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**Do you expect to see a decrease in the appetite of Turkish banks for foreign borrowing due to the recent fluctuations in the markets (due to currency volatility, the lawsuit in USA, etc.)?**

We estimate that the Turkish economy, which grew above the forecasts in 2017, will grow around 4 percent in 2018. We expect that the increase in loans to be at a rate that is able to finance the growth. There is a more normal course of credit growth rate in the recent period. Domestic deposits will continue to be the main financing item for the financing of growth. However, we will also continue to use non-deposit financing. For this reason, financing will continue to be provided through loans and bond exports from abroad. There is no change in the desire of our banks for overseas financing. It seems that with the expectation of acceleration in private sector investments and with the motivation due to the growth, the banks desire to grow their financial statements in order to contribute to the growth.

Reducing volatility and increasing predictability in the markets is something we all desire. Essentially, the statements of the economic administration also indicate that all necessary measures will be taken in this direction. We are in constant communication with the economic administration. We see that they closely follow the developments and take the necessary actions, and we believe they will continue to do so.

**Do you expect increase in the foreign borrowing costs of banks? Is there any effect of the above mentioned reasons on the projected increase in the borrowing costs?**

In a difficult year like 2017, foreign borrowing rates rose by 50-60 basis points. A limited increase is likely to continue in 2018 as well.

The main reason for the increase in foreign borrowing costs is that the liquidity expansion in international markets stopped and the increase in borrowing interests depending on the growth acceleration. Geopolitical or other factors related to the recent period may be effective in the increase of resource cost. However, we believe that they are temporary and will improve in the near future. Accordingly, we estimate that the risk premium of Turkey will decrease.

The view of the banking sector is that macroeconomic balances of the Turkish economy are sound and sustainable. There is awareness and determination to reduce inflation and to keep the current deficit at a manageable level. Our government's program for 2018 and intermediate term program are taken as a reference in the future practices of the banks. Similarly, according to

international benchmarks, the banking sector is in a healthy position and is likely to support the financing of the economic growth, according to key performance indicators such as growth, risk distribution, risk management, regulation and control, asset quality, profitability and capital adequacy.

**There are many resources abroad from which Turkish banks borrow from, and foreign banks are one of them. Do you see a change in the appetite for foreign banks to lend to Turkish banks?**

In the impressions we have obtained from our consultations with the economic management, our members, our correspondent banks and foreign investors, we do not see any loss of appetite about taking the risk to lend to Turkey. Turkey has had a regular and constant net capital inflow for the last 15 years. We see that important arrangement and implementation changes are being done in the areas that are open for improvement. There is a general mobilization in the matters for better risk management in the real sector, improvement in the investment climate, in reducing intermediation costs and for more effective use of resources and we believe that their reflection will be positive. Turkey has the ability to make quick and accurate decisions; to implement them and has policy flexibilities.

As a positive development, we see that the improvements in Turkey's international relations continue. We see that relations between Turkey and the EU are normalizing. Turkey is a country that has adopted the basic values of the EU. Turkey is a country accepted by the EU Commission in the status of equivalent country in banking regulation and supervision. As our top managers say, there is a decisive attitude and an approach to meet the requirements for a full membership. Turkey is a strong and reliable country in every area.

Similarly, Turkey has a long-lasting and strong relationship with the United States, we think that relations will develop on a rational basis. We believe that the law cases will not affect this relationship.

**How will the sector be affected in case of a sudden interruption of funding from a foreign country due to the ongoing Iranian sanctions case in the US?**

We do not find such a relationship to be true. We expect the legal process in the US to be completed shortly and the effects on Turkey to be minimal. The Turkish economy has a strong structure, governance and institutions. This structure has stood strong in the global crisis, in times when regional tension rose and during the shocks experienced during the treacherous coup attempt and will continue to stand strong. This situation is known to us as much to our friends who have invested in Turkey and took the risk of investing in Turkey.

The developments are managed closely and coordinated, at the highest level. Our Prime Minister's statement which was in some newspapers today reveals clearly that Turkey is a country that knows to cooperate and join forces with its state, people, government and private sector: "we are a whole with our banks, real sector and financial markets. Of course we cannot say that we won't interfere with the banks' practices when a total attack on our economy takes



place, we won't leave anyone alone in such a situation". We know that we have the full support of our government in every matter.

We expect that developments will contribute positively in capturing the long-term potential of the Turkish economy. We take our decisions not by taking into account the short-term fluctuations, developments and events; but by assessing Turkey's recent events and long-term potential, and rely on Turkey's future.