

# Monthly Banking Monitor Turkey

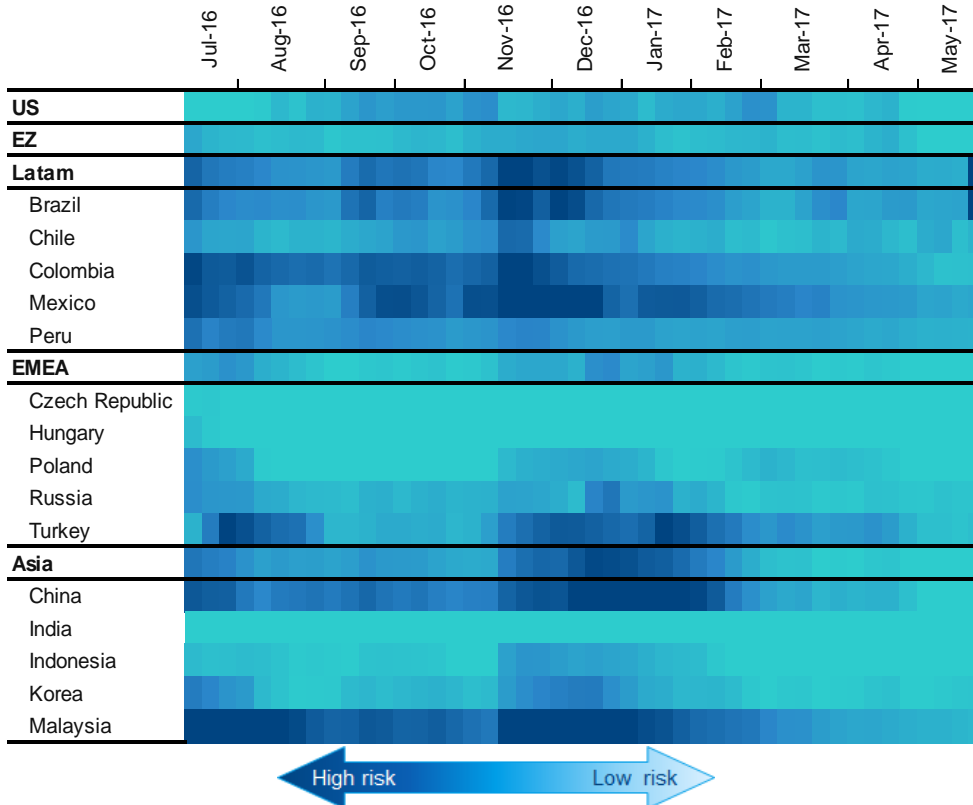
9 June 2017



# Global Developments

## Financial Stress Index Regional Map

Standard deviation  $\approx (-1, 1)$



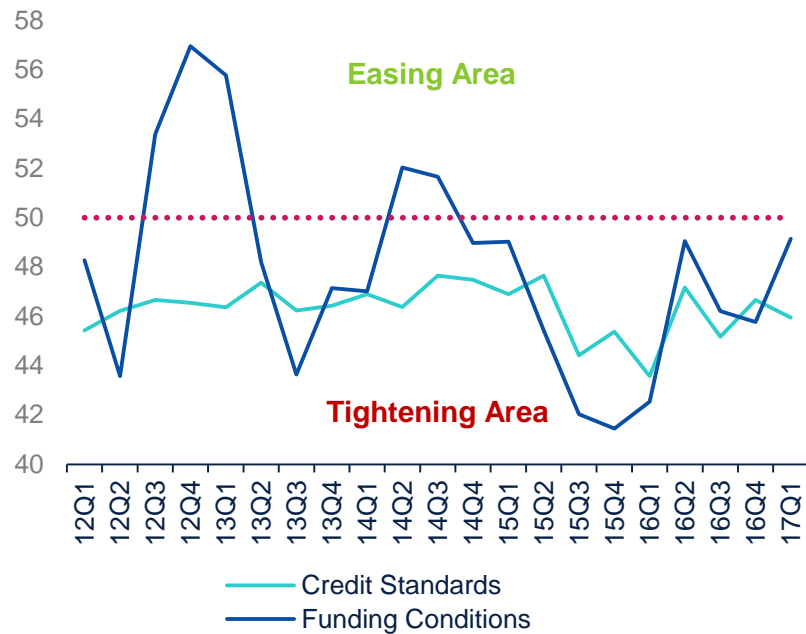
- Financial Stress Index in Emerging Markets continued to decrease in May indicating the supportive global environment
- One exception was Brazil in which political uncertainties played the key role

Source:BBVA Research,

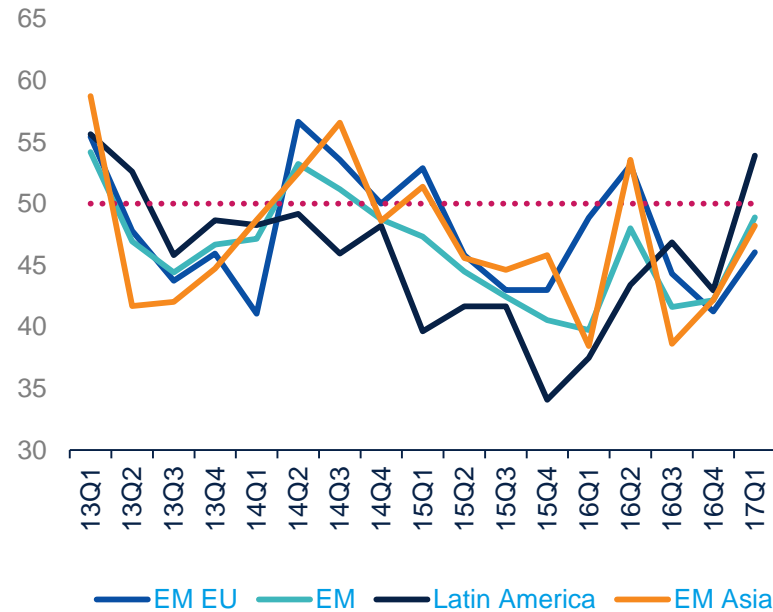
Global financial conditions continued to be favorable in May both for emerging and developed markets

# Global Developments

## IIF Bank Lending Survey for EM Levels



## IIF Bank Lending Survey for International Funding Conditions for EM Levels



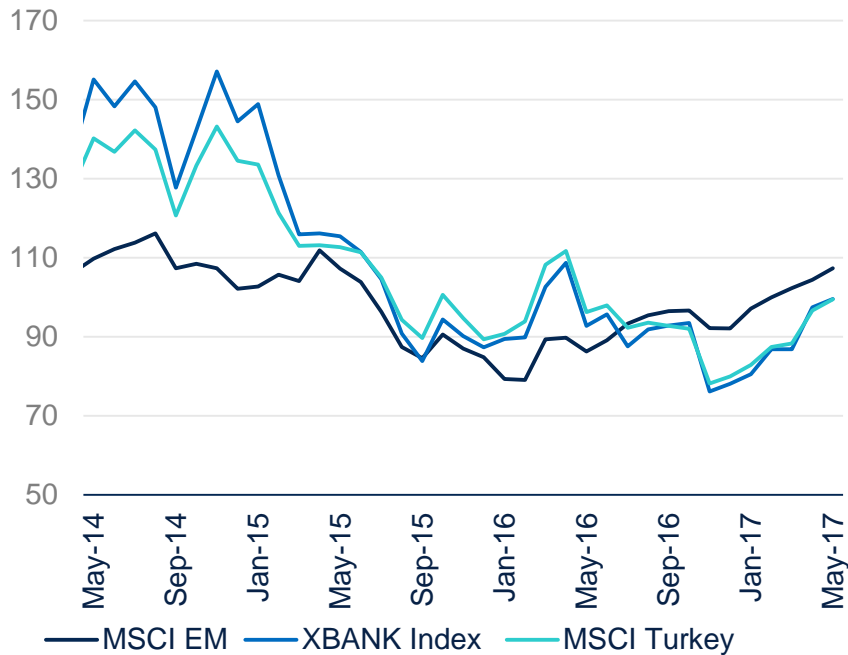
Source:IIF, Garanti Research

EM bank lending conditions tightened further in 2017Q1. International funding conditions, though improving, were also in the tightening area except for Latin America.

# Turkey Financial Markets

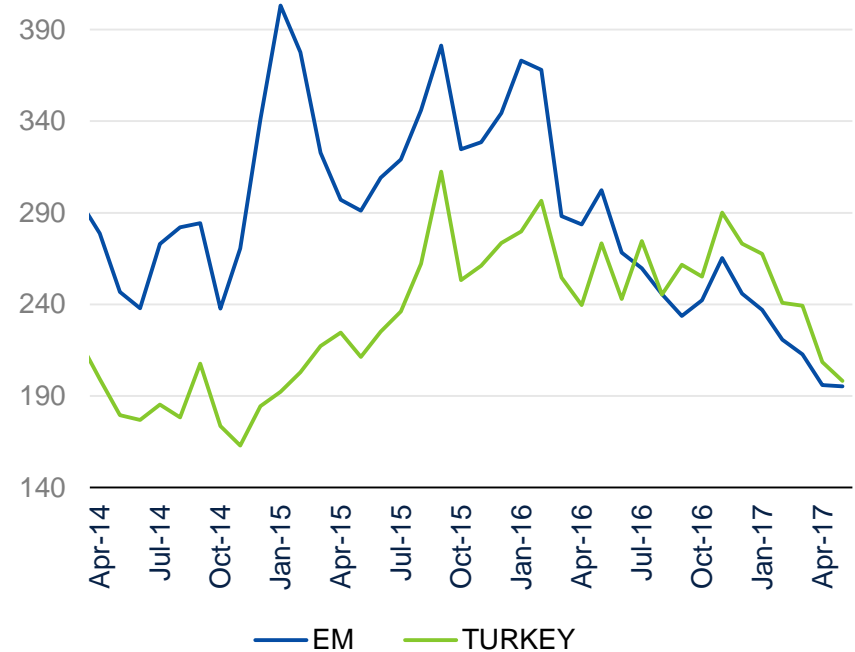
## MSCI Indices

Base 100 = Jan 2014



## Risk Premiums, 5 Year CDS Indices

Levels

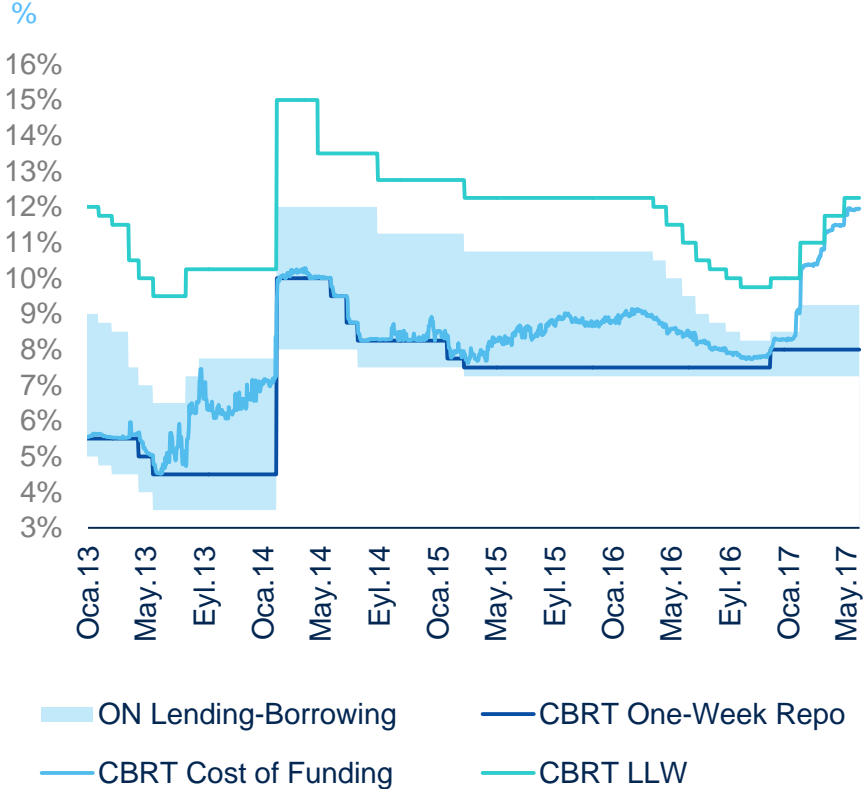


Source: Garanti Research, Bloomberg

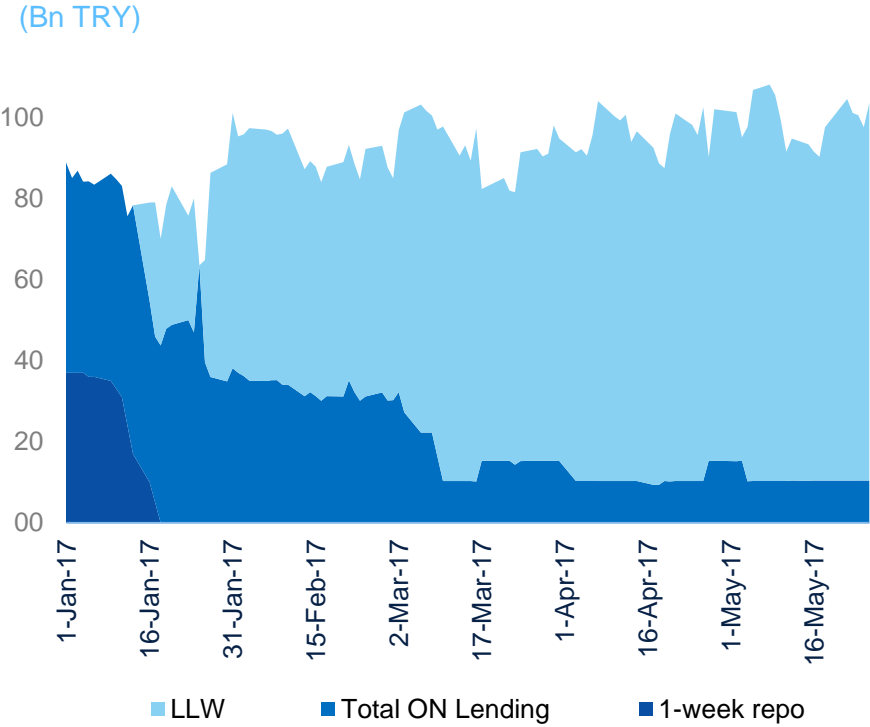
Turkish equity market rose in accordance with other EM countries in May, supported by the continuing fall in risk premiums since the beginning of 2017.

# Monetary Policy

**Turkey: Interest Rate Corridor**



**Turkey: CBRT Funding Composition**



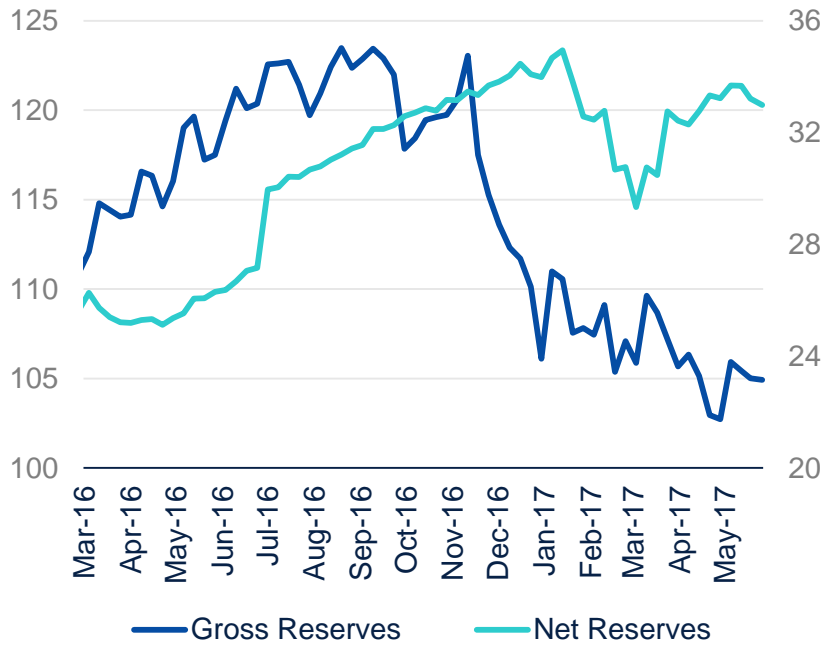
Source: Garanti Research, Bloomberg

The Central Bank (CBRT) increased its average funding rate gradually towards 12% in May by allocating a larger share for Late Liquidity Window funding (LLW) in its total funding.

# Central Bank Reserves

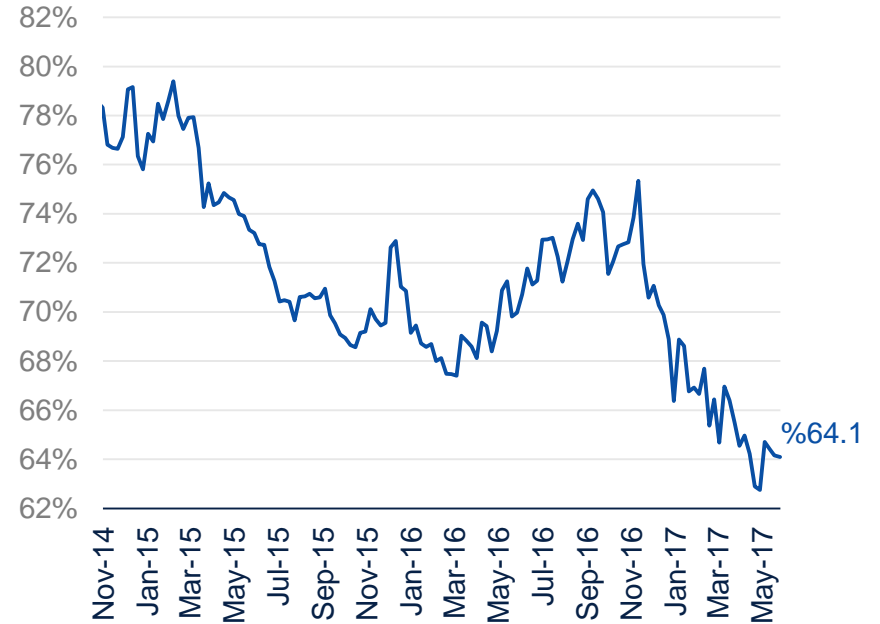
## CBRT Reserves

USD bn



## Gross Reserves

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

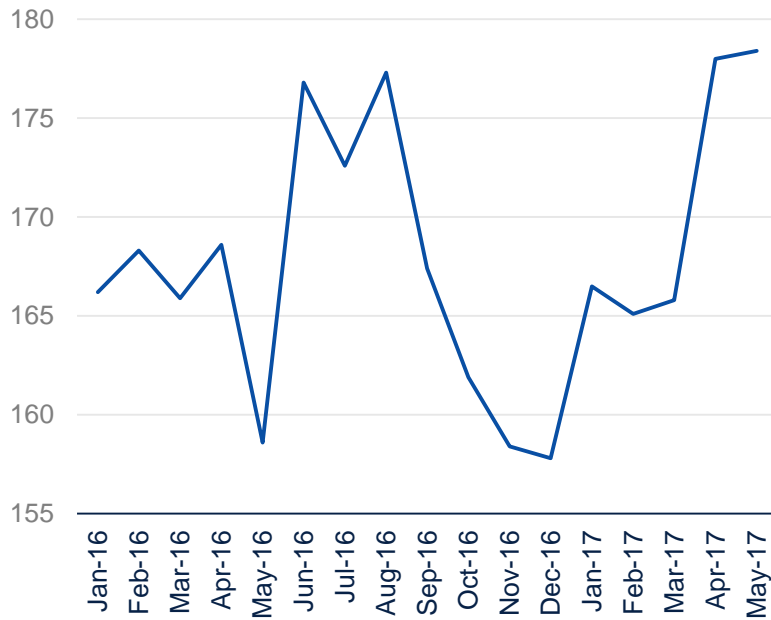


Source: Garanti Research, CBT

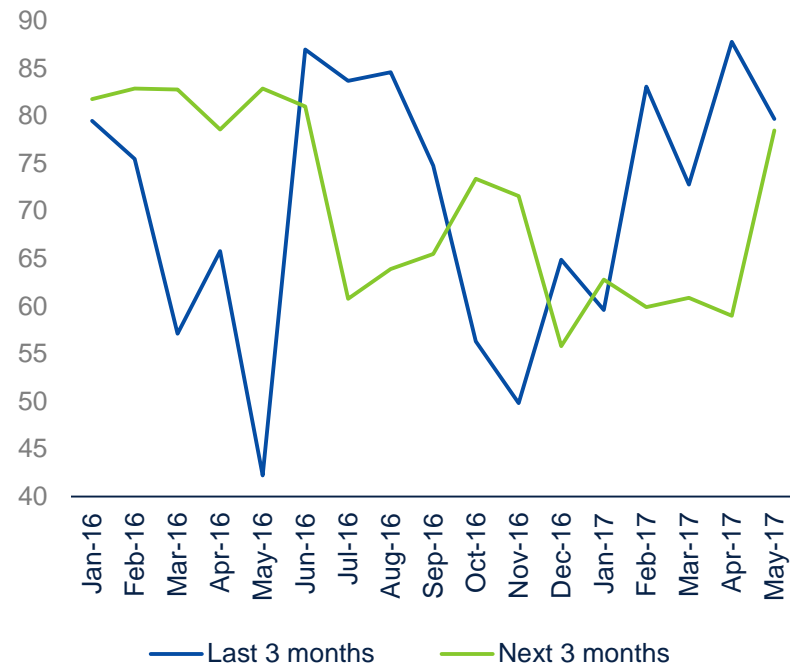
Central Bank's FX assets and liabilities increased by TRY 3 bn and TRY 3.2 bn respectively, reducing net reserves around TRY 0.2 bn.

# Turkey Financial Sector

**Financial Services Confidence Index**  
Level



**Demand Index for Financial Services**  
Level



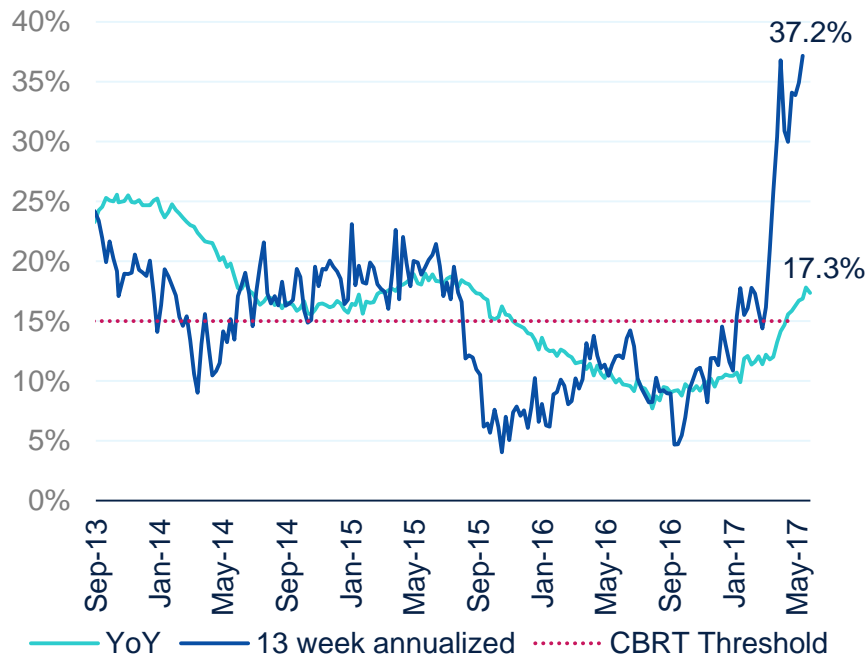
Source: CBT; Garanti Research

Financial Services Confidence Index continued to increase in May with rising expectations for demand for financial services in the upcoming 3 months.

# Loan Growth

## Fx Adjusted Credit Growth Rate

%, yoy and 13 week annualized rates



**37.2% ann.**  
13 week trend rate maintained its momentum and rose further to 37.2% in May

**17.3% yoy**  
YoY growth rate of FX adjusted credits increased to 17.3%

Source: Garanti Research , BRSA, CBT

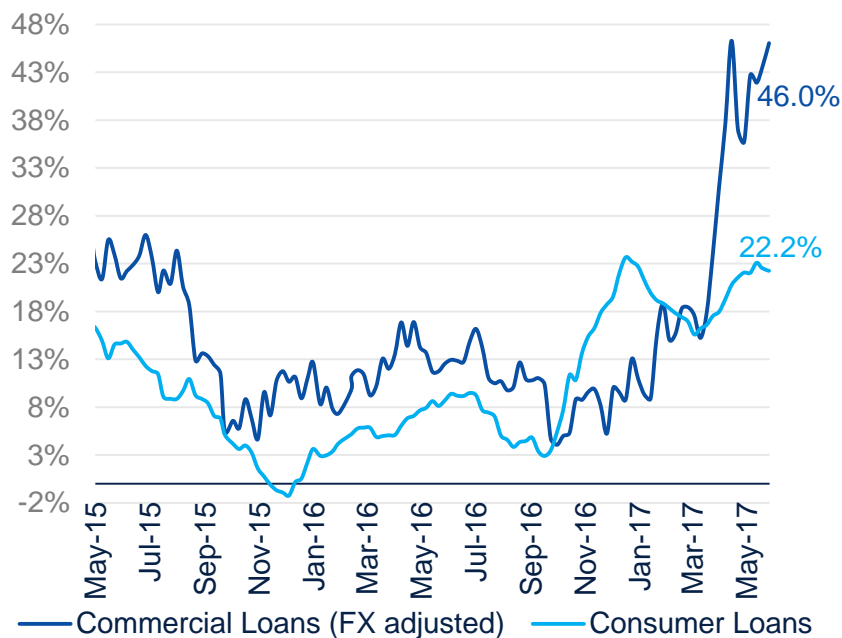
High momentum in commercial credits supported by Credit Guarantee Fund (CGF) continued in May, carrying credit growth (YoY) to 17.3% level.



# Loan Growth

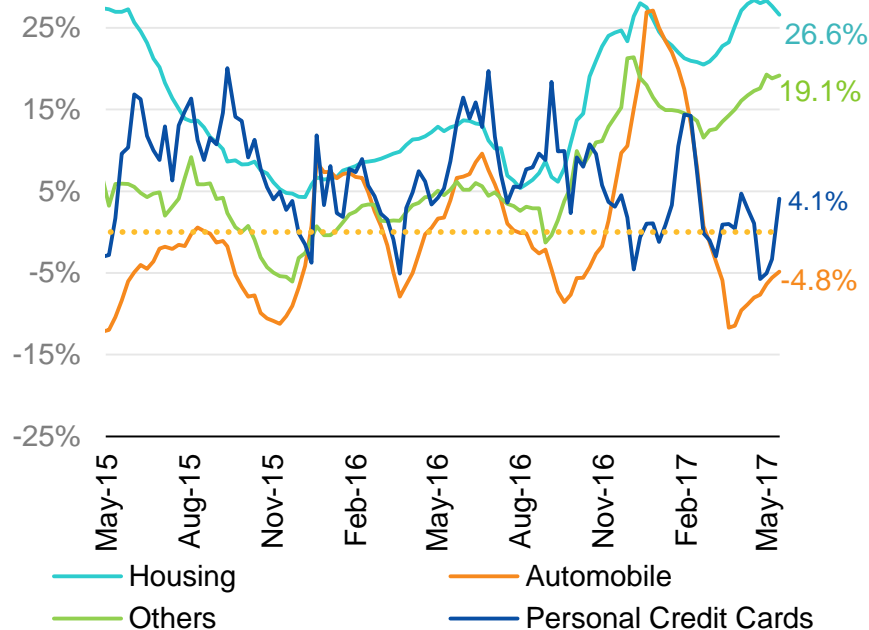
## Comm. and Consumer Loans Growth Rate

13 week ann. rates



## Consumer Loans

% 13 week ann. rates

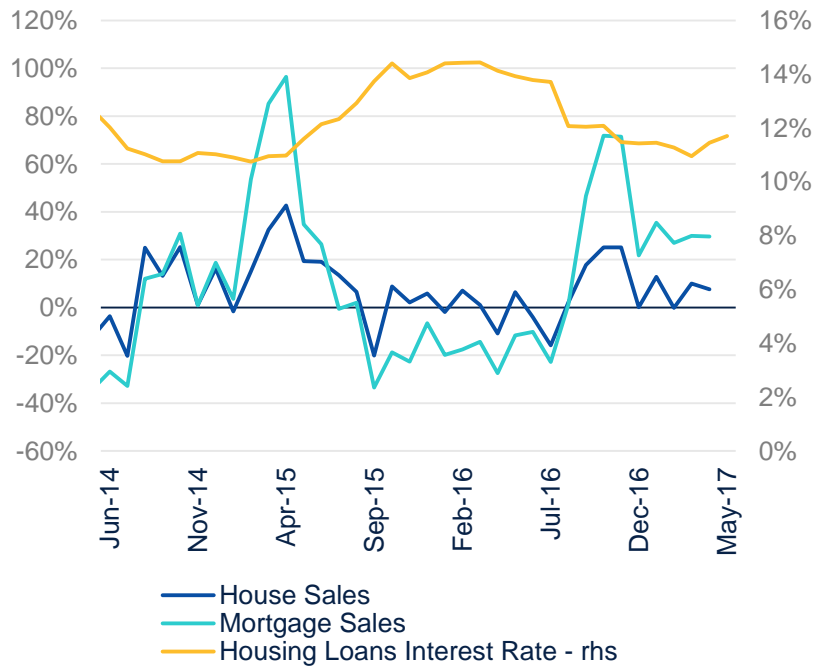


Source: Garanti Research, BRSA, CBT

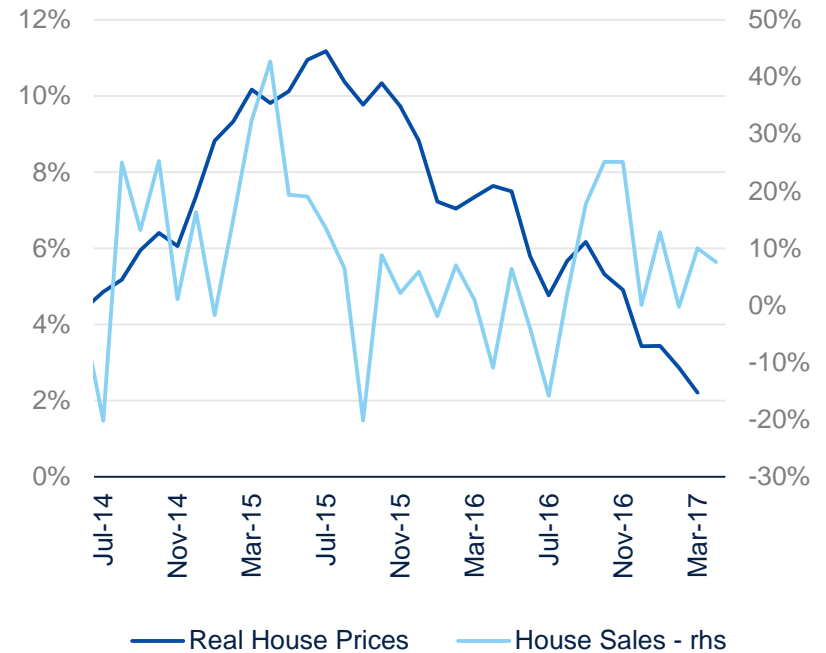
13 week trend rate of commercial credits continued to float around 46% with the help of CGF incentives. On consumer credits' side, housing and general purpose loans maintained their high momentum.

# Housing

## House Sales & Interest Rate YoY



## House Sales and Prices YoY



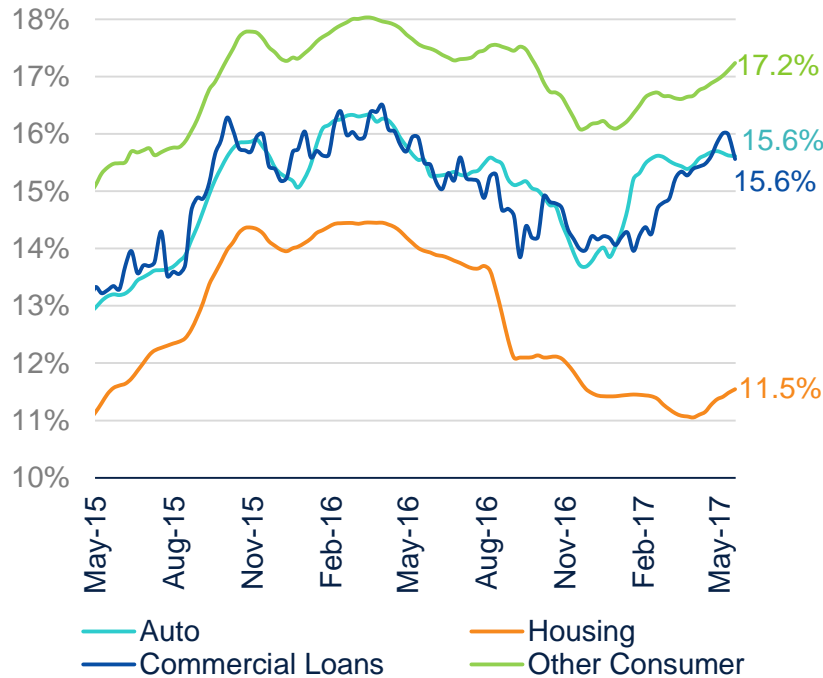
Source: Garanti Research, BRSA, CBT

Real yearly change in house prices decreased towards 2% and housing loan rates increased by 30 bps, leaving mortgage sales growth stable around 30%.

# Interest Rates

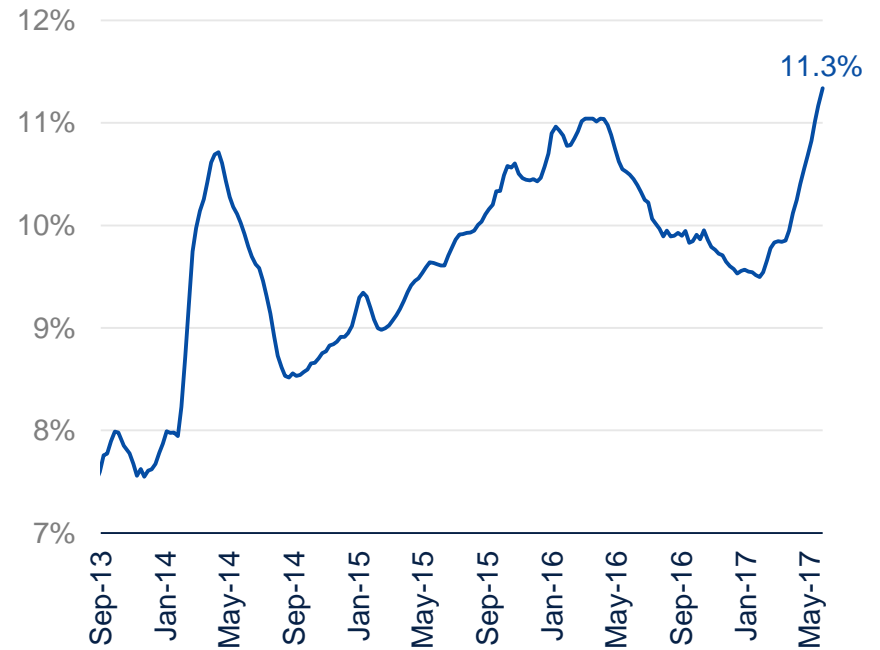
## Loan Interest Rates

4 week moving averages



## Deposit Interest Rates

4 week moving averages

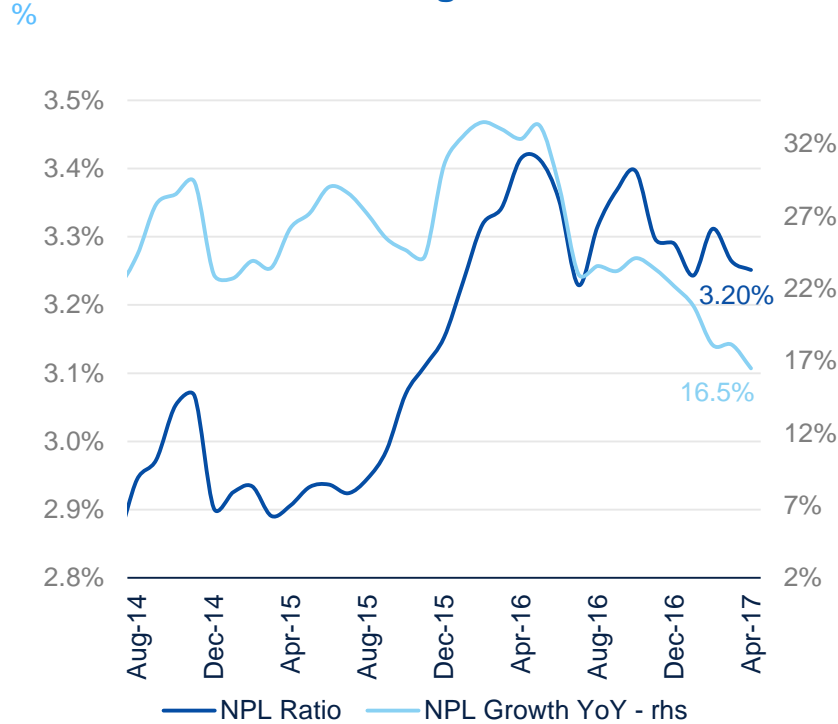


Source: Garanti Research, BRSA, CBT

Deposit interest rates reached 11.3% in May (125 bps increase since the end of March) as demand for deposits increases with high growth levels in commercial credits.

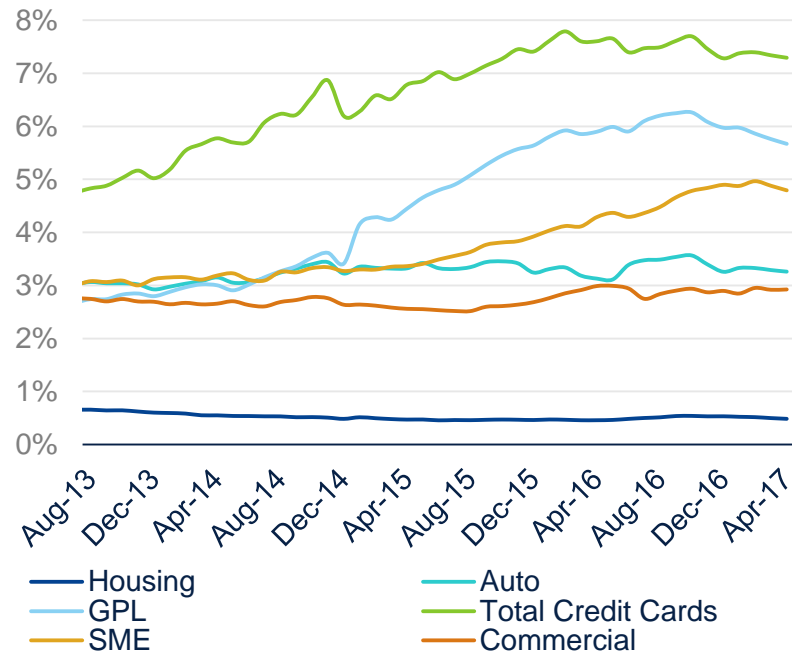
# Asset Quality & Credit Risk

## NPL Ratio of the Banking Sector



## NPL Ratio by Selected Sub-Segments

% and TRY bn



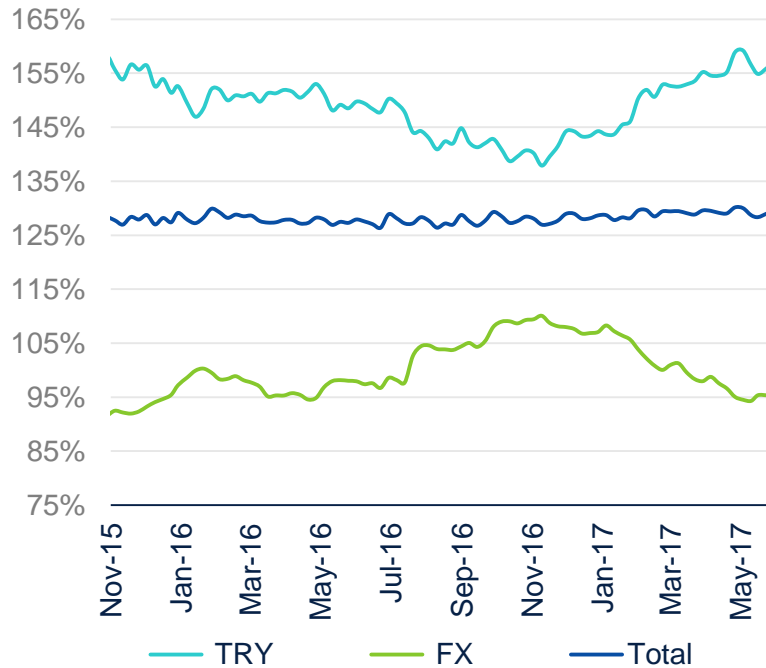
Source: Garanti Research, BRSA (latest monthly data Mar'17)

NPL ratio remained stable around 3.2% while YoY growth of Non-Performing Loans reduced to 16.5%.

# Liquidity

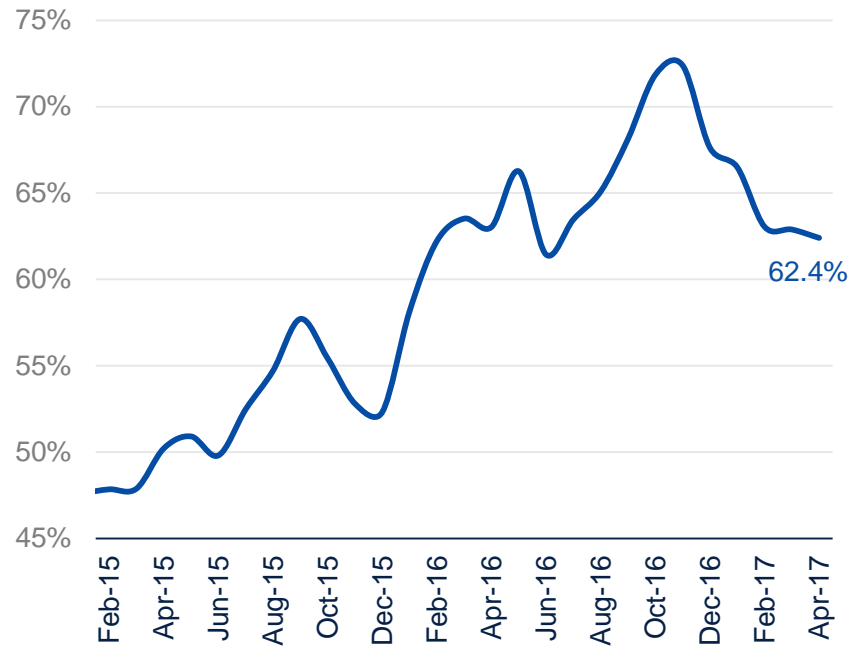
## Loan To Deposit Ratio (LTD)

%



## Fx Liquid Assets to Banks' ST Ext. Debt to be Paid in 1 YR

%

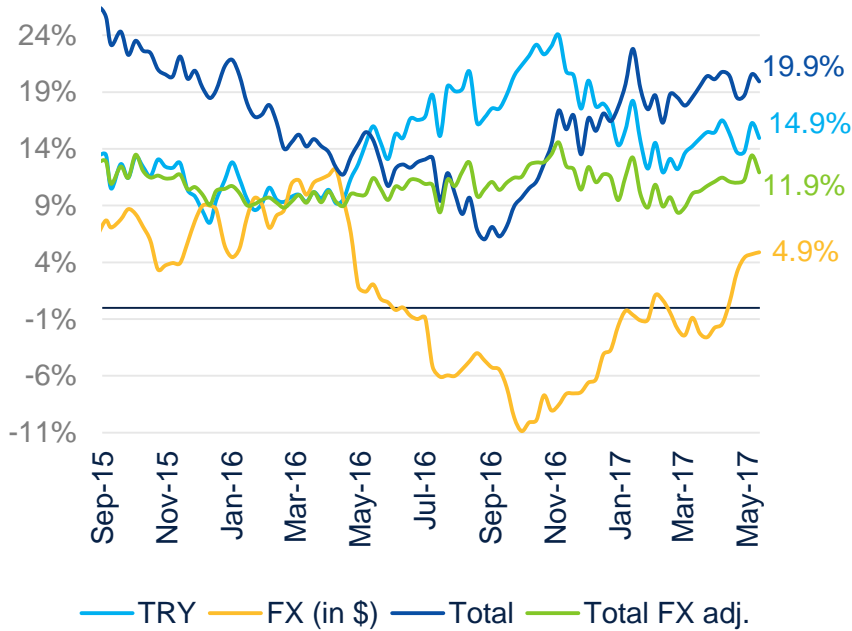


Source: Garanti Research, BRSA, CBRT

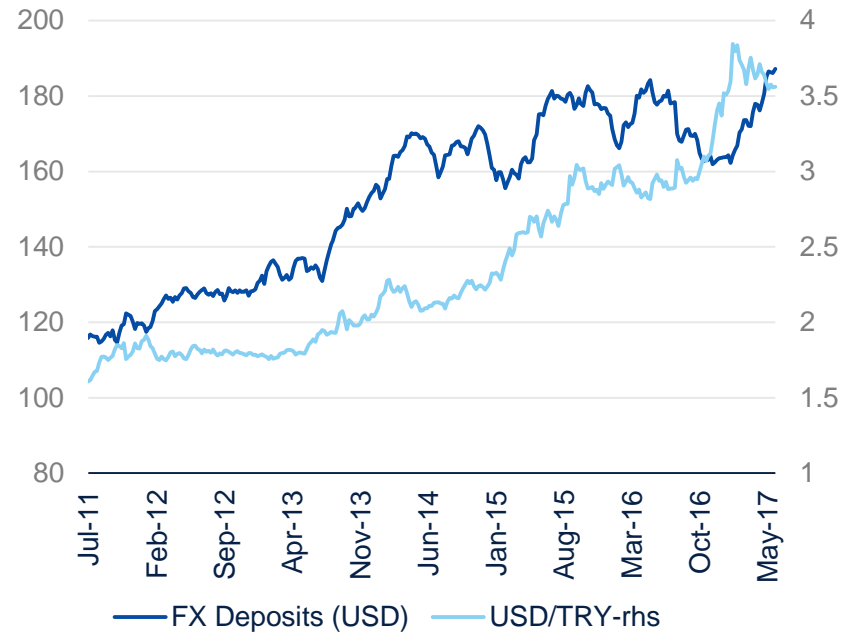
Increasing trend in TRY LTD (Loan to Deposit Ratio) and decreasing trend in FX LTD stabilized around 156% and 95% respectively in May.

# Deposits of Residents

**Deposit Growth Rate**  
% YoY



**Fx Deposits & USDTRY**  
% YoY



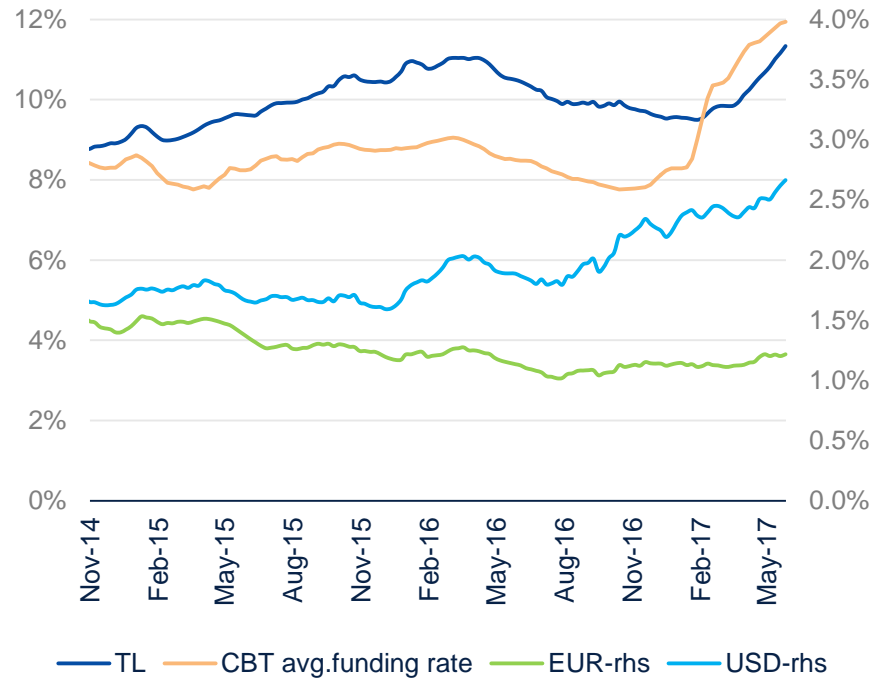
Source: Garanti Research , BRSA, CBT

Annual growth rate of FX adjusted deposits remained stable while there is a considerable increase in FX deposits YoY growth.

# Deposit Rates

## Deposit Interest Rates in TL & EUR & USD

4week mov.avg



## Spread btw TL and USD Deposit Rates

annual %



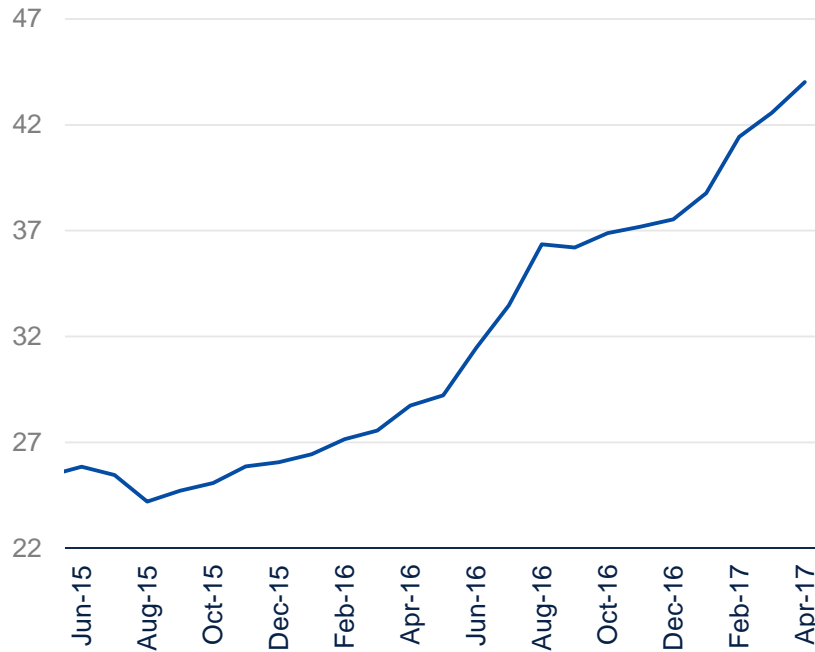
Source: Garanti Research , BRSA, CBT

TL and USD deposit rates increased further in May as banks' demand for deposits increased due to pick-up in lending.

# Profitability

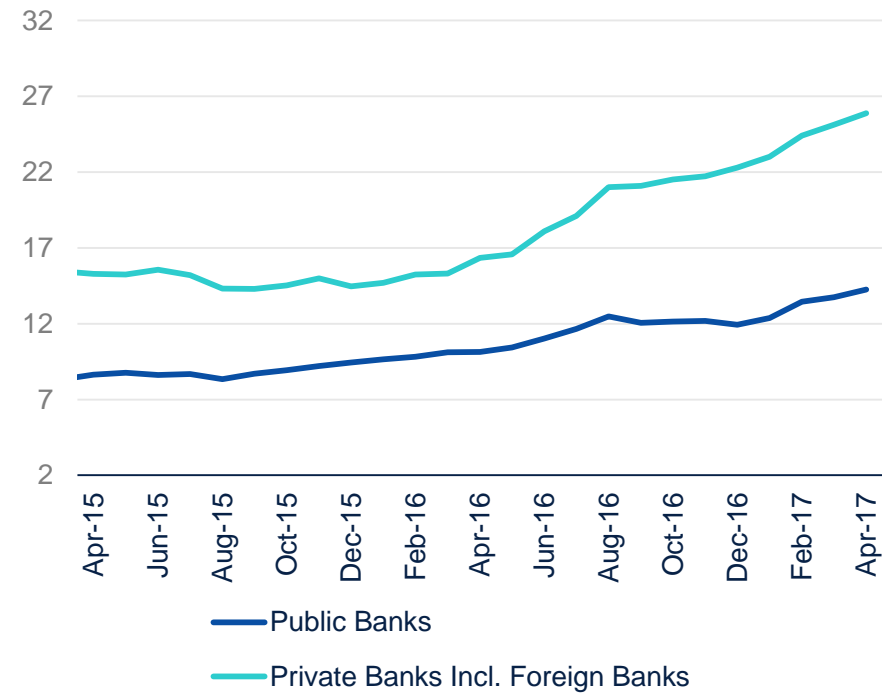
## Net Profit - Whole Sector

12 month cum., Bln TL



## Net Profit- Public & Private Banks

Bln TL



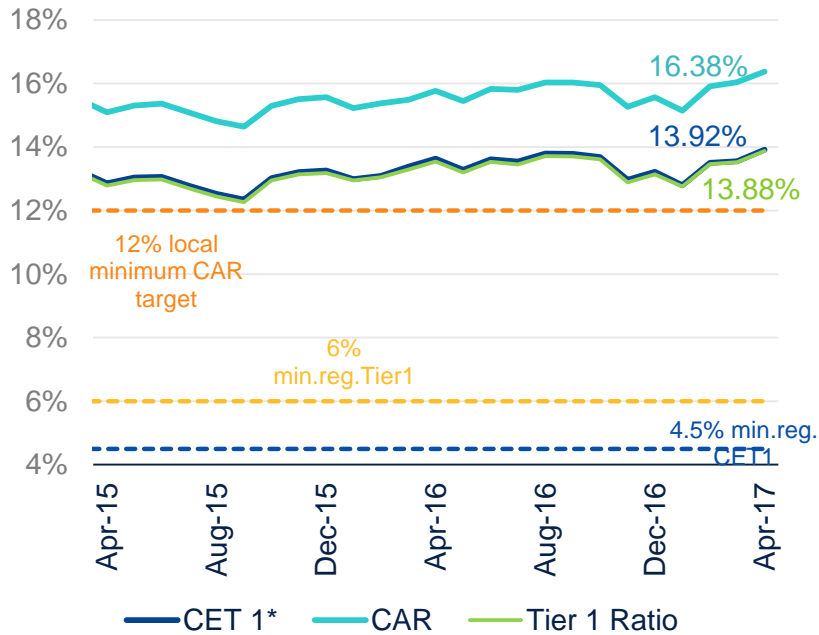
Source: Garanti Research, BRSA latest monthly data-Mar'17

Net profit of banking sector reached TL 44 bn (12 month cumulative) in May indicating 59% growth of net profit in the first 4 months of 2017 compared to last year.

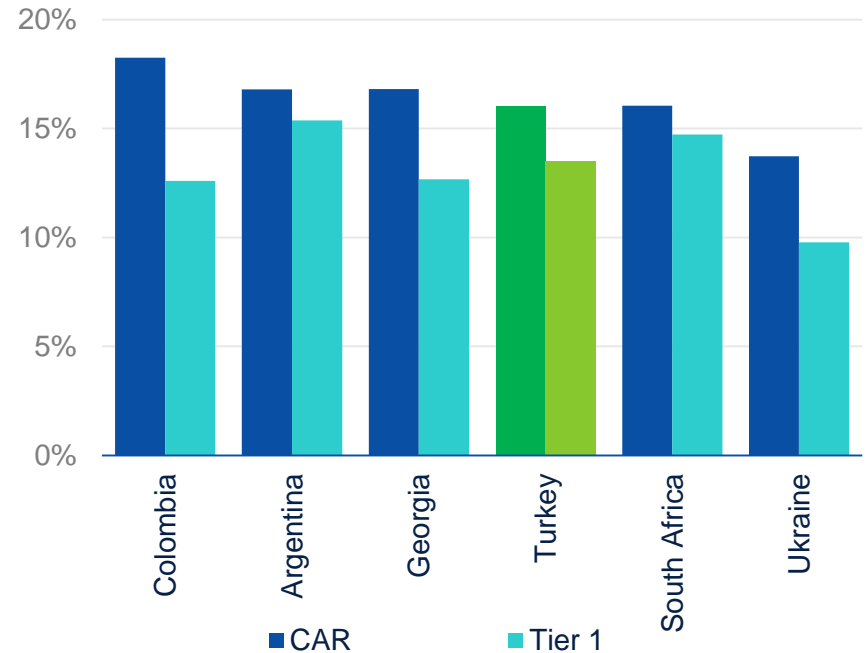


# Buffers

## Capital Adequacy Ratio & Cet 1 & Tier 1 Ratio



## EM CAR & Tier 1 Ratio Q1'17

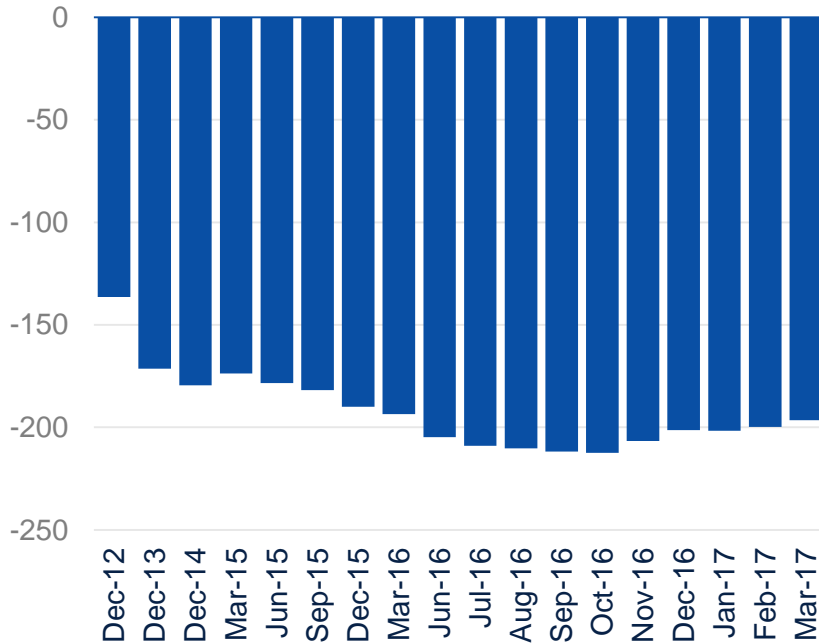


\*Banks have to maintain additional capital conservation buffer of +0.625% CET1 for 2016; phased-in to reach +2.5% CET1 until 2019. Besides, banks that are determined as domestically systemic important (D-Sib) are required to add a certain additional amount of capital. This is max.+0.5% CET1 for 2016;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

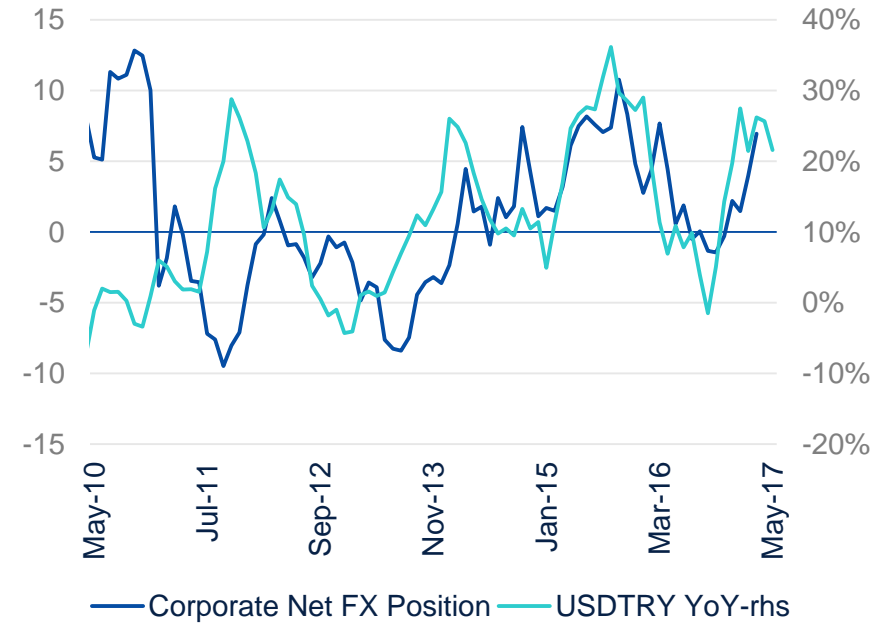
Capital Adequacy Ratio (CAR) and Common Equity Tier 1 Ratio increased further about 35 bps in May in a time of rapid credit growth.

# Corporate Sector FX indebtedness

**Corporates' Overall Fx Position**  
USD bn



**Corporates Net Short Term Fx Position**  
%, USD bn



Source: CBT, Garanti Research

FX position of corporates strengthened in May'17 thanks to increased FX deposits and decreased FX lending from domestic banks.

# Corporate Sector

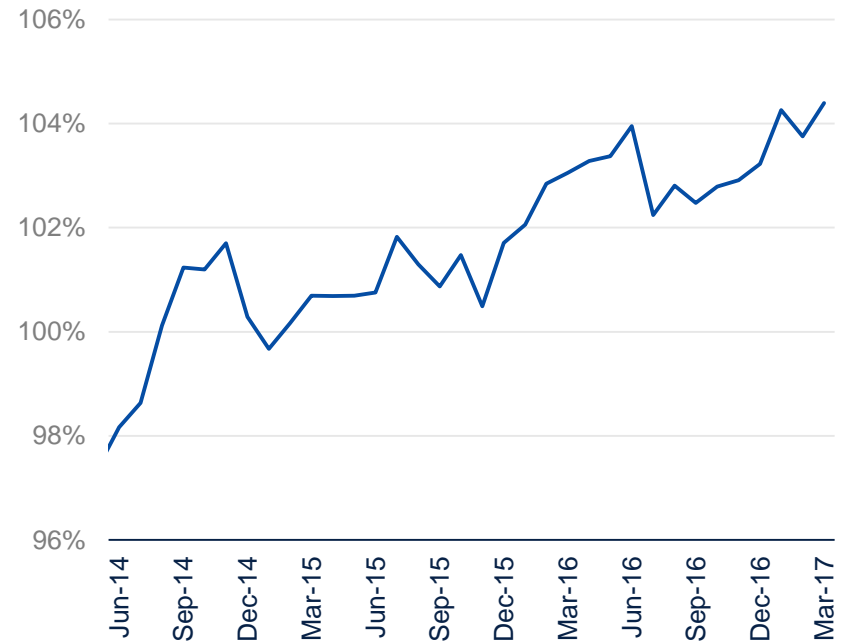
## LT External Debt Roll-over Ratio of Banks & Real Sector

12 rolling, %



## ST External Debt \* Roll-over Ratio of Real Sector

12m rolling, %, USD bn



Source: CBT; Garanti Research

\*latest BoP data Feb`17

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

LT external debt roll-over ratios banks and real sector continued to decrease with ST ratio still above 100%.

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