



TÜRKİYE CUMHURİYET  
MERKEZ BANKASI

# BANKING SECTOR AND MACROPRUDENTIAL FRAMEWORK

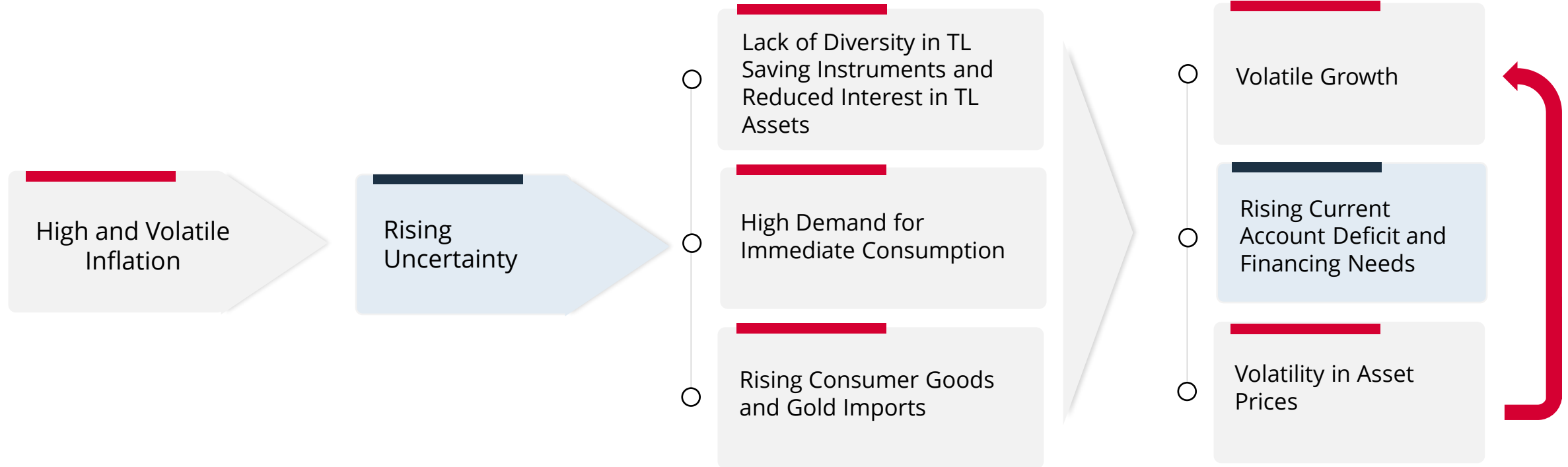
Osman Cevdet Akçay, Ph.D.  
Deputy Governor

JULY 11, 2024

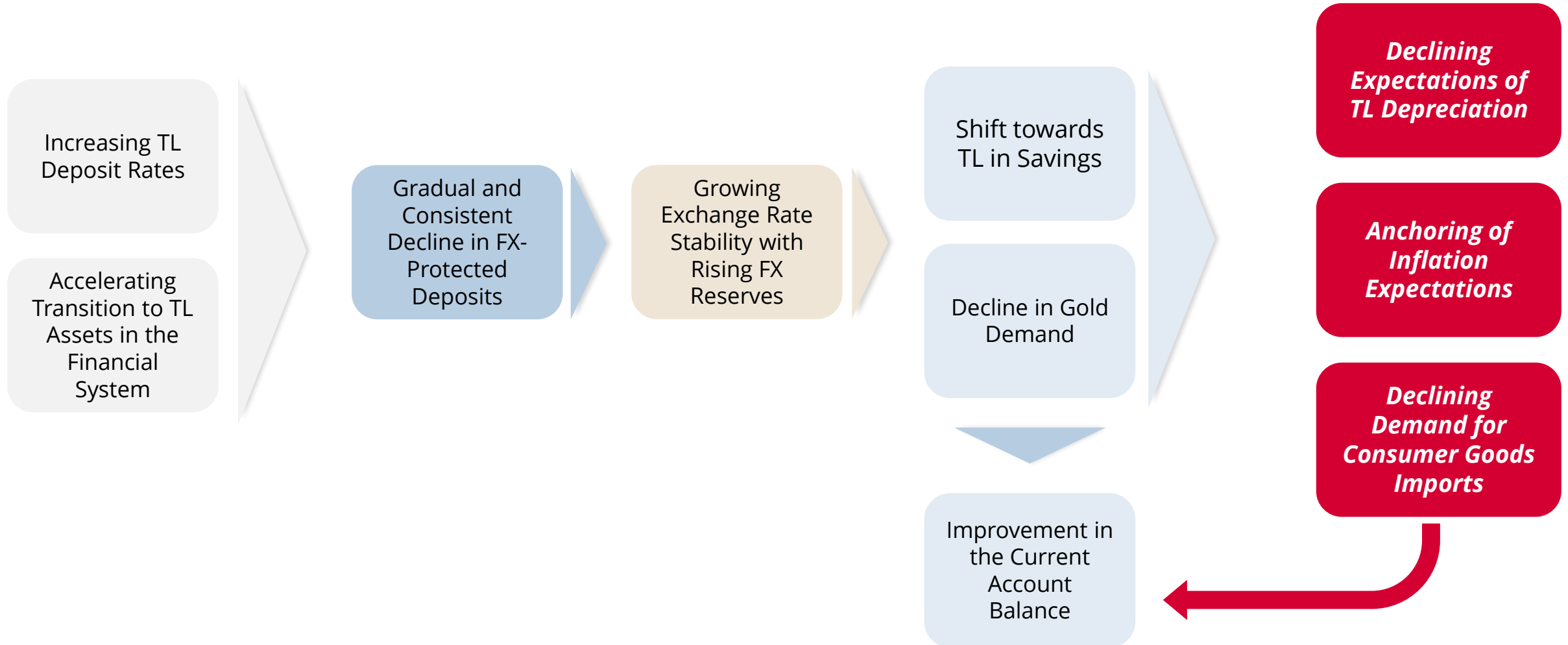
ISTANBUL



# High inflation negatively impacts growth and asset prices through saving and consumption decisions.



# Our tight monetary policy stance has increased TL savings and helped anchor inflation expectations.



# Banking sector's phase-specific significance in monetary policy implementation

## Past phase

- A weak monetary transmission mechanism
- Elevated inflation for a long period
- Pessimistically biased inflation revisions

## Current phase

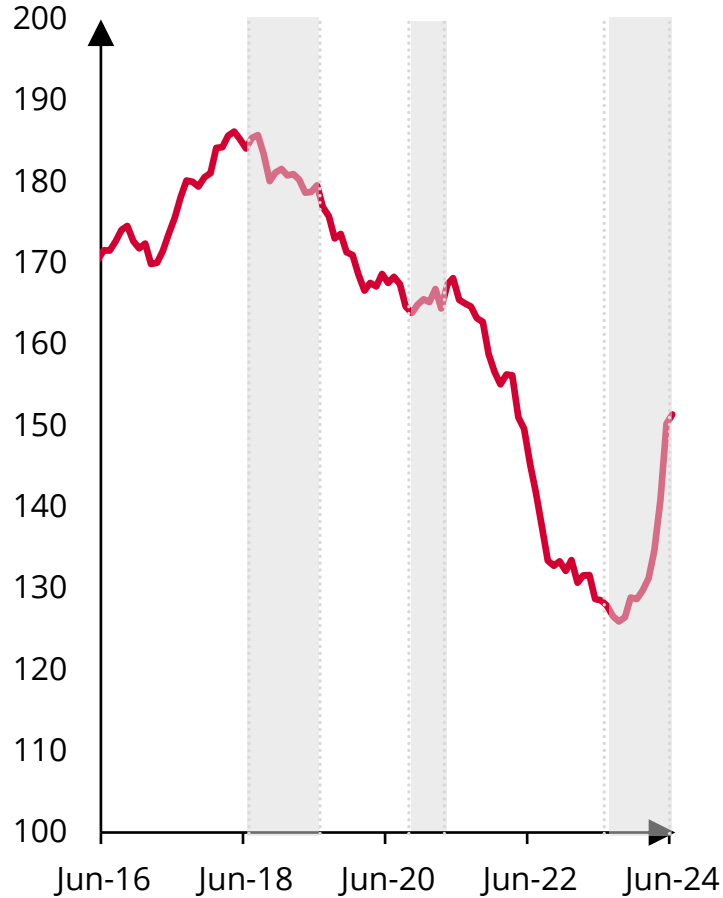
- Disinflation episode
- Expectations still being formed with a pessimistic bias
- Tightening starts to pay off

## Upcoming phase

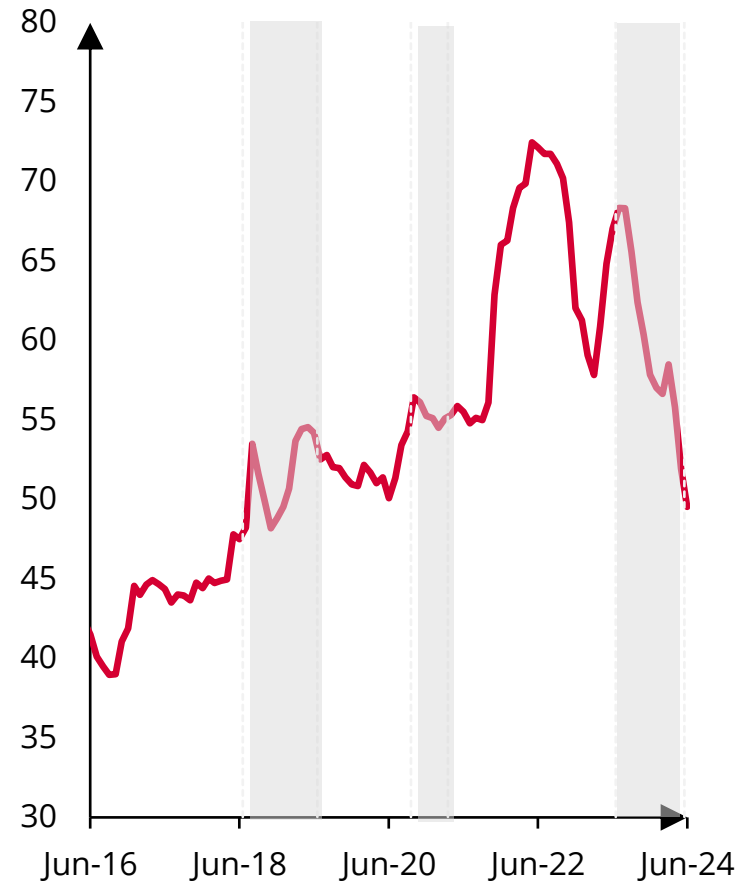
- Disinflation trajectory receives wider acceptance
- Maturities extend
- Expectation formation improves
- Maintained tight monetary stance
- Disinflation gains momentum

# Compared to past tightening episodes, real sector had less debt and FX exposure in June '23, and share of FX (and FX-linked) deposits was much higher.

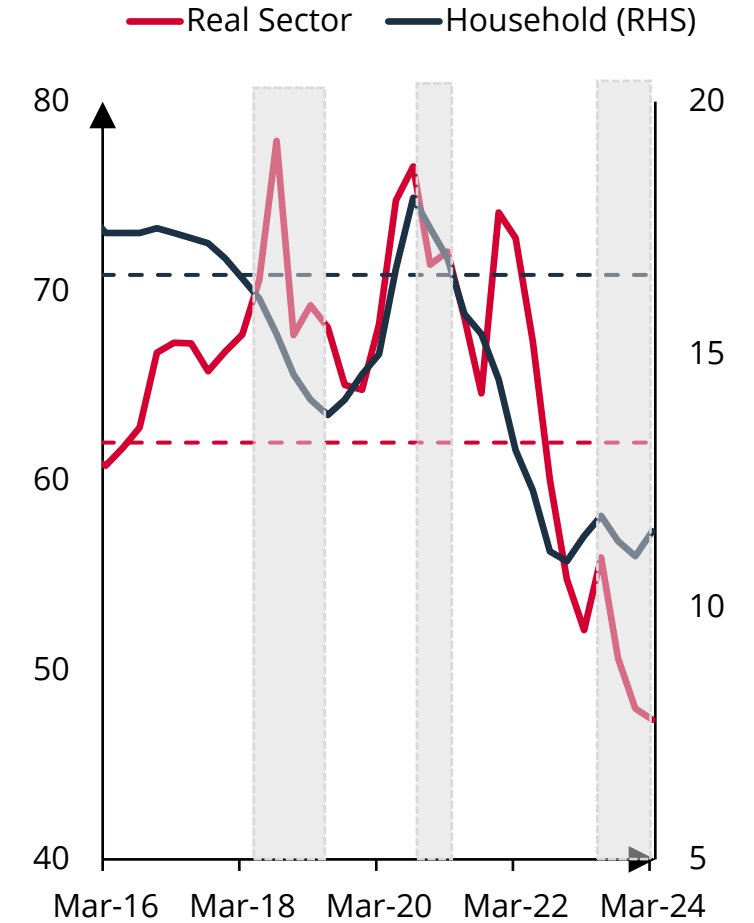
FX Loan Balance (Billion USD)



Share of FX and KKM in Deposits (%)

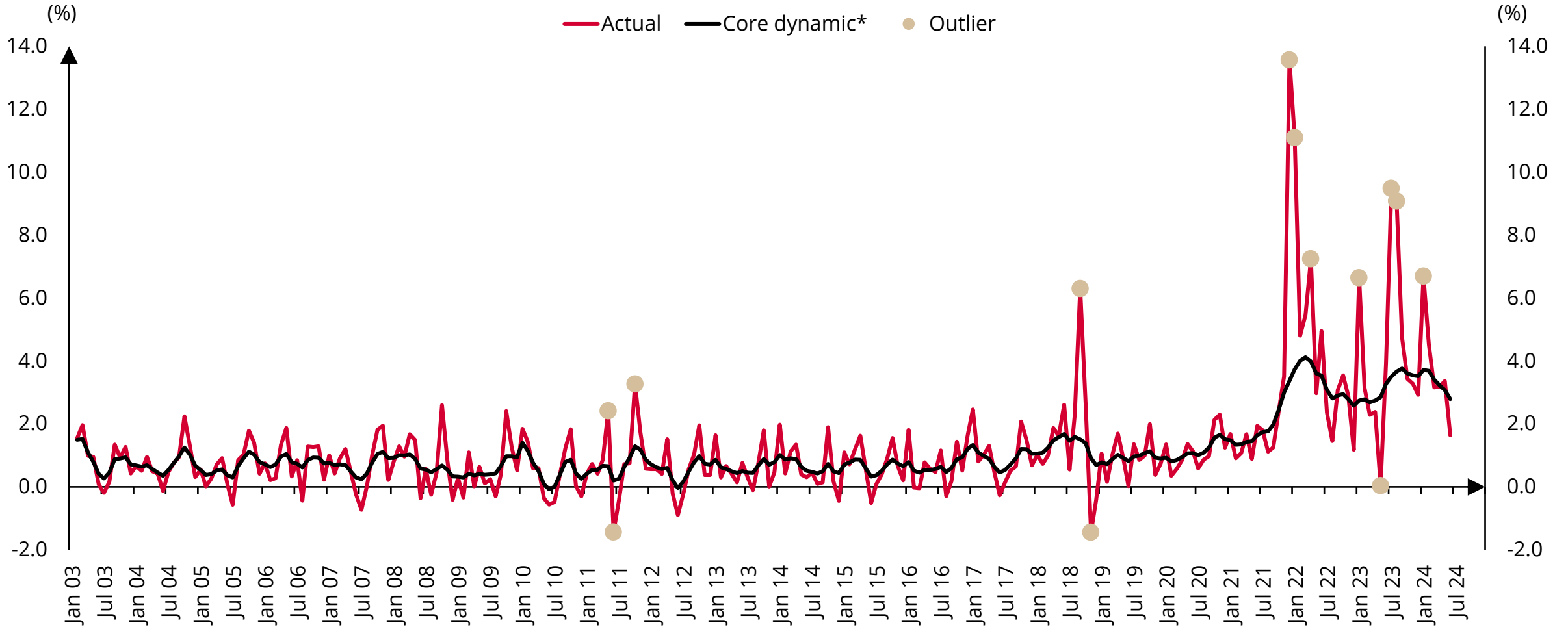


Debt to GDP Ratio (%)



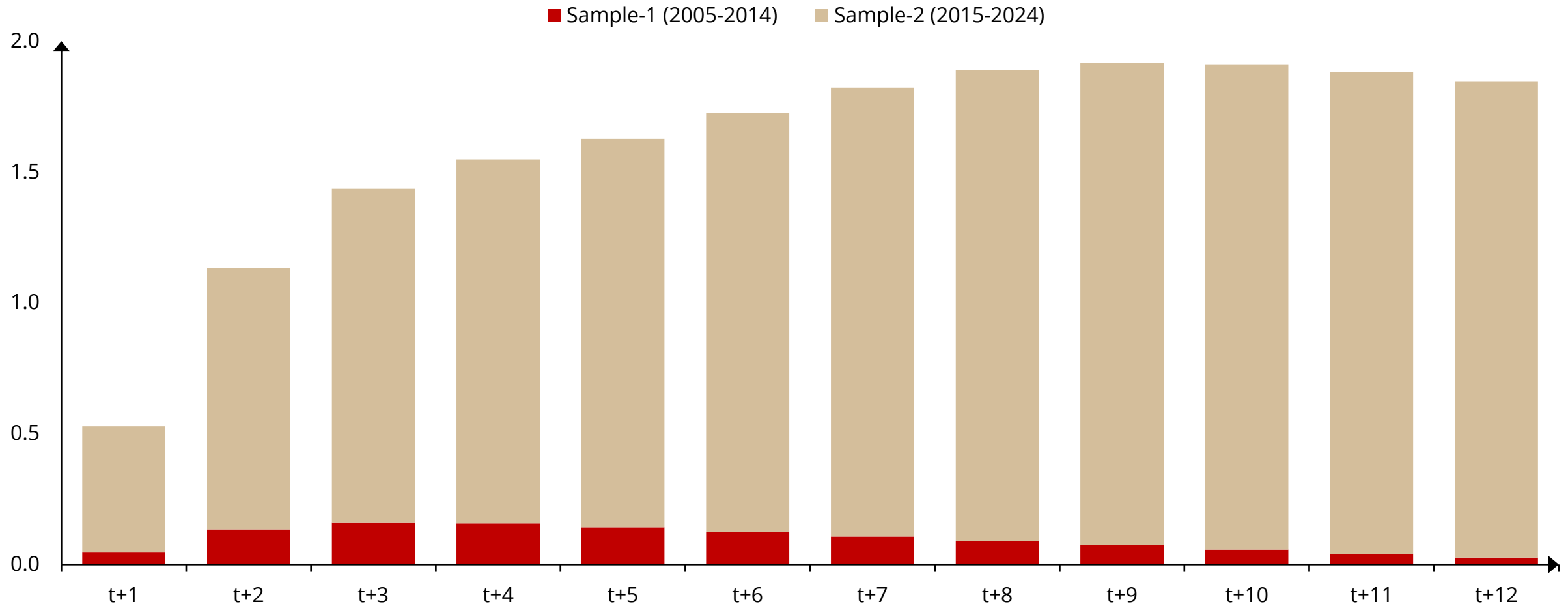
# High volatility deters the disinflationary trend.

## Monthly Inflation



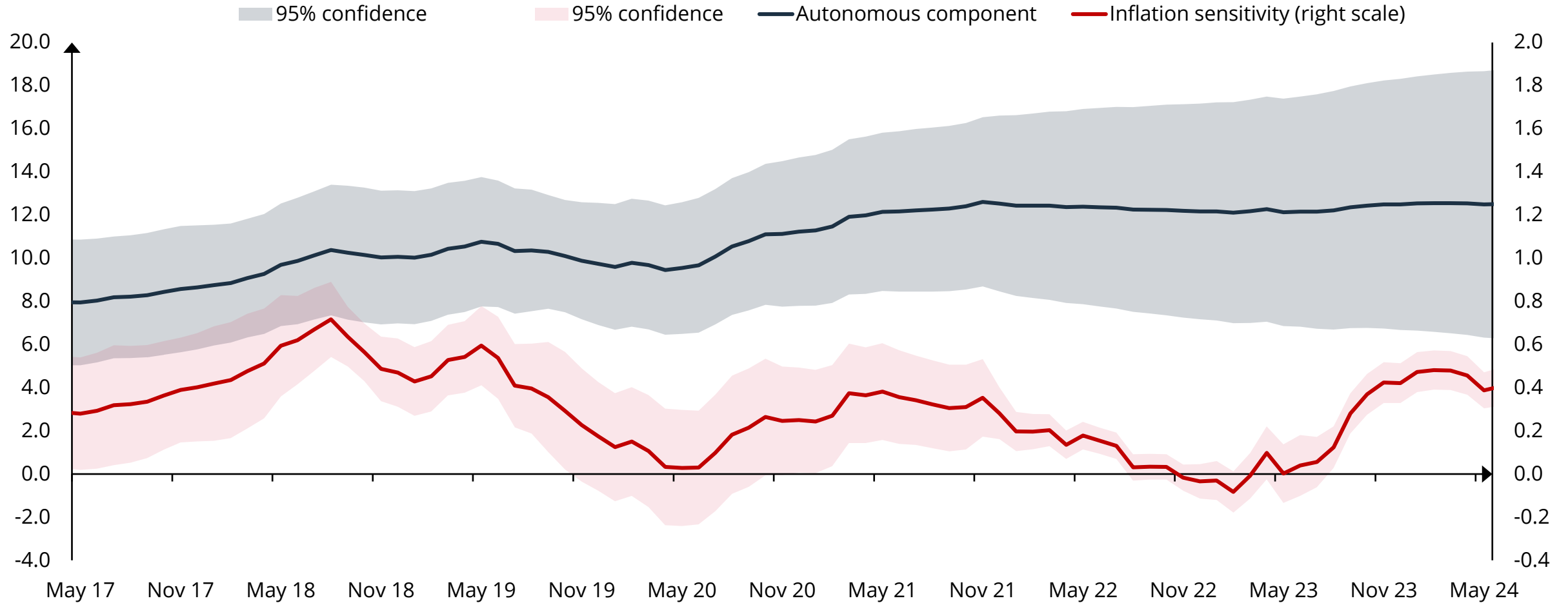
# Inflation expectations are sensitive to realizations.

## Response of Expectations to an Inflation Shock



# The benchmark rate is becoming more responsive to inflation.

## Evolution of the contemporaneous relationship between the 2Y government bond rate and inflation





# Recent quantitative and macroprudential tightening measures:

1

Higher RRR for Turkish lira and KKM deposits.

	Previous Ratio	New Ratio
Short-term Turkish lira deposits	8%	12%
Long-term Turkish lira deposits	0%	8%
Short-term KKM	25%	33%
Long-term KKM	10%	22%

2

Limit on FX loan growth.

3

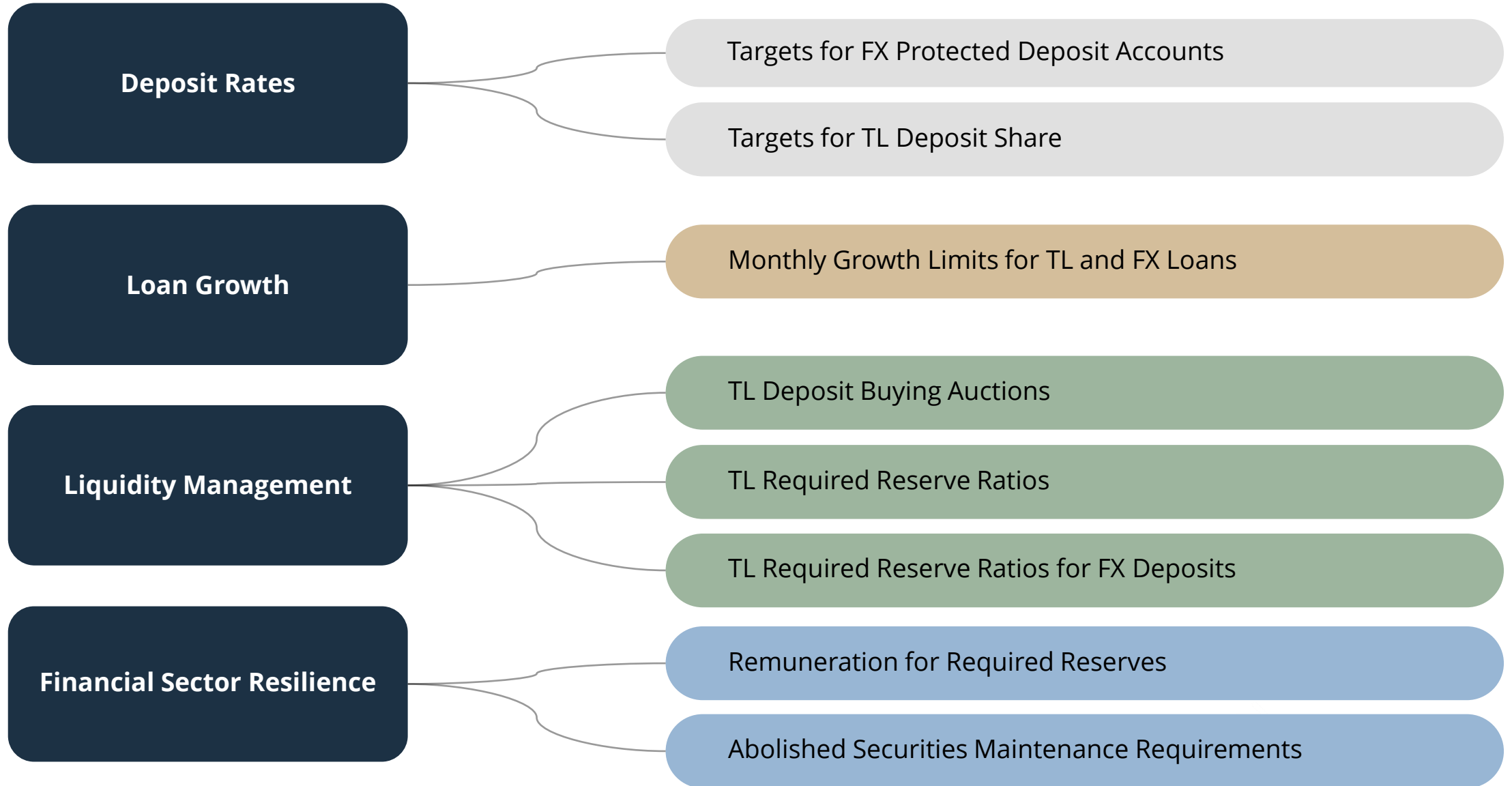
Adjustments to KKM transition and rollover targets.

4

Adjustments to maximum fees paid for early repayment of loans.

## Targets

## Tools



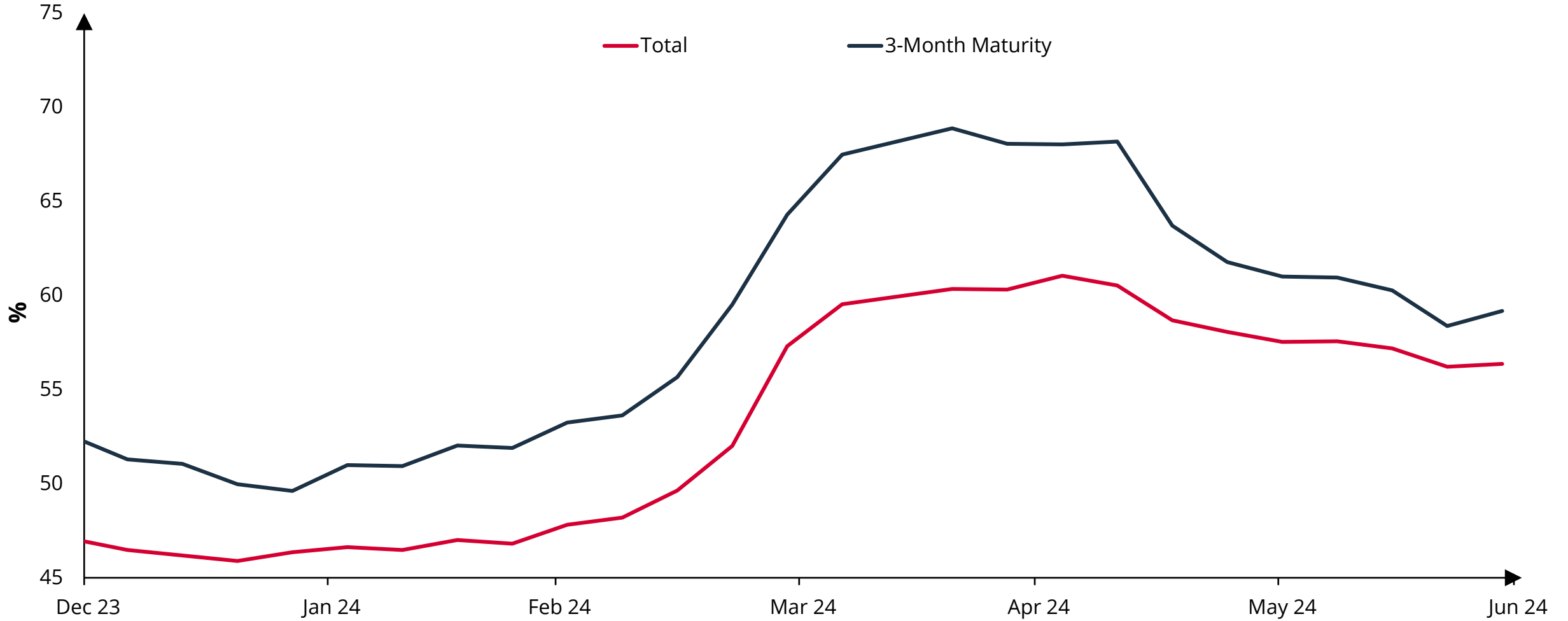
# Outline

- **Deposit Market**
- **Liquidity Management**
- **Loan Market**
- **Financial Sector Resilience**

# DEPOSIT MARKET

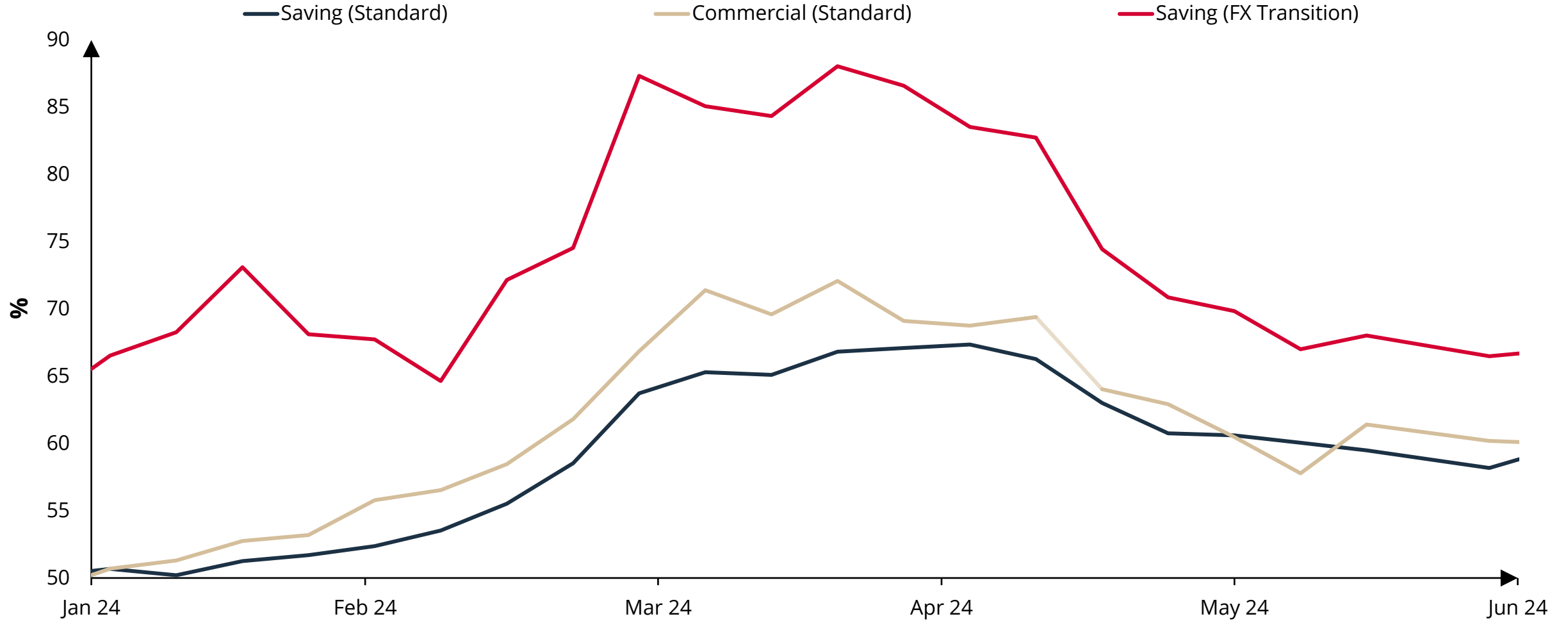
# TL deposit rates declined since May but remain above Q1 levels.

## TL Deposit Interest Rates



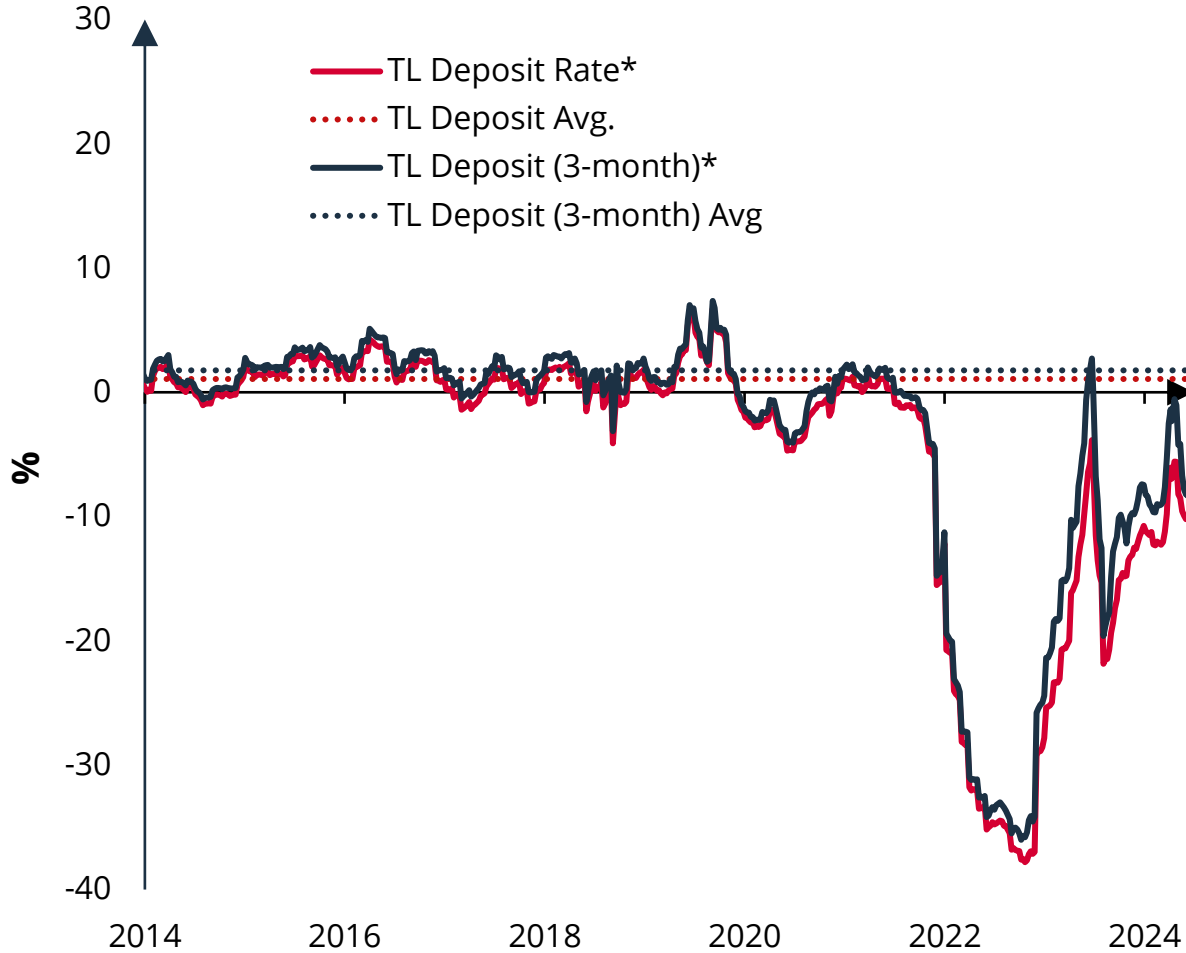
# Depositors are switching from KKM to TL at lower interest rates.

## 32-90 Days Maturity TL Deposit Interest Rates

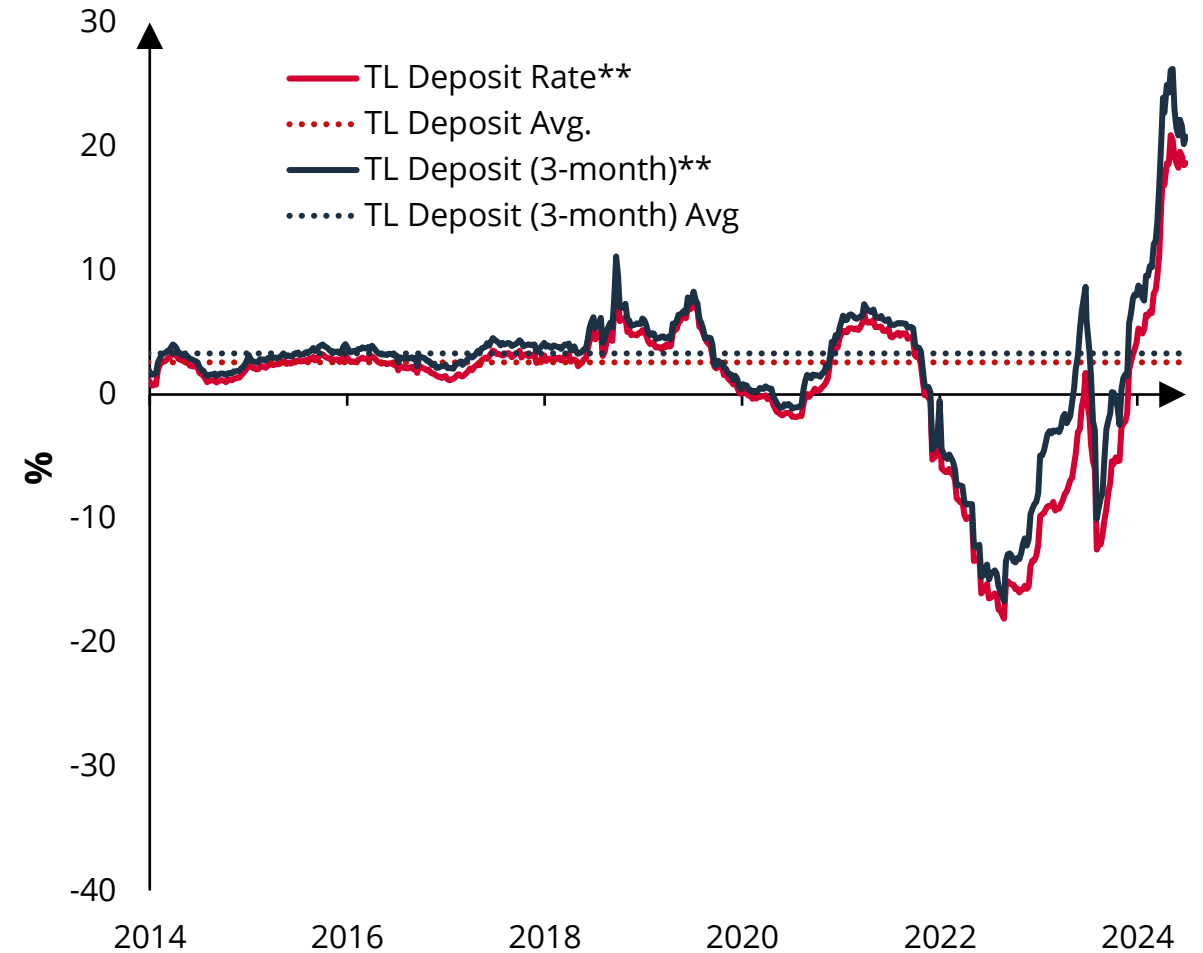


# There is a large gap between ex-ante and ex-post real rates.

## TL Deposit Ex-Post Real Interest Rates

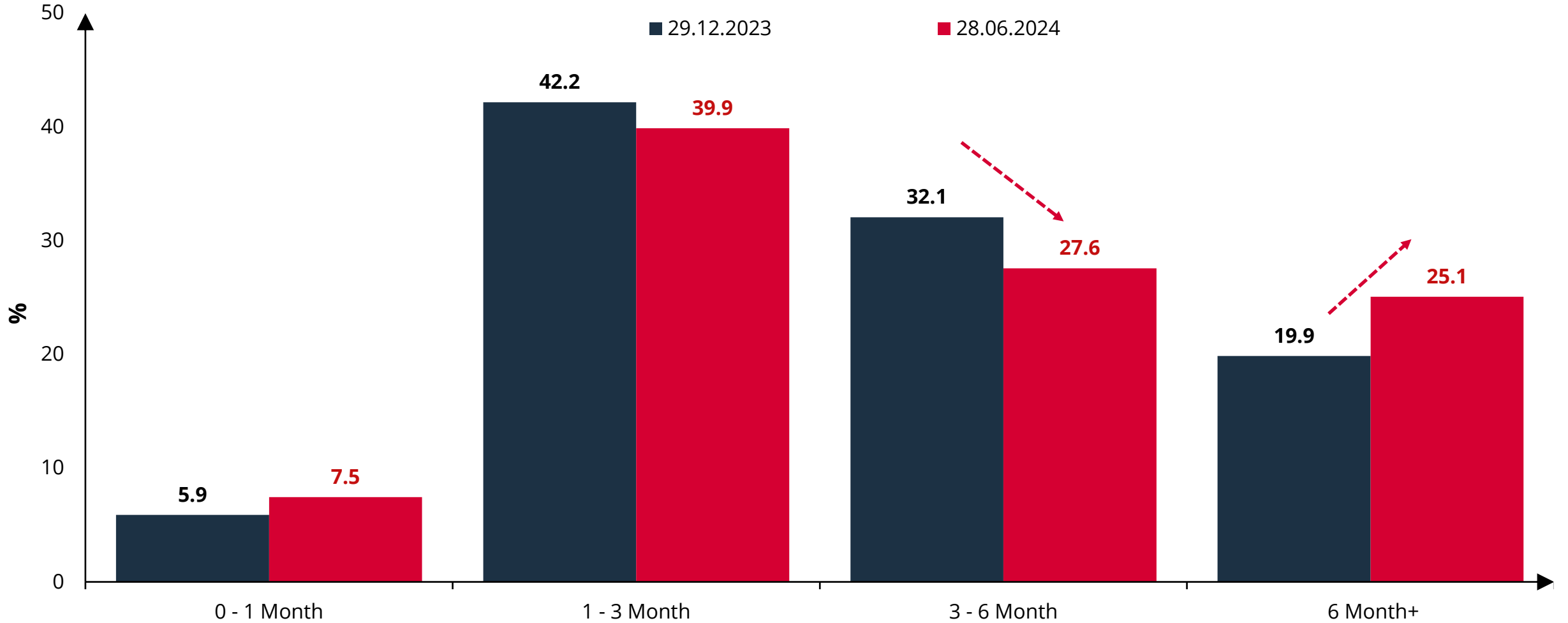


## TL Deposit Ex-Ante Real Interest Rates



# TL deposit maturities are rising.

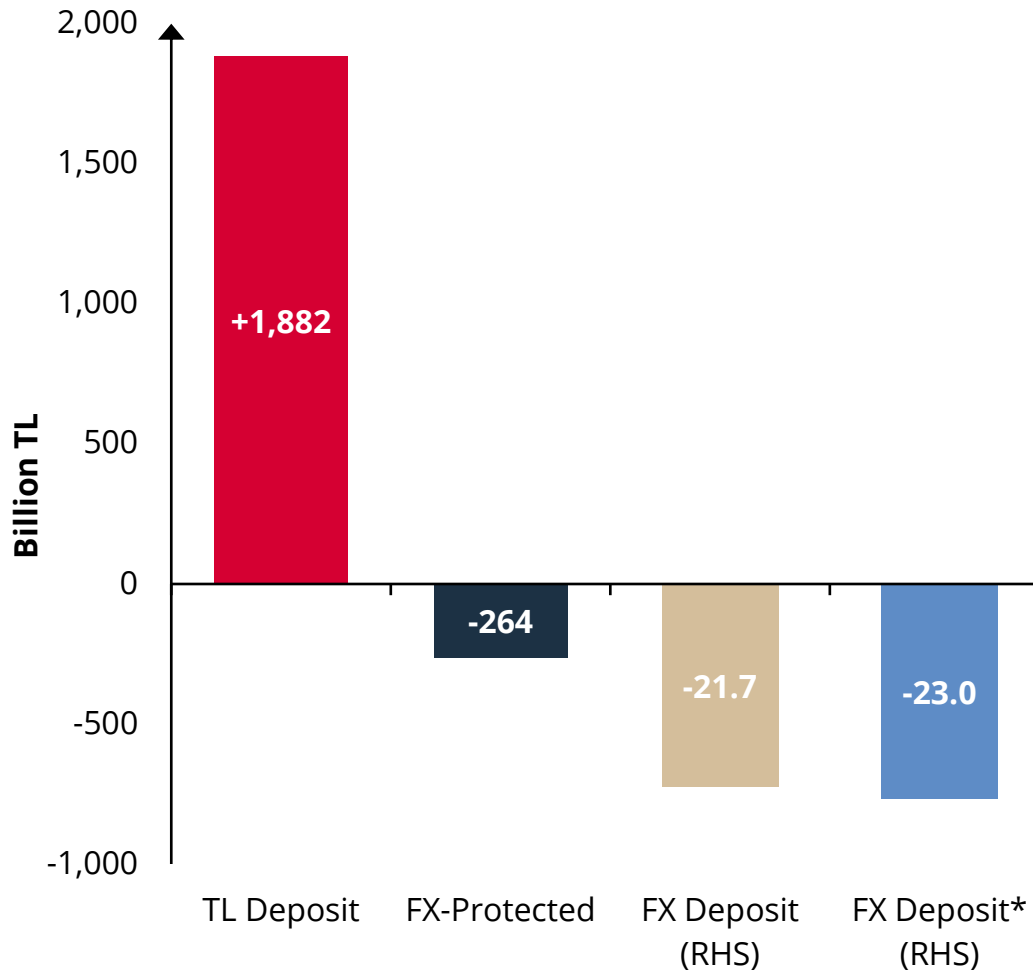
## TL Saving Term Deposit Maturity Breakdown



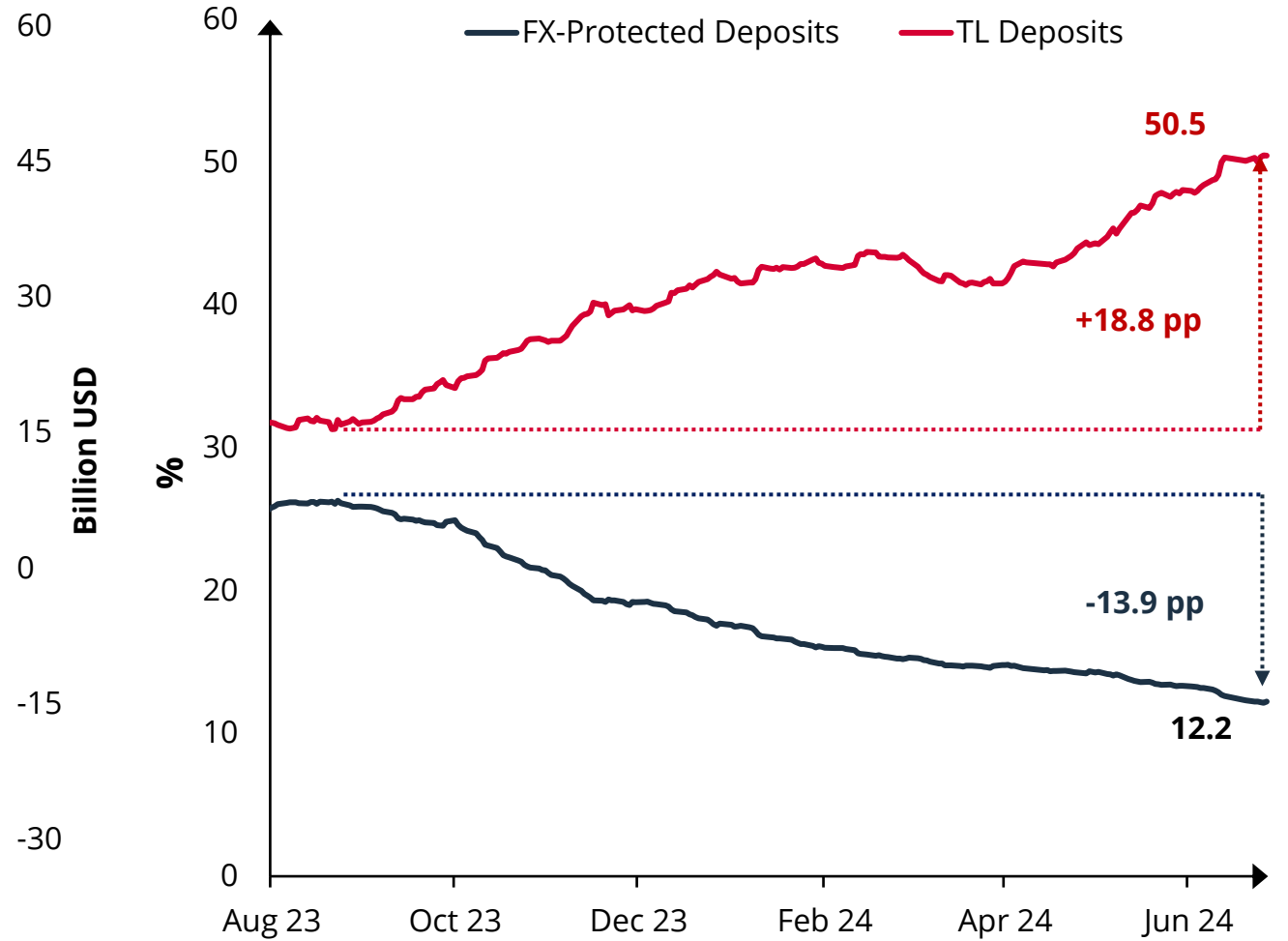


# The share of Turkish lira deposits has increased.

Change in Deposits (29 March - 28 June)



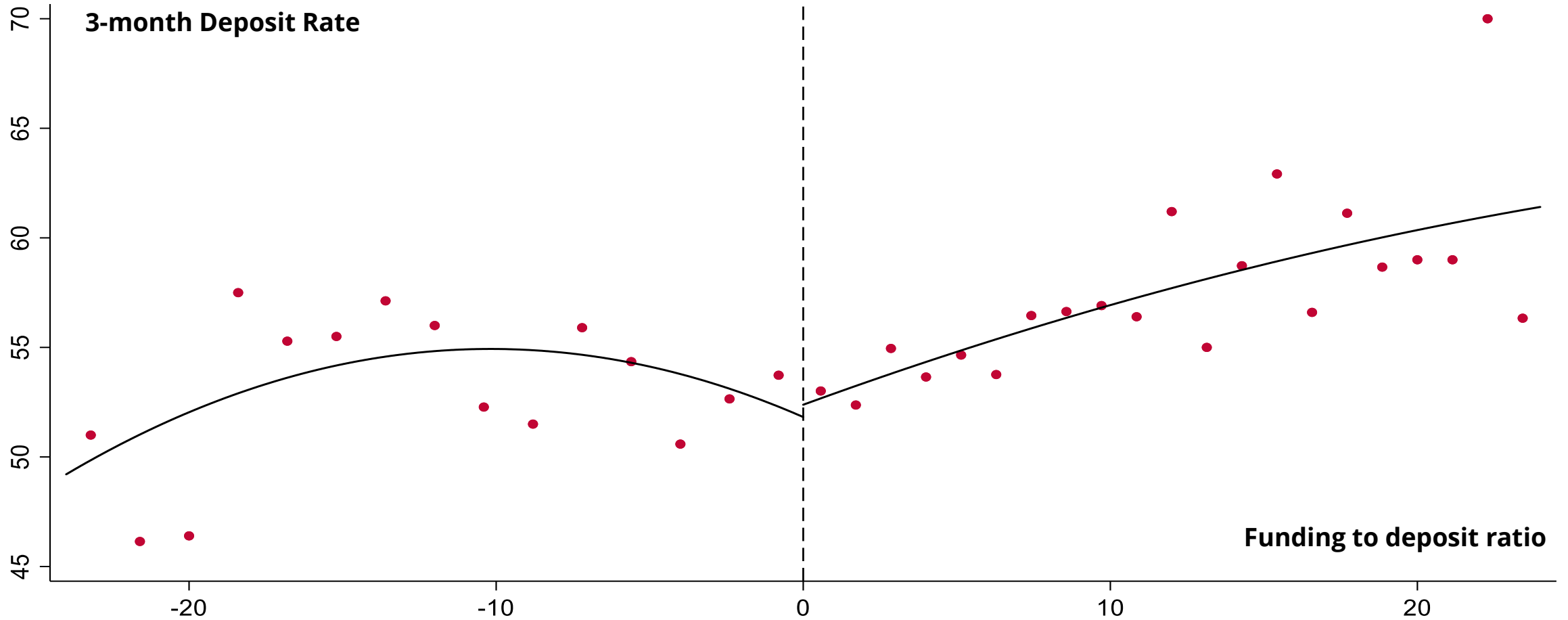
Deposit Share



# LIQUIDITY MANAGEMENT

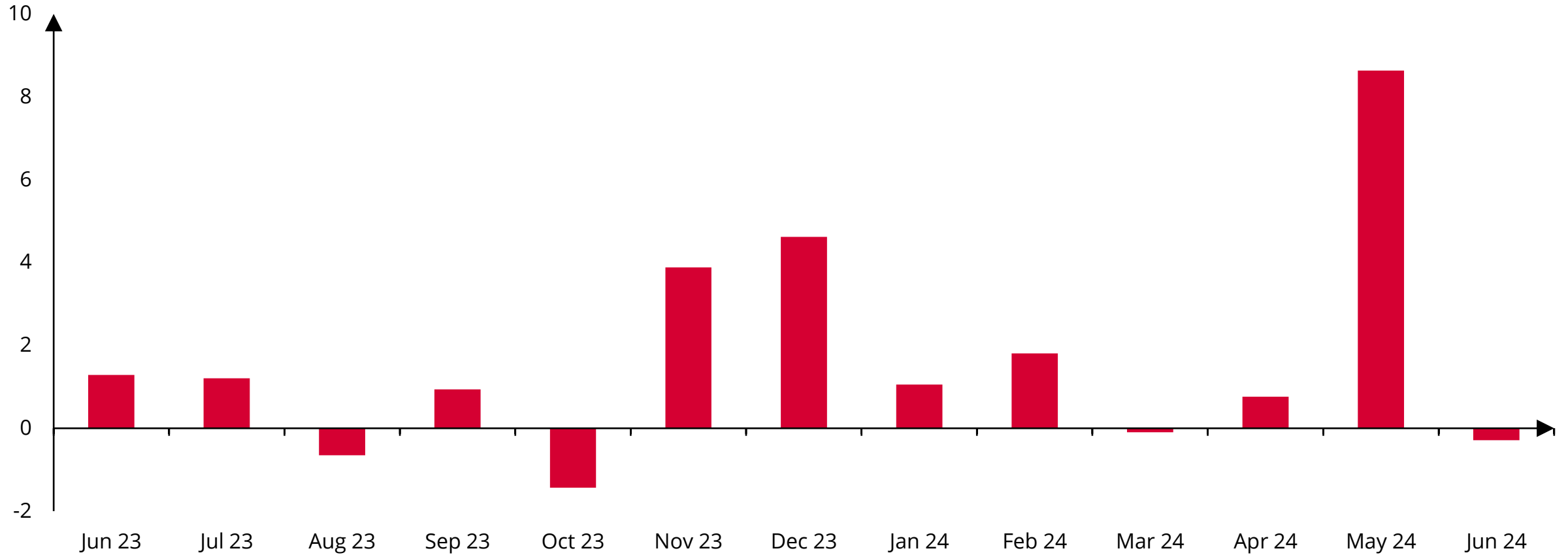
# There is positive correlation between TL liquidity need and deposit rates.

Deposit Rate vs. Bank Level Net OMO Funding

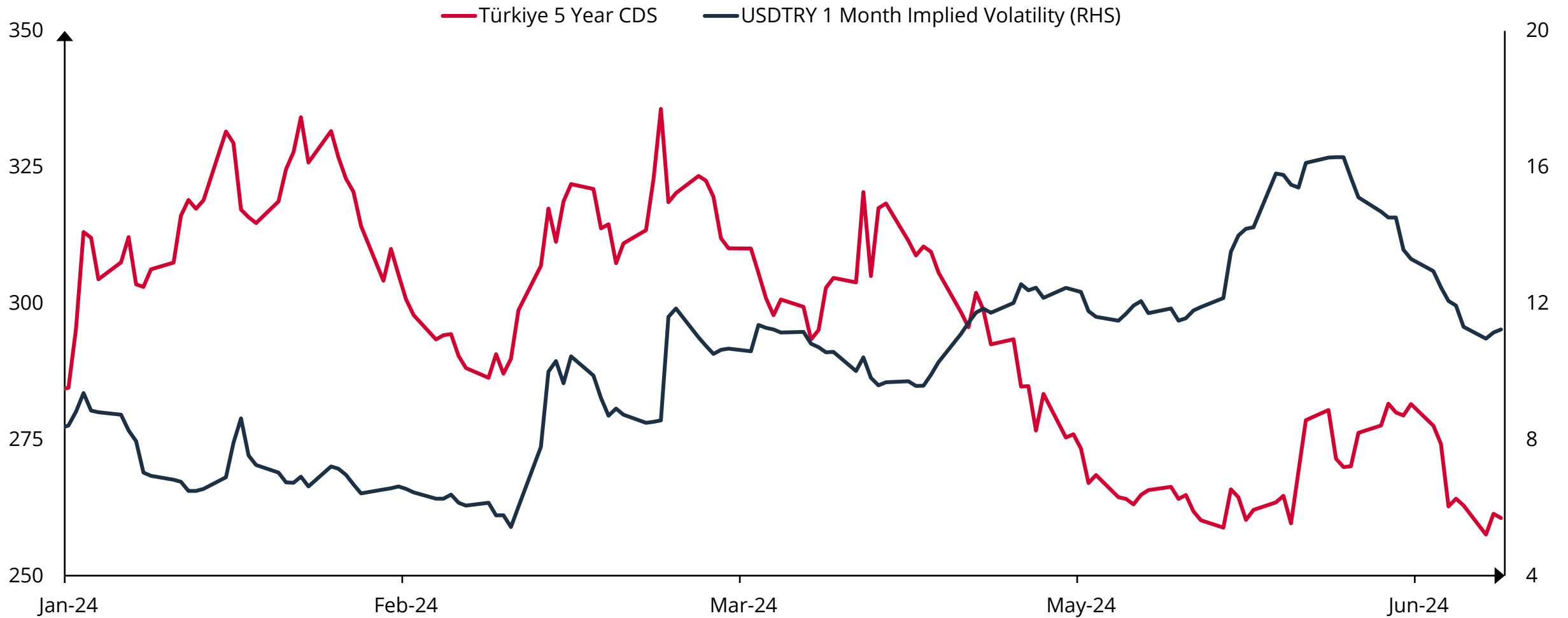


# Capital inflows raised liquidity in April and May.

Capital Flows Excluding Swaps (Billion USD)

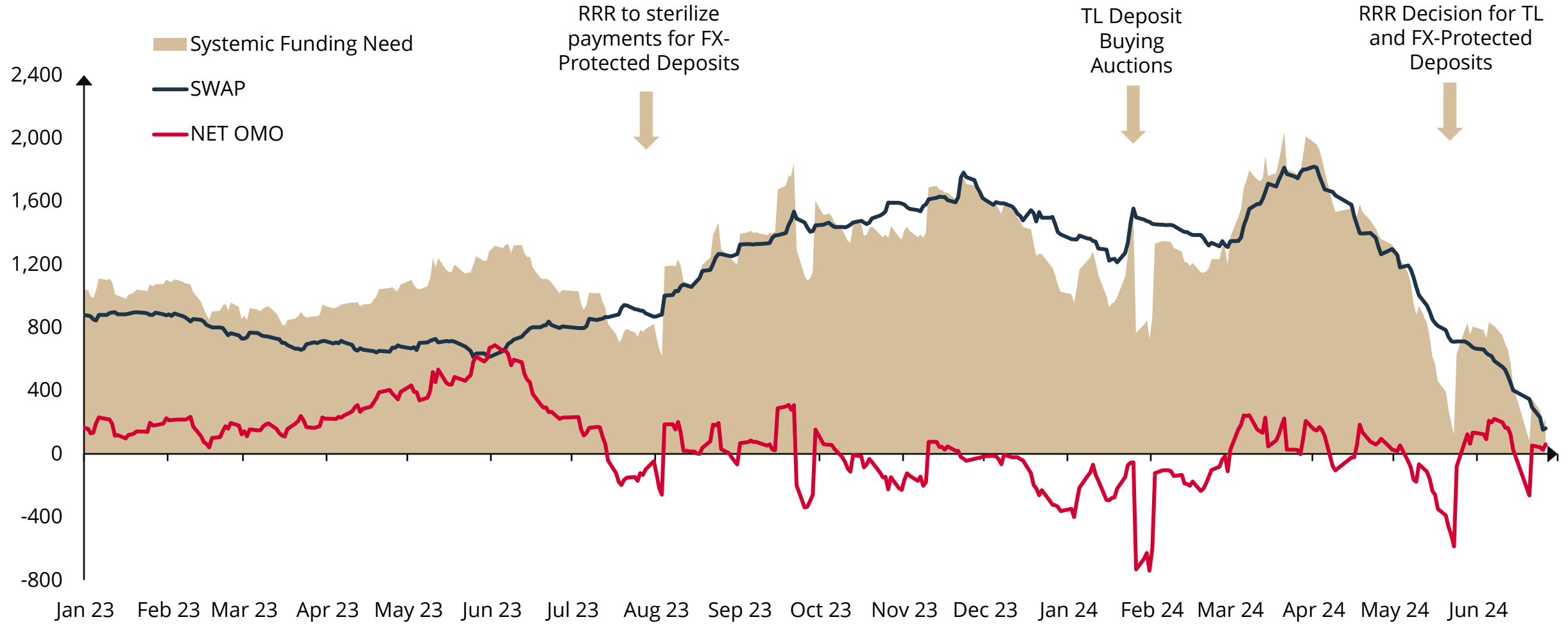


# Deepening in FX markets led to simultaneously more volatility and lower risk premia.



# The resulting excess liquidity has been sterilized.

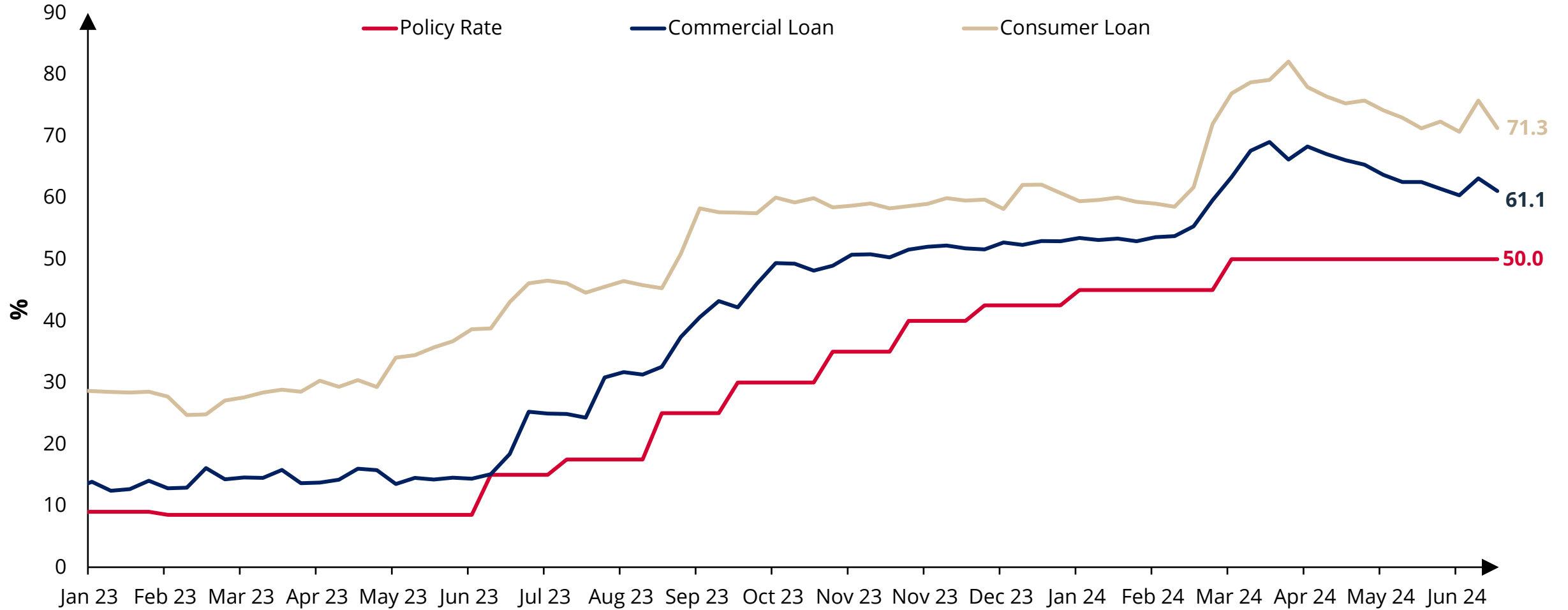
CBRT Swap Transactions and Net OMO (Billion TL)



# LOAN MARKET

# Financial conditions remain tight.

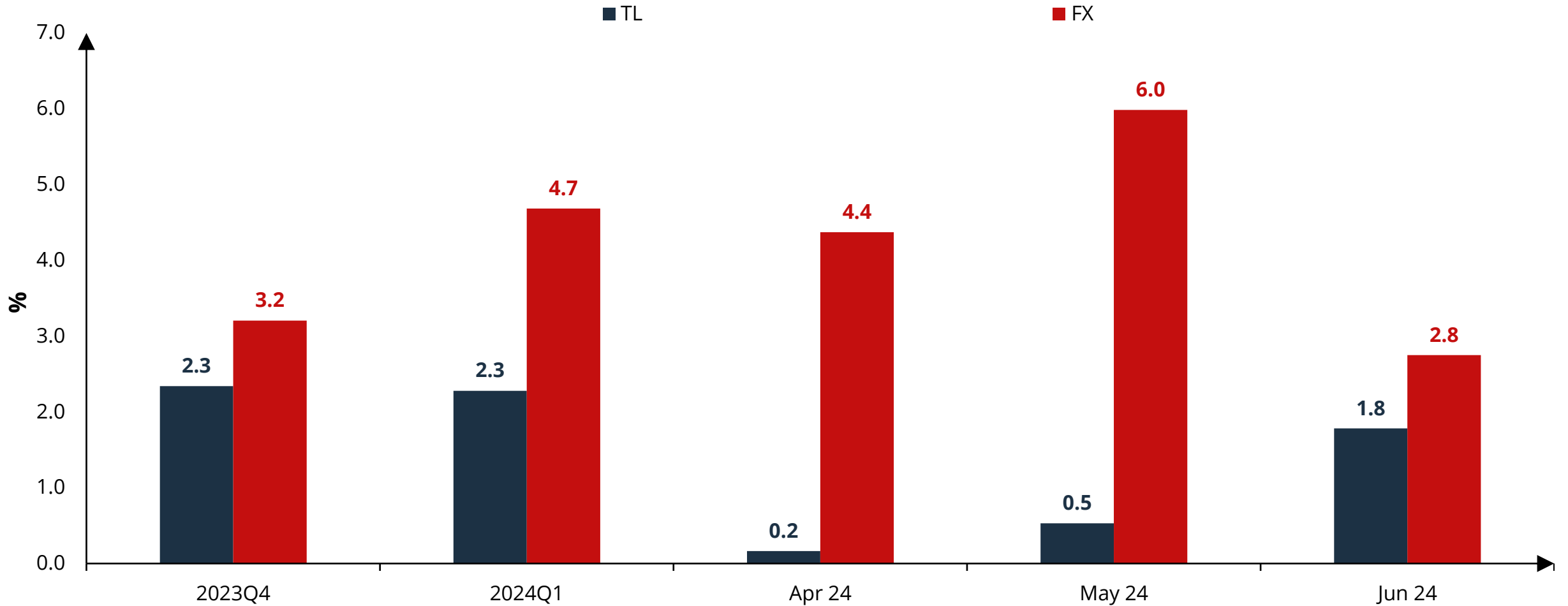
## Interest Rates





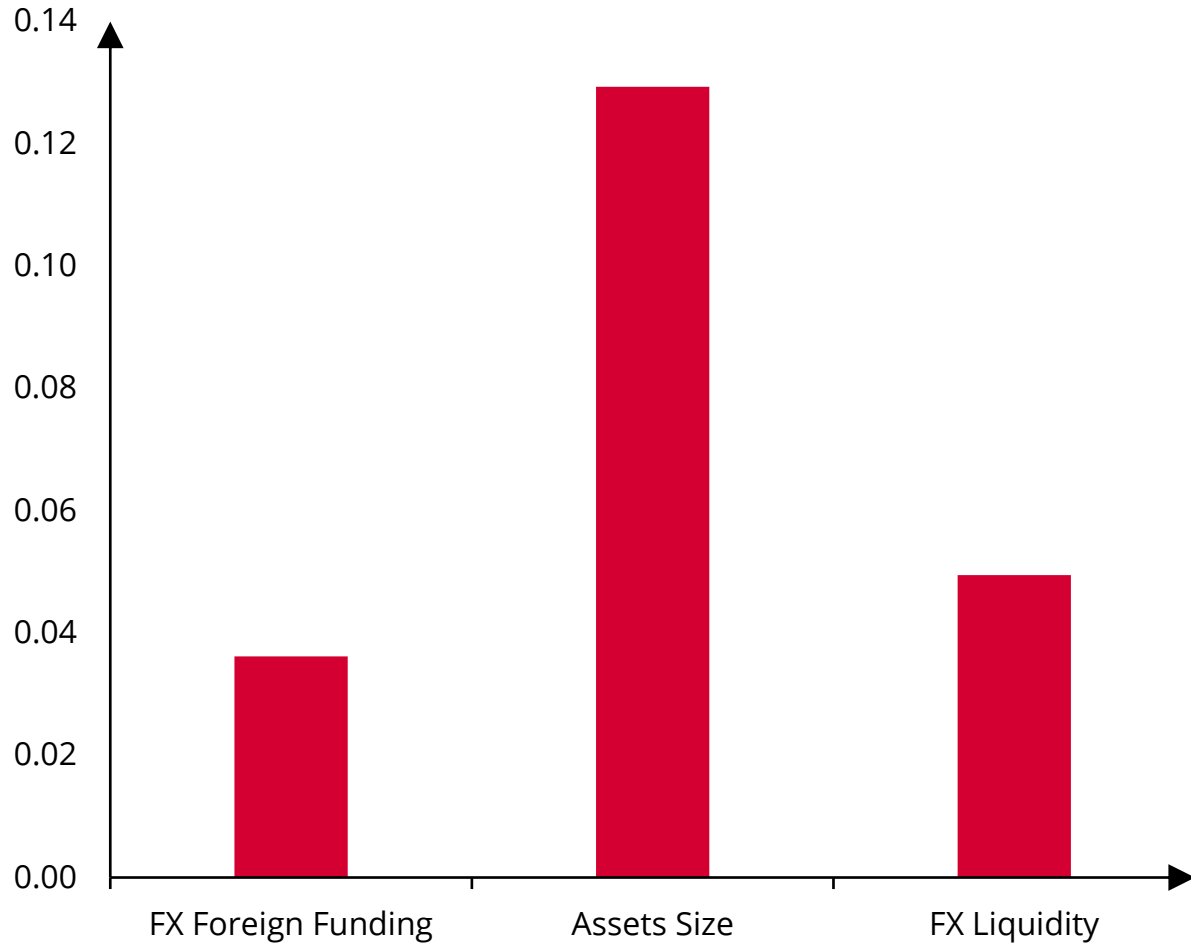
# TL commercial loan growth slowed down while FX loan growth accelerated.

## Commercial Loan Monthly Growth by Currency

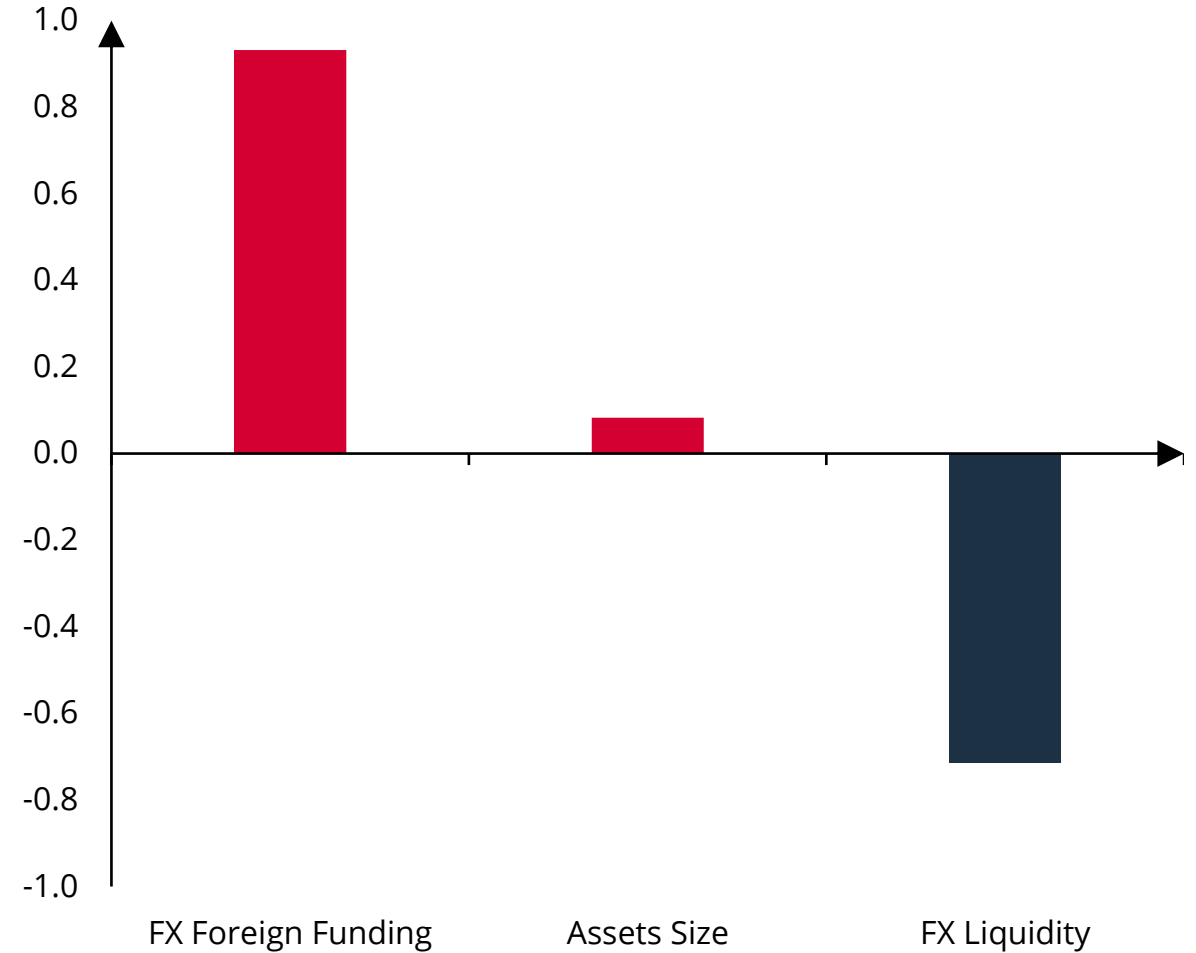


# FX liquidity leads banks to extend more FX loans with shorter maturities.

## Impact on loan amount

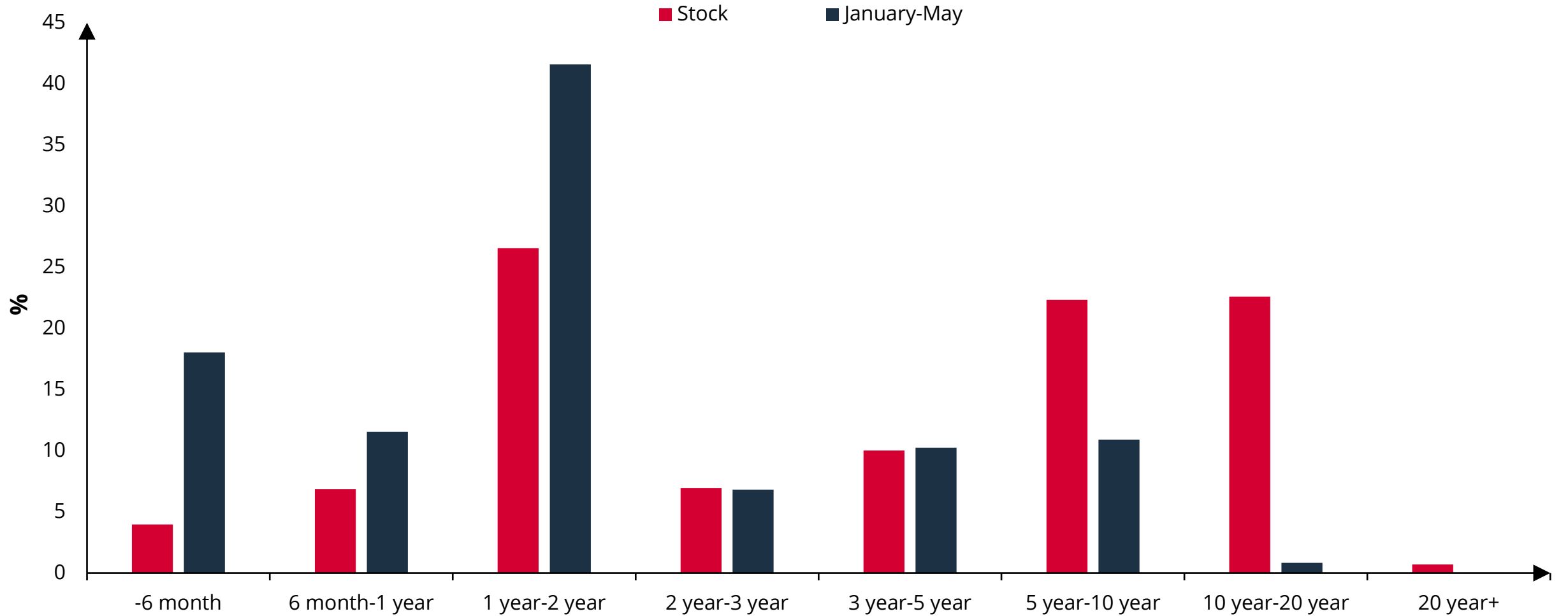


## Impact on loan maturity



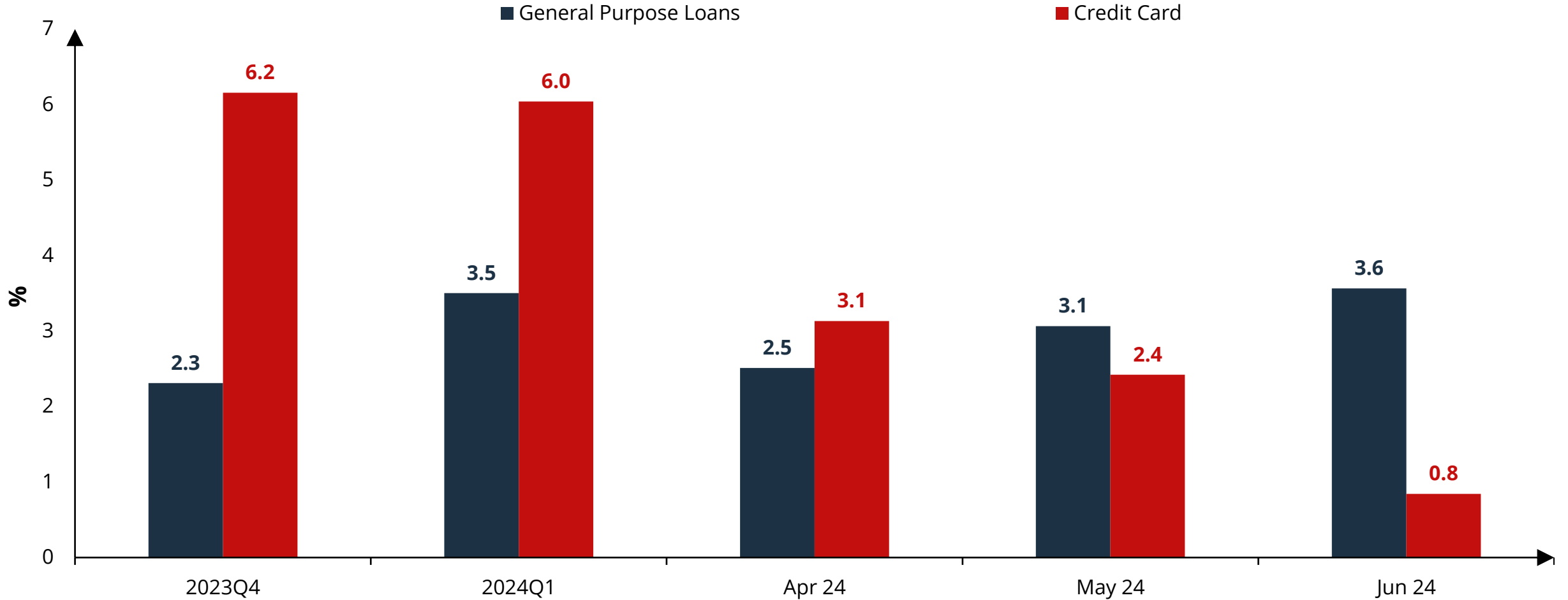
# Banks have inclined to provide shorter-term FX loans in 2024.

## Maturity Breakdown of FX Loans



# Consumer loan growth has been weakening.

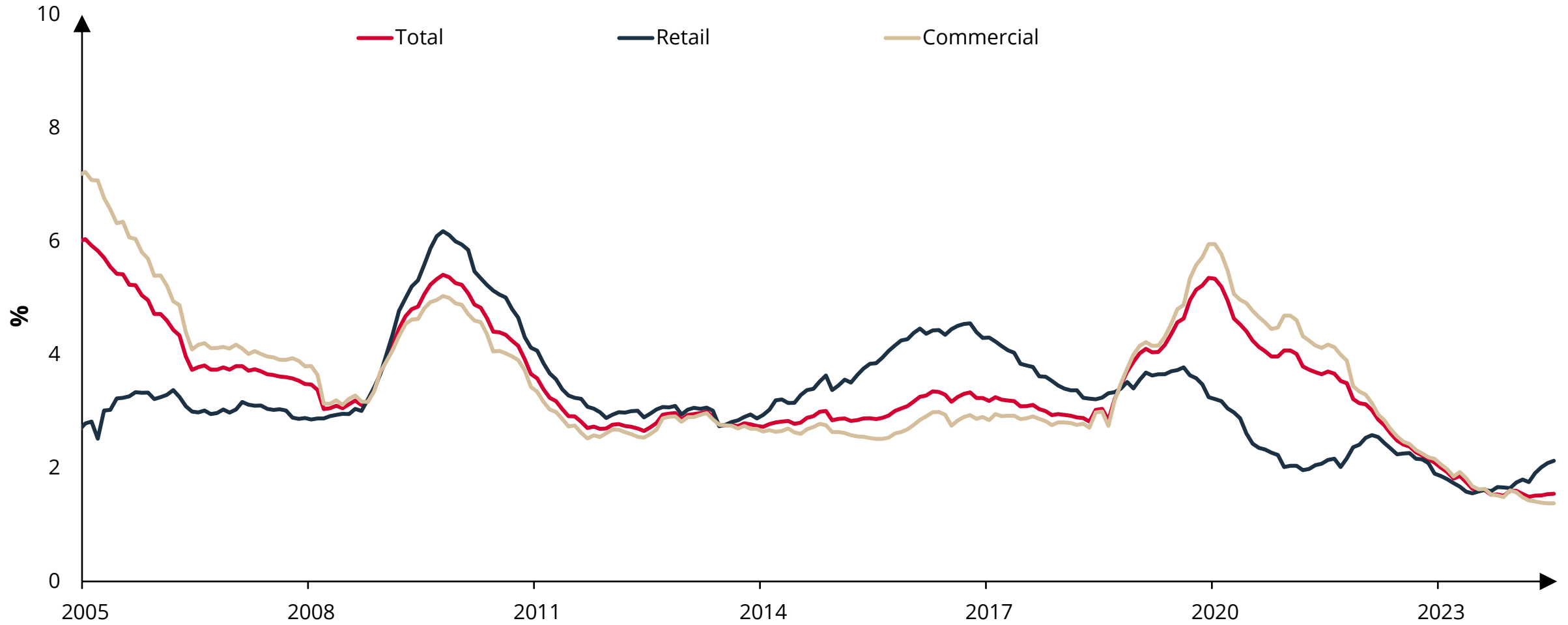
## Consumer Loan Monthly Growth by Category



# FINANCIAL SECTOR RESILIENCE

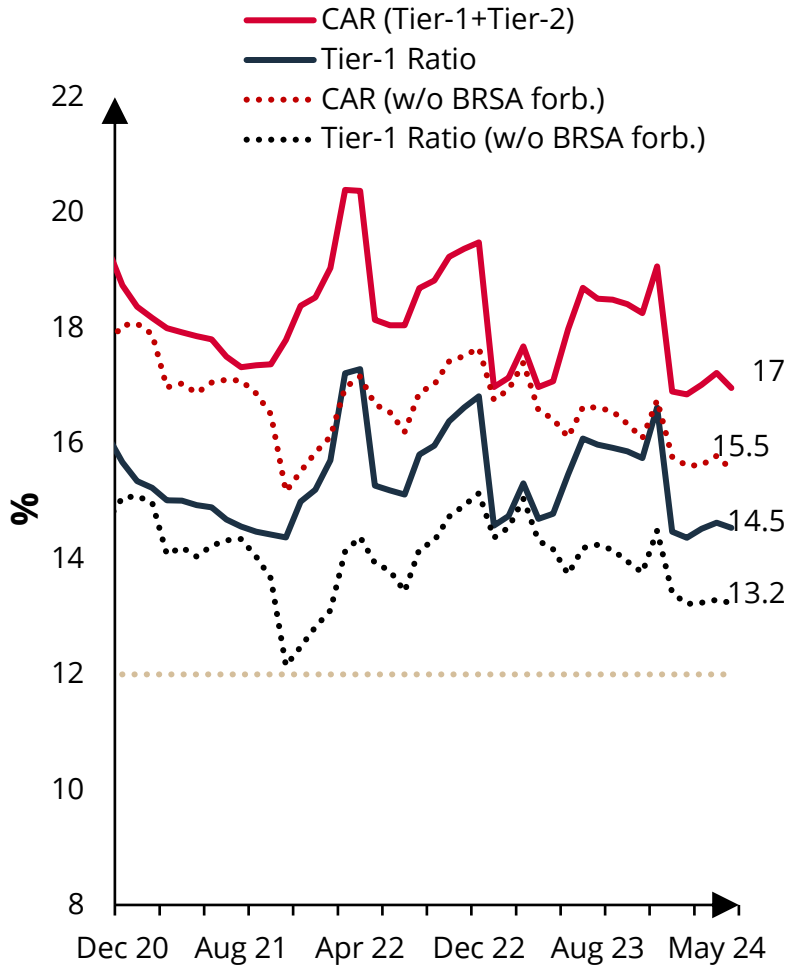
# NPL ratios remain well-below historical averages.

## NPL Ratios

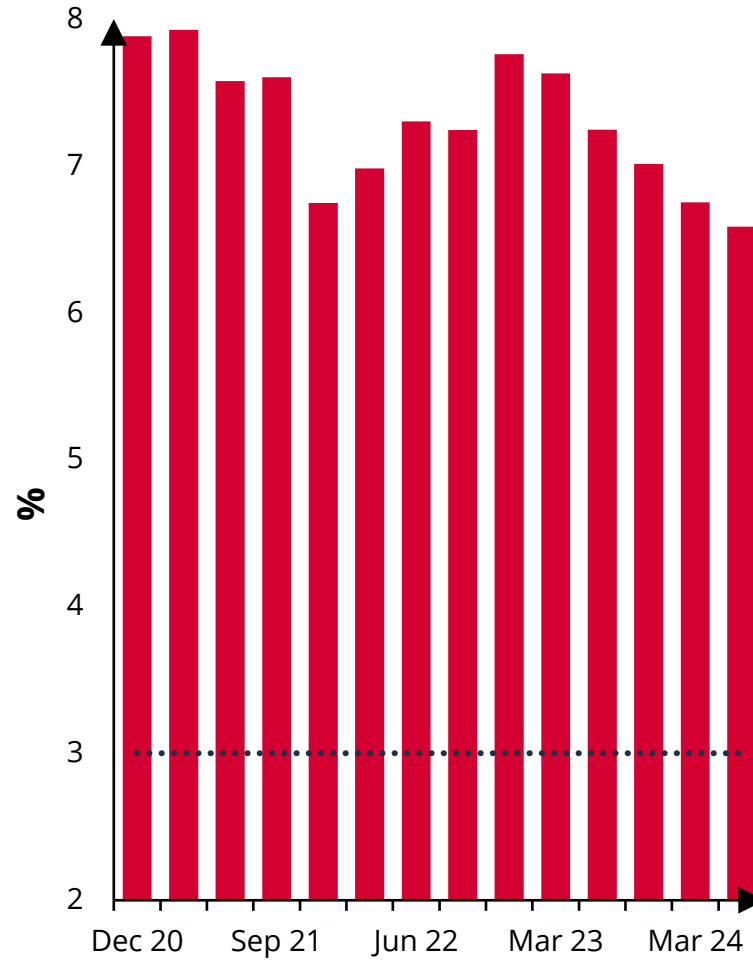


# Capital and liquidity buffers are at comfortable levels.

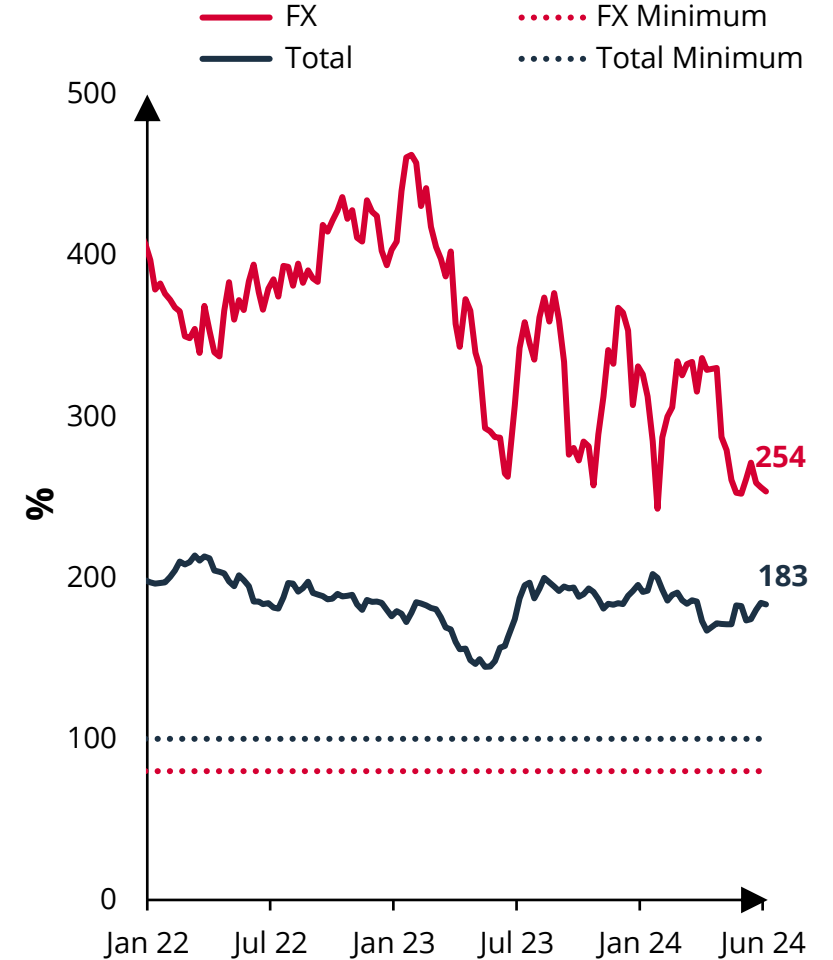
## Capital Ratios



## Leverage Ratio\*

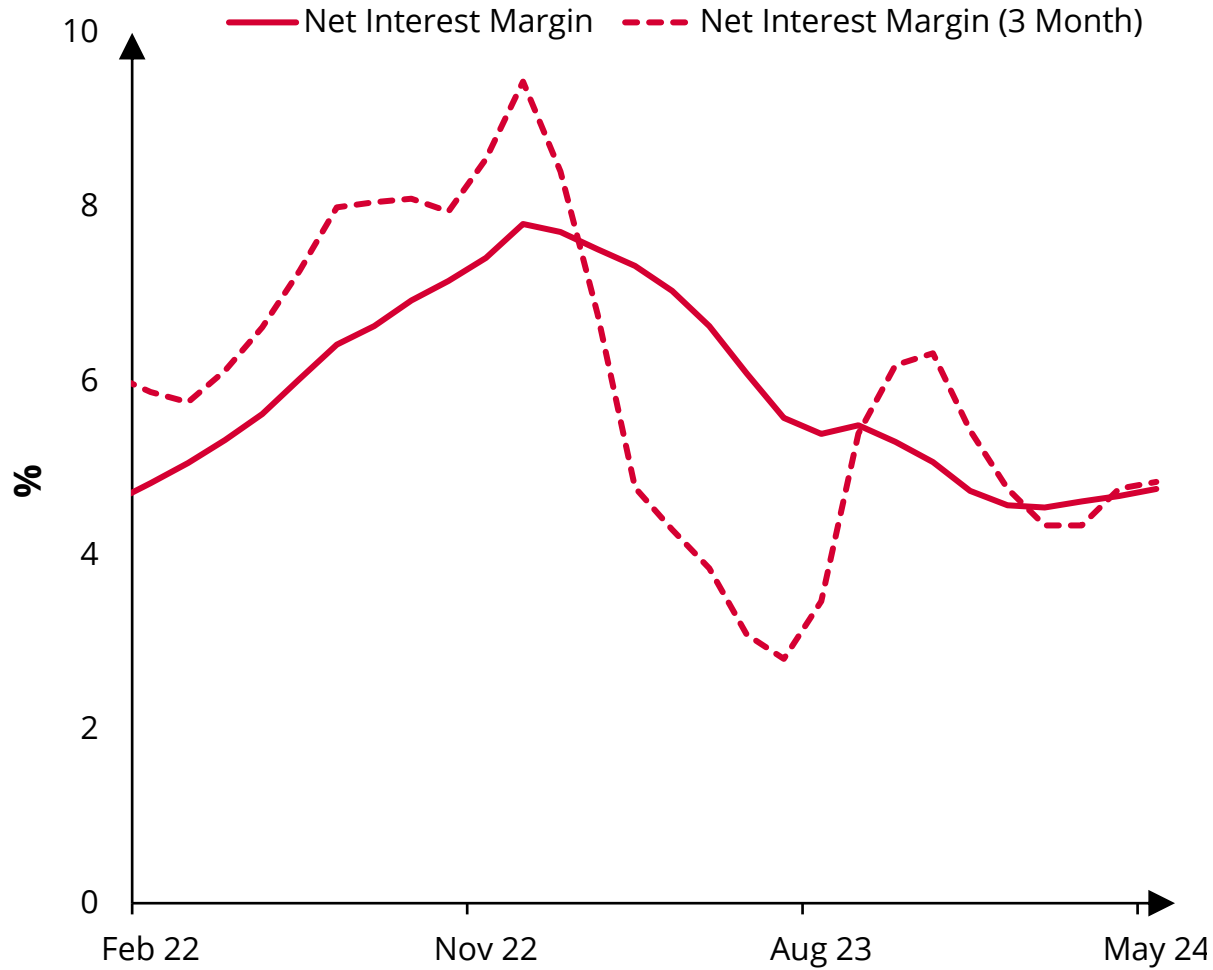


## Liquidity Coverage Ratio\*

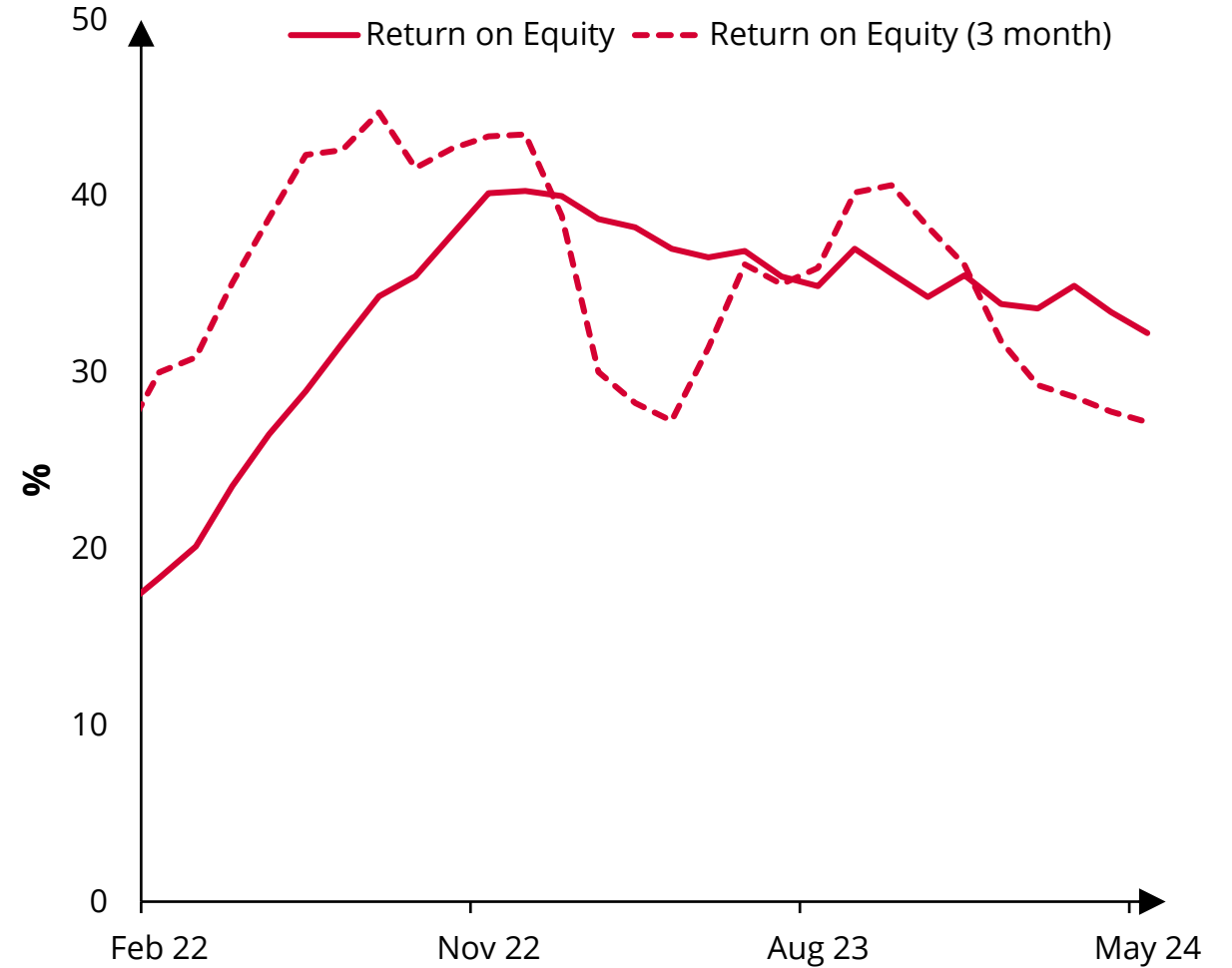


# Net interest rate margins are rebounding.

## Net Interest Margin\*



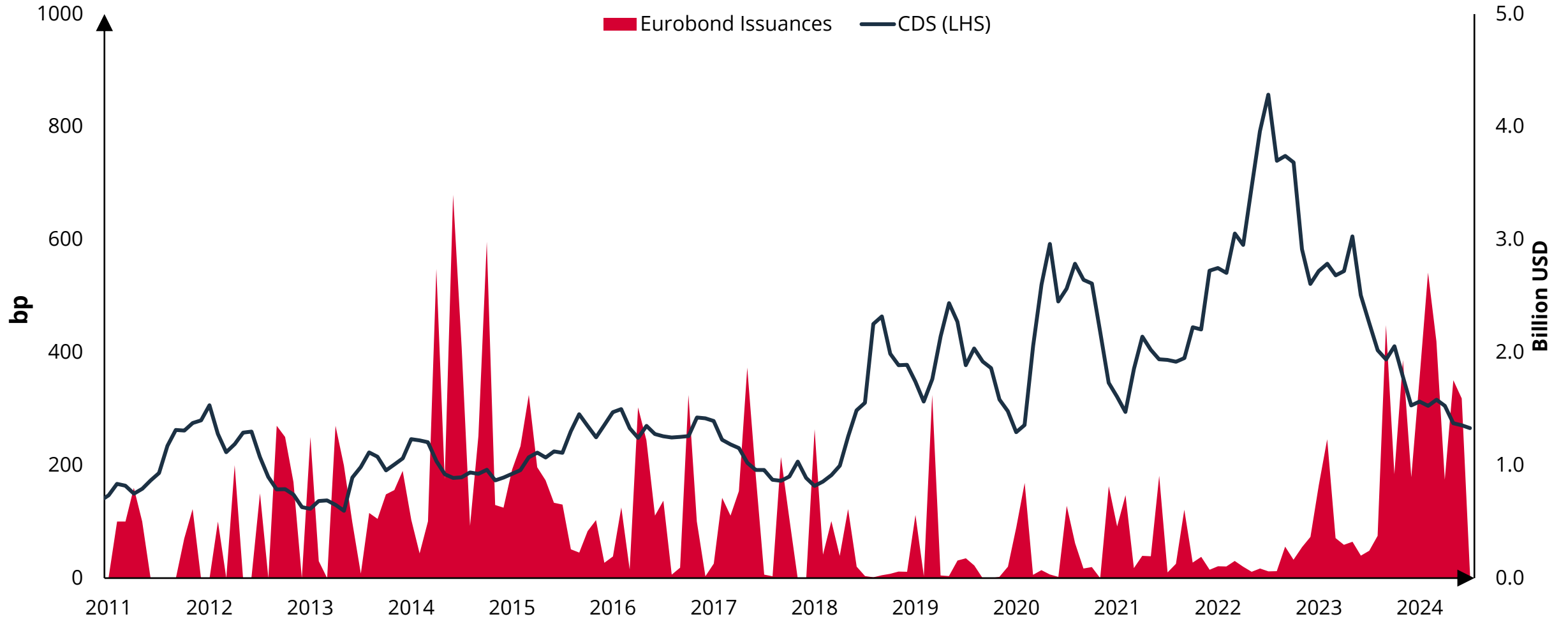
## Banking Sector Profitability\*\*





# Banks' access to long term market funding has improved in 2024.

Banks' Eurobond Issuances and CDS (Flow)





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