Turkey

Economic activity was very strong in Turkey throughout 2021 thanks to measures taken against the pandemic to support production, investment, exports and employment. The recovery in global economy and the increase in international trade volume also supported the growth through foreign demand. The Turkish economy grew by 11.4% in 2021, meanwhile inflation was 36%. The ratio of budget deficit to GDP was 2.7%. There was a deficit of USD 15 billion in the current account, about 1.9% of GDP.

The banking sector supported economic activity through regular and widespread funding. The banking sector activities in 2021 were largely shaped by economic growth and monetary policy regulatory framework. The negative effects of the pandemic on the economy started to decelerate during 2021, when total assets of banking sector increased steadily and mildly throughout the year. Deposit interest rates climbed faster than those on loans due to pressure on TL liquidity.

Capital adequacy standard ratio was 18.3%. Core capital ratio stood at 13.4%. Capital adequacy ratio was 18.1% in deposit banks and 22.6% in development and investment banks.

Total assets were USD 691 billion as of 2020. A major portion of this increase stemming from TL items. The ratio of total assets to GDP increased by 8 points to 128%. Banking sector loans and liquid assets represented 53% and 21% of assets, respectively. The share of securities was 16%. The share of subsidiaries and fixed assets was 2%.

The 57% of total loans were extended to large scale companies and project financing, 21 percent to SMEs, and 22% to consumers. The distribution of corporate loans among manufacturing, commercial, construction and energy sectors 21%, 12%, 9% and 8%, respectively.

The loan-to-deposit ratio was at 92% level. This ratio was 151% in TL items, and 60% in FX items as of December 2021.

The ratio of non-performing loans before specific provisions to total loans was at 3.2%. This ratio was 3.4% in corporate loans, and 2.4% in consumer loans.

Deposits and non-deposit funds accounted for 58% and 25% of the liabilities, respectively. The shares of shareholders' equity was 8%.

Total deposits grew by 53% in nominal terms and 9% in fixed exchange rates to USD 398 billion. The ratio of deposits to GDP was 74%. The share of TL deposits in total deposits decreased by 10 percentage points to 35%.

Interest expenses grew faster than interest income. Since the maturity of liabilities is shorter than the maturity of assets, the rise in interest rates caused interest expenses to increase more rapidly. Net interest income increased by 24%.

The ratio of interest margin to average assets decreased by 0.3 points to 2.9% in 2021. Average return on assets was 1.3%. The average return on equity increased by 340 basis points to 14.1%.

The number of banks operating in the banking sector was 57 as of December 2021. A total of 35 were deposit banks and 16 were development and investment banks. Out of the 35 deposit banks, three were state-owned banks and eight were private banks. There were six participation banks in Türkey.

The share of assets of deposit banks was 86%, while the shares of development and investment banks and participation banks were 7% respectively.

The number of branches declined by 23 to 11,171. Decline in the number of branches resulted from private and foreign banks. In 2021, the number of employees per 100,000 people decreased by two to 241, while the number of branches decreased by 0.4 to 13.

As of December 2021, the sector share of the first largest five banks in total assets was 58%. According to deposit volume, the share of the five largest banks in total decreased by 1 percentage point, while their share in loans decreased by 2 percentage points.

As of December 2020, debit card and credit card transaction volume was USD 336 billion, and its ratio to GDP was 44%.

As of December 2021, the number of active customers using digital banking transactions reached 78 million. 97% of the customers were individual, and three percent were corporate.

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