Banking System in Turkey [[1]](#footnote-2)

“March 2016”

*There has been a rapid recovery in the Turkish economy starting from the last quarter of 2016 leading to higher growth over expectations. There was acceleration in loan growth due to supportive macroeconomic measures. Acceleration on the loans caused to higher need for resources of the banks. Due to the high inflation, the Central Bank further tightened its liquidity policy*

**2. Developments in Banking Sector:**

Total assets increased by **19** percent in TL terms by March 2017 compared to the same period of 2016 and reached TL **2,727** billion (USD **750** billion). Total assets increased by **7 percent** with fixed prices and fell by **5** percent in dollar terms. The ratio of total assets to gdp is estimated to exceed **105** percent as of March 2017.

Total loans increased by **22** percent on an annual basis and reached TL **1,812** billion (USD **498** billion) as of March 2017. The annual growth of loans was **9** percent with fixed prices. Acceleration in corporate lending has been seen as a result of measures to support economic growth. As of March 2017, the annual growth of corporate loans, which accounted for **75** percent of total loans, exceeded **24** percent.

The loan to deposit ratio increased by **2** percentage points to **118** percent compared to March 2016.

The positive effect of the recovery of economic activity and loan growth the ratio of non-performing loans (NPL) to total loans decreased to **3.1** percent. Notably, provisions set aside for the NPLs were at the level of **79** percent.

Total deposits was TL **1,533** billion (USD **422** billion) as of March 2017 with an increase of **19** percent compared to March 2016. Annual growth rate in deposits was **7** percent with fixed prices. Deposits constitutes of **56** percent of total liabilities.

FX deposits decreased by **25** percent in TL terms. The share of TL saving deposits in total deposits decline by **2** points to **54** percent compared to the same month of the previous year.

Non-deposit funds increased by **20** percent annually. The share of non-deposit funds was **25** percent. Borrowing from the money market and abroad contributed to the increase in non-deposits funds.

As of the first quarter of 2017, the share of the shareholders' equity in total liabilities, which reached TL **306** billion (USD **84** billion), increased by 17 percent compared to the previous year, was **11** percent. As of March 2017, the capital adequacy ratio (CAR) increased to **16** percent.

Interest income and interest expenses of the sector increased by **19** and **10** percent. Thus, net interest income increased by **31** percent to TL **27.3** billion

By first quarter of 2017 the total profit volume of the sector rose by **59** percent compared to the same period of the last year and realized as TL **12.9** billion. Provisions for taxes increased by **68** percent to TL **3.3** billion. On an annual basis, net profit amounted to TL 39 billion. Thus, the average return on equity[[2]](#footnote-3) was **13.6** percent.

**3. Selected Issues**

As of March 2017, **47** banks were operating in Turkey. The number of branches decreased by 431 to **10,750** and the number of employees decreased by 3,884 to **196,497** respectively in the same period.

Also there are 5 participation banks in Turkey. The detailed information about participation banks is available http://www.tkbb.org.tr/homepage on The Participation Banks Association of Turkey.

1. Deposit banks and development and investment banks are included. [↑](#footnote-ref-2)
2. Calculated using the shareholders' equity’s weighted average of the previous four quarters. [↑](#footnote-ref-3)