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Principles and Procedures Concerning the Banks' TL Bond and Bill Issues

Pursuant to the Resolution number 3875 dated September 30, 2010 of the Banking Regulation and Supervision Board, the fields in which there is growth and potential of important risk concentration shall be followed-up and prudent measures shall be taken concerning these fields; in this context, within the process of observing the developing bonds market, the TL bond and bill issues of banks (issue) shall be realized according to principles and procedures determined below, regardless of if they are offered to public is approved pursuant to the first paragraph of article 43, eighth paragraph of article 87 and fourth paragraph of article 93 of the Banking Law number 5411.

a) The capital adequacy ratio of the issuer Bank shall not be under 12% as of the date of application,

b) In issues which will be public offering, to prevent the false apprehensions such as the money invested is within the scope of insurance such as saving deposit or participation fund, especially the small investors shall be informed in details and in written that the amount borrowed with issue is not subject to Saving Deposit Insurance Fund,

c) The Bank shall present to the Agency a report including the benefit and cost analysis, the effect of the issue on the Bank's financial structure, detailed evaluations concerning risks which may be emanated from the issue considering the possible stress conditions as well as the application principles which will be used in measuring, monitoring and controlling these risks,

d) The issuer Bank shall not be in contradiction with the corporate management provisions and protective provisions taken place within the Banking Law number 5411 before the issuance, or in case of contradiction, the contradiction found shall be corrected,

e) Nominal limit concerning the issuances which will be realized directly in the capacity of borrower by Bank shall be calculated within the framework of formulas

described below and the participation and investment banks shall be exempted from this limit,

Amount Subject to the Calculation of Issue Limit (ASCIL)= MIN(MAX(0,5* Equities;0,25*Savings Deposit); Equities)

Issue Limit = MIN(ASCIL*(1- (TAB/TAS)*5 +MAX(0;(MIN(0,2;CAR)-0,12))*2); Equities)

Equities: Equities amount of the bank included in non-consolidated year-end or interim financial reports which are announced latest as of the date of application.

Savings Deposit: Total amounts of savings deposit account or total participation fund account to be obtained within the framework of the information included in non-consolidated year-end or interim financial reports which are announced latest as of the date of application.

TAB: Total assets of the bank in non-consolidated year-end or interim financial reports which are announced latest as of the date of application.

TAS: Total assets of the sector announced by the Agency as of the date of consideration of total assets of the bank.

CAR: Capital adequacy ratio (%) included in non-consolidated year-end or interim financial reports which are announced latest as of the date of application

f) Securities to be issued within the scope of quasi-capital debts as well as mortgage and asset guaranteed securities to be excluded off issue limit,

g) Nominal amounts of issues made earlier by banks and which are in circulation to be considered as a discount item in calculation of new issue limit.

Additional Explanation on Issue Limit Calculation Formula

In line with the evaluations of our Agency and impact analysis made in bank basis concerning bill/bond issue, it is observed that imposing limitation concerning bond issue on only one indicator such as equity, asset size, capital brings various disadvantages.

Equity item which is an indicator of financial strength of banks as well as a significant factor of liability structure and saving deposit which is a stable fund resource in banking activities and of which feature has been approved once again in

crisis period especially in respect of liquidity constitute the main components of Amount Subject to the Calculation of Issue Limit (ASCIL).

Pursuant to strengthening of capital adequacy which was brought back to the agenda in the context of global financial regulation reforms and impact analysis made with controlled growth principles of markets, it is understood that it is appropriate to correct the aforementioned ASCIL amount in line with the share of the bank in the sector and capital adequacy ratio.

Accordingly, it is decided that it is appropriate to use a dynamic function which equity, saving deposit, asset size and capital adequacy ratio is taken into consideration in limiting bill bond issue of banks.

As a consequence of the calculations made within the scope of the formulation mentioned above, it is observed that total bill/bond amount issuable by the banking sector (excluding development and investment banks) in current condition is a bit above TL 51 billion.

The calculation of issue limit is available on the link <http://www.bddk.org.tr/tahvilhraci/hesaplama.aspx>.

Example for the Calculation of Issue Limit	
<u>X Bank (TL 1000)</u>	
Equities:	5,000,000
Savings Deposit: ¹	12,000,000
Total Assets of the Bank:	40,000,000
CAR of the Bank:	%17
Total Assets of the Sector:	908,000,000
ASCIL = MIN(MAX(0,5*Equities;0,25*Savings Deposit);Equities)	
0,5* Equities:	2,500,000
0,25*Savings Deposit:	3,000,000

¹ Total of TL and FX-denominated accounts having the feature of savings deposit or participation fund accounts.

The higher of the mentioned amounts (ASCIL²): 3,000,000

Issue Limit = MIN(ASCIL*(1- (TAB/TAS)*5 +MAX(0;(MIN(0,2;CAR)-0,12))*2); Equities)

Consideration of the Bank's Size :

Share of X Bank in the Sector: %4,4

5 Folds of the Share of X Bank in the Sector: %22

Consideration of CAR of the Bank:

CAR of X Bank: %17 (shall be taken into consideration up to 20% at most)

Difference from the Target CAR: %17-%12=%5

2 Folds of the Difference: %10

Correction of ASCIL Amount:

Calculation of the issue limit by taking into consideration the bank's size and CAR together:

*Issue Limit*³: 3,000,000*(1-%22+%10)=2,640,000

² This amount shall not exceed the amount of total equities.

³ It shall be checked again that the amount occurred in this process shall not exceed the equities.