

Türkiye: Banking Sector Outlook

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Key messages



CREDIT

Credit growth accelerated throughout February beyond the growth caps. Therefore, the monthly growth limit has been reduced further for FC lending at the start of March. The CBRT aims not to allow demand conditions to contain the disinflation process, signaling new macro-prudential measures if necessary.



CREDIT SEGMENTS

Demand for retail loans stays resistant over uncapped items, on the lead of public banks which seems to be part of a social policy. **In commercial segment,** following the differentiated growth limits revised by the CBRT, **the growth in TL SME lending was replaced by non-SME lending in February.** On FC lending, the growth is still solid due to mainly demand conditions.



DEPOSITS

The size of the FX-protected scheme (KKM) declined further to \$23bn in early March (4% of total deposits). The share of TL deposits excluding KKM has stabilized at nearly 59%. Yet, after the market turmoil of March 19th on top of the recent political developments, **it will be key to see how the preference of residents will change in their savings.**



PROFITABILITY

Deposit banks' net income rose by 43% in Jan25 on y-o-y terms. Profitability and NIMs of the sector will improve with the ongoing rate-cutting cycle of the CBRT. Deposit rates come down and credit rates keep their high levels, supporting the interest margins. **We continue to expect the ROE of deposit banks to recover towards low 30% levels by end 2025 from 28.4% in 2024.** Nonetheless, the renewed inflationary pressure after yesterday put a downward bias on our improvement expectations.



ASSET QUALITY

NPL ratio of the sector continued to rise and reached almost 2% in February (vs. 1.6% in Feb24), led by the ongoing but losing pace deterioration in the retail segment. The share of the sum of Stage 2 and NPLs in total loans increased further to 11% in 4Q24 for peer deposit banks.



CAPITAL

The sector's capital buffers stay solid. The fall observed in January capital ratios is the result of the seasonal impact of the increase in operational risks.

01

Turkish Banking Sector: Credit Developments

Monetary stance continues to be supported by macroprudential measures

Regulations for TL deposit share and KKM

- Targets for TL deposit share with retail TL deposit share of at least 60%
- Targets for KKM gradual reduction (overall monthly KKM activity of 60%)
- At least 15% monthly conversion from KKM to TL standard deposits

Loan growth caps

- Limits on monthly TL loan growth (2.5% for TL SME loans & 1.5% for non-SME TL commercial loans excluding export & investment loans); 2% auto loans; 2% GPL
- Limits on monthly FX loan growth (0.5% down from 1% previously) with also a narrowed down scope in investment loans

Regulations on RR

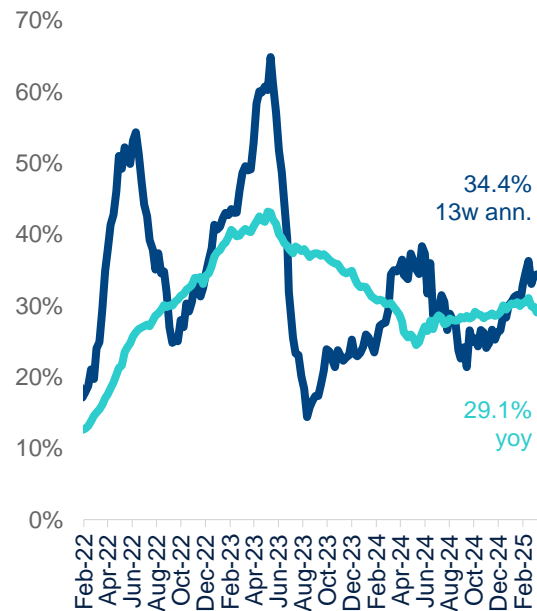
- The RRR of 33% for KKM up to 6 months
- The RRR of 22% for KKM for 1 year & longer than 1 year
- The RRR of 17% for TL demand deposits and deposits for 1 & 3 months
- The RRR of 10% for TL deposits longer than 3 months
- TL RRR of 4% for ST FC deposits
- The RRR of 30% for FC demand deposit and up to 1 month
- The RRR of 26% for FC deposit up to 1 year
- The RRR of 20% for FC deposit longer than 1 year

Regulations for Capital Adequacy Ratio

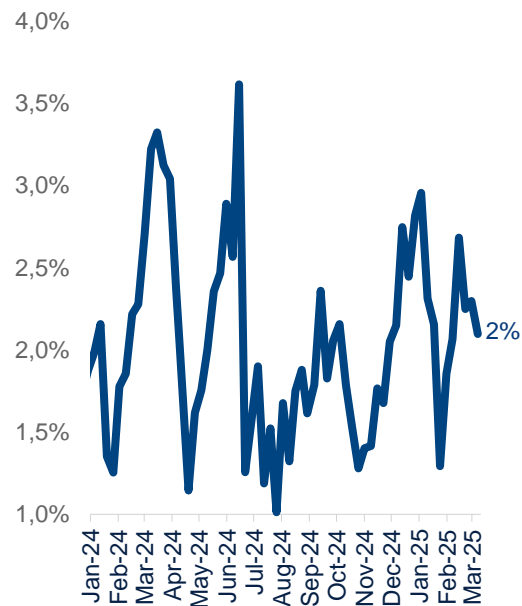
- The BRSA removed additional risk weights on banks' CAR calculations.
- The BRSA increased the USDTRY forbearance level used in CAR calculation from 25.8 (26.06.2023 CBRT «Buy» rate) to 32.82 (28.06 2024 CBRT «Buy» rate).

Credit growth accelerated in February pushing the monthly growth limits above the caps

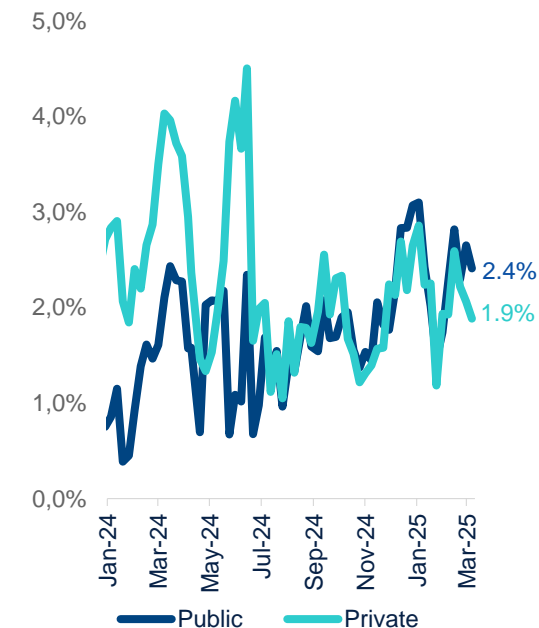
TOTAL CREDIT GROWTH (FX ADJ)
13 WEEK ANNUALIZED & YoY



TOTAL CREDIT GROWTH (FX ADJ)
4 WEEK CUMULATIVE



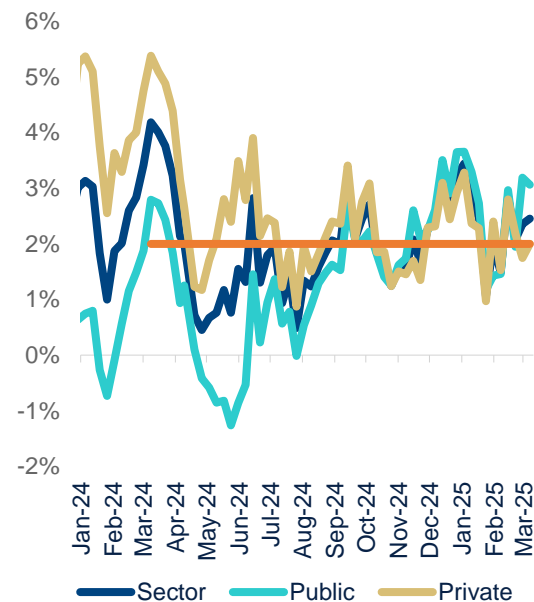
TOTAL CREDIT GROWTH (FX ADJ)
4 WEEK CUMULATIVE



Increasing momentum in FC lending was seen in all commercial subsegments throughout February. The CBRT has restricted FC lending further as of March

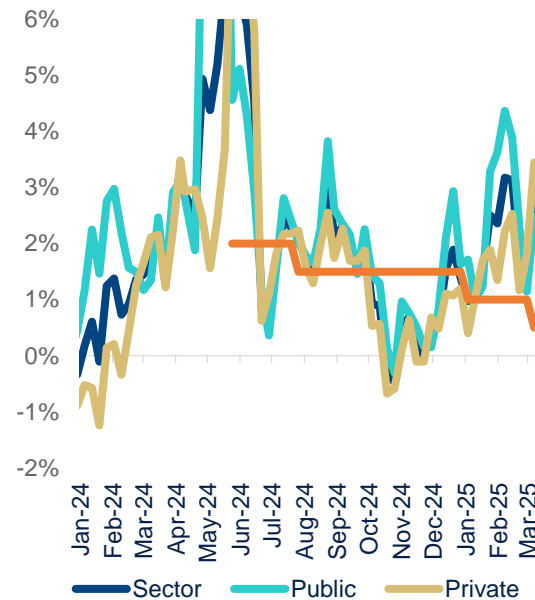
TL CREDIT GROWTH: PUBLIC VS PRIVATE BANKS

4 WEEK CUMULATIVE, DEPOSIT BANKS



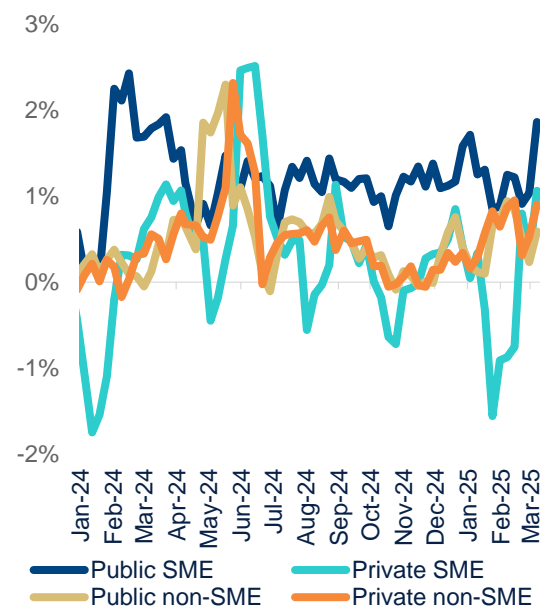
FC CREDIT (USD) GROWTH: PUBLIC AND PRIVATE BANKS

4 WEEK CUMULATIVE, DEPOSIT BANKS



FC CREDIT (USD) GROWTH: PUBLIC AND PRIVATE BANKS

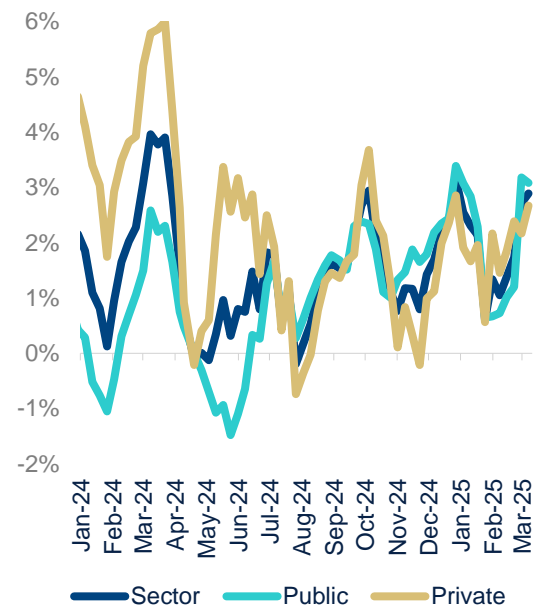
4 WEEK CUMULATIVE



TL commercial credit growth most recently accelerated on top of non-SME lending; SME lending slowed down within the limits (compared to Jan25)

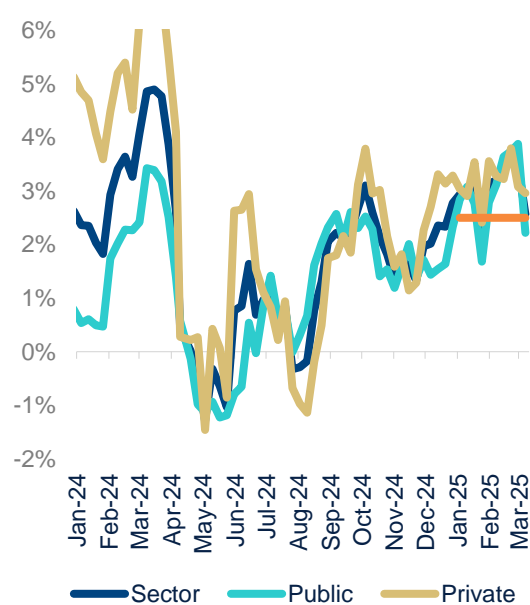
TL COMMERCIAL CREDIT GROWTH

4 WEEK CUMULATIVE, DEPOSIT BANKS



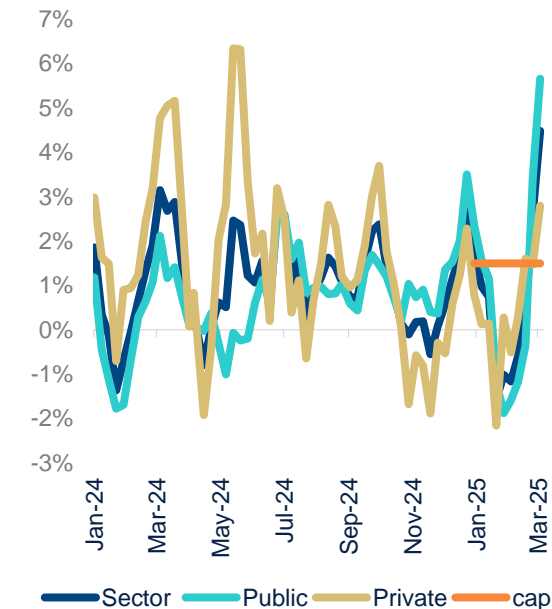
TL SME COMMERCIAL CREDITS GROWTH

4 WEEK CUMULATIVE



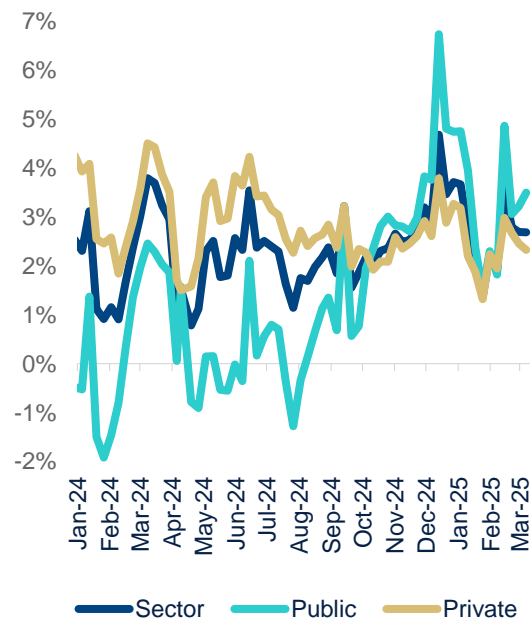
TL NON-SME COMMERCIAL CREDITS GROWTH

4 WEEK CUMULATIVE

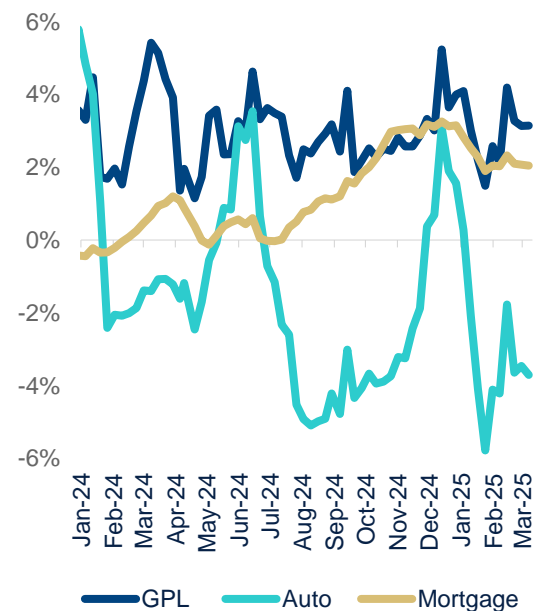


Retail lending is pushed by public banks with general purpose loans

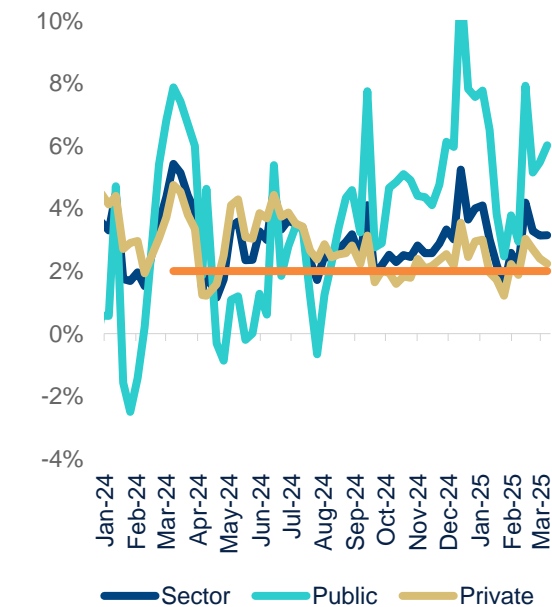
CONSUMER* CREDIT GROWTH
4 WEEK CUMULATIVE, DEPOSIT BANKS



CONSUMER* CREDIT GROWTH
4 WEEK CUMULATIVE, DEPOSIT BANKS



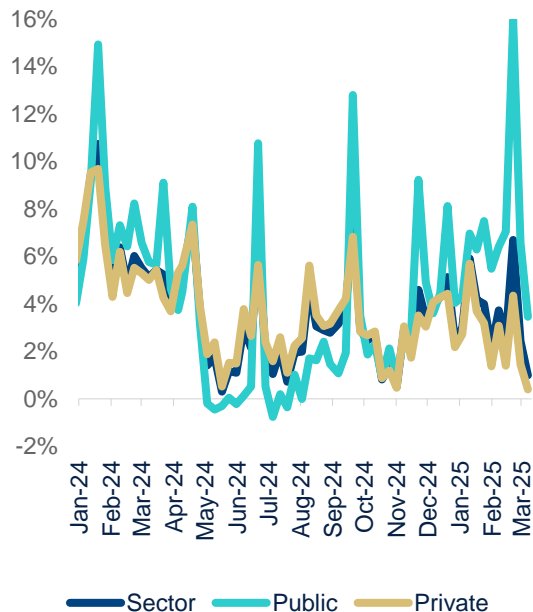
GENERAL PURPOSE LOANS
4 WEEK CUMULATIVE, DEPOSIT BANKS



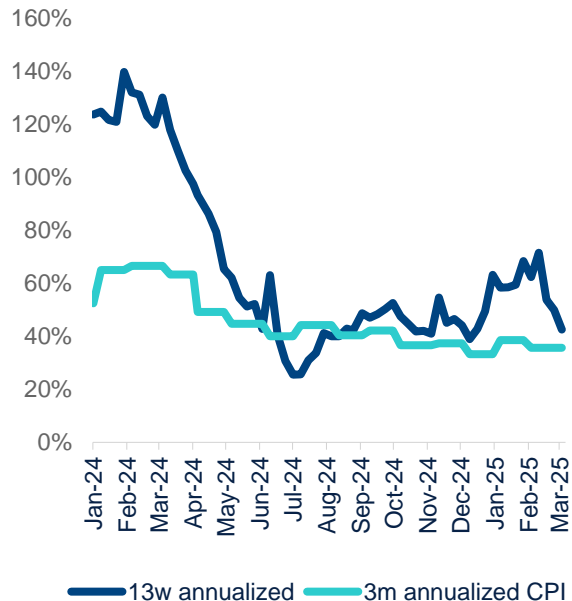
* housing, auto, general purpose loans (GPL).
Source: BRSA and Garanti BBVA Research.

Overdraft loans growth moves up the general purpose loans of the public banks. Credit card spending moderates but remains above monthly inflation trend

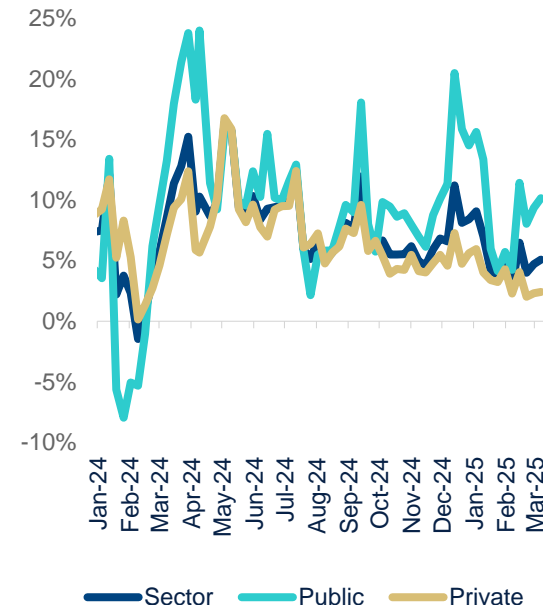
RETAIL CREDIT CARDS SPENDING 4 WEEK CUMULATIVE, DEPOSIT BANKS



RETAIL CREDIT CARDS SPENDING DEPOSIT BANKS



CREDIT DEPOSIT ACCOUNT (KMH) 4 WEEK CUMULATIVE, DEPOSIT BANKS

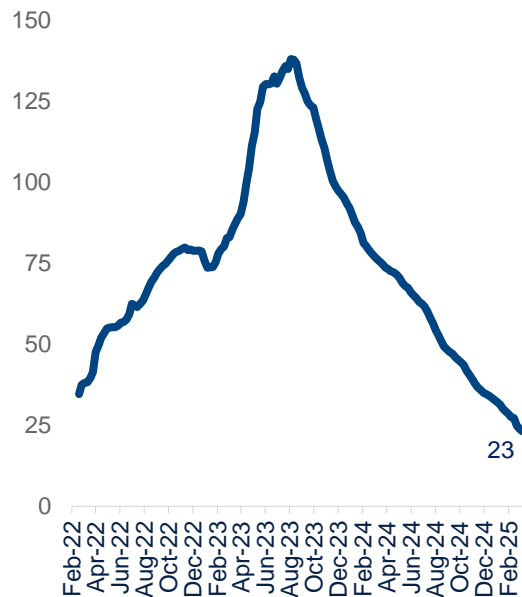


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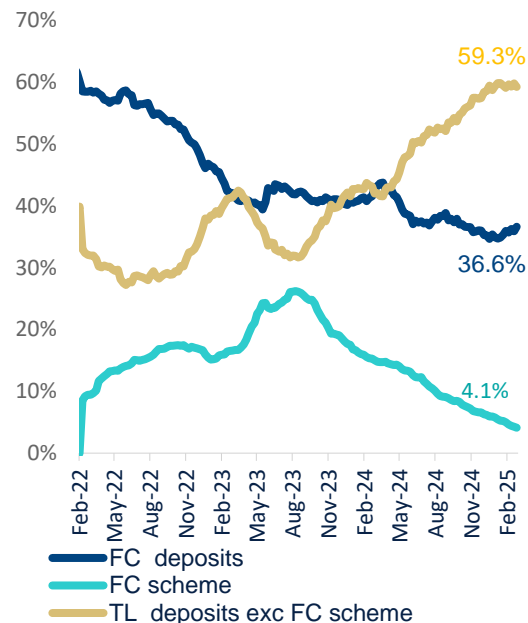
Turkish Banking Sector: Liquidity

TL deposit share has stabilized at nearly 60%, which would start to come down depending on the pace of dollarization going forward

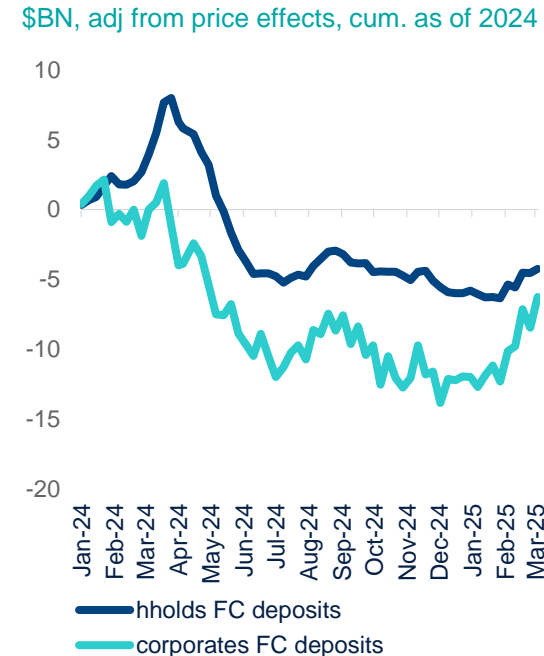
SIZE OF FC PROTECTED SCHEME
\$BN, ADJUSTED BY 13-WEEK USDTRY AVG



DISTRIBUTION AMONG DEPOSITS
% SHARE IN TOTAL



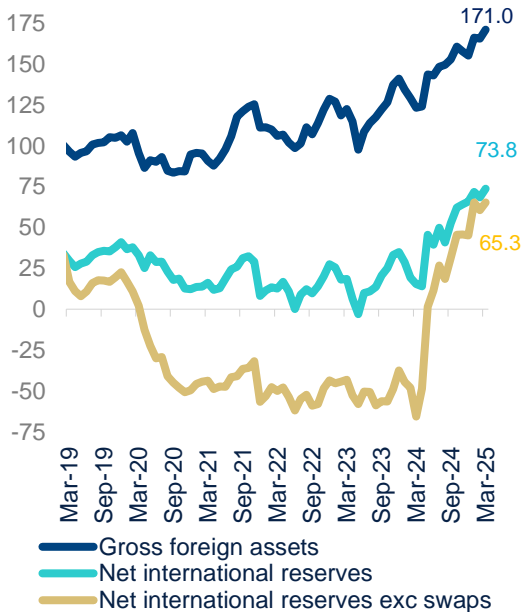
CHANGE IN FC DEPOSITS OF RESIDENTS
\$BN, adj from price effects, cum. as of 2024



The level of the CBRT reserves gives comfort for the CBRT to contain any abnormal volatility in Lira. FC liquidity of the banking system is supported via reverse swaps

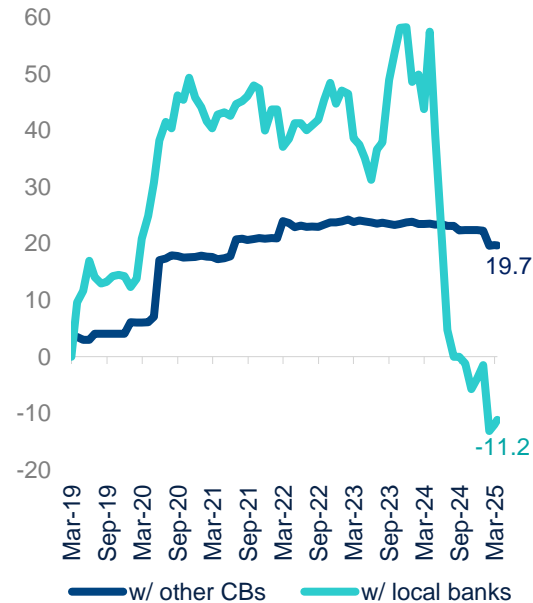
CBRT INTERNATIONAL RESERVES

US\$BN as of Mar 14th



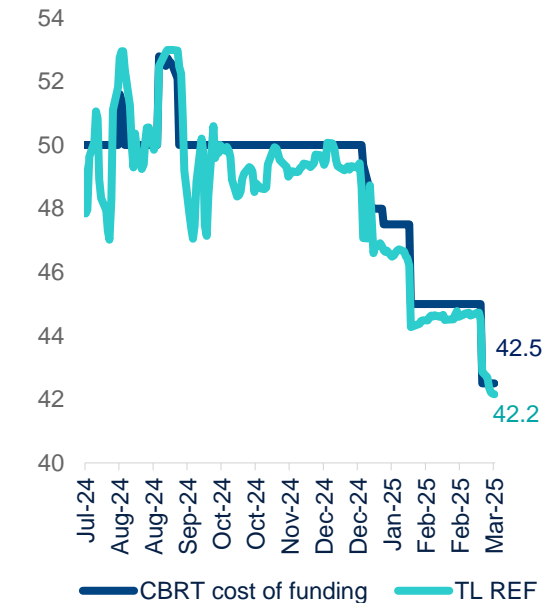
CBRT SWAP POSITION

US\$BN as of Mar 14th



CBRT FUNDING & BIST TL REF. RATE

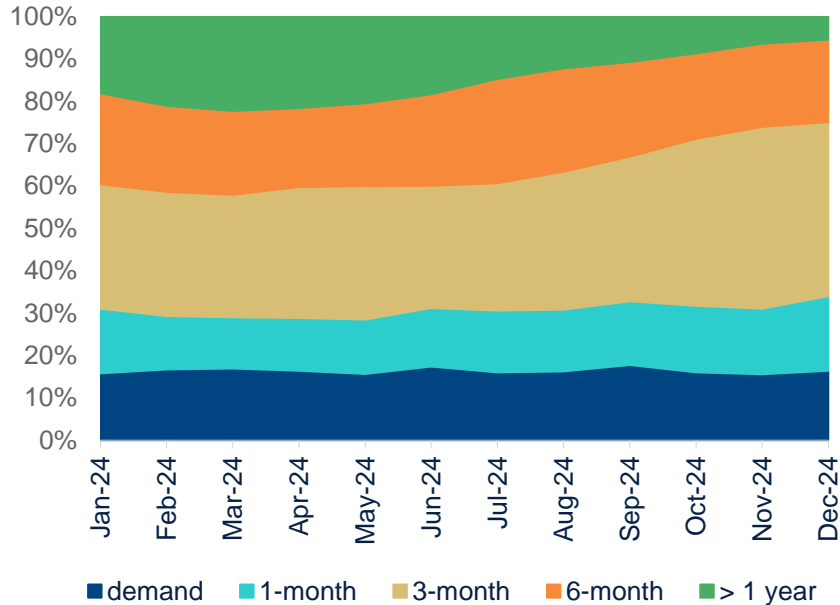
%



TL deposit growth accelerated in up to 3 and 6 months whereas above 1 year continues to fall on top of KKM based commercial credits being matured

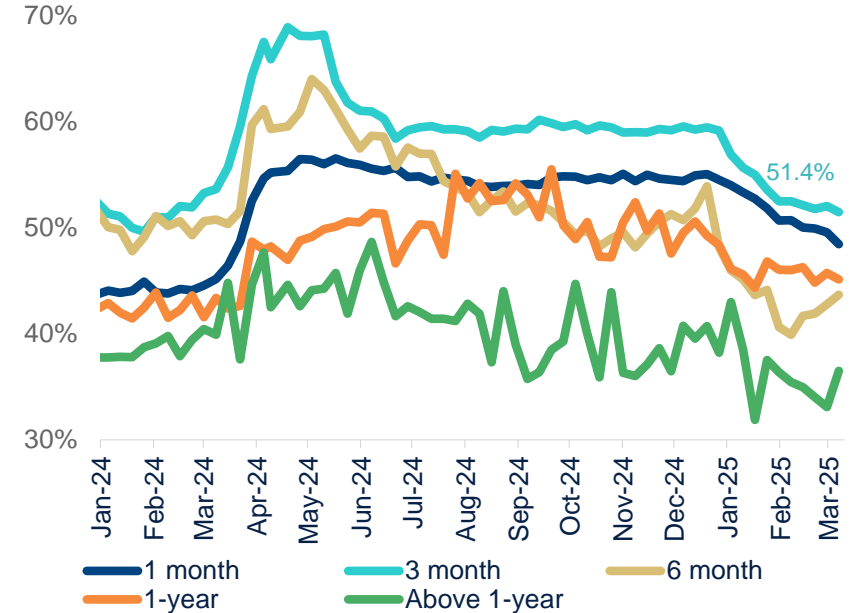
DISTRIBUTION AMONG DEPOSITS

% SHARE IN TOTAL



TL DEPOSIT INTEREST RATES

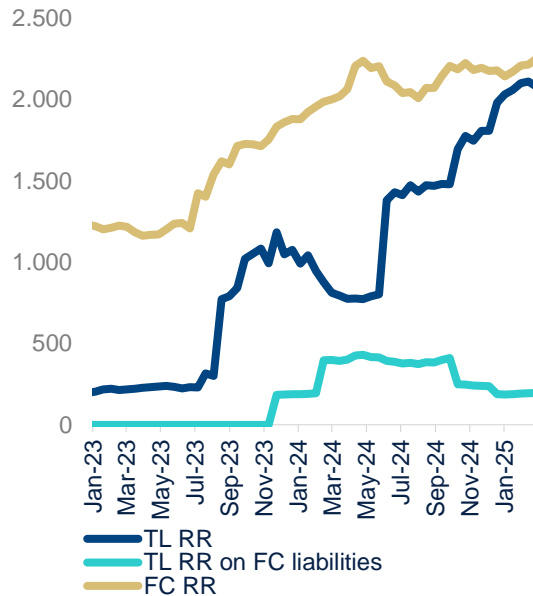
%, FLOW, SECTOR, WITHOUT RR COST



The CBRT utilizes mostly RR to absorb excess TL liquidity. Deposit rates decline, followed by the CBRT's rate cuts. Credit rates remain high on maturity mismatch

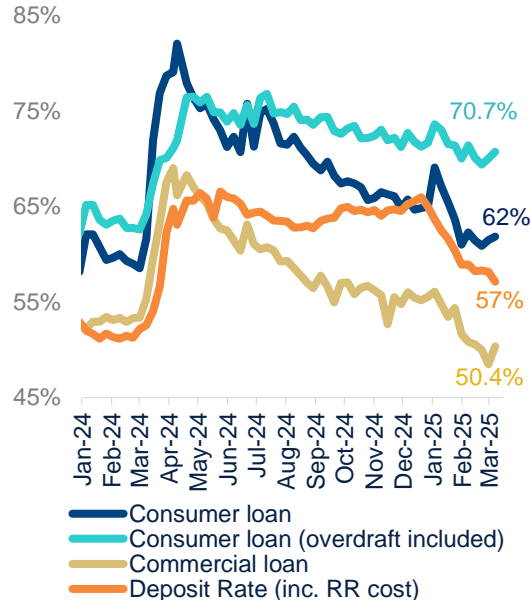
RESERVE REQUIREMENT VOLUME*

mn TL



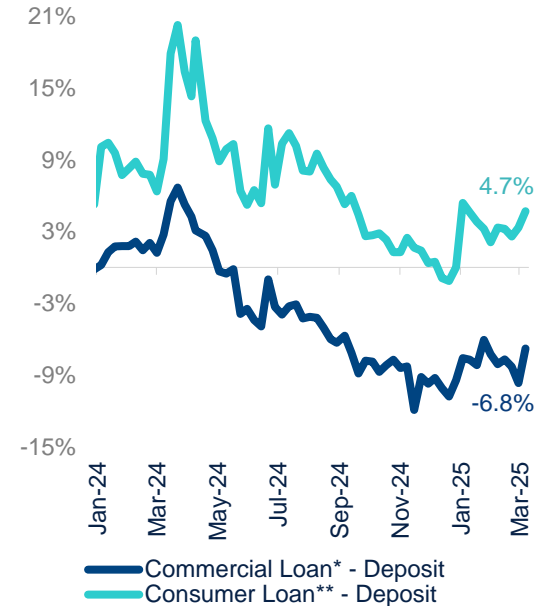
CONSUMER & TL COMMERCIAL RATES

%, flow, sector



TL INTEREST RATE SPREAD

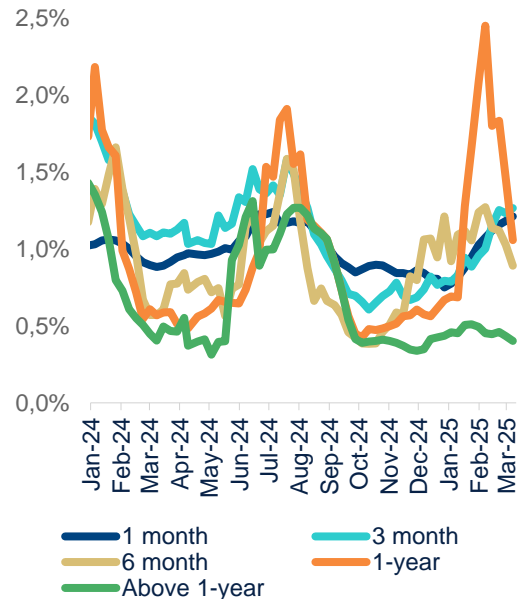
%, including RR cost



Shorter term FC deposit rates keep their upward trend due to FC liquidity need of the sector as a result of the ongoing FC credit demand

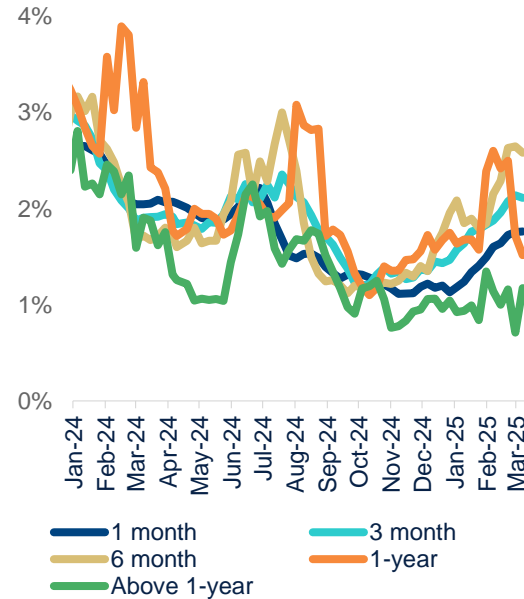
EURO DEPOSIT RATES

%, 4-week avg flow, sector



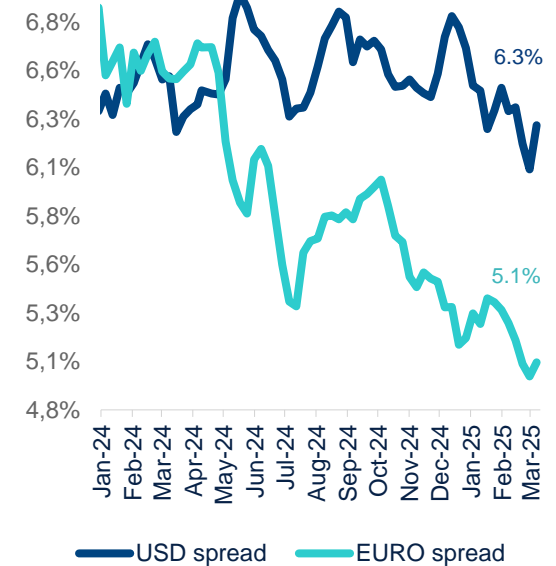
USD DEPOSIT RATES

%, 4-week avg flow, sector



FC INTEREST RATE SPREAD

%, 4-week avg flow, sector

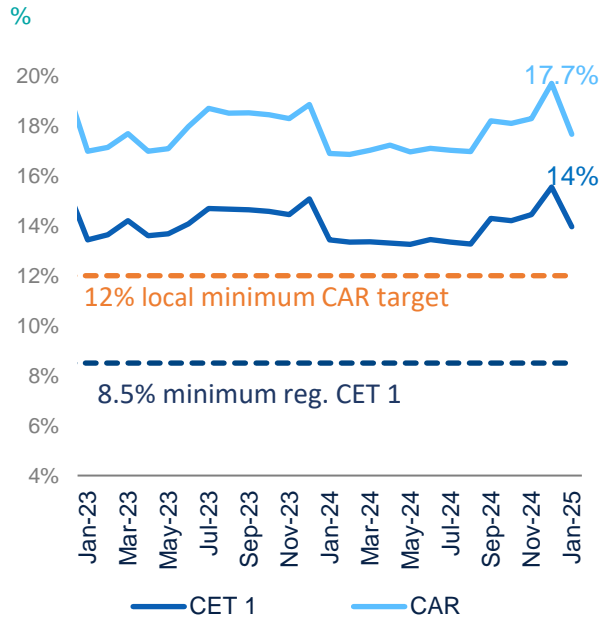


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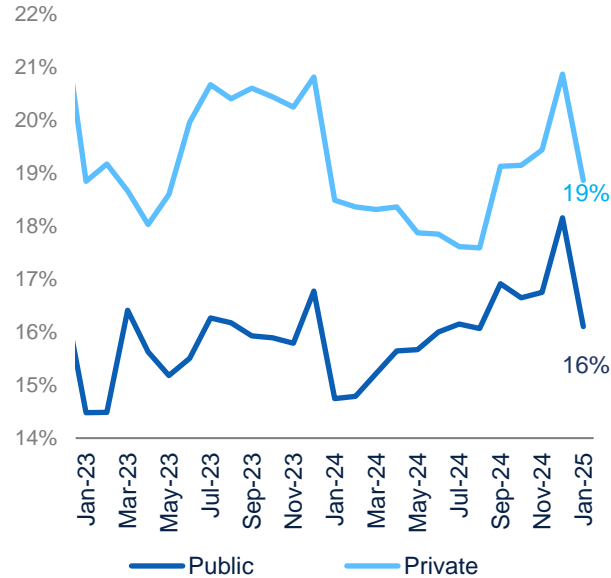
Turkish Banking Sector: Solvency and Capital Adequacy

Sector's capital ratios came down in January due to the increase in risk-weighted assets on top of the rise in operational risk* in banks

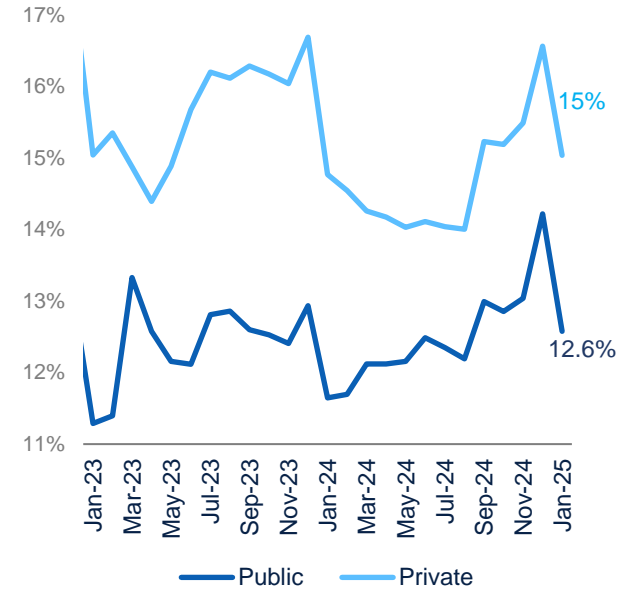
CAPITAL ADEQUACY RATIO (CAR) AND CET 1 RATIO**



CAPITAL ADEQUACY RATIO



CET 1** RATIO %



* mostly seasonal due to its once in a year calculation in every January

** Common Equity Tier 1.

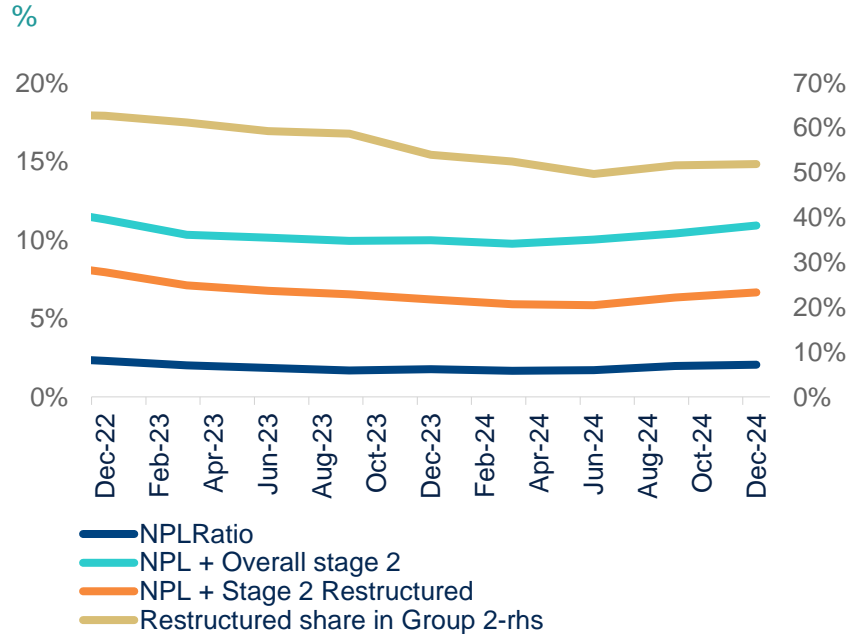
Source: BRSA and Garanti BBVA Research.

05

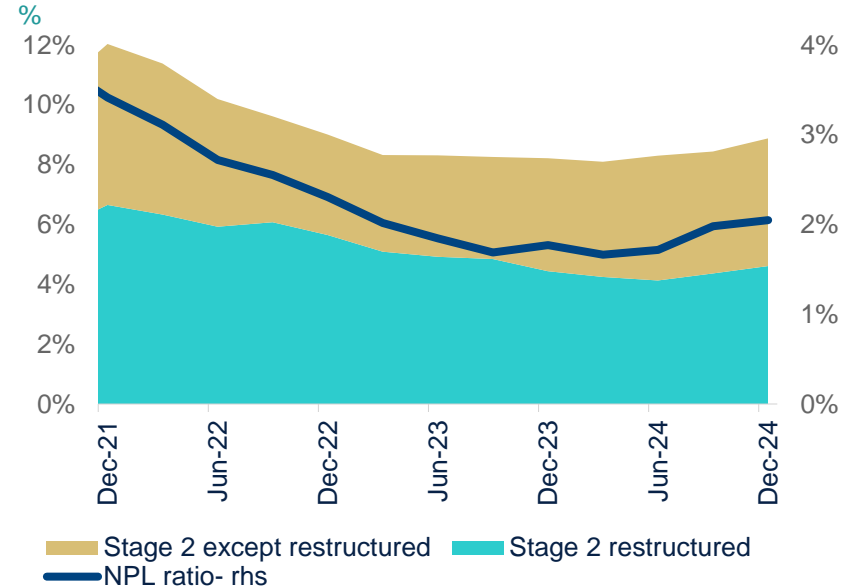
Turkish Banking Sector: Asset Quality

The share of the sum of Stage 2 and NPLs* in total loans rose further to 11% in 4Q24

ASSET QUALITY OUTLOOK: PEER DEPOSIT BANKS**



SHARE OF STAGE 2 LOANS & RESTRUCTURED LOANS IN TOTAL GROSS LOANS

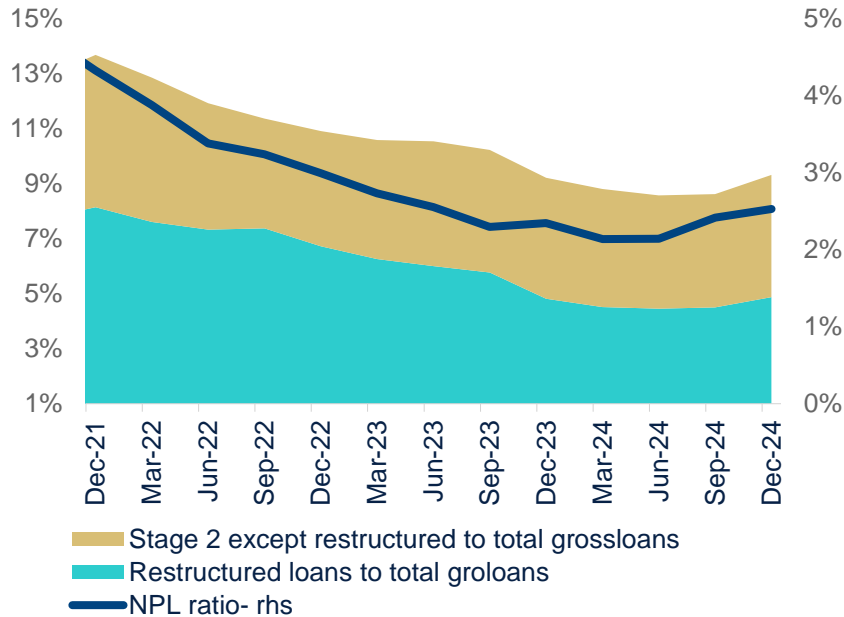


* According to the definition of the CBRT Financial Stability Report, the share of the sum of Stage 2 and NPLs in gross loans is taken into account as total credit risk.

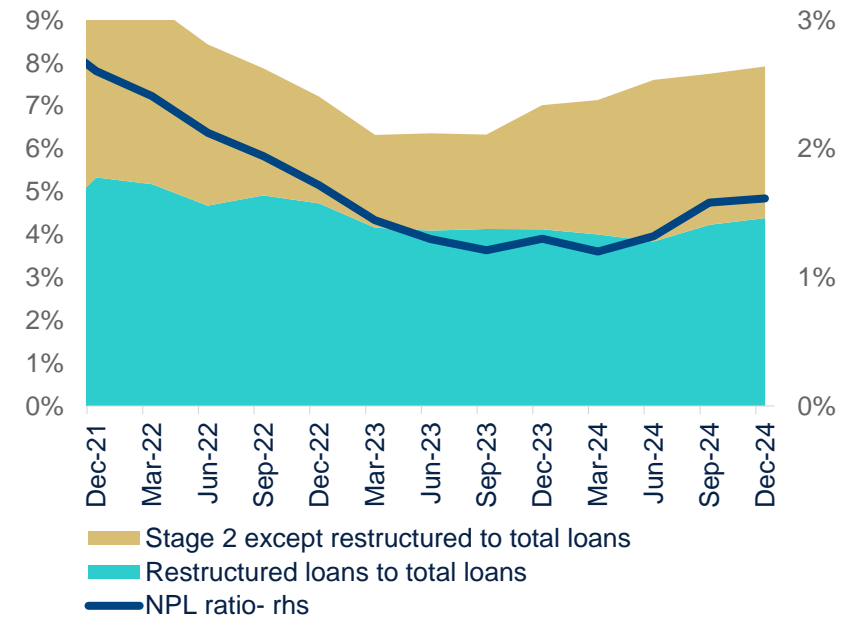
** All indicators are proportioned to gross loans. Data includes 7 top peer deposit banks as 4 private and 3 public banks.

Share of Group 2 loans is continuously increasing since 3Q23 in public banks whereas the NPL ratio has an upward trend in private banks since 3Q24

RATIO OF STAGE 2 LOANS & RESTRUCTURED LOANS: PRIVATE DEPOSIT BANKS



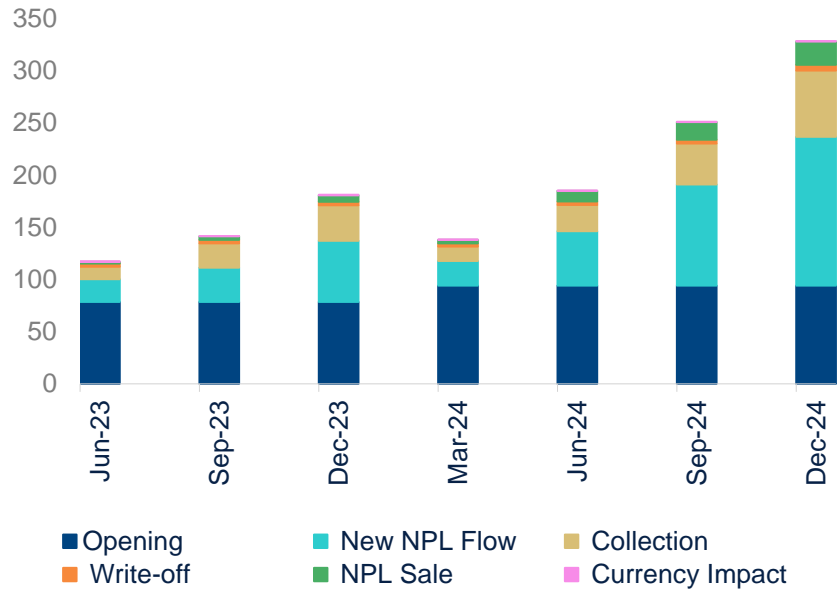
RATIO OF STAGE 2 LOANS & RESTRUCTURED LOANS: PUBLIC DEPOSIT BANKS



Increase in new NPL formation volume continued in 4Q24 in the sector, albeit at a decelerating rate compared to 3Q24

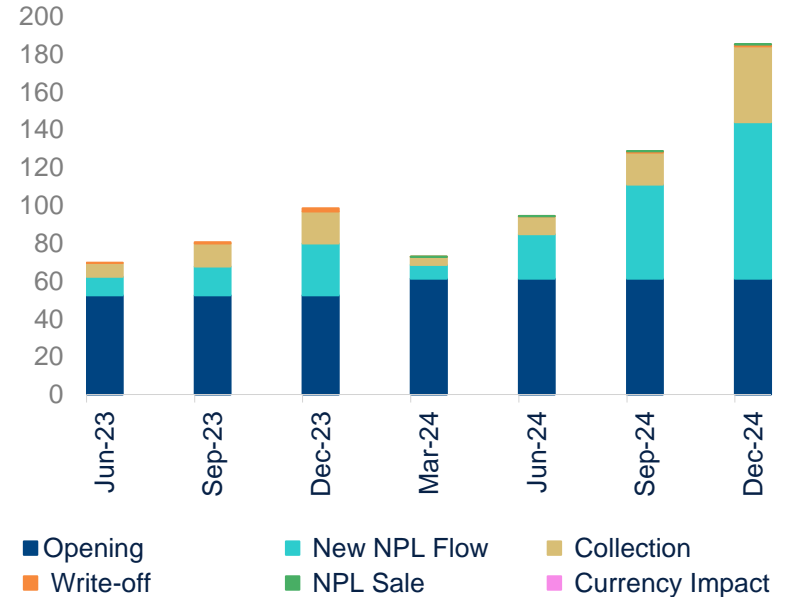
NPL MOVEMENTS PEER PRIVATE BANKS*

BN TL



NPL MOVEMENTS PEER PUBLIC BANKS*

BN TL



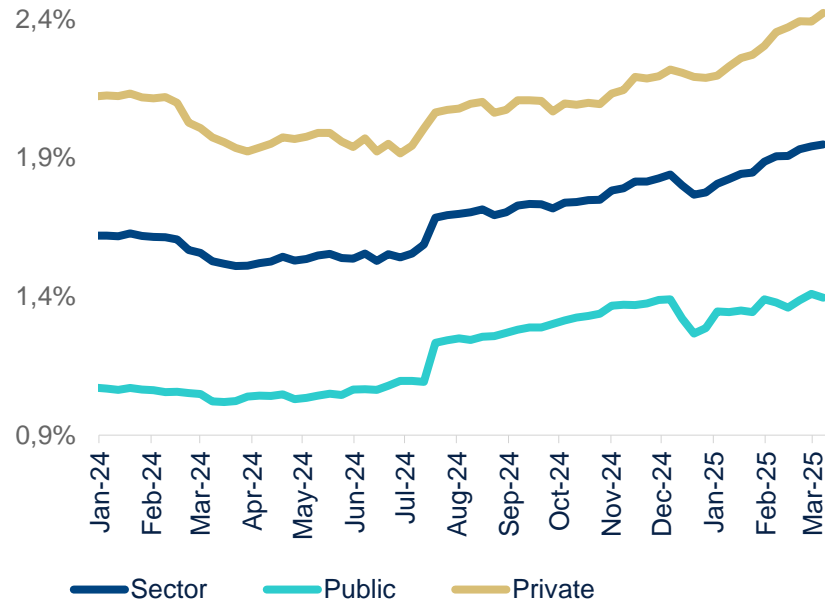
* Data includes 7 top peer deposit banks as 4 private and 3 public banks.

Source: KAP (Public Disclosure Platform), Garanti BBVA Research.

NPL ratio of the sector continued to rise to 1.95% in February (vs. 1.6% in Feb24), with the ongoing deterioration in the retail segment

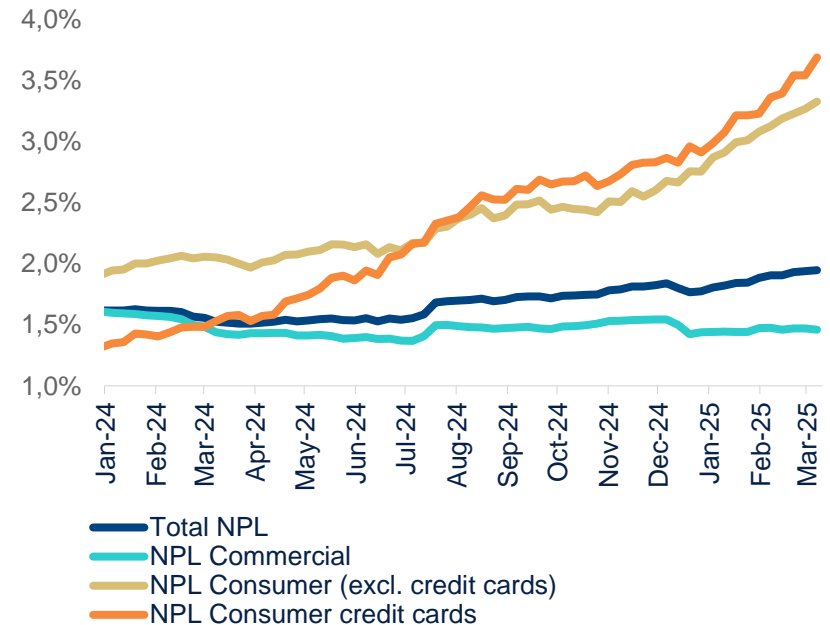
NPL RATIO

%



NPL IN SUB-SEGMENTS

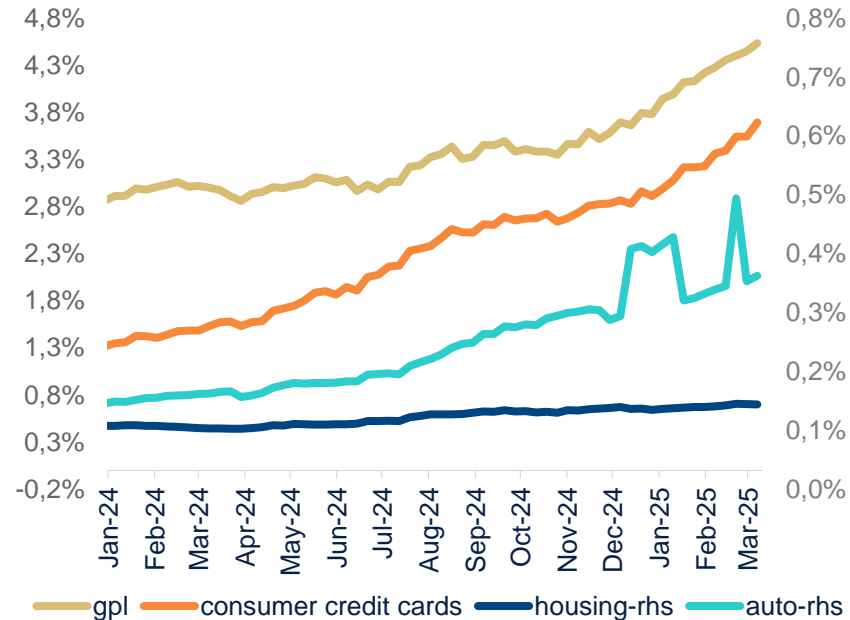
%



NPL ratio of consumer credit cards rose to 3.7% and for GPL to 4.5% (vs. 1.5% and 3% in Feb24). Ratio for SME loans hovers around 2% since the start of 2025

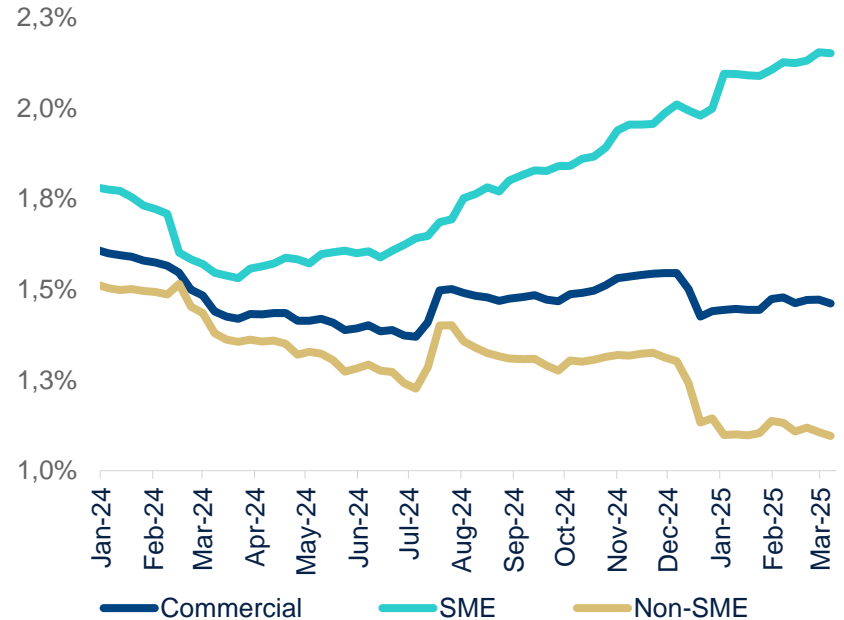
NPL IN CONSUMER LOANS

%



NPL IN COMMERCIAL LOANS SUBSEGMENTS

%

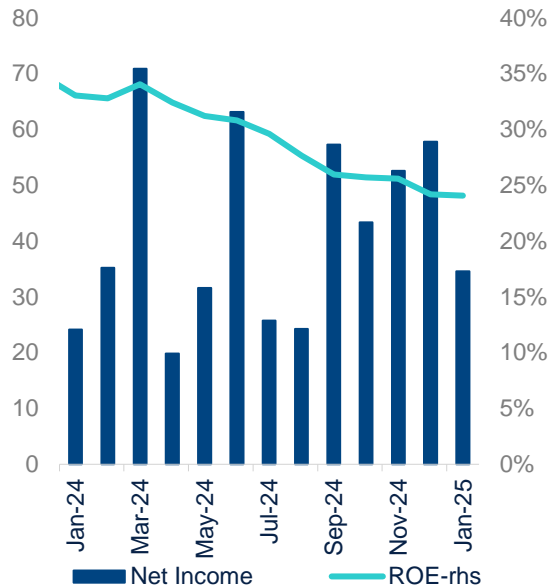


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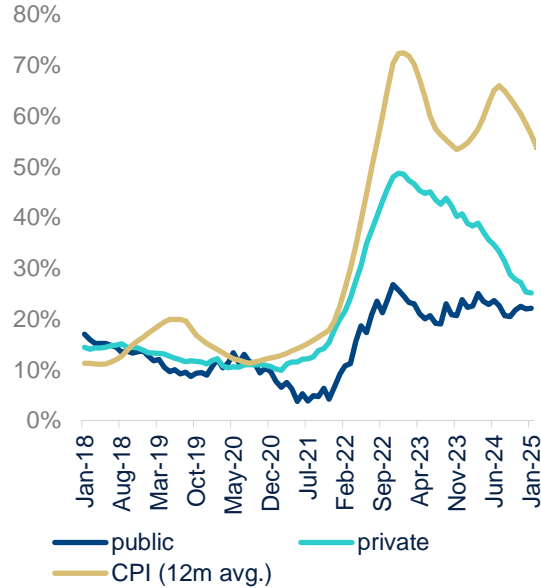
Turkish Banking Sector: Profitability

Deposit banks' net income rose by 43% in Jan25 on y-o-y terms. On a monthly basis, it contracted by 40%

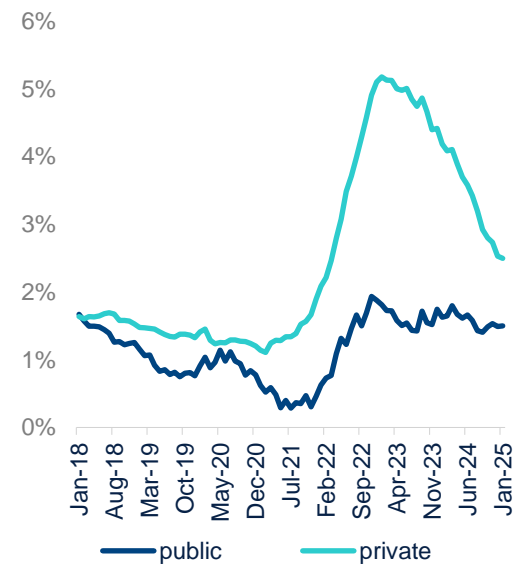
NET INCOME & RETURN ON EQUITY (ROE)
BN TL MONTHLY, % 12M CUMULATIVE



RETURN ON EQUITY (ROE)
%12M CUMULATIVE



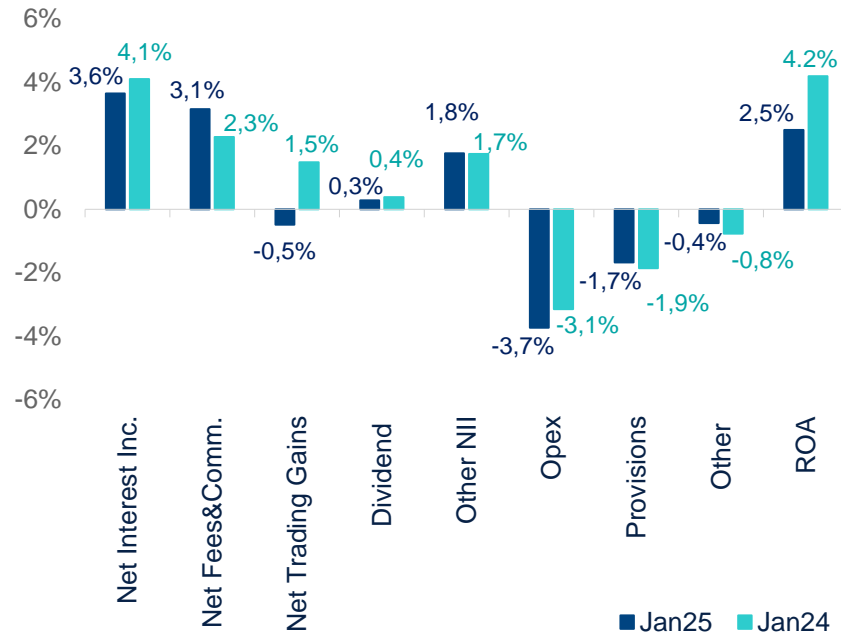
RETURN ON ASSETS (ROA)
%12M CUMULATIVE



Between Jan25 and Jan24, public and private banks differentiated in terms of income from interest spread, fees & commissions, trading gains and provisions

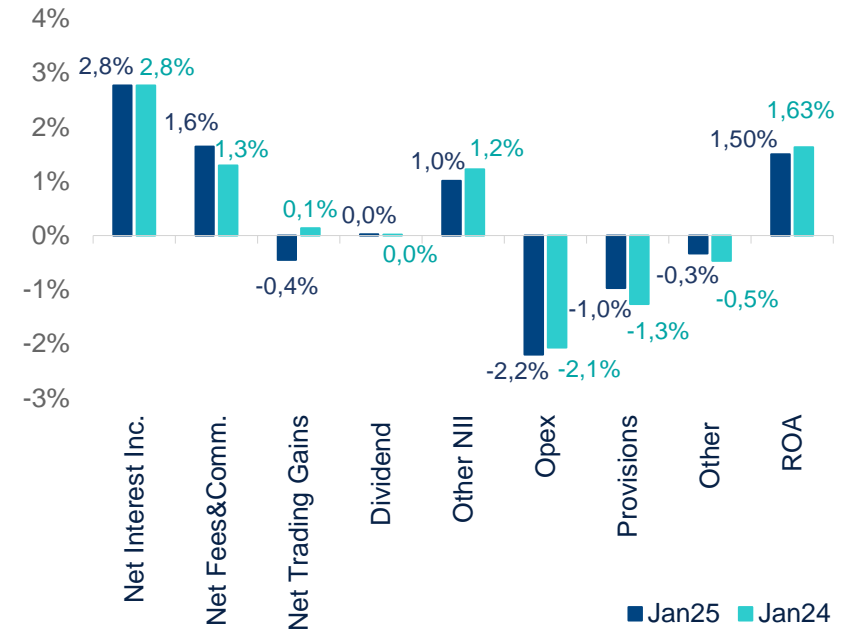
ROA COMPONENTS PRIVATE BANKS

12M CUMULATIVE AS OF JAN 2025 VS JAN 2024



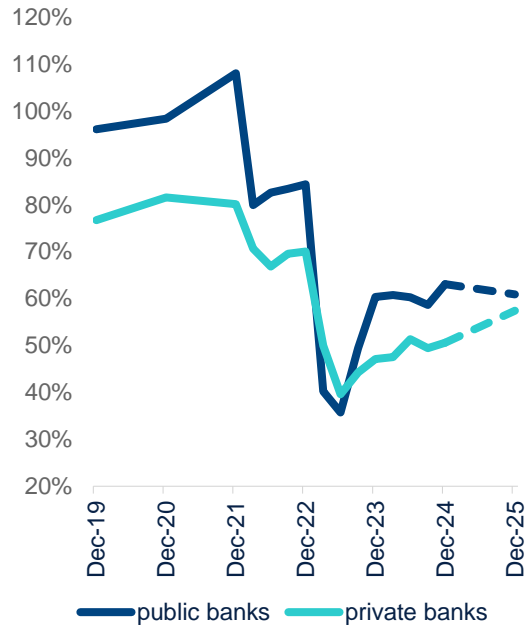
ROA COMPONENTS PUBLIC BANKS

12M CUMULATIVE AS OF JAN 2025 VS JAN 2024



The contribution from trading and FX gains, fees and commissions started to normalize compared to previous quarters and expected to do so in 2025

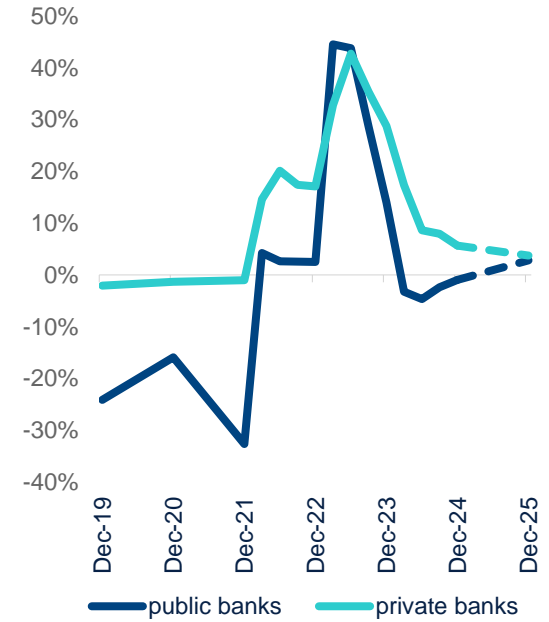
NET INTEREST REVENUE / TOTAL REVENUE, %



FEES & COMMISSION REVENUE / TOTAL REVENUE, %



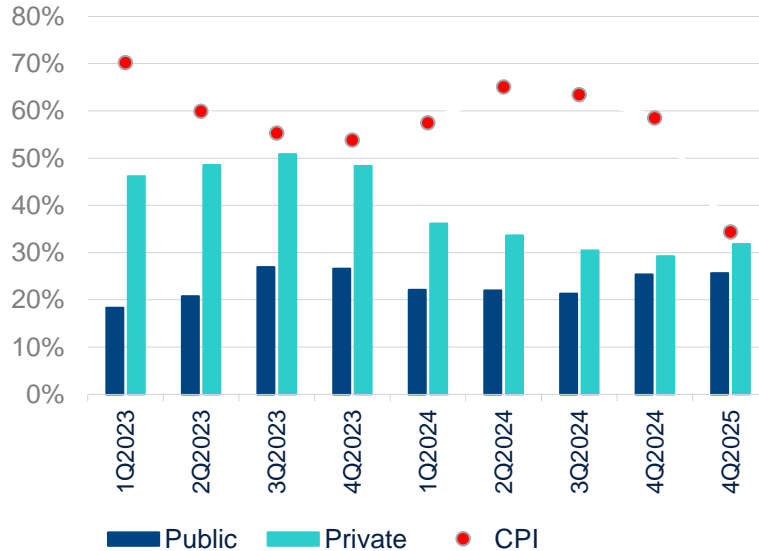
TRADING & FX GAINS / TOTAL REVENUE %



We maintain our ROE expectation recovering towards low 30% levels by end 2025. Yet, renewed inflationary pressure might contain our improvement expectations

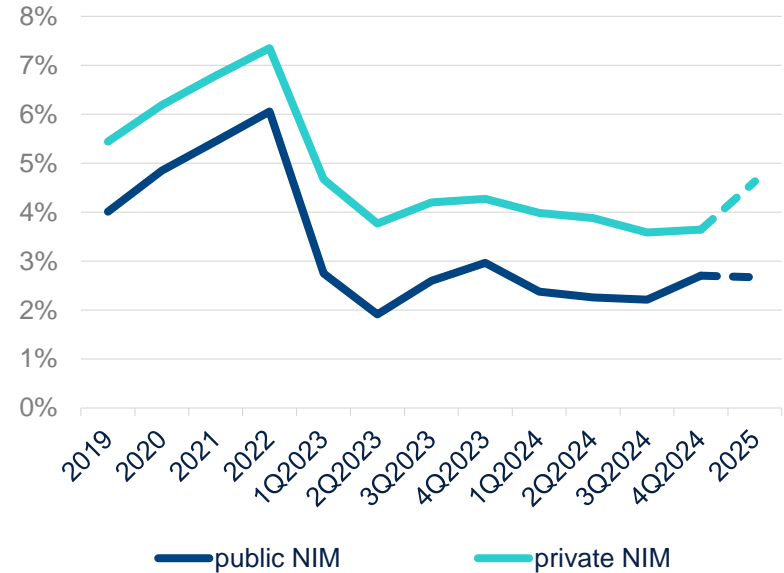
ROE

Annualized % with average annual CPI



NIM

Annualized %



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