

# TURKEY MONTHLY BANKING MONITOR

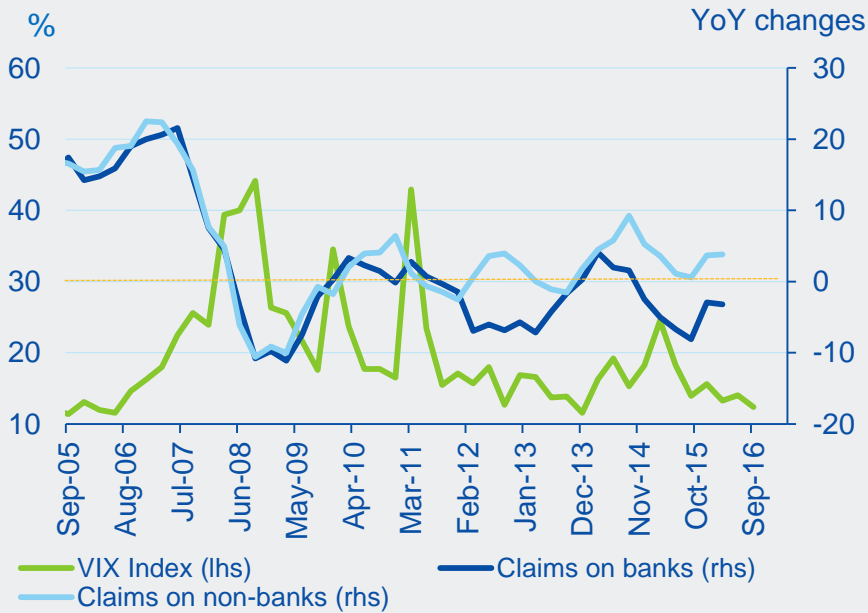
**MARCH**  
APRIL 10th



Global credit conditions strengthened in 2H16 according to BIS. While Global interbank credit decreased on a yoy basis, the pace of the decline moderated. By contrast, after a slight deceleration in 1Q16 credit to non-banks picked up in this period.

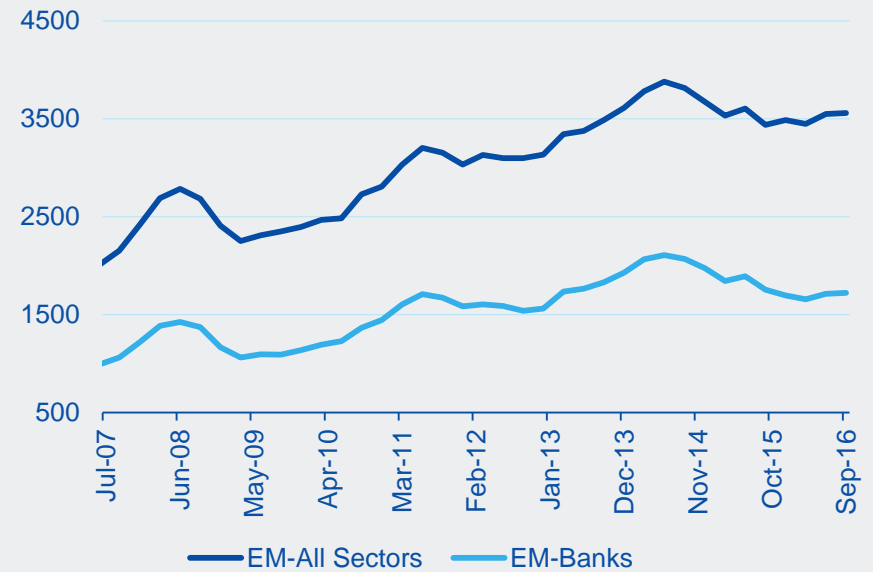
**GROWTH OF INTERNATIONAL BANK CREDIT**

Levels



**CROSS-BORDER BANK CREDIT TO EM**

USD Millions

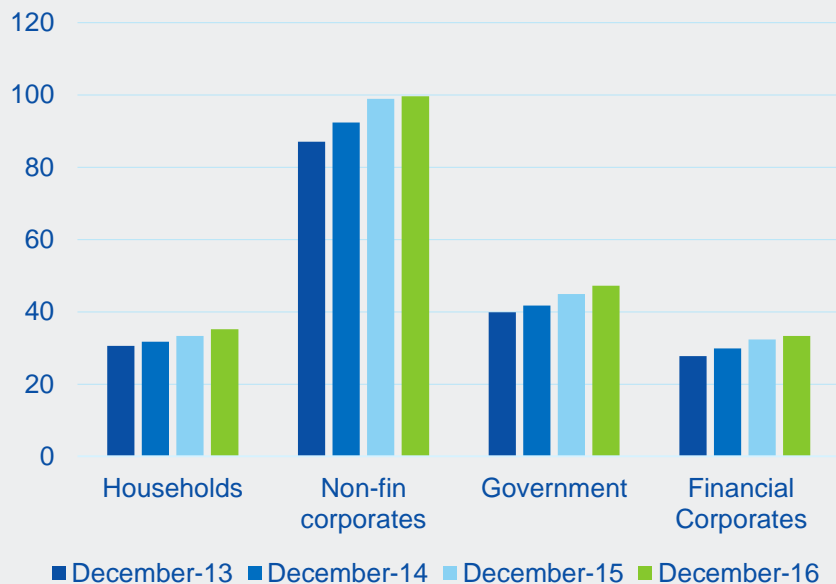


# Global Developments

Global debt level across all sectors have risen to a record high of 325% of global GDP. While developed markets see rising public sector debt, EM debt continues to be driven by non-fin. corporates.

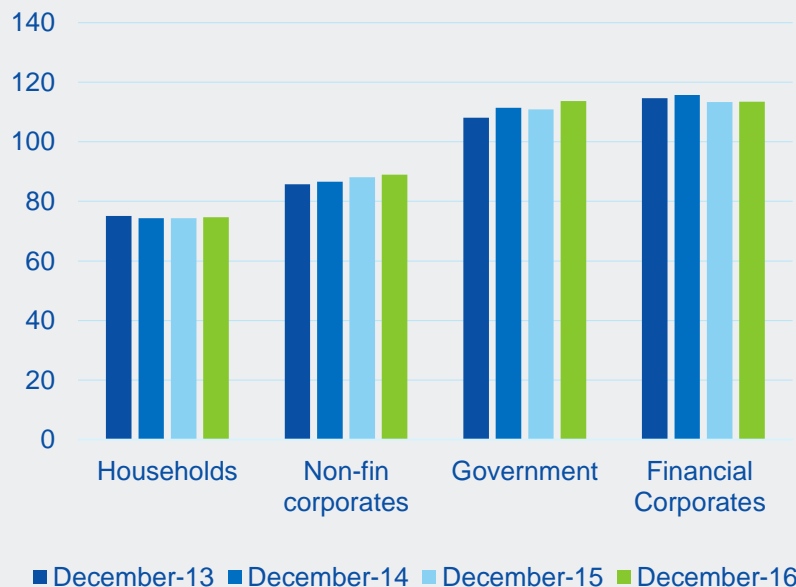
**EM DEBT by SECTOR**

% of GDP



**DEVELOPED MARKETS DEBT by SECTOR**

% of GDP

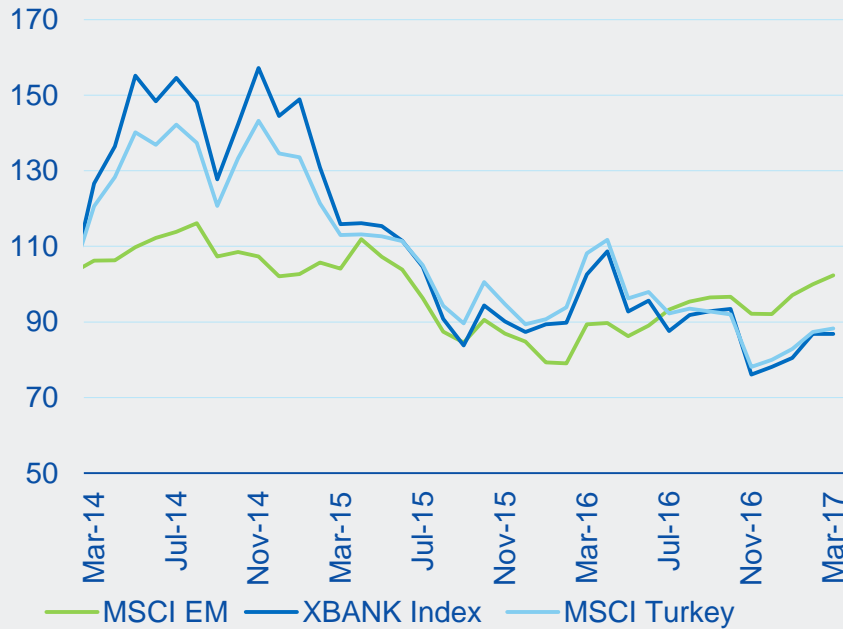


# Turkey Financial Markets

Thanks to equity inflows to EM, Turkish portfolio flows continued to improve in March. Risk premiums stayed almost stable compared to other EM.

## MSCI INDICES

Base 100 = Jan 2015



## RISK PREMIUMS, 5 YEAR CDS INDICES

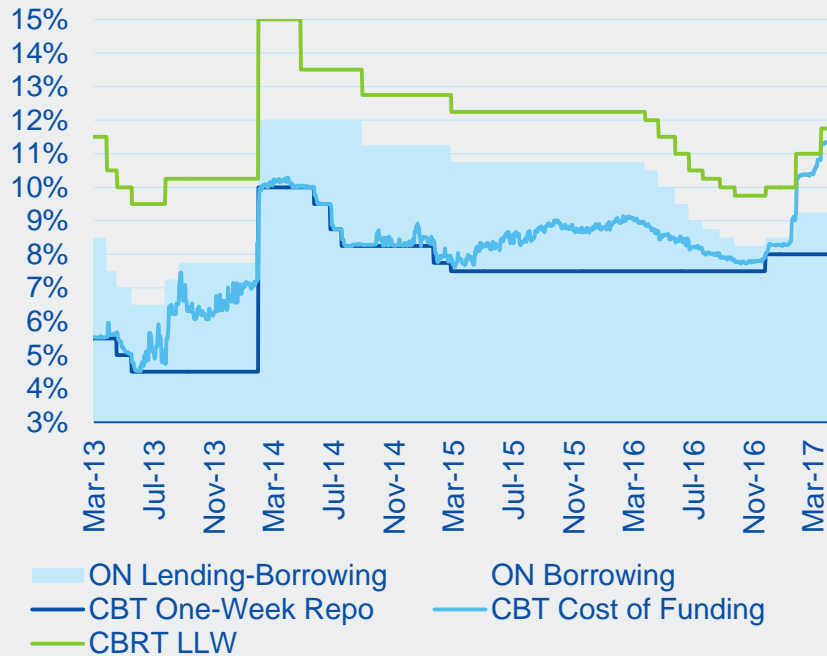
Levels



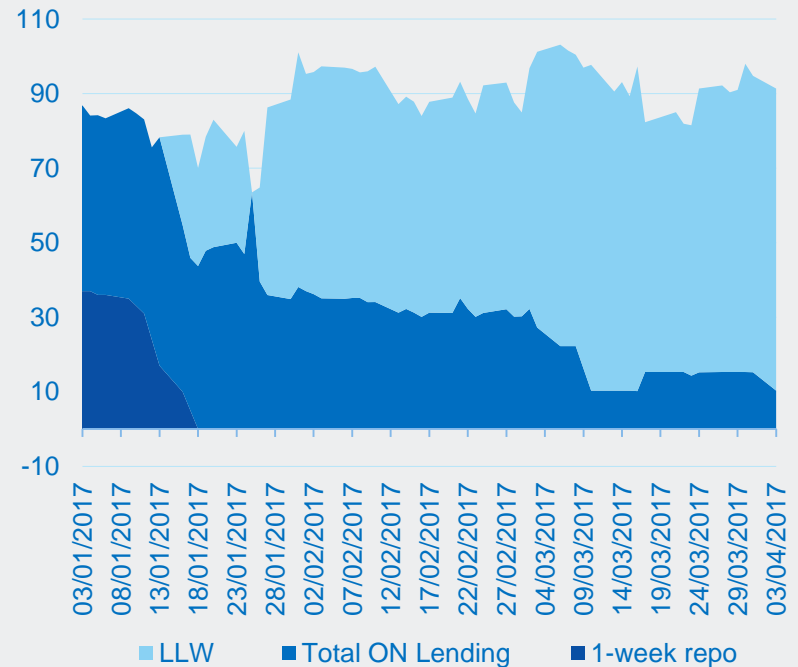
# Monetary Policy

With rising inflation, the Central Bank's (CBRT) average funding rate increased further to 11.5% in March. The share of funding through the LLW (Late Liquidity Window) rate of 11.75% increased to 80%.

**TURKEY: INTEREST RATE CORRIDOR**  
%



**TURKEY: CBT FUNDING COMPOSITION**  
Bln TRY

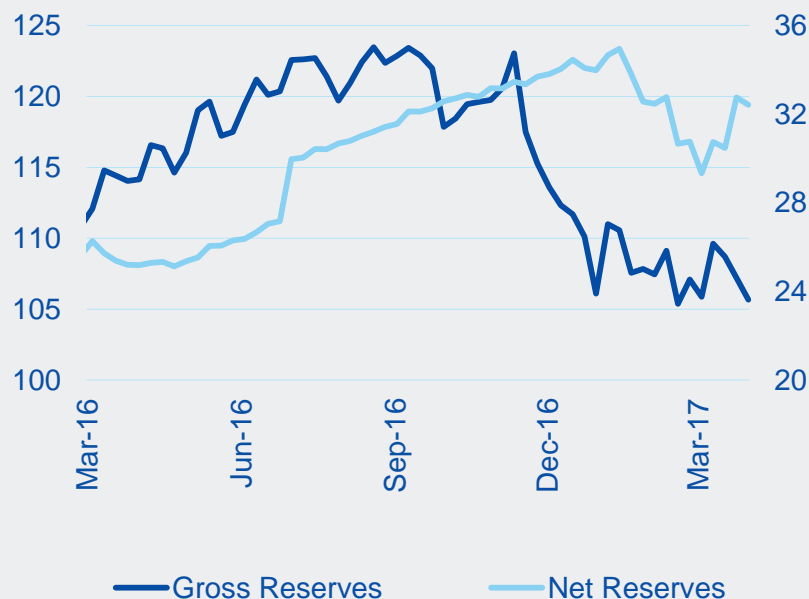


# Central Bank Reserves

Compared to February, net FX reserves of the CBRT increased in March by almost USD 2bn due to increase in banks' FX deposits held at the CBRT. Net reserves are at USD 32.4bn.

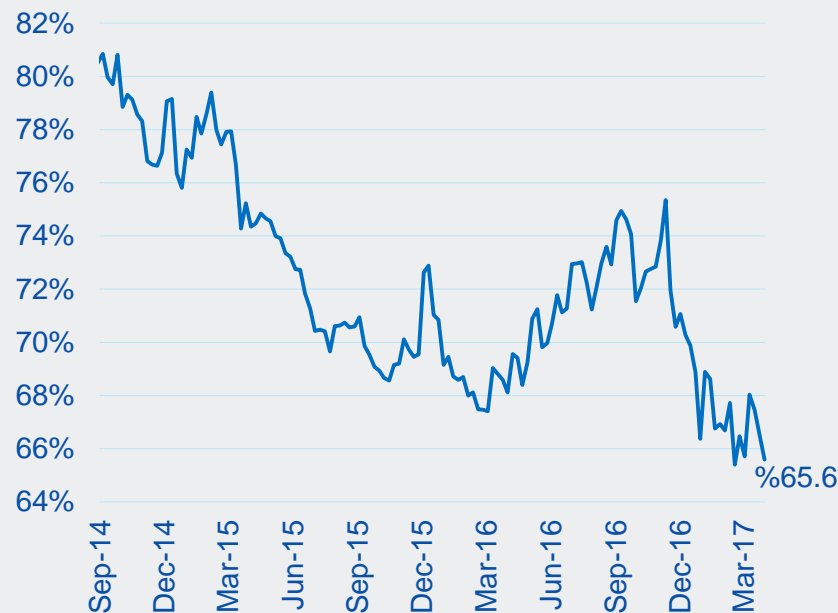
## CBRT RESERVES

USD bn



## GROSS RESERVES

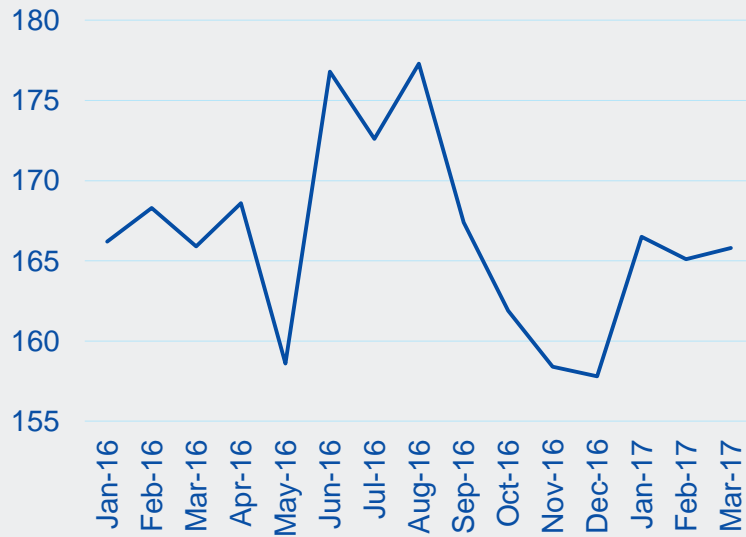
Total Reserves/External Debt to be paid within one year %



# Turkey Financial Sector

Financial Services Confidence Index increased somewhat in March. Demand for financial services is expected to recover in 2Q'17.

**FINANCIAL SERVICES CONFIDENCE INDEX-**



**DEMAND INDEX FOR FINANCIAL SERVICES**

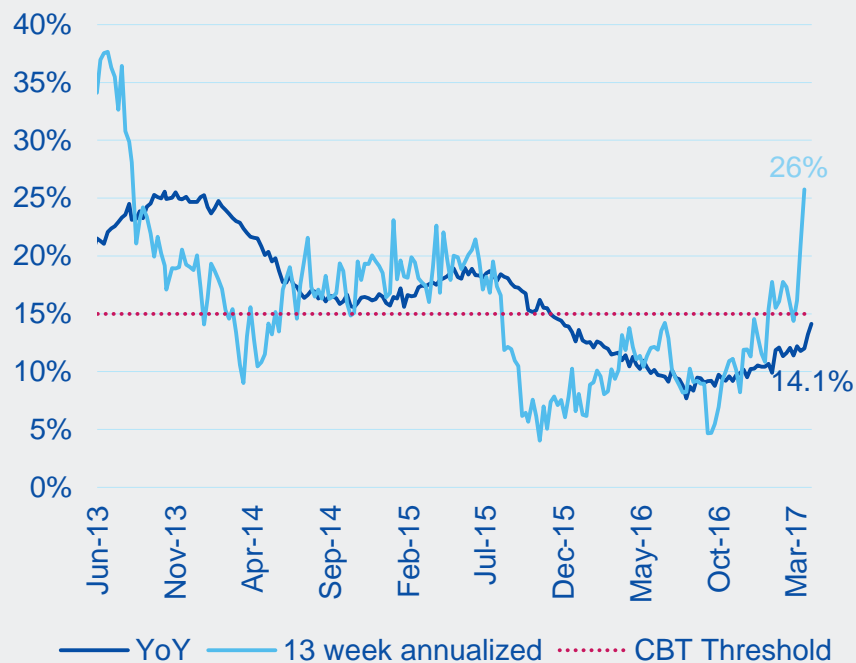


# Loan Growth

YoY Credit growth accelerated in March and reached 14%. The 13 week trend rate jumped to 26%.

## FX ADJUSTED CREDIT GROWTH RATE

% yoy and 13 week ann. rates



The trend rate (annualized yearly rate) shows a marked pick-up mainly thanks to push in commercial credits

26% ann.

14% yoy

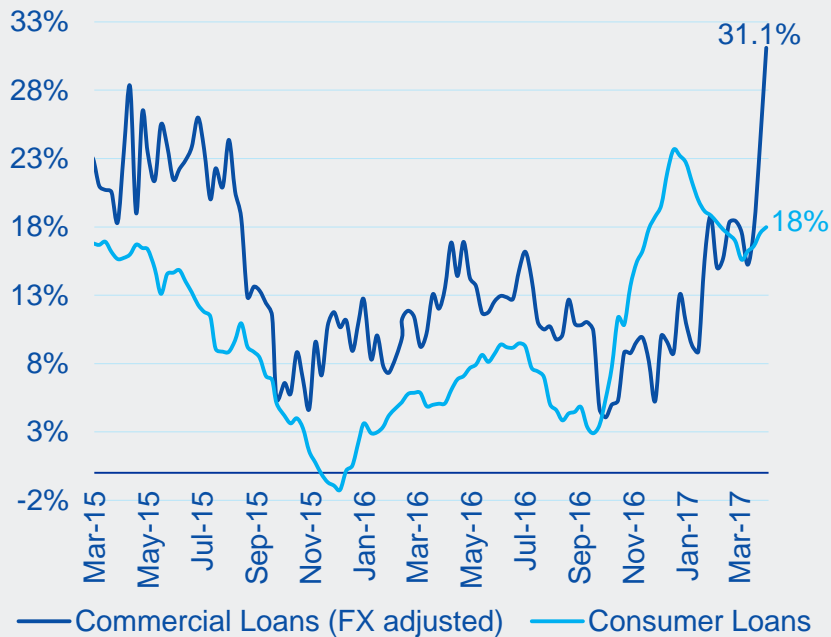
The yoy credit growth almost reaches the threshold of the CBRT.



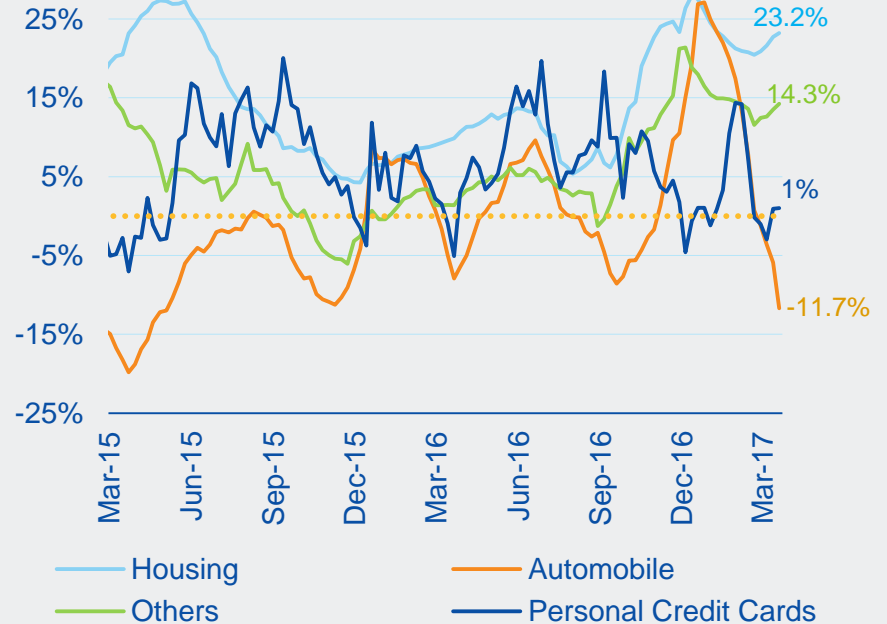
# Loan Growth

Commercial credits' trend rate continued to pick up in March thanks to the Government's Credit Guarantee Fund. Consumer credits' momentum is still robust; and especially strong in housing credits.

**COMM. AND CONSUMER LOANS GROWTH RATE**  
13 week ann. rates



**CONSUMER LOANS**  
% 13 week ann. rates

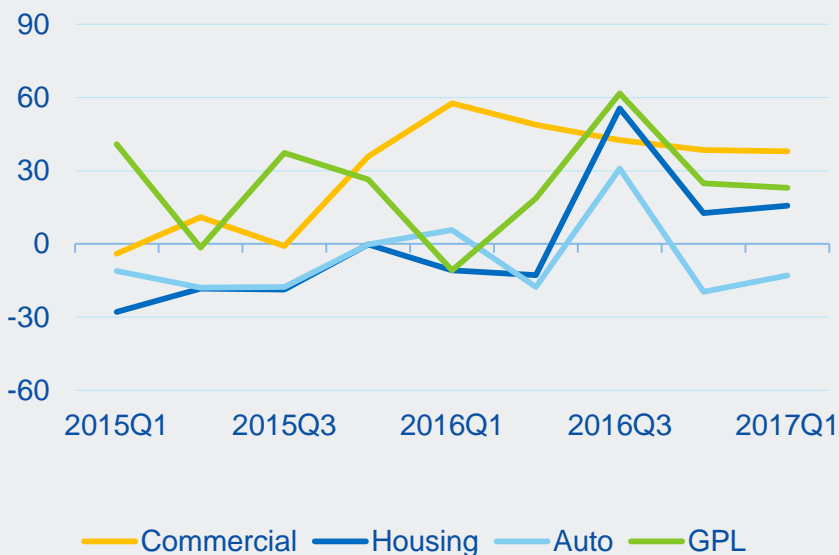


# Loan Growth

According to the CBRT Lending Survey, the banking sector expects increase in housing and auto credit demand for 2Q'17. Although some easing in international funding conditions is forecast, domestic funding conditions will be likely tightened further.

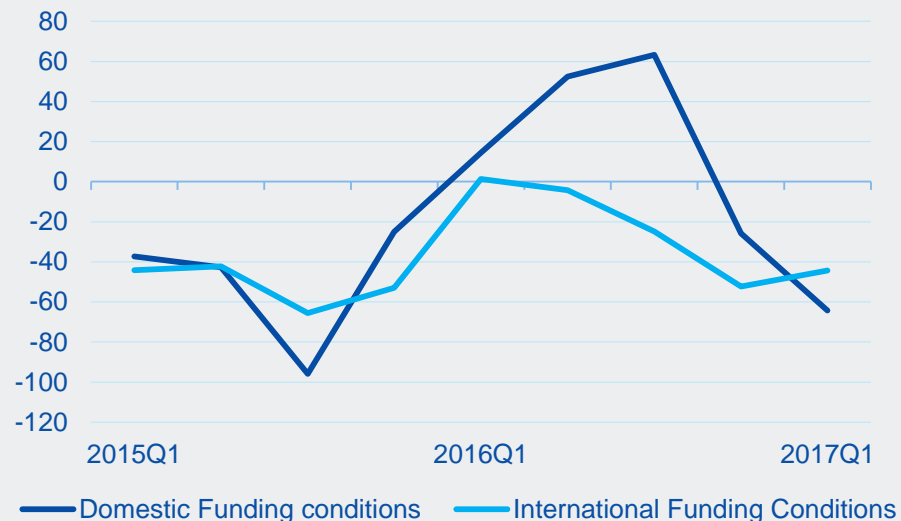
**EXPECTED CREDIT DEMAND (in the next 3 months)**

Levels



**EXPECTED FUNDING CONDITIONS (in the next 3 months)**

Levels



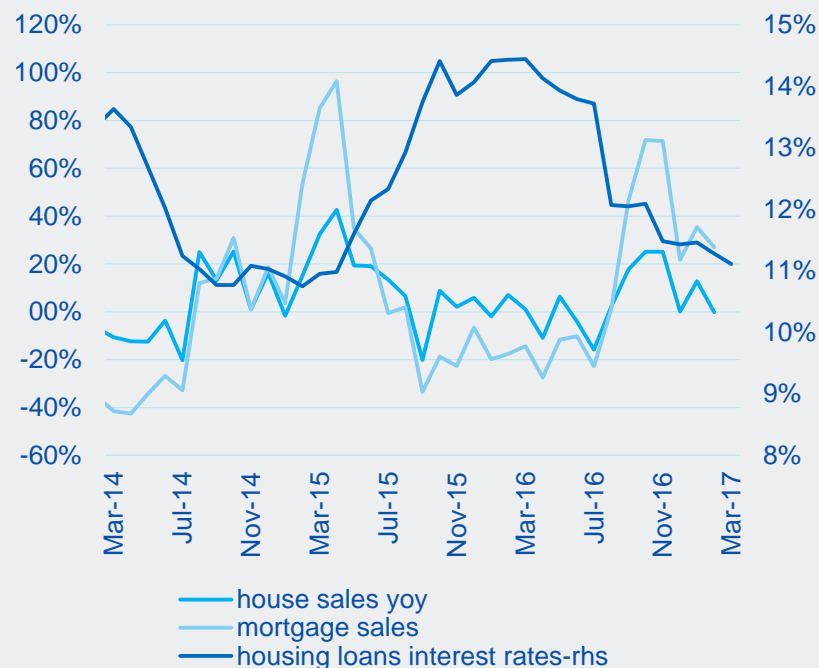
Source: CBT Bank Lending Survey 1Q'17, Garanti Research  
(>0= Easing; <0= Tightening)

# Housing

House sales remained almost flat in Feb'17 on yoy terms. However, although on a decelerating rate compared to Jan'17, mortgage sales rose by 27% (yoy) in Feb'17 with declining housing interest rates.

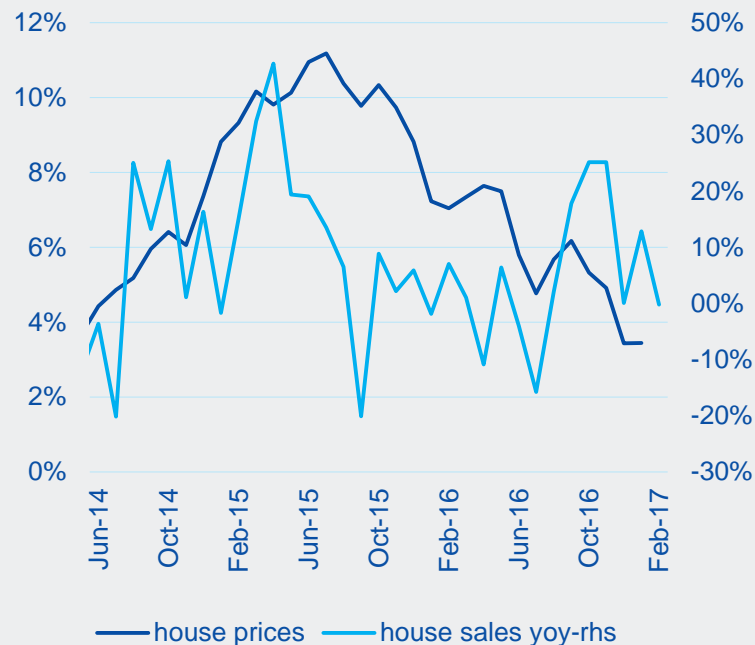
## HOUSE SALES & INTEREST RATE

YoY rates



## HOUSE SALES AND PRICES

YoY rates

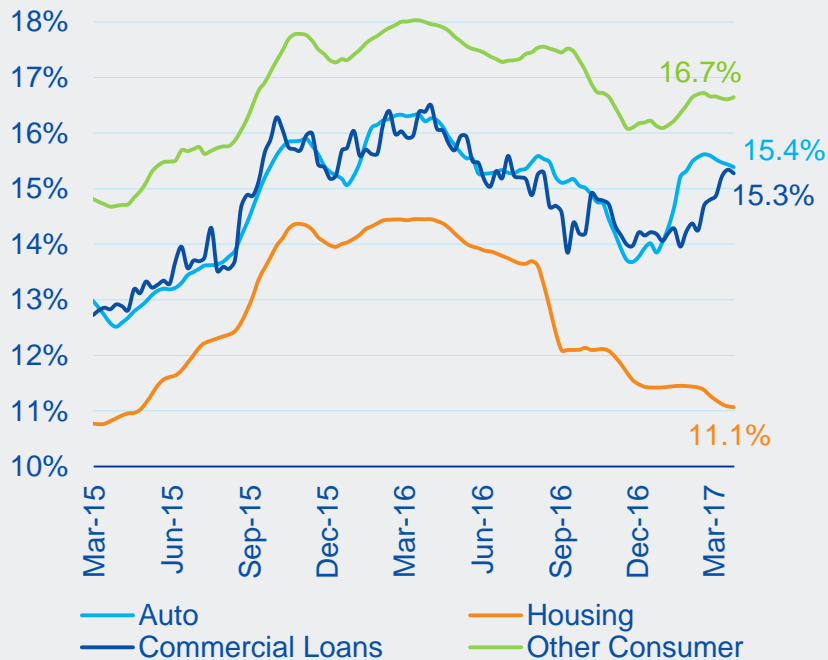


# Interest Rates

Interest rates on all consumer credits declined in March, mostly in housing loans. Deposit rates increased further by 30 bps in March.

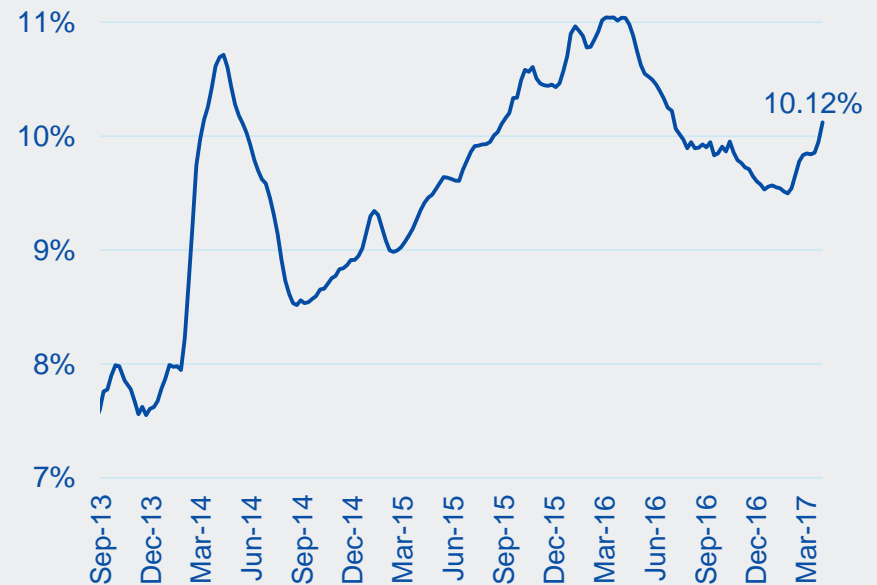
## COMM. AND CONSUMER LOANS INTEREST RATES

4week mov.avg.



## DEPOSIT INTEREST RATES

4week mov.avg.



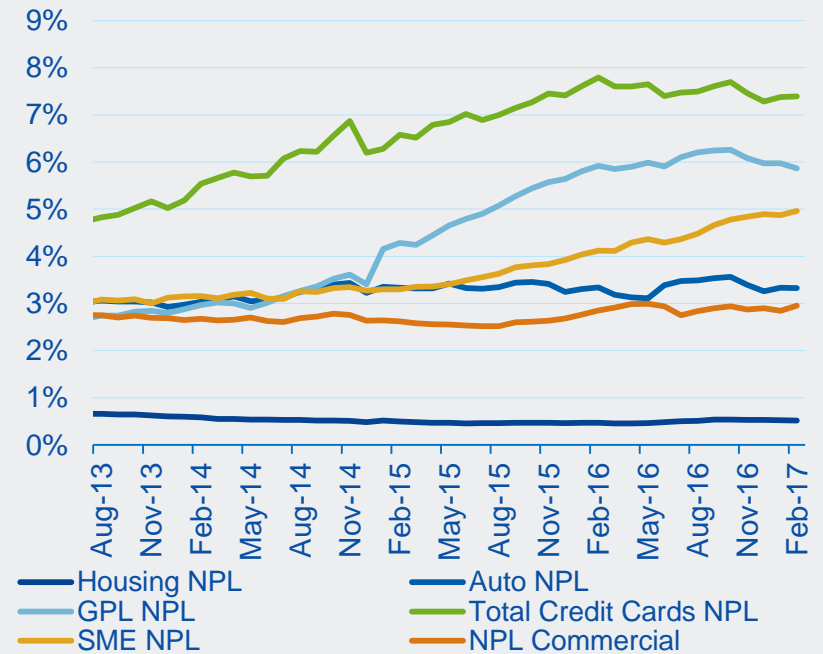
# Asset Quality & Credit Risk

NPL ratio of the sector rose close to 3.3%. However, its growth rate continues to decline since Oct`16.

**NPL RATIO OF THE BANKING SECTOR**  
%



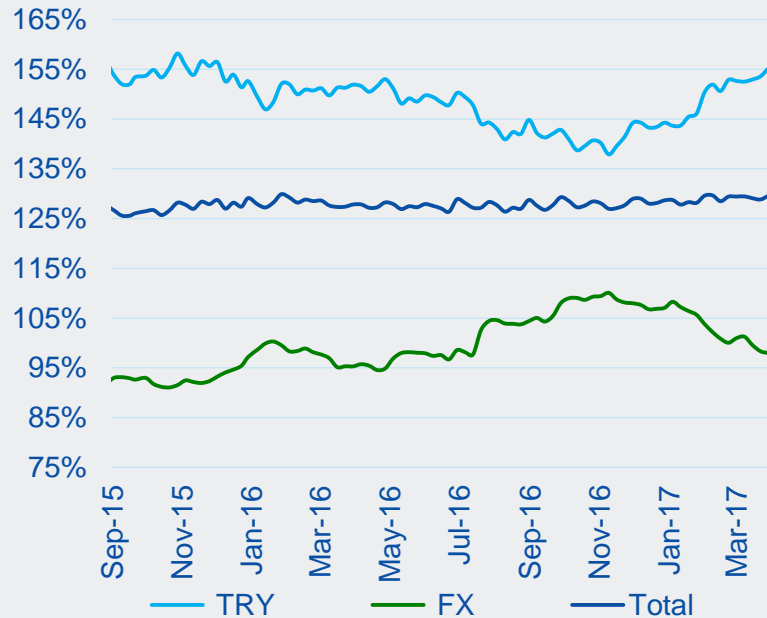
**NPL RATIO BY SELECTED SUB-SEGMENTS**  
% & TRY bln



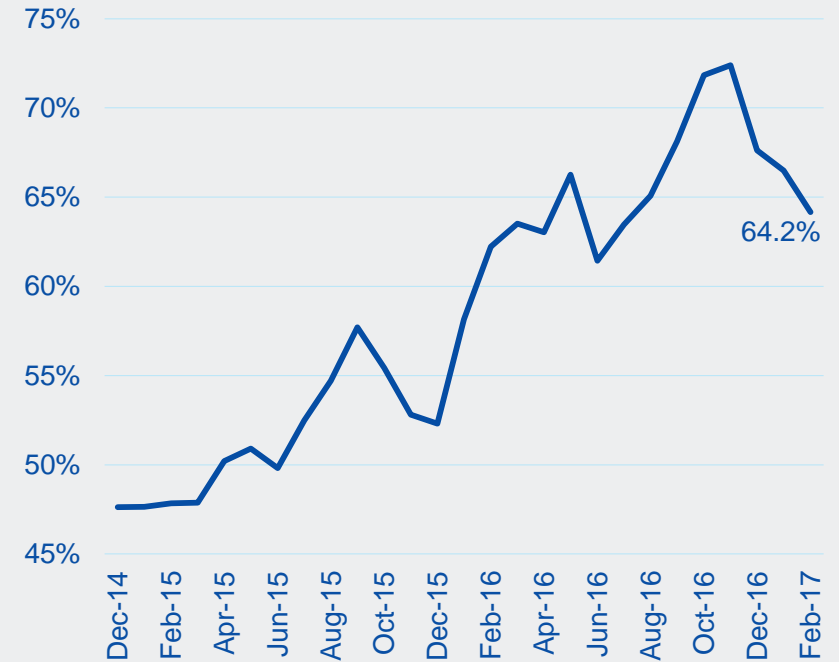
# Liquidity

TL LTD (Loan to Deposit Ratio) is increasing with increasing credits whereas FX LTD is declining with increasing FX deposits and declining FX credits.

**LOAN TO DEPOSIT RATIO (LTD)**  
%



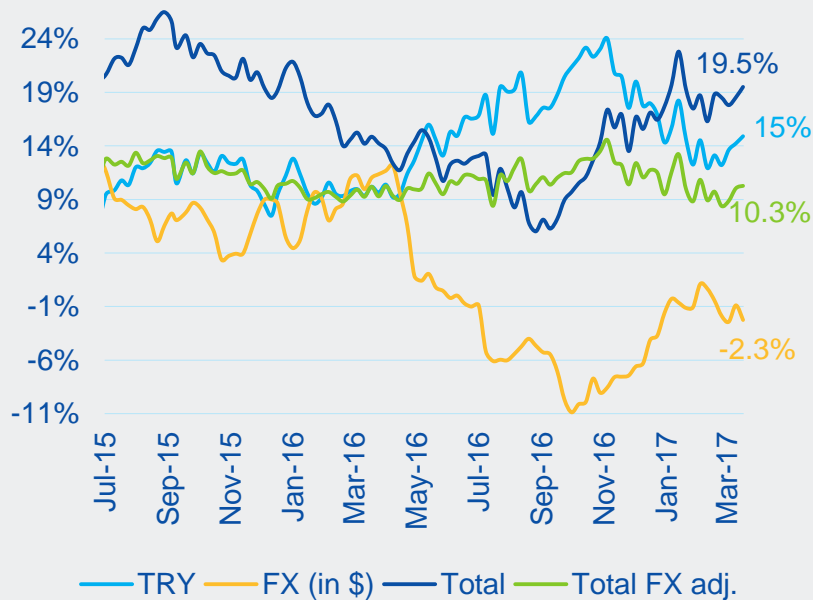
**FX LIQUID ASSETS TO BANKS' ST EXT. DEBT TO BE PAID IN 1 YR**  
%



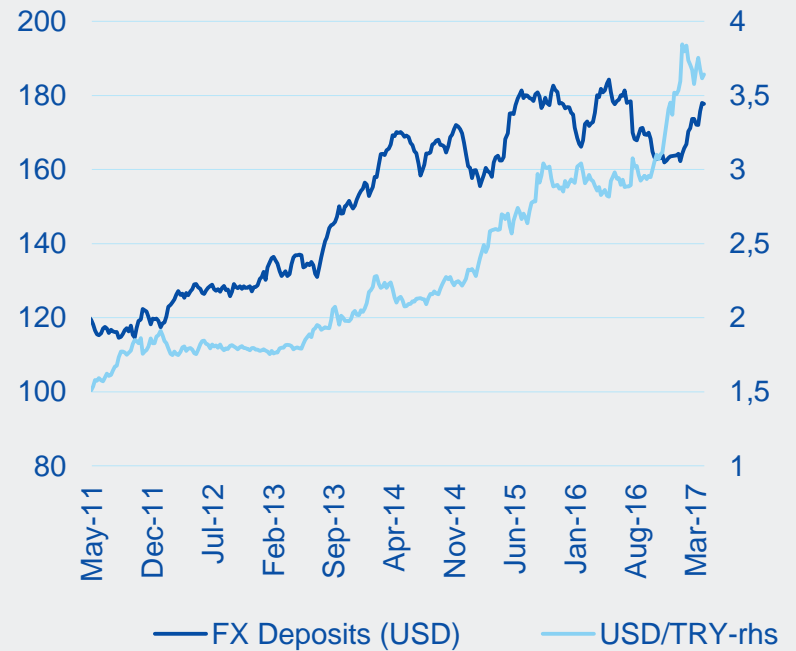
# Deposits of Residents

Total deposits (FX adj.) of residents rose in March on the back of both TL and FX deposits.

**DEPOSIT GROWTH RATE**  
% YoY



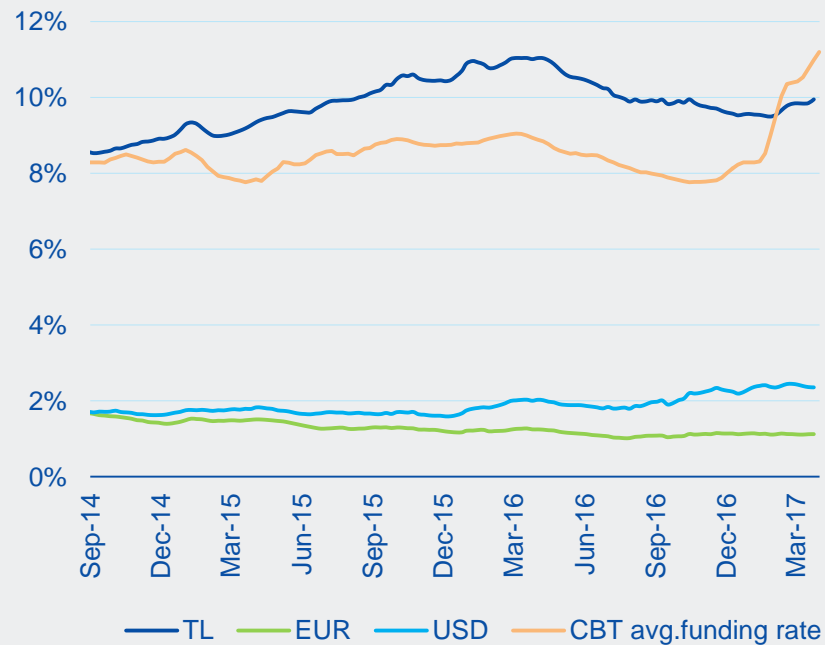
**FX Deposits & USDTRY**  
% YoY



# Deposit Rates

With increasing TL deposit rates, spreads between TL and USD deposit rates continued to further widen in March.

**DEPOSIT INTEREST RATES IN TL& € & \$**  
4week mov.avg



**SPREAD btw TL and USD DEPOSIT RATES**  
annual %

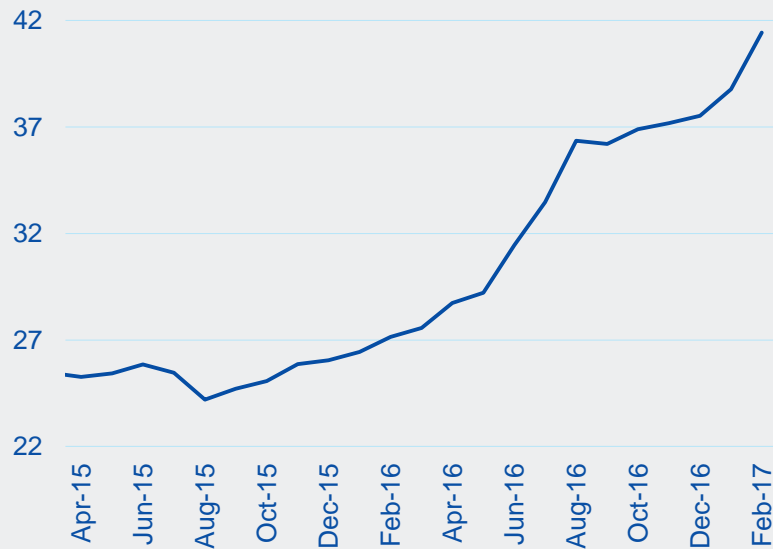




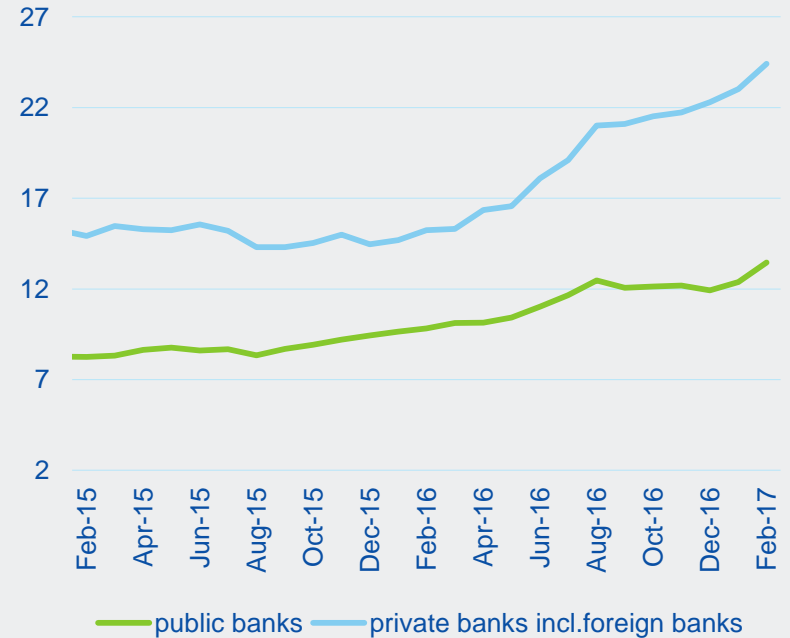
# Profitability

Net profit of the sector increased in February by almost 30% compared to January with declining provisioning expenses. Net profit of public banks increased more than private banks in monthly terms.

**NET PROFIT- whole sector**  
12 month cum., billion TL



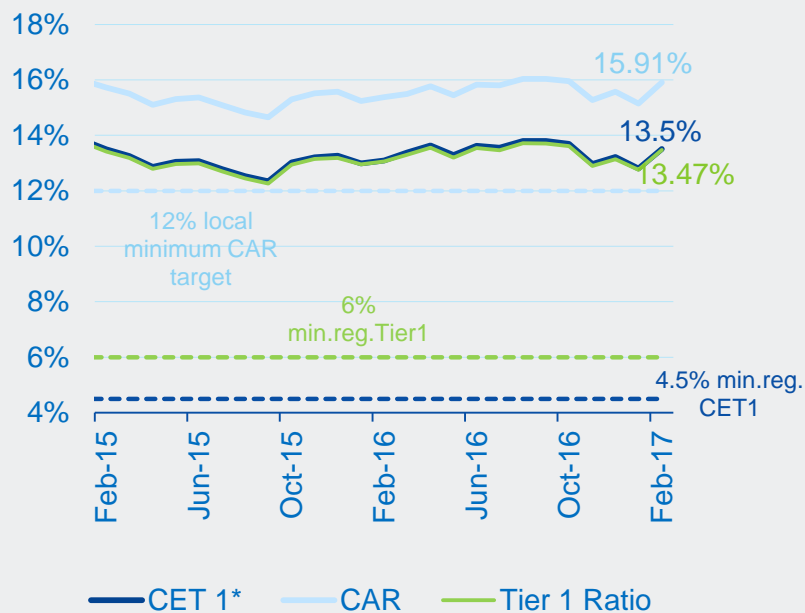
**NET PROFIT- public & private banks**  
12 month cum., billion TL



# Buffers

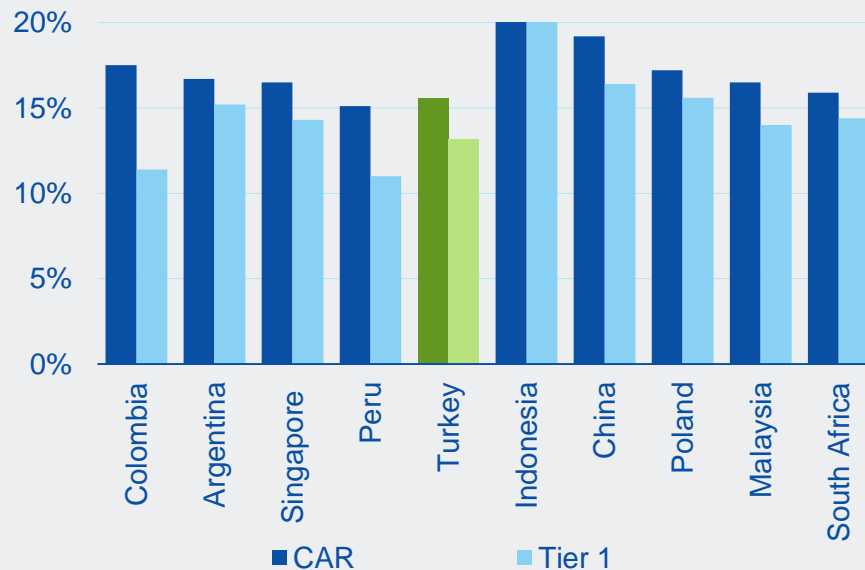
Both Capital Adequacy Ratio (CAR) and Common Equity Tier 1 increased by 70 bps (MoM) with a decline in risk weighted assets.

**CAPITAL ADEQUACY RATIO & CET 1 & TIER 1 RATIO**



\*Banks have to maintain additional capital conservation buffer of +0.625% CET1 for 2016; phased-in to reach +2.5% CET1 until 2019. Besides, banks that are determined as domestically systemic important (D-Sib) are required to add a certain additional amount of capital. This is max.+0.5% CET1 for 2016; phased-in to reach max.+2% CET1 until 2019.

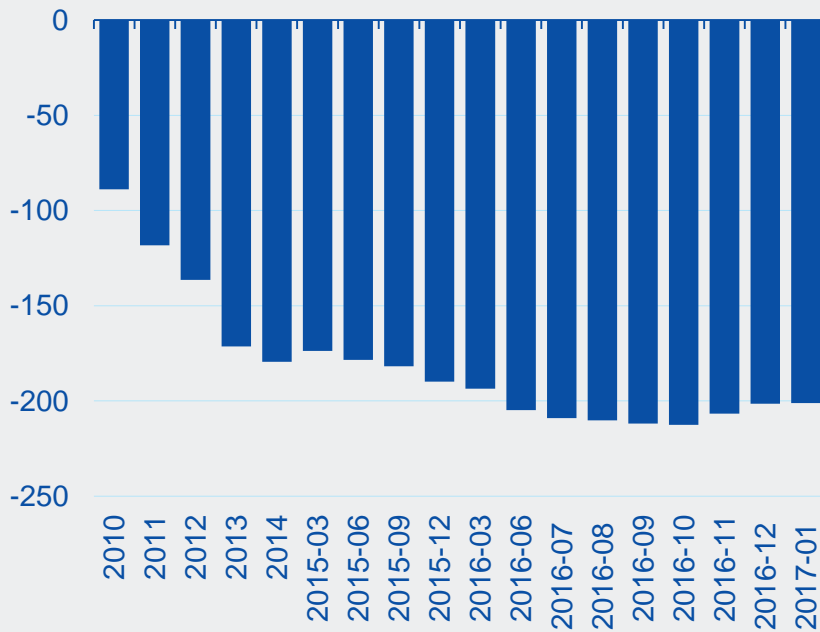
**EM CAR & TIER 1 Ratio Q4'16**



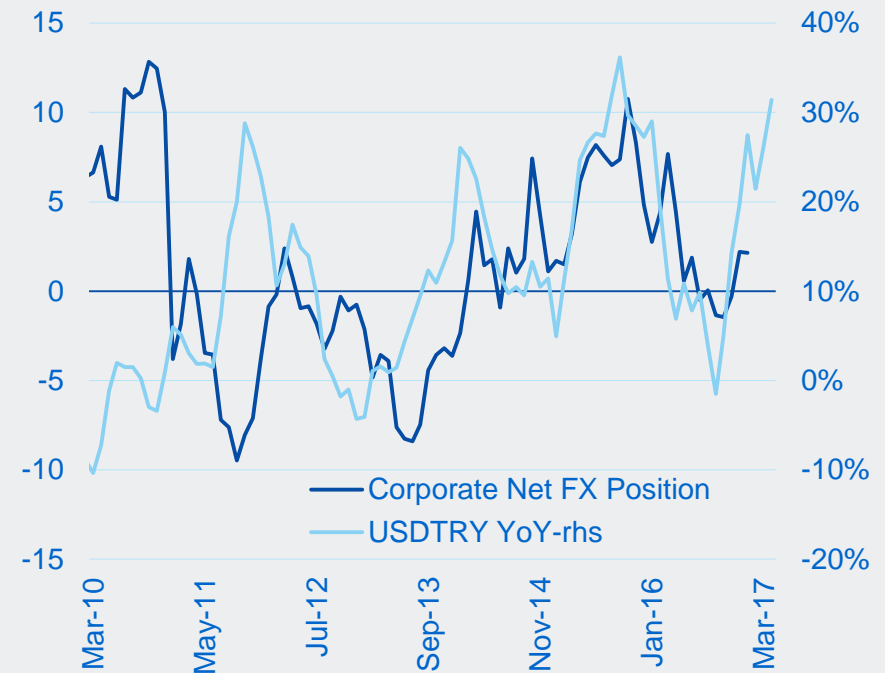
# Corporate Sector FX indebttness

Corporates' overall FX position continued to improve in Jan'17 as corporates increased FX assets (mainly FX deposits held at domestic banks)

**CORPORATES' OVERALL FX POSITION**  
USD bn



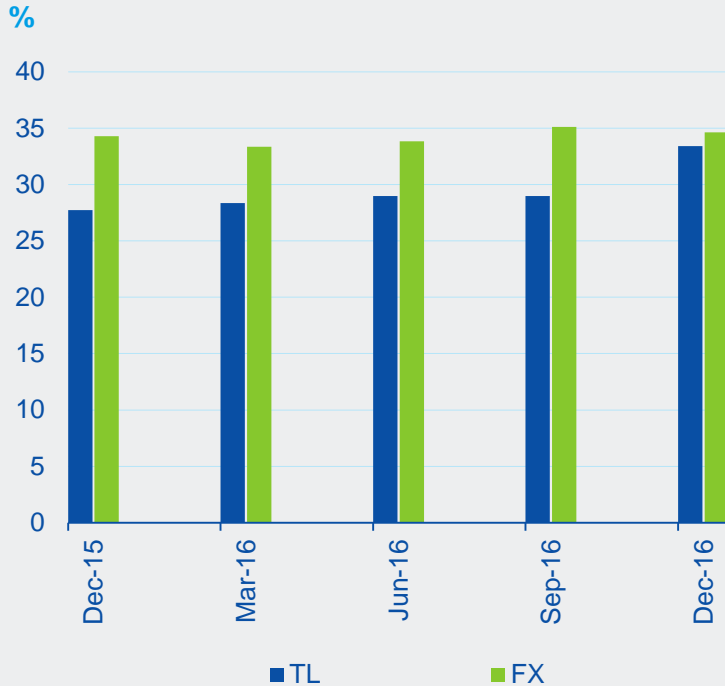
**CORPORATES NET SHORT TERM FX POSITION**  
%, USD bn



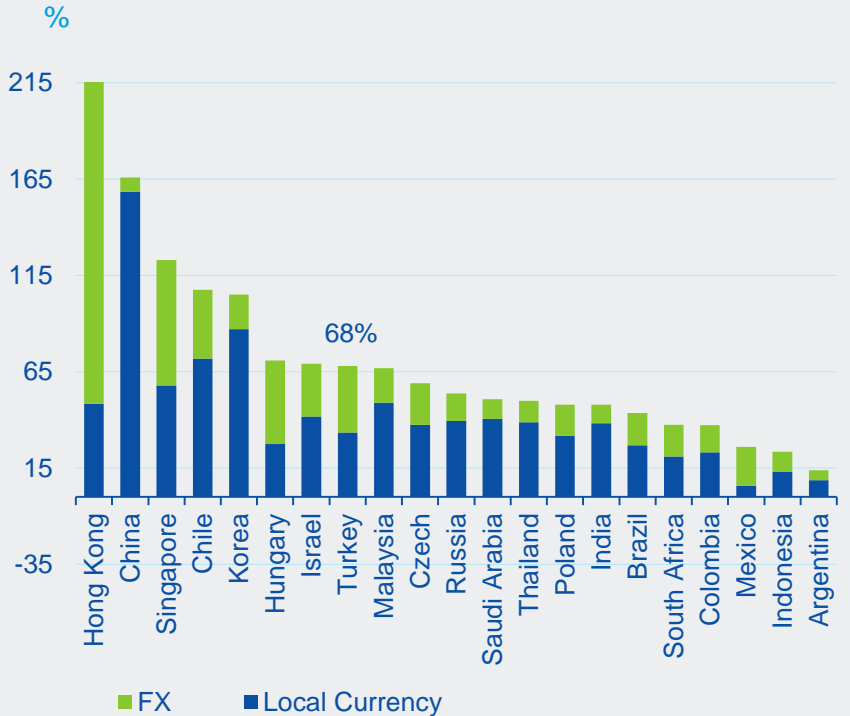
# Corporate Sector

Emerging Market (EM) non-financial corporate debt to GDP continued to increase in 4Q'16, however mainly driven by local currency debt, posing less risks associated with currency mismatch.

**TURKEY: NON-FINANCIAL CORPORATE DEBT to GDP - Currency Composition**



**EM NON-FINANCIAL CORPORATE DEBT to GDP - Currency Composition**



Source: IIF Global Debt Monitor April 2017; Garanti Research

# Corporate Sector

LT external debt roll-over ratios for banks remain resilient despite high levels of loan repayments and continuing high base effect. Roll-over ratios for the real sector is sound at close to 145%.

**LT EXTERNAL DEBT ROLL-OVER RATIO OF BANKS & REAL SECTOR (12m.rolling)**



**ST EXTERNAL DEBT \* ROLL-OVER RATIO OF REAL SECTOR (12m rolling)**



Source: CBT; Garanti Research  
\*latest BoP data Jan`17

\* ST External Credit Debt of the real sector refers to commercial credits.

# TURKEY MONTHLY BANKING MONITOR

**MARCH**  
APRIL 10th

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