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

“June 2017”

Due to the positive effect of the measures and the implementations by the government to support the economic activity and loan supply, the growth rate was higher in the first half of 2017. Loans increased considerably through the collateral of Treasury Undersecretary and Credit Guarantee Fund. The increase was in both corporate and individual loans.

The increased economic activity and loans affected the payment system positively. Financial soundness indicators endured their strength. The ratio of non-performing loans to total loans declined. The increased volume of loans helped to increase the profits and hence supported shareholders’ equity. Consequently, the capital adequacy ratio remained at its high level. Average return on equity increased. Though there was increase in the growth of deposits, it was lower than the growth of loans. Hence more non-deposit funds were used to finance the loan growth. The ratio of loans to deposits was at a high level, funding costs increased.

**2. Developments in Banking Sector:**

Total assets increased by **20** percent in TL terms by June 2017 compared to the same period of 2016 and reached TL **2,827** billion (USD **804** billion). Total assets increased by **8 percent** with fixed prices and fell by **1** percent in dollar terms. The ratio of total assets to gdp is estimated to exceed **103** percent as of June 2017.

Total loans increased by **23** percent on an annual basis and reached TL **1,897** billion (USD **539** billion) as of June 2017. The annual growth of loans was **10** percent with fixed prices. As of June 2017, the annual growth of corporate loans, which accounted for **77** percent of total loans, exceeded **23** percent.

The loan to deposit ratio increased by **2** percentage points to **119** percent compared to June 2016.

The ratio of non-performing loans (NPL) to total loans decreased to **3** percent. Notably, provisions set aside for the NPLs were at the level of **79** percent.

Total deposits was TL **1,598** billion (USD **457** billion) as of June 2017 with an increase of **21** percent compared to June 2016. Annual growth rate in deposits was **9** percent in fixed prices. Deposits constituted of **57** percent of total liabilities.

FX deposits increased by **30** percent in TL terms. The share of TL deposits in total deposits declined by **1** percentage point 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 **26** percent.

As of the first half of 2017, the share of the shareholders' equity in total liabilities increased by 17 percent compared to the previous year and reached TL **319** billion (USD **91** billion) The share of equity in total liabilities was **11** percent. As of June 2017, the capital adequacy ratio (CAR) increased to **16.9** percent.

Interest income and interest expenses of the sector increased by **23** and **17** percent, respectively. Thus, net interest income increased by **29** percent to TL **54.5** billion

In the first half of 2017 the total profit volume of the sector rose by **31** percent compared to the same period of the last year and realized as TL **24.6** billion. Provisions for taxes increased by **43** percent to TL **6.1** billion. On an annual basis, net profit amounted to TL 42 billion. Thus, the average return on equity[[2]](#footnote-3) was **14.2** percent.

**3. Selected Issues**

As of June 2017, **46** banks were operating in Turkey. The number of branches decreased by 305 to **10,724** and the number of employees decreased by 3,410 to **196,019** respectively in the same period.

Also there were 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)