305	(131)	-	
EGS Bank	754	1,022	1,077	1,004	409	banking and deposit taking license was revoked as of January 18, 2002, and merged into Bayındırbank as of the same date					918	(39)	-
Kentbank	1,167	1,734	1,666	1,766	was refined in December 2001; however, on March 20, 2002 the liquidation decision was revoked and the Bank was merged into Bayındırbank					1,422	(456)	-	
Toprakbank	2,479	2,986	3,253	2,505	2,458	banking and deposit taking license of the bank was revoked as of September 30, 2002 and merged into Bayındırbank as of the same date					2,482	(733)	-
Sitebank	178	302	343	320	146	a share transfer agreement was signed with Novabank (Greece) on December 20, 2001; the transfer procedure was carried out on January 25, 2002; it's name changed to BankEuropa in early 2003					253	146	107
					BankEuropa								
					97	200	215	219	231				
Tarişbank	744	740	721	647	526	share transfer agreement regarding the acquisition by Denizbank was signed on October 21, 2002; the merger was approved on December 19, 2002 and finalized on December 27, 2003					528	345	183
					Denizbank (# of emp. As of Dec. 2001: 949)								
					2,860	3,240	4,344	4,482	4,629				

Source: Banks Association of Turkey (BAT), Banking Regulation and Supervision Agency (BRSA) and State Deposit Insurance Fund (SDIF); author's own calculations.

* The shaded cells indicate the years in which the corresponding bank was under the control of SDIF.

** The employee numbers in parantheses in this column show the number of employees transferred to Bayındırbank by SDIF. Therefore, they are not considered in calculation of total number of employees who have been transferred to other banks with merged or sold SDIF banks. The total number of employees of banks which have been merged to Bayındırbank as of the date of the initial transfer to SDIF, however, are added to the number of employees of Bayındırbank as of the date of take over to calculate the overall number of employees who became unemployed during merger with Bayındırbank.

Note: In understanding the changes in figures given in the table above, it should also be considered that SDIF has hired some new personnel to carry out the resolution and restructuring operations in some of the SDIF banks before merging or selling them.

Table 14: Estimation of Unemployment Effects Resulting from Restructuring and Resolution of Banks in Turkey (1997-2004)

	Restructuring of State-owned Banks (1999-2003)	Resolution of Non-state Banks Transferred to SDIF (1997-2004)	Total Number of Employees Involved in Restructuring or Resolution of Banks (1997-2004)	
			in persons	as percent of total # of employees in banking in Dec. 1999
Total Number of Employees who Lost or Changed their Job Place	34,013	39,409	73,422	42.2 %
Number of Employees Transferred to Other State Institutions or Other Banks	14,352 (to other state institutions)	11,635 (to other banks)	25,987	14.9 %
Number of Pensioned Employees	17,648	27,774	47,435	27.3 %
Others (unemployed, etc.)	2,013			

Source: Banks Association of Turkey (BAT), Banking Regulation and Supervision Agency (BRSA) and State Deposit Insurance Fund (SDIF); author's own calculations.

Table 15: Ziraatbank, Halkbank and Pamukbank: Distribution of Employees by Gender and Education (1997-2005)

<i>Ziraatbank</i>	Primary School			High School			Undergraduate			Masters or PhD			Total			
	Male (percent)	Female (percent)	Total (percent)	Male (percent)	Female (percent)	Total (percent)	Male (percent)	Female (percent)	Total (percent)	Male (percent)	Female (percent)	Total (percent)	Male (percent)	Female (percent)	Total (percent)	Total (persons)
December 1997	4.0	0.5	4.5	54.5	18.9	73.4	12.4	8.6	21.0	0.6	0.5	1.0	71.5	28.5	100.0	33 343
December 1998	3.8	0.2	4.0	53.8	18.6	72.4	14.5	8.1	22.5	0.6	0.4	1.0	72.6	27.4	100.0	36 460
December 1999	3.5	0.1	3.7	52.1	18.9	71.0	16.1	8.2	24.3	0.6	0.4	1.0	72.3	27.7	100.0	37 705
December 2000	1.4	0.1	1.6	48.8	12.9	61.6	20.7	14.9	35.6	0.7	0.5	1.3	71.6	28.4	100.0	36 576
December 2001	1.0	0.1	1.1	45.7	10.6	56.3	24.9	15.9	40.8	1.0	0.8	1.8	72.5	27.5	100.0	33 023
December 2002	0.1	0.0	0.1	44.0	10.3	54.4	26.8	16.8	43.6	1.1	0.9	1.9	72.0	28.0	100.0	23 330
December 2003	0.0	0.0	0.0	41.9	9.2	51.1	29.0	18.0	47.0	1.1	0.8	1.8	71.9	28.1	100.0	22 138
December 2004	0.0	0.0	0.0	40.9	8.4	49.2	30.2	18.5	48.6	1.2	1.0	2.1	72.2	27.8	100.0	21 172
September 2005	0.0	0.0	0.0	39.9	7.9	47.7	31.1	18.7	49.8	1.3	1.1	2.4	72.3	27.7	100.0	20 499
<i>Halkbank</i>	Primary School			High School			Undergraduate			Masters or PhD			Total			
	Male (percent)	Female (percent)	Total (percent)	Male (percent)	Female (percent)	Total (percent)	Male (percent)	Female (percent)	Total (percent)	Male (percent)	Female (percent)	Total (percent)	Male (percent)	Female (percent)	Total (percent)	Total (persons)
December 1997	3.6	0.1	3.7	48.8	21.7	70.5	14.7	10.5	25.2	0.4	0.2	0.6	67.5	32.5	100.0	14 447
December 1998	3.0	0.1	3.1	48.3	19.7	68.0	16.4	11.9	28.2	0.4	0.2	0.6	68.1	31.9	100.0	14 559
December 1999	2.8	0.1	2.9	45.2	17.4	62.6	19.5	14.4	33.8	0.4	0.2	0.6	67.9	32.1	100.0	14 843
December 2000	2.5	0.1	2.6	43.4	15.9	59.3	22.1	15.4	37.5	0.4	0.2	0.6	68.4	31.6	100.0	15 025
December 2001	1.8	0.1	1.9	42.4	16.0	58.5	22.5	16.3	38.9	0.5	0.3	0.8	67.2	32.8	100.0	14 956
December 2002	1.9	0.0	1.9	41.6	14.2	55.8	23.7	17.7	41.4	0.5	0.4	0.9	67.7	32.3	100.0	9 228
December 2003	1.9	0.0	1.9	40.3	13.3	53.6	24.7	18.7	43.4	0.6	0.5	1.1	67.4	32.6	100.0	8 515
December 2004	1.4	0.0	1.4	32.2	12.9	45.1	25.9	25.5	51.4	1.1	1.0	2.1	60.6	39.4	100.0	11 145
September 2005	1.2	0.0	1.2	31.6	12.4	44.0	26.4	26.4	52.7	1.2	0.8	2.0	60.4	39.6	100.0	10 671
<i>Pamukbank</i>	Primary School			High School			Undergraduate			Masters or PhD			Total			
	Male (percent)	Female (percent)	Total (percent)	Male (percent)	Female (percent)	Total (percent)	Male (percent)	Female (percent)	Total (percent)	Male (percent)	Female (percent)	Total (percent)	Male (percent)	Female (percent)	Total (percent)	Total (persons)
December 1997	1.2	0.0	1.2	21.3	18.3	39.6	27.3	31.5	58.9	0.3	0.1	0.4	50.1	49.9	100.0	4 809
December 1998	1.1	0.0	1.1	21.1	17.7	38.8	27.8	32.0	59.8	0.2	0.1	0.3	50.2	49.8	100.0	5 494
December 1999	1.0	0.0	1.0	20.1	15.8	35.9	28.3	34.5	62.8	0.2	0.0	0.3	49.6	50.4	100.0	5 733
December 2000	0.9	0.0	0.9	19.5	14.9	34.3	29.2	35.3	64.5	0.2	0.0	0.2	49.8	50.2	100.0	5 784
December 2001	0.7	0.0	0.7	19.1	14.4	33.4	29.5	36.0	65.5	0.2	0.1	0.3	49.6	50.4	100.0	5 425
December 2002	0.8	0.0	0.8	19.2	13.8	33.0	26.9	35.8	62.7	1.7	1.7	3.4	48.7	51.3	100.0	4 974
December 2003	0.4	0.0	0.4	20.0	13.3	33.3	26.0	36.7	62.7	1.7	1.9	3.5	48.1	51.9	100.0	4 040
September 2004	0.8	0.0	0.8	19.7	13.6	33.3	25.9	36.6	62.5	1.7	1.7	3.4	48.0	52.0	100.0	3 773

Source: Banks Association of Turkey (BAT); author's own calculations.

Note: Pamukbank was transferred to SDIF on 19 June 2002, and then, merged with Halkbank, which is a state-owned bank, on 12 November 2004. As of the date of merger, the number of employees who have been transferred to Halkbank were 3,763.

Table 16: Unionisation in Non-state Banks and Insurance Companies

	Number of Workers in Non-state Banks & Insurance Companies												Share of Workers (in percent)									
	Jan. 1984	Jan. 1997	July 2000	Jan. 2001	July 2001	Jan. 2002	July 2002	Jan. 2003	July 2003	July 2004	Jan. 2005	July 2005	July 2000	Jan. 2001	July 2001	Jan. 2002	July 2002	Jan. 2003	July 2003	July 2004	Jan. 2005	July 2005
Unionised Workers	73 628	98 666	113 089	114 783	117 275	117 258	118 017	119 120	121 240	124 077	129 577	129 851	98.0	98.1	102.1	98.8	101.2	99.3	97.2	89.0	93.0	90.0
Banka ve Sigorta İşçileri Sendikası (BASİSEN), <i>Union of Bank and Insurance Workers</i> , established in 1964, affiliated with the Confederation of Turkish Trade Unions (TÜRK-İŞ), internet: www.basisen.org.tr, email: basisen@isbank-net.tr	32 407	44 878	53 382	54 391	55 775	55 418	55 633	56 154	57 262	58 899	60 365	62 961	46.3	46.5	48.6	46.7	47.7	46.8	45.9	42.3	43.3	43.6
Banka ve Sigorta İşçileri Sendikası (BANKSİS), <i>Union of Bank and Insurance Workers</i> , established in 1983, independent trade union	12 935	15 291	18 702	18 971	19 313	19 519	20 018	20 582	21 561	22 515	22 311	24 587	16.2	16.2	16.8	16.5	17.2	17.2	17.3	16.2	16.0	17.0
Türkiye Devrimci Banka ve Sigorta İşçileri (BANKSEN), <i>Revolutionary Union of Workers in Banks and Insurance Companies</i> , established in 1972, affiliated with the Confederation of Progressive Trade Unions of Turkey (DISK), internet: www.banksen.org.tr	18 000	14 871	15 062	15 070	15 070	15 070	15 083	15 102	15 102	15 102	18 569	13 961	13.1	12.9	13.1	12.7	12.9	12.6	12.1	10.8	13.3	9.7
Banka ve Sigorta İşçileri Sendikası (BASS), <i>Bank and Insurance Employees Union</i> , established in 1972, affiliated with the Confederation of Turkish Trade Unions (TÜRK-İŞ), internet: www.bass-sen.org.tr	4 741	12 589	14 627	15 027	15 116	15 155	15 179	15 178	15 210	15 466	16 239	16 264	12.7	12.8	13.2	12.8	13.0	12.7	12.2	11.1	11.6	11.3
Banka ve Sigorta İşçileri Sendikası (BANK-Sİ-SEN), <i>Union of Bank and Insurance Workers</i> established in 1964, independent trade union	5 545	11 037	11 316	11 324	12 001	12 096	12 104	12 104	12 105	12 095	12 093	12 078	9.8	9.7	10.4	10.2	10.4	10.1	9.7	8.7	8.7	8.4
Non-unionised Workers	n.a.	n.a.	2 297	2 212	- 2 418	1 369	- 1 407	862	3 438	15 323	9 823	14 391	2.0	1.9	-2.1	1.2	-1.2	0.7	2.8	11.0	7.0	10.0
Total Workers	n.a.	n.a.	115 386	116 995	114 857	118 627	116 610	119 982	124 678	139 400	139 400	144 242	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ministry of Labour and Social Security, Ankara, and the *Official Journal* of the Republic of Turkey, various issues.

Table 17: Unionisation in State-owned Banks and Insurance Companies

	Number of Public Employees who Work in State-owned Banks, Insurance Companies and Offices	
	15 July 2004	15 May 2005
Unionised Workers	65 485	62 866
Türkiye Büro, Bankacılık ve Sigortacılık Hizmet Kolu Kamu Çalışanları Sendikası (TÜRK BÜRO-SEN), <i>Union of Employees in Public-Sector Offices, Banks and Insurance Companies</i> , established in 1992, affiliated with the Türkiye Kamu Çalışanları Sendikaları Konfederasyonu (TÜRKİYE KAMU-SEN), internet: www.turkburosen.org.tr	28 902	28 132
Tüm Banka ve Sigorta Çalışanları Sendikası (TÜM BANKA-SEN), <i>Trade Union of All Bank and Insurance Workers</i> , established in 1993, affiliated with the Union of Office Workers (BES) & Confederation of Trade Unions of Public Employees (KESK), internet: www.bes.org.tr	28 491	25 564
Büro Memurları Sendikası (BÜRO MEMUR-SEN), <i>Union of Civil Servants Working in Offices, Banks and Insurance Companies</i> , established in 1995, affiliated with the Confederation of Union for Civil Servants (MEMUR-SEN), internet: www.buromemursen.org.tr	7 440	8 415
Bağımsız Büro Çalışanları Sendikası (BÇS), <i>Independent Union of Office Employees</i> , affiliated with the Bağımsız Kamu Görevlileri Sendikaları Konfederasyonu (BASK)	622	730
Hürriyetçi Büro Hizmetleri Sendikası (HÜR BÜRO-SEN), <i>Union of Bank and Insurance Workers</i> , affiliated with the Hürriyetçi Kamu Çalışanları Sendikaları Konfederasyonu (HÜRRİYETÇİ KAMU-SEN)	30	25
Non-unionised Workers	78 897	88 142
Total Workers	144 382	151 008

Source: Ministry of Labour and Social Security, Ankara, and the *Official Journal* of the Republic of Turkey, various issues.

Table 18: An Analysis of Recent Strengths and Weaknesses of the Turkish Banking Sector

Strengths:	Weaknesses:
<ol style="list-style-type: none"> 1. In recent years, the major problems of the sector have been identified. 2. Beside rules-based regulations, regulations to control the market are also created. 3. Significant steps towards improvement and institutionalization of risk management are taken. 4. The programme to restructure the banking sector has been started simultaneously with the introduction of economic policies targeting budget discipline and price stability. 5. Regulations brought the system closer to international standards. 6. Problem credits have been radically identified. 7. Exchange rate risk has been minimised. 8. Financial sector has a significant potential to growth further. 9. Banks have a developed spectrum of products and services. 10. The quality and degree of specialization of human resources is high. 11. In technological terms, the Turkish banking sector is internationally competitive. 12. Banks have developed branch networks and distribution channels. 	<ol style="list-style-type: none"> 1. The demand for financial assets is low. 2. Financial markets are small not deepened enough. 3. There are high risks in the working environment. 4. Free equity capital is limited. 5. Profitability does not positively affect the increases in equity capital. 6. Regulations are revised and changed frequently and contradictorily among each other. 7. Potential investors are faced with significant differences in taxation of financial assets. 8. There is a significant crowding-out effect resulting from government spending. 9. The share and effectiveness of the public sector within the system is still high. 10. The process of improvements in asset quality is slow. 11. Government's decisions and implementations are not in accordance with the nature of financial markets. 12. Cost of resources is high and the terms are very short. 13. Currency substitution in Turkey is still very high. 14. Intermediation costs are very high. Therefore, domestic banks have a disadvantage in competition with banks abroad. 15. Some of the negative effects of accumulated problems still exist.

Source: selected, summarised and translated from Working group for Financial Markets of BAT (2004).

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