



Banking on Turkey



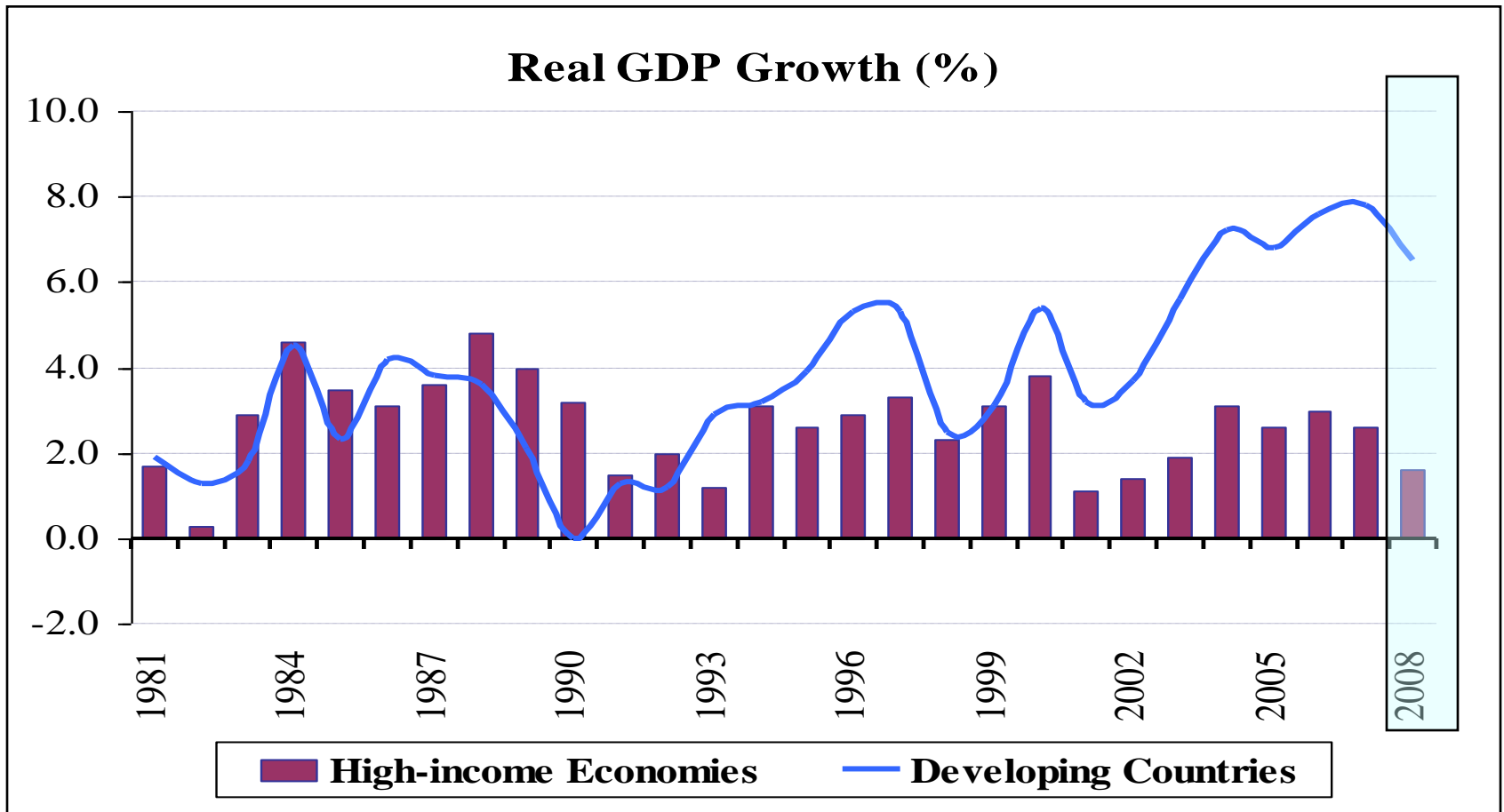
Ulrich Zachau
Director, Turkey
The World Bank

21st October 2008, London





Growth is Slowing Down - Everywhere



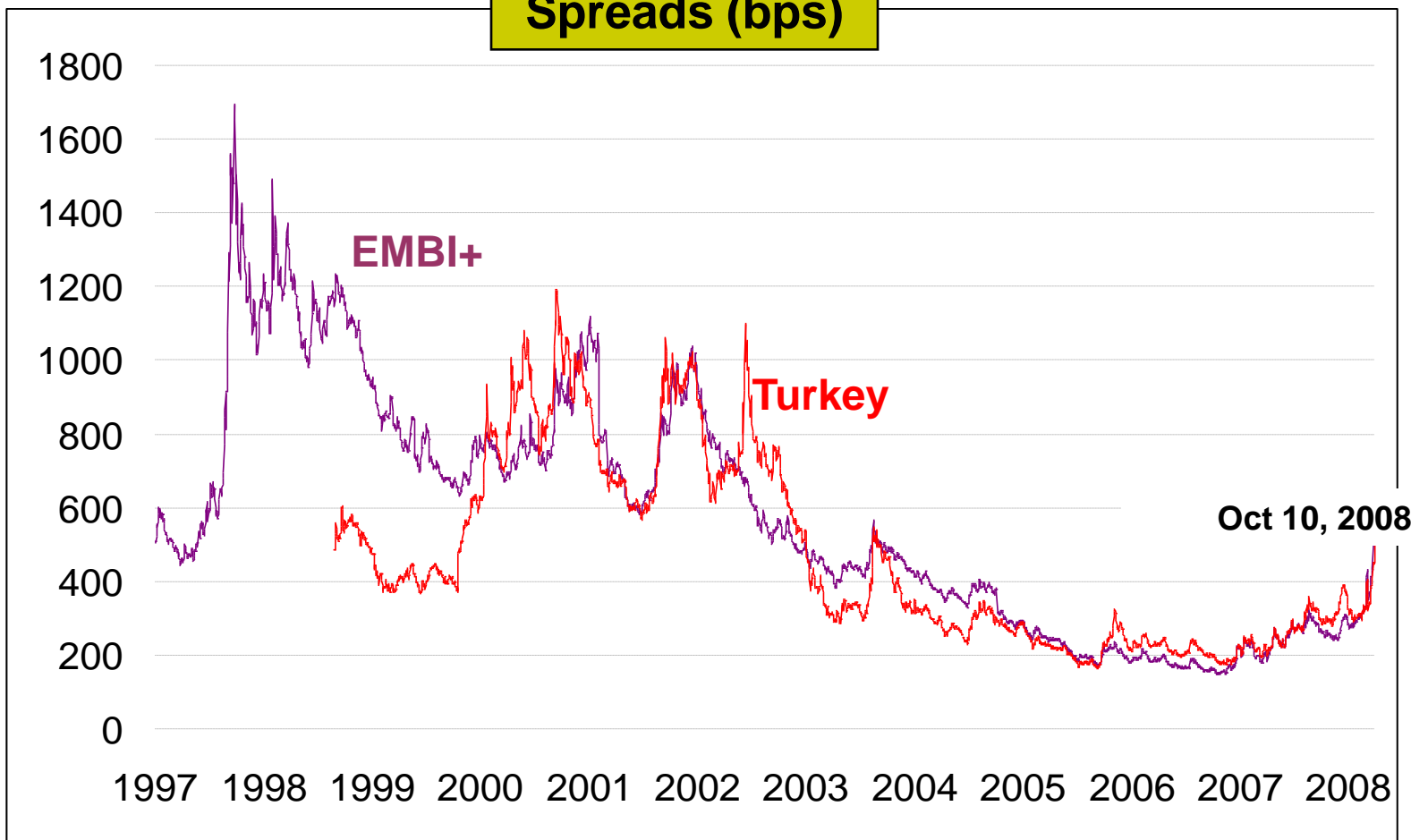
Source: WB, Forecast for 2008



Financial Turmoil Drives Flight to Quality



Spreads (bps)

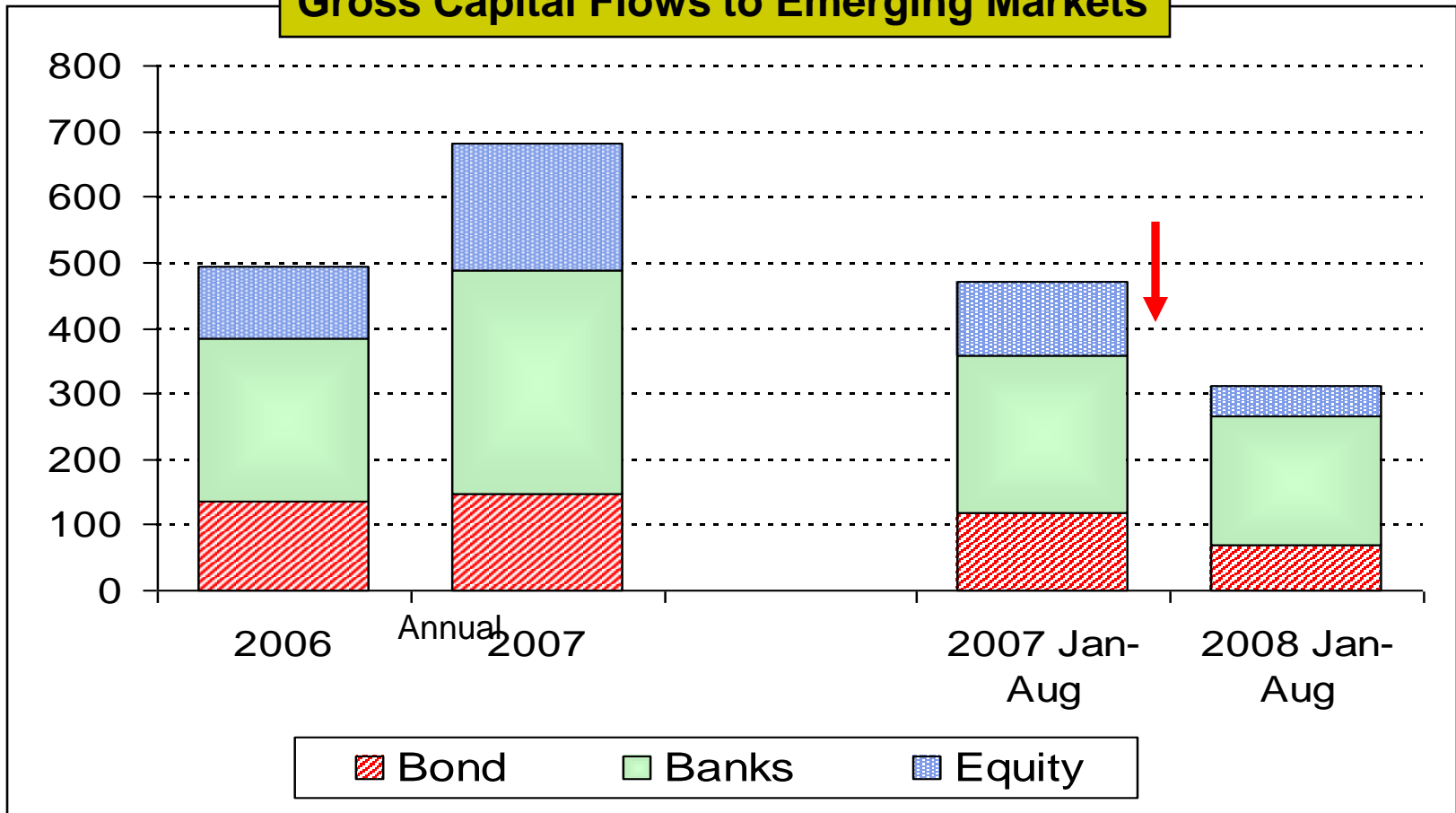




Capital Flows to Emerging Markets are Declining



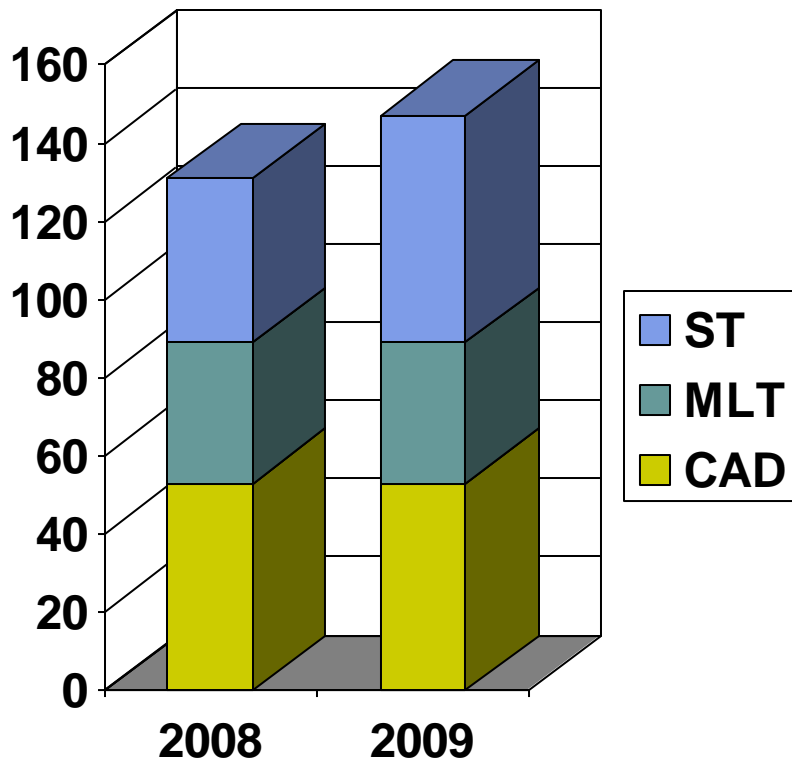
Gross Capital Flows to Emerging Markets



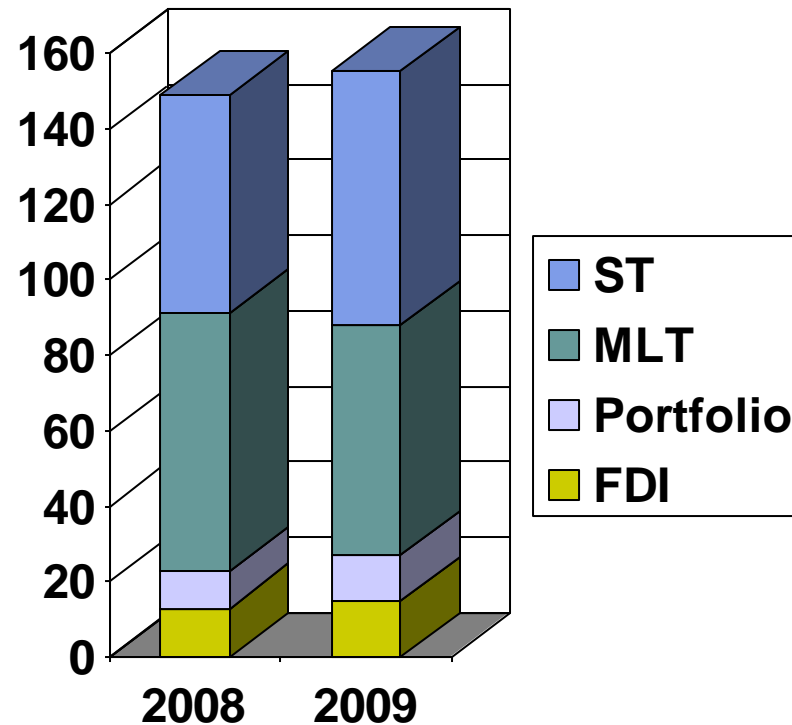
Source: WB



Turkey has Large External Financing Needs



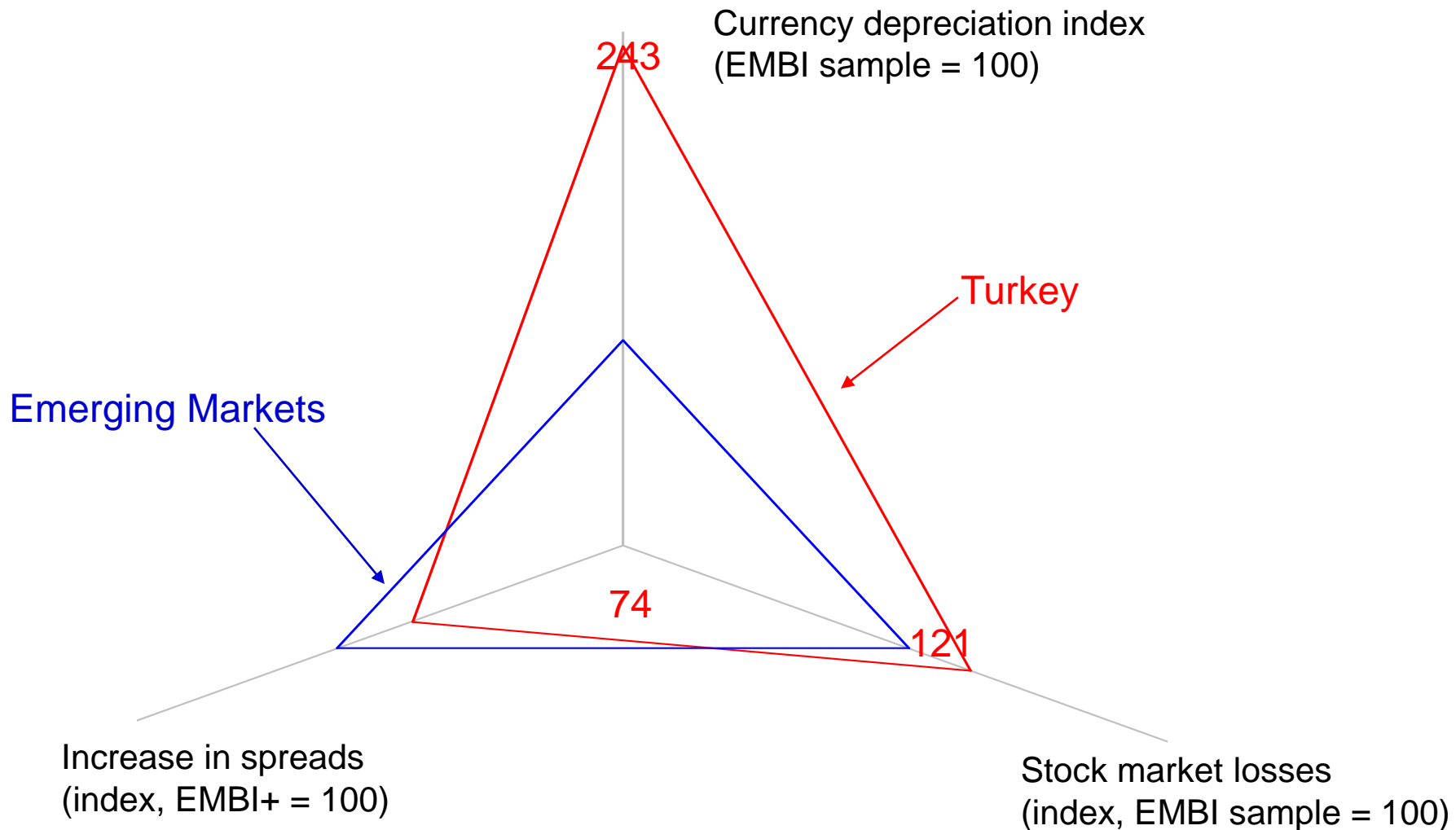
Requirement (US\$ bn)



Sources (US\$ bn)



YTL Underperformed Emerging Markets, Spreads & Stocks in Line September 5 – October 17, 2008

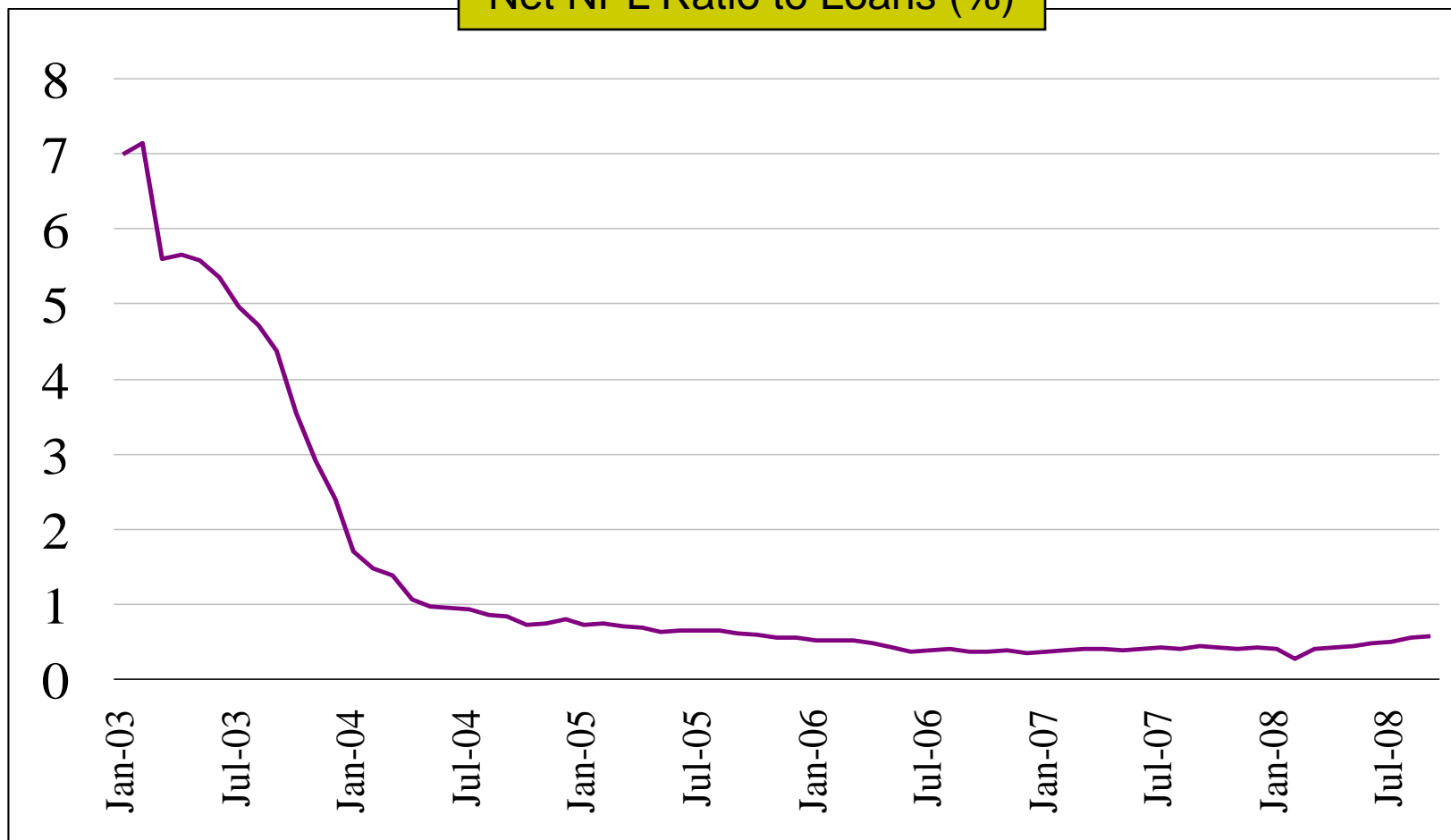




NPL Ratios Remain Low

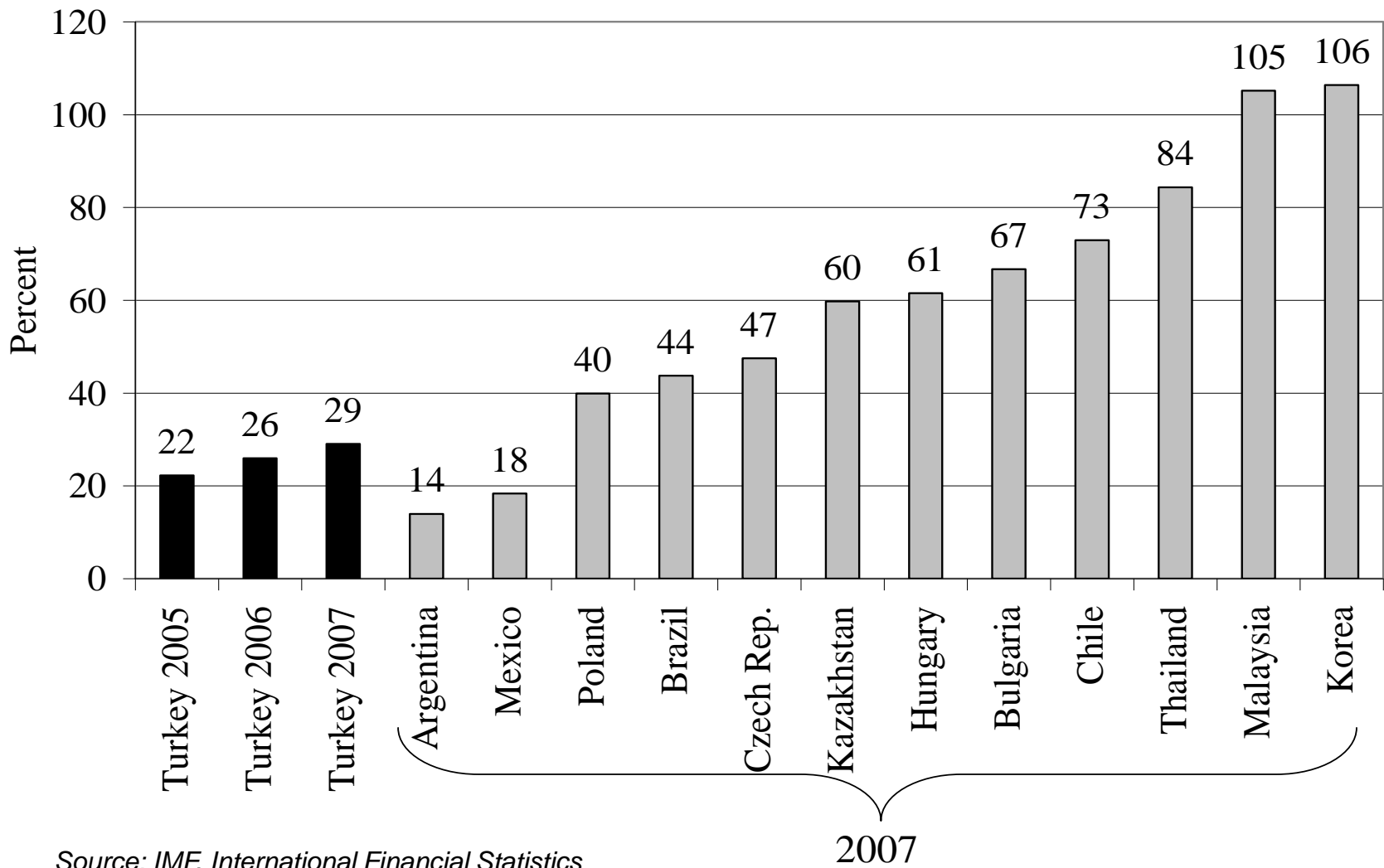


Net NPL Ratio to Loans (%)





Domestic Credit to Private Sector is Growing, but still Low



Source: IMF, International Financial Statistics



Foreign Ownership is Limited, Particularly Controlling Stakes



Foreign ownership in the banking system, in percent of system's total (July '08)

Majority or Wholly Owned	Assets	Deposits	Loans	Shareholder	Assets	Deposits	Loans
<u>Finansbank</u> ¹	3.7	5.1	3.6	Akbank ³	12.2	13.2	11.5
<u>Deniz (Dexia)</u>	2.7	3.7	2.6	Garanti ⁴	12.0	13.3	11.0
HSBC	2.4	3.3	2.1	YKB ⁵	9.0	10.2	9.0
<u>ING (Oyak)</u>	2.2	3.0	2.5	TEB ⁶	2.1	2.4	2.0
Fortis	1.8	2.0	1.6	Şekerbank ⁷	1.1	1.3	1.2
Citibank	0.7	0.7	0.9				
Others ²	1.5	1.0	1.1				
<u>Total majority ownership</u>	<u>15.0</u>	<u>18.8</u>	<u>14.4</u>	<u>Total shareholding</u>	<u>36</u>	<u>39</u>	<u>33</u>

1/ 77 percent stake owned by National Bank of Greece.

2/ Includes ABN Amro, Deutsche, Societe General, and JP Morgan.

3/ 20 percent stake owned by Citibank.

4/ 21 percent stake owned by GE Capital.

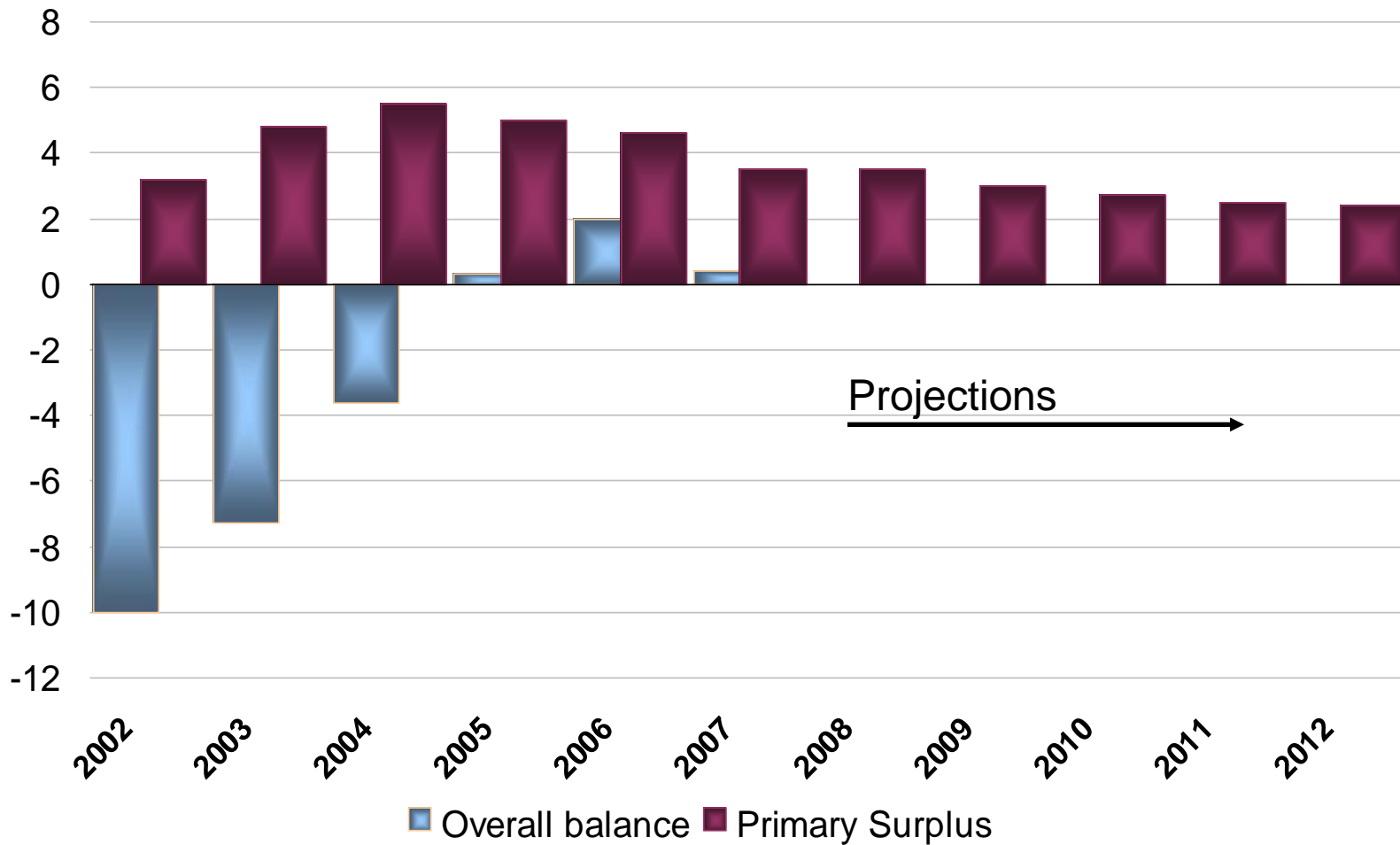
5/ Unicredit owns 50 percent of Koc Finans (which owns 82 percent of YKB).

6/ 42 percent stake owned by BNP.

7/ BTA Bank (Kazakhstan) owns 34 percent of shares.

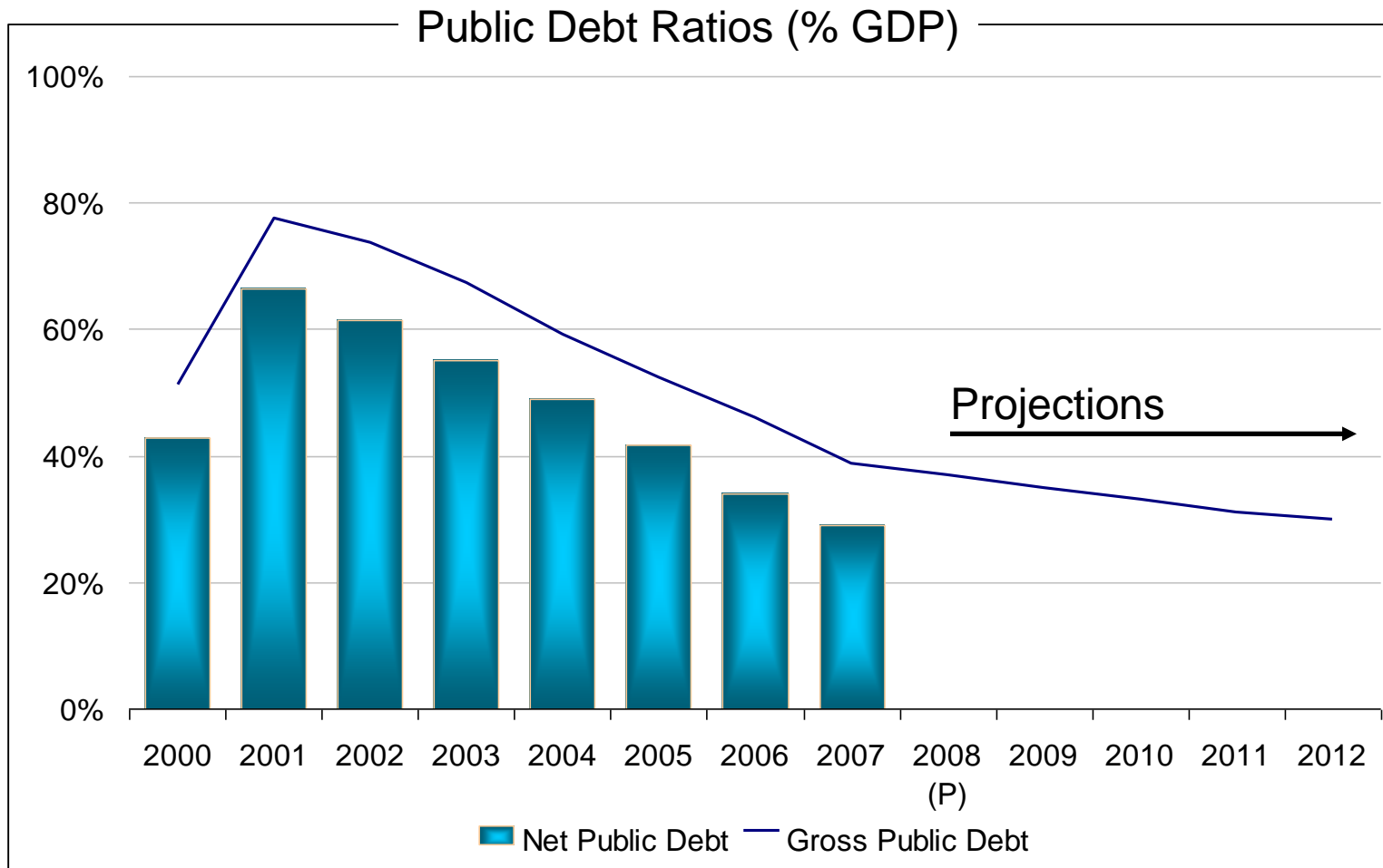


Fiscal Policy has been Robust...



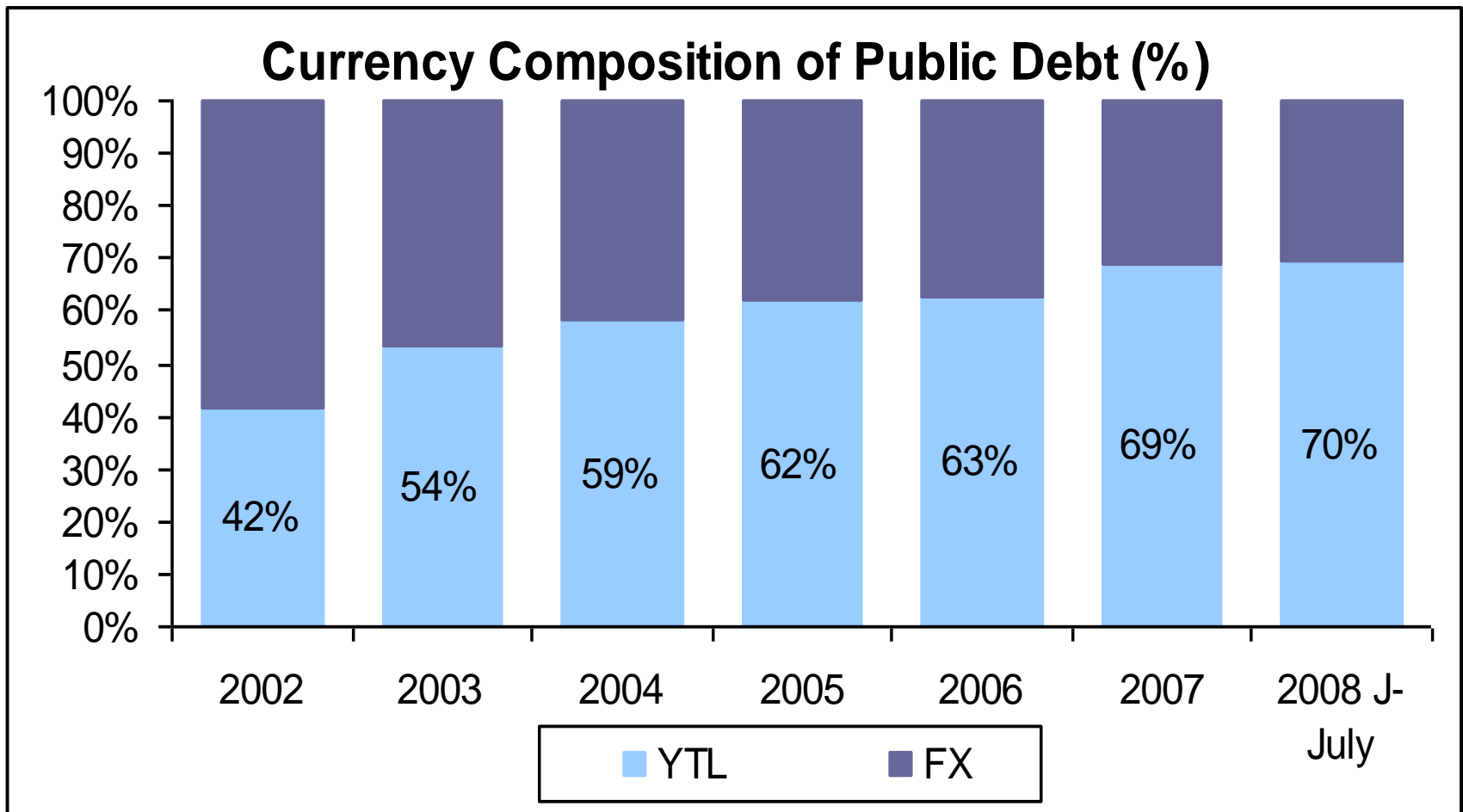


... so public debt has fallen...





... with an increased share in YTL

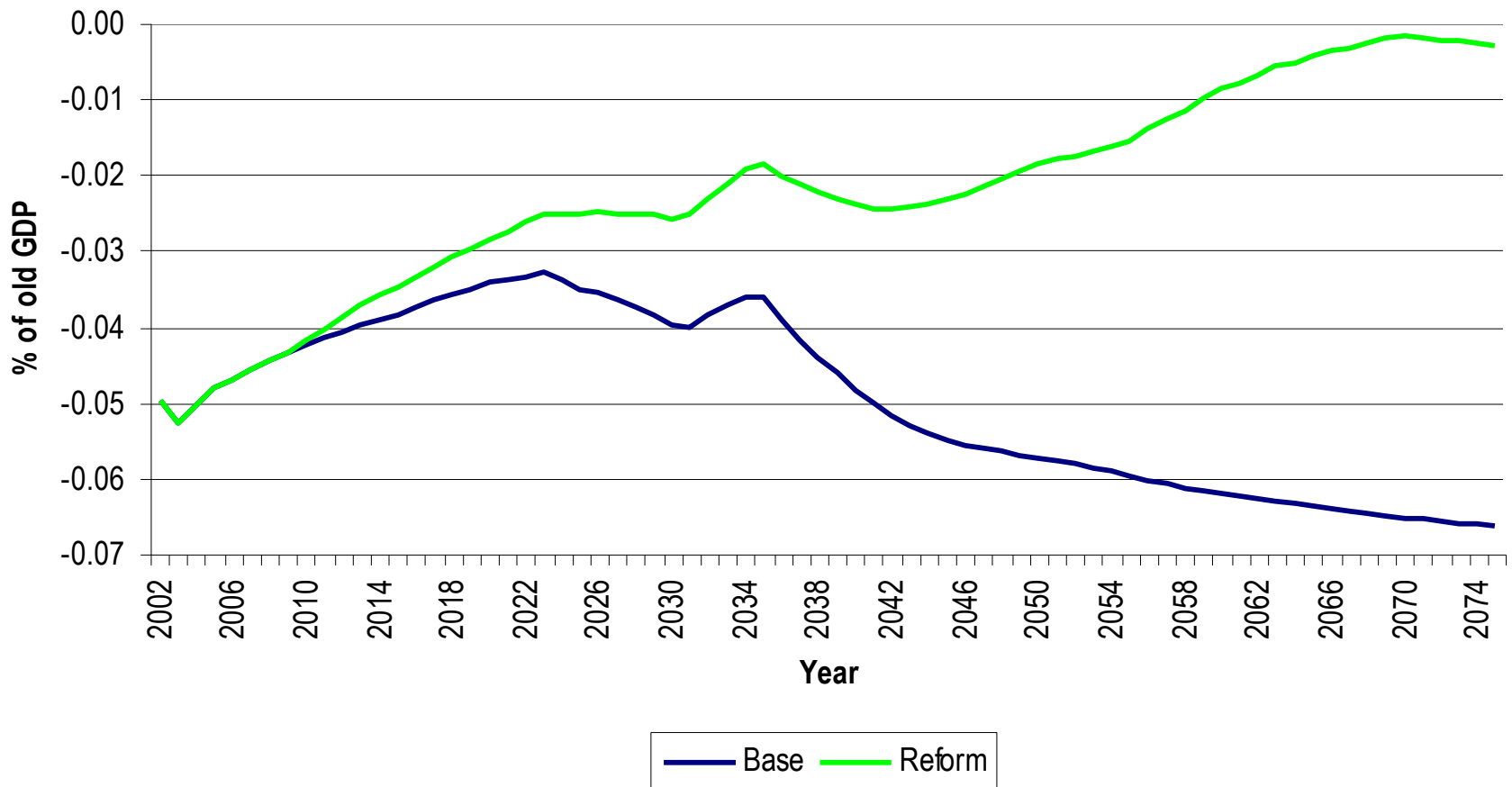




... and Social Security Reform is a Key Step to Long-Term Fiscal Sustainability

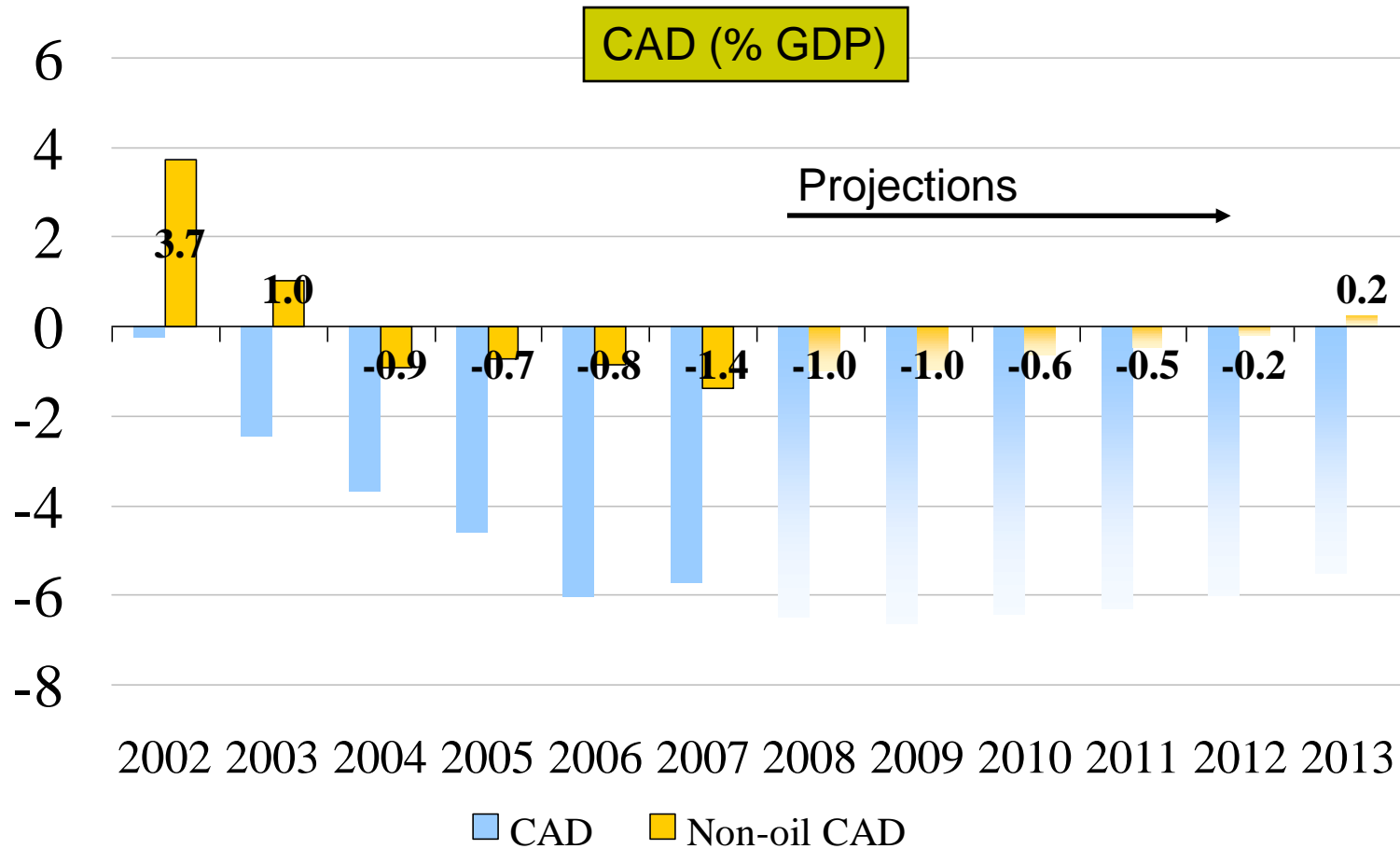


Figure: Turkey's Pension Deficit Before and After Reform



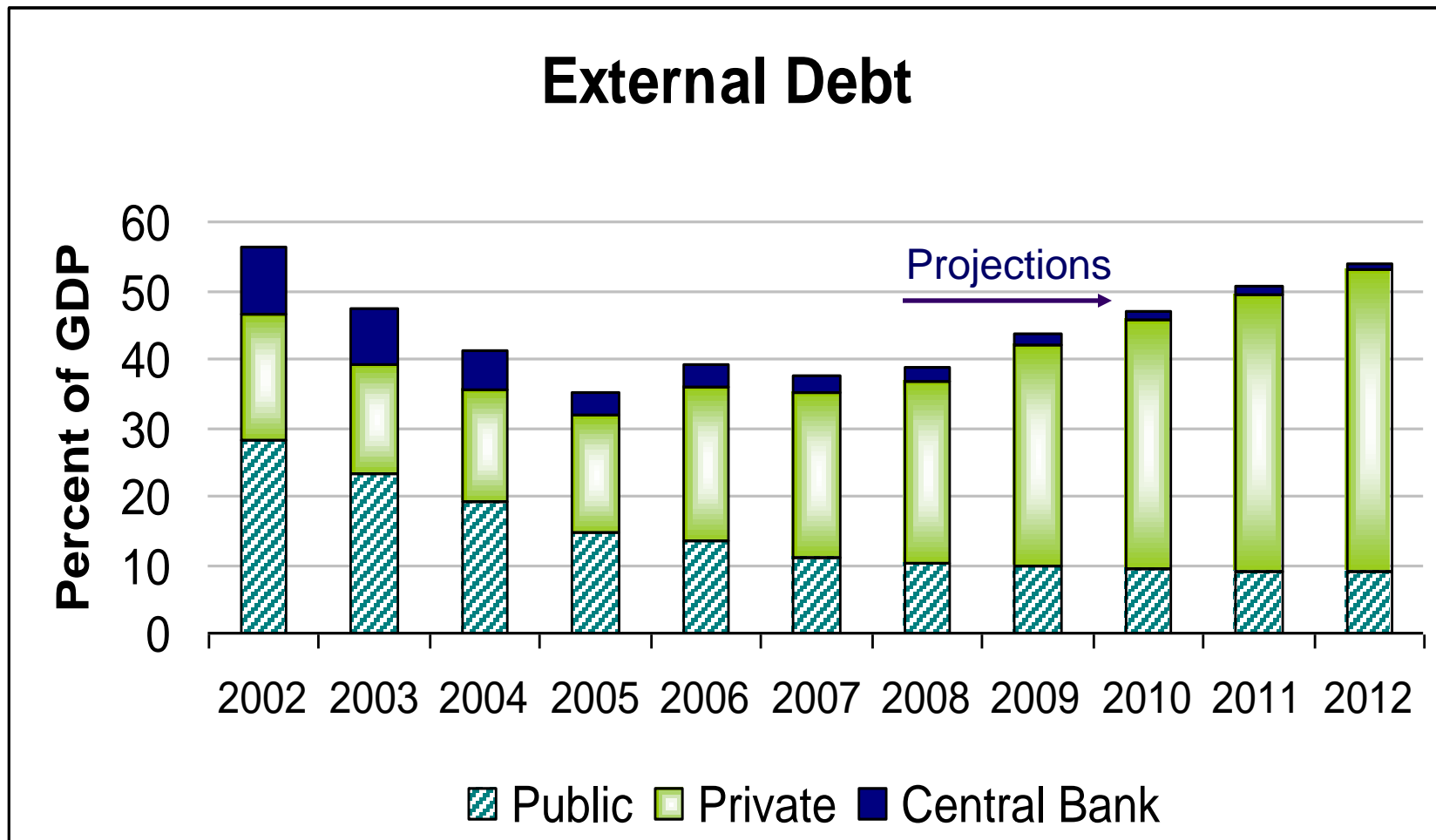


High Current Account Deficits ... related to fuel account. Oil price?



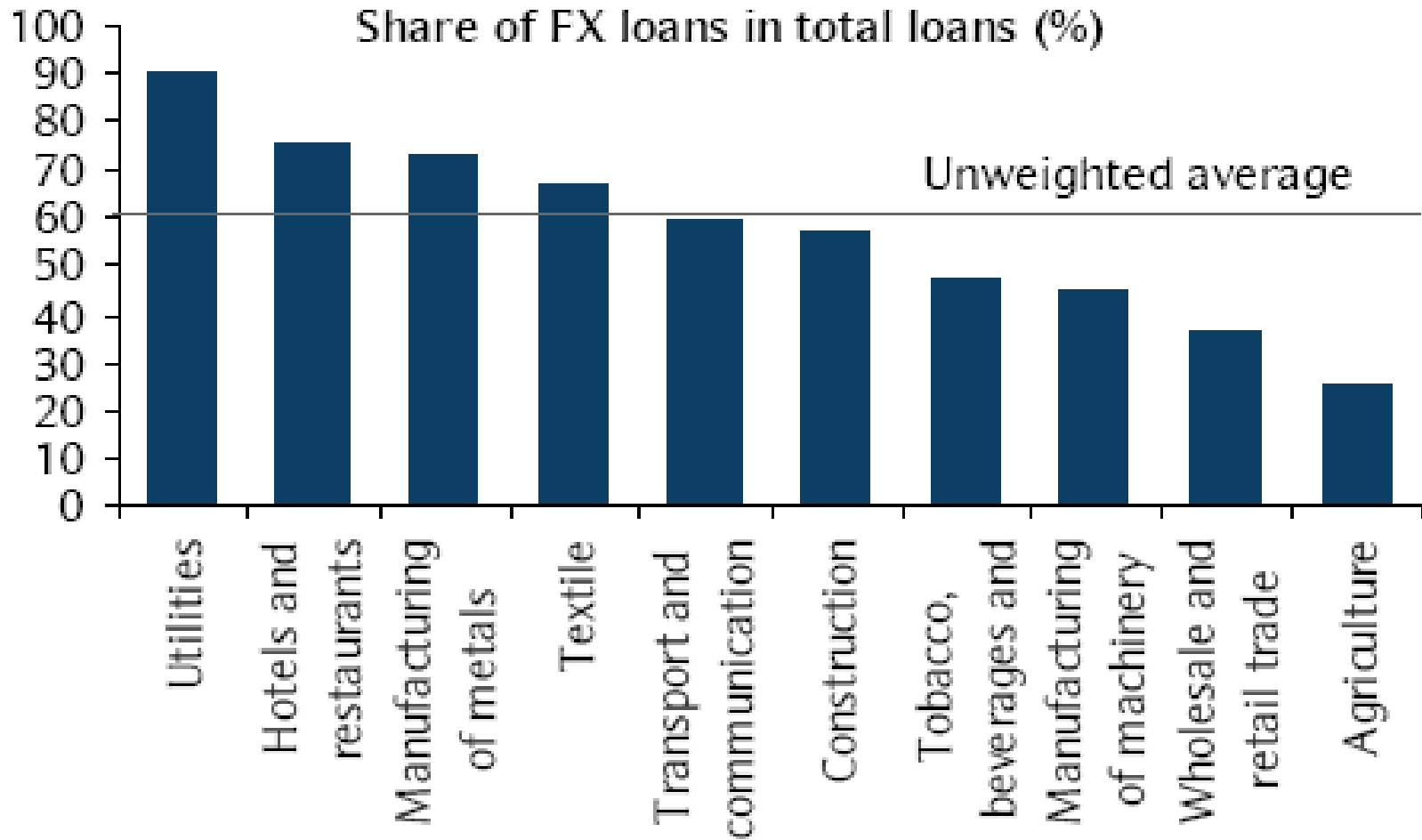


Debt Creating Inflows are mainly to Corporates ... and are Rising





FX Borrowing is Broadly Spread



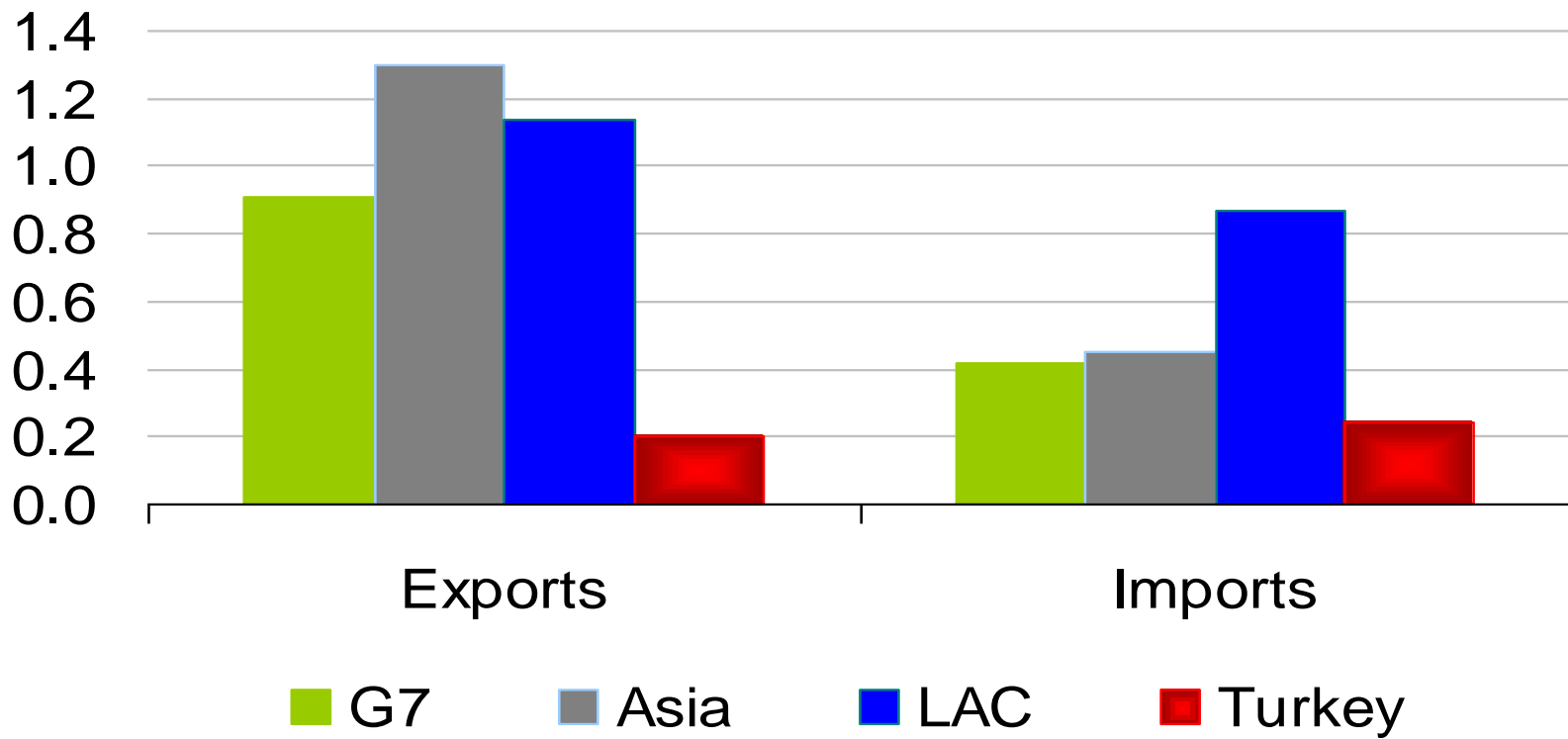
Source: Barclays Capital



... and low CAD-YTL Sensitivity Magnifies Broad Growth Risks



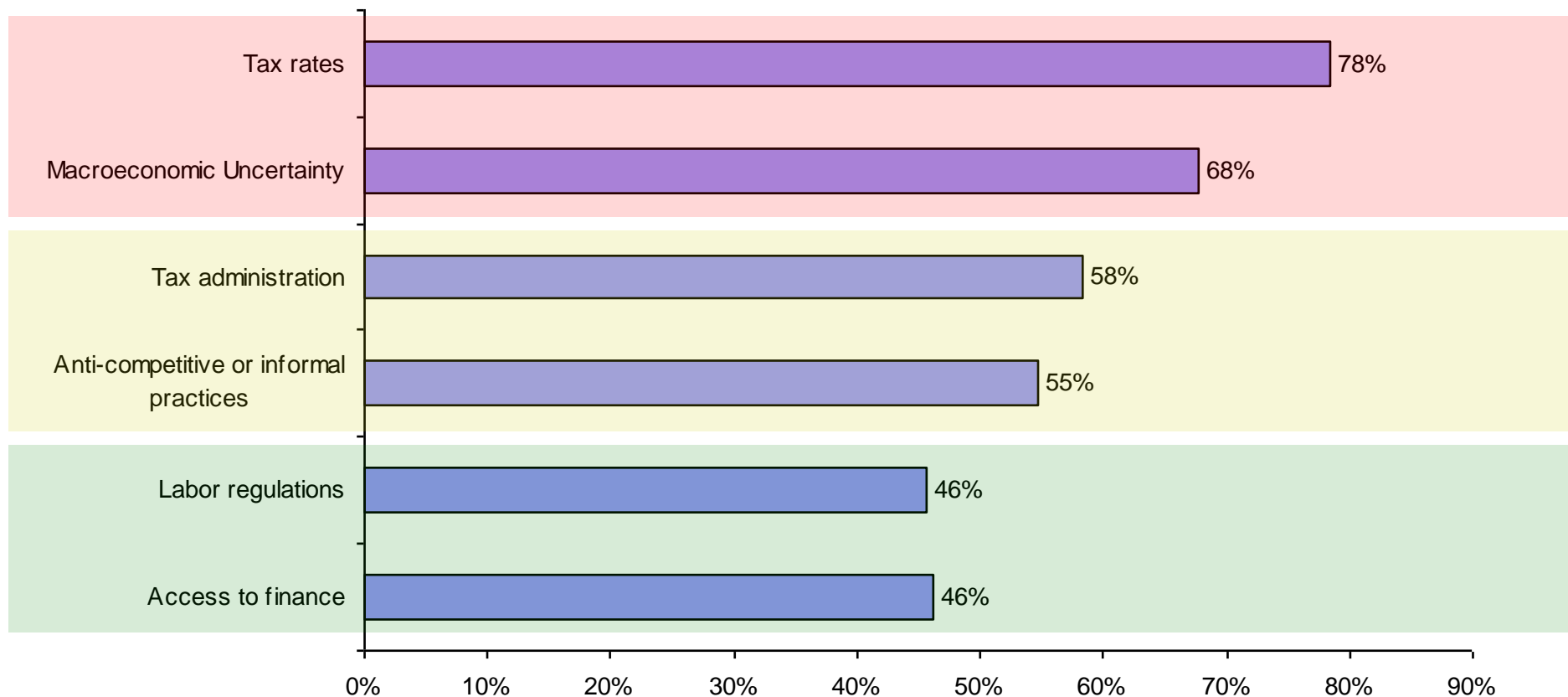
Exchange Rate Trade Elasticities





Turkey's Private Sector wants Stability, less Informality, & Finance

Investment Climate Survey Respondents citing as “Severe” or “Serious Problem”



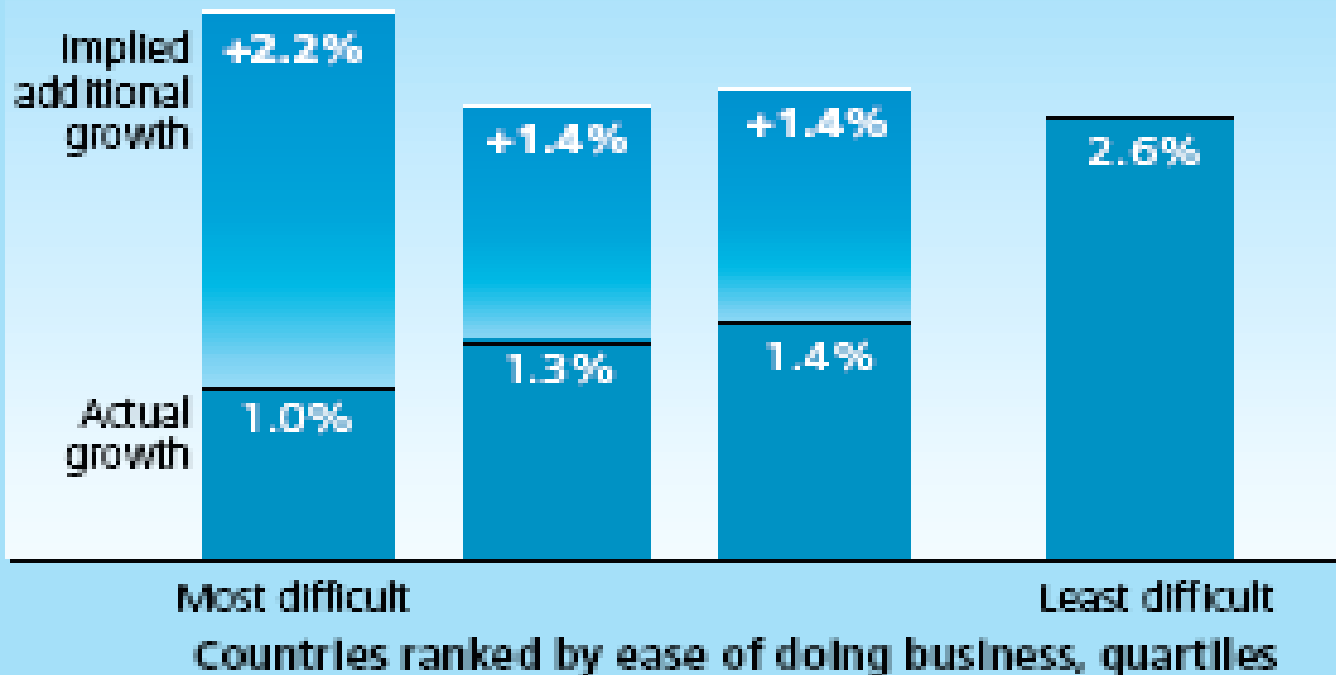
Source: Investment Climate Surveys. World Bank, EPRI



Ease of Doing Business $\uparrow \Rightarrow$ Economic Growth \uparrow



Additional annual growth from a hypothetical improvement to the top quartile on the ease of doing business



Note: Analysis controls for income, government expenditure, primary and secondary enrollment, inflation, investment, regions and civil conflict. Relationships are significant at the 5% level.

Source: *Doing Business* database, Djankov, McLiesh and Ramalho (2004).



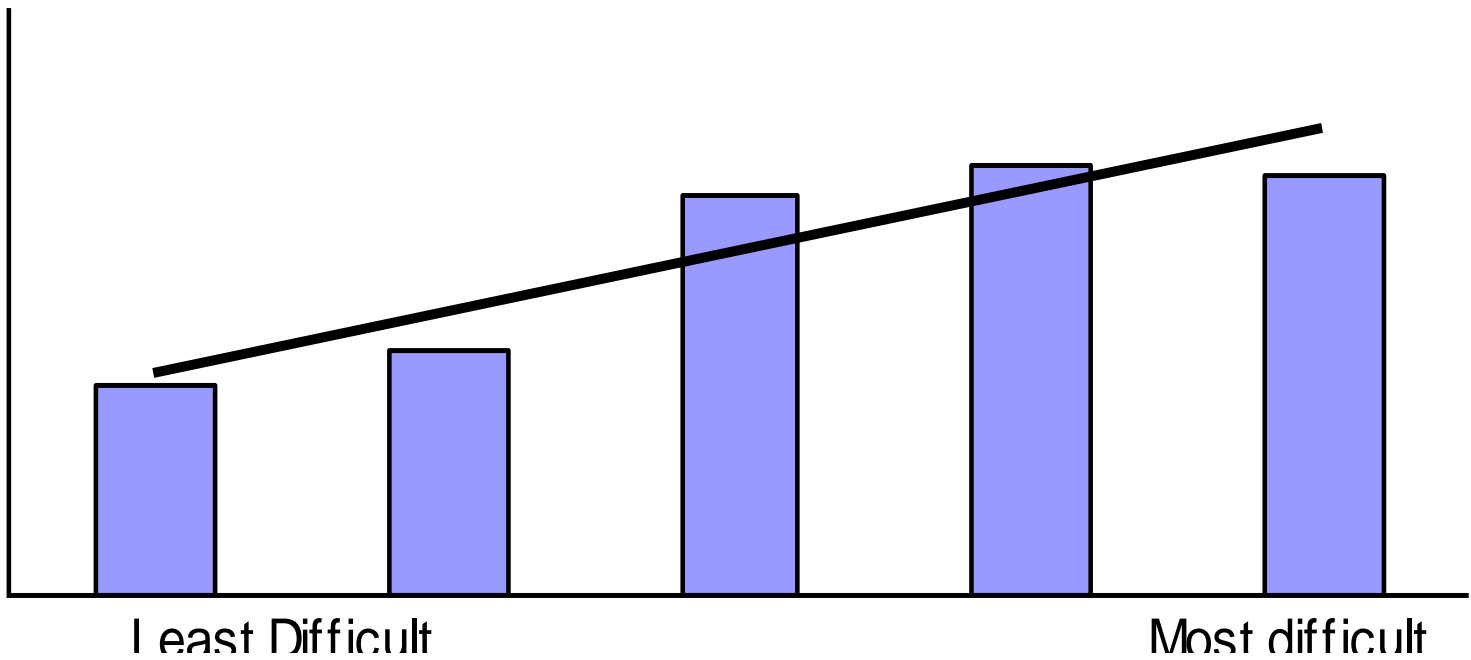
Ease of Doing Business $\uparrow \Rightarrow$ Unemployment \downarrow



Unemployment (%)

15

0



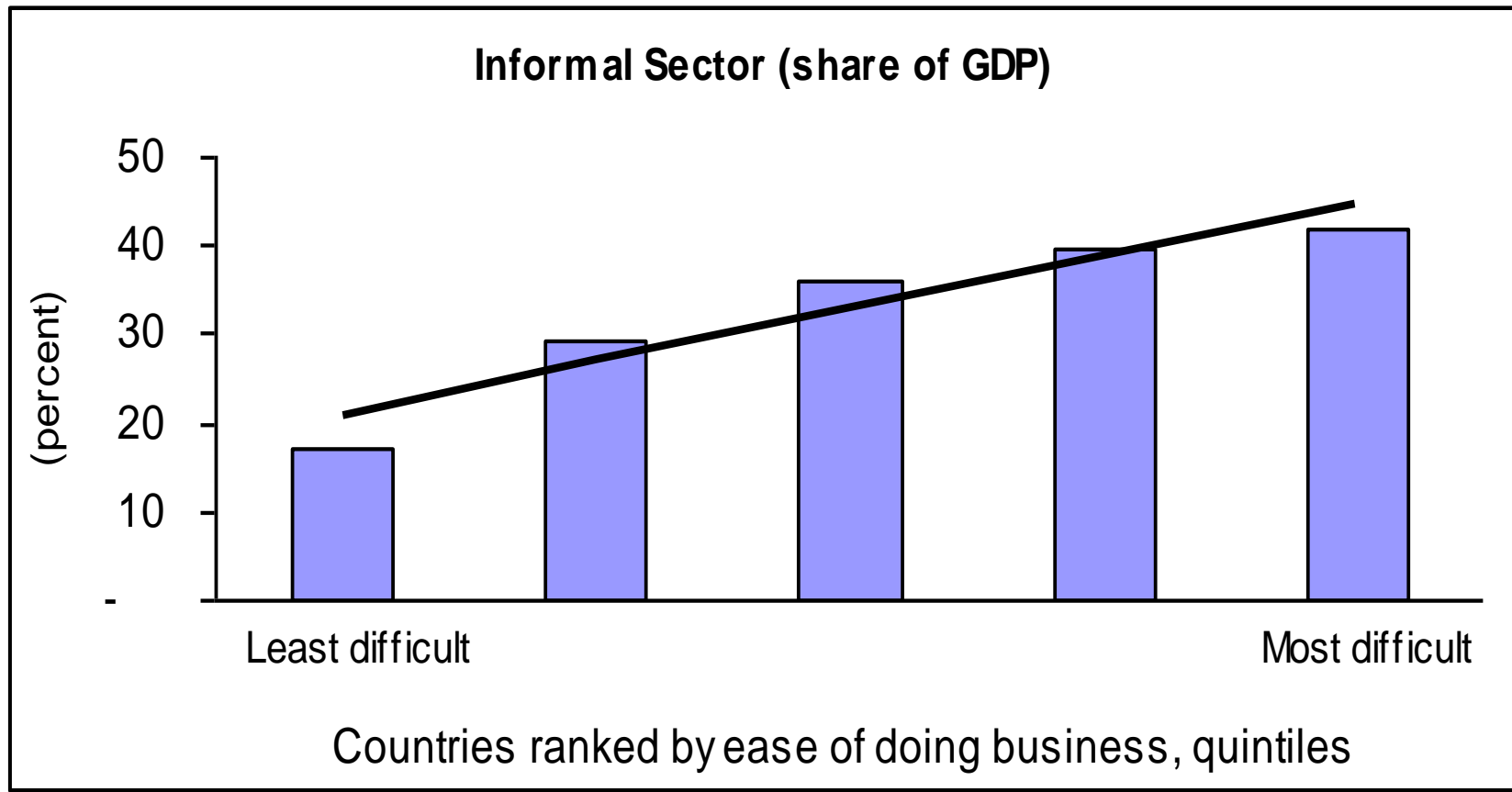
Countries ranked by ease of doing business, quintiles

Note: Relationships are significant at 1 % level and remain significant when controlling for income per capita

Source: Doing Business database



Ease of Doing Business $\uparrow \Rightarrow$ Informality \downarrow

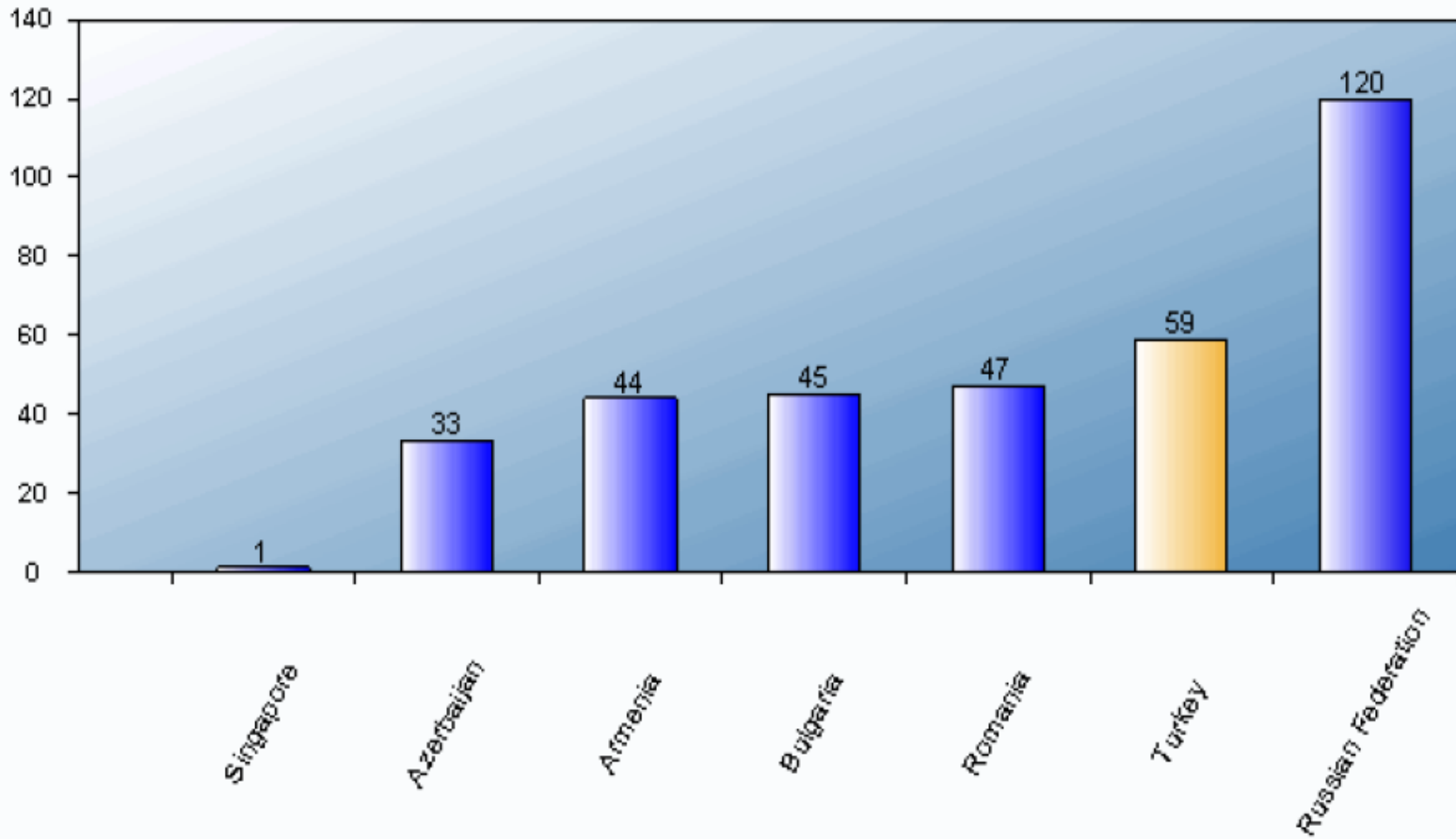




How Competitive is Turkey for Doing Business?



Ease of Doing Business - Global Rank

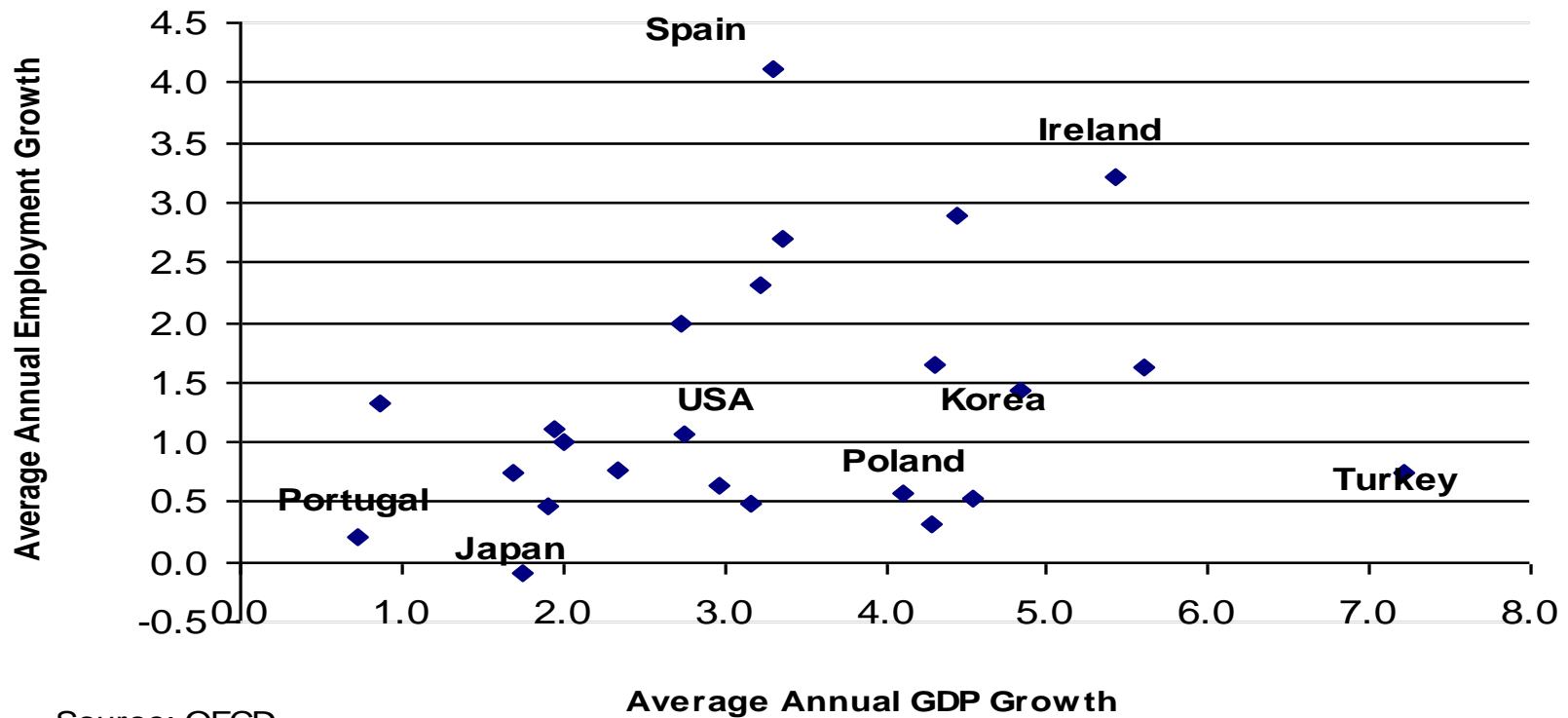




Past Growth Generated Few Job => Labor Market Flexibility is Key!



GDP and Employment Growth in OECD 2002-2006

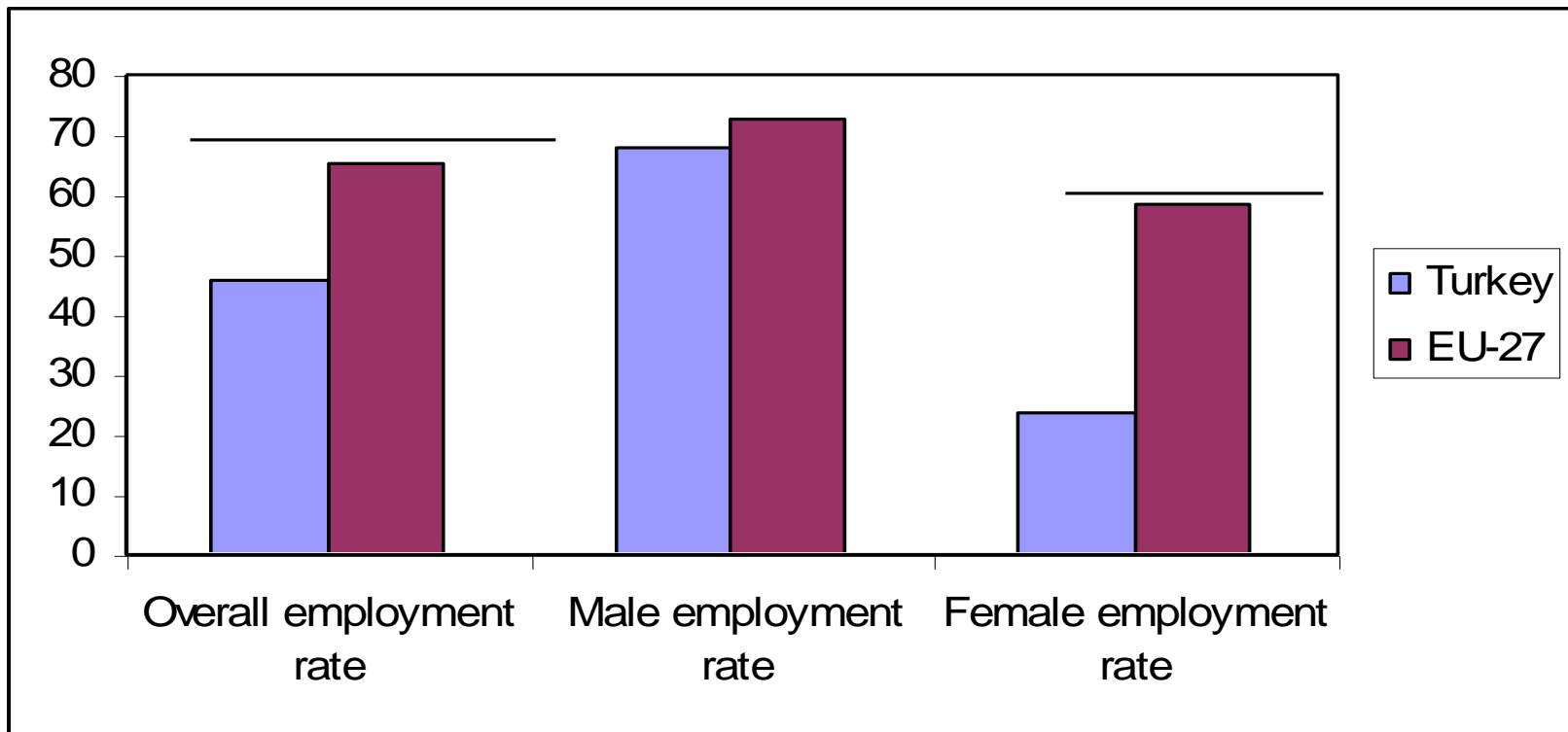


Source: OECD



Jobs for Women?

Employment rates are far below EU averages and the Lisbon targets*



* Employment rates for the population aged 15-64 in 2007. Lines denote Lisbon targets for overall employment and for female employment



Education: Focus on Quality

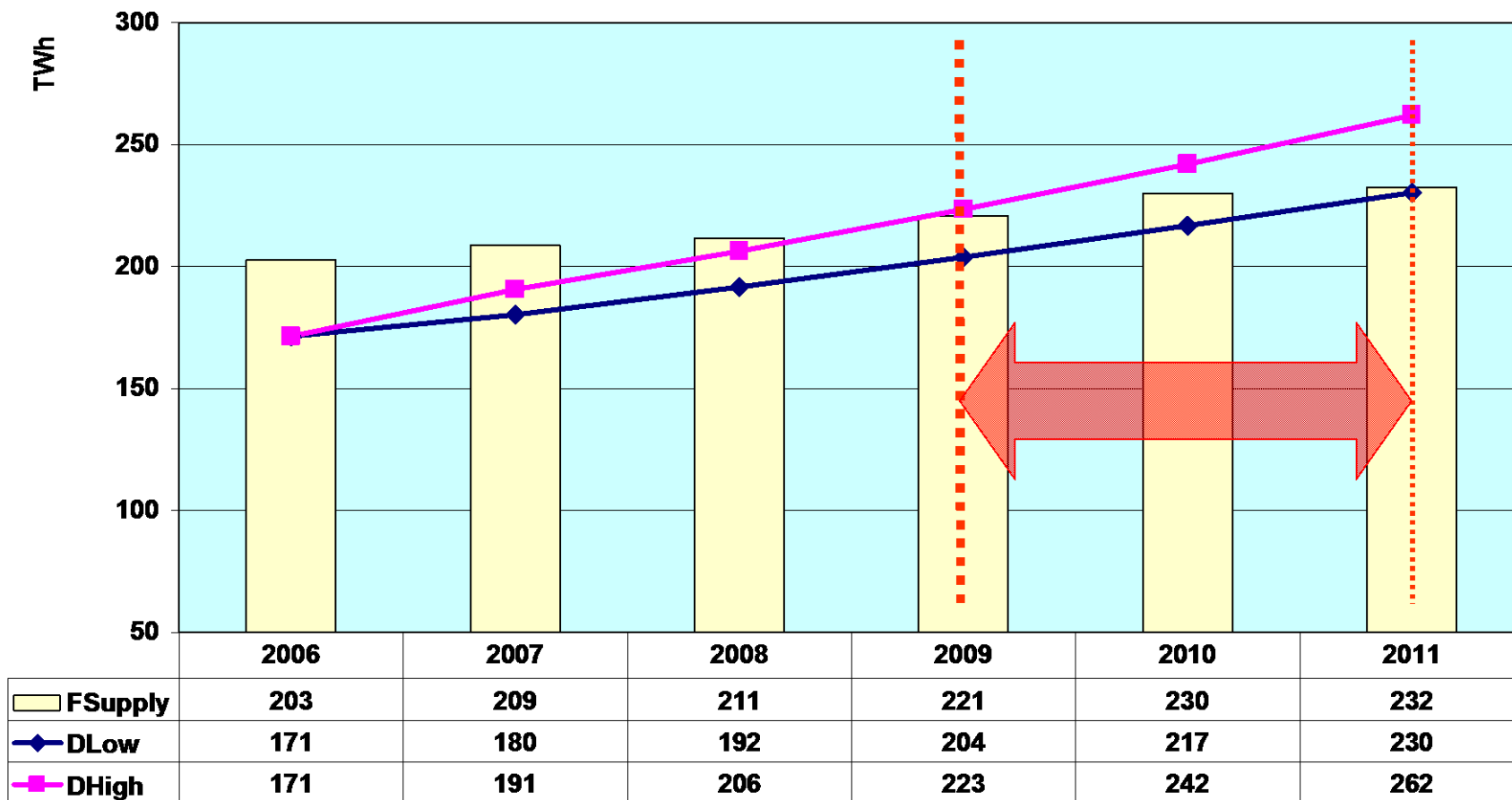




Energy: an Emerging Bottleneck?



Electricity Supply and Demand Scenarios





...and the Low-Carbon Growth Challenge will be Huge!



1928



2004

SPECIAL REPORT GLOBAL WARMING

TIME

**BE WORRIED.
BE *VERY* WORRIED.**

Climate change isn't some vague future problem—it's already damaging the planet at an alarming pace. Here's how it affects you, your kids and their kids as well

EARTH AT THE TIPPING POINT
HOW IT THREATENS YOUR HEALTH
HOW CHINA & INDIA CAN HELP SAVE THE WORLD—OR DESTROY IT
THE CLIMATE CRUSADERS



Thank You
Teşekkür Ederim