



52nd Meeting of EBF Associate Members
**Best Practices and Latest Developments in Turkish
Banking Sector**

The Banks Association of Turkey

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Part I: Best Practices



1. Sustainability in Turkish Banking Sector



Sustainability

- ▶ In the field of sustainability, our Association develops activities in order both to inform the sector and to develop best practices with international developments. To this end we have established a Working Group on Sustainability with the participation of our members already back in 2009 and we also updated our 2014 Guidelines on Sustainability in Banking Sector in March 2021.
- ▶ **Sustainability Working Group** has the main objective to guide banks to manage the environmental and social predictability, transparency and traceability of their activities in a more systematic way.

Sustainability

- ▶ As stated previously during the May 2021 meeting, efforts to establish a parallel **green asset ratio** following the EU example have been initiated. For this purpose, efforts to create the content of the data to be requested from our members are continuing. In this context, consultation meetings are planned with the Banking Regulation and Supervision Agency (BRSA) as well.
- ▶ We are organizing two webinars in below mentioned issues in September and October 2021:
 - ▶ 1. Possible effects of risks and opportunities arising from climate change on the banking sector in cooperation with EBF, EBRD, UNEP FI.
 - ▶ 2. EU Green Deal.



Sustainability

- ▶ **Sustainable Banking and Environment” Distance Education Program**

Two sustainability training modules; basic and advanced, are prepared for banking sector.

- ▶ **Our Association’s Sustainable Banking Website**

A website has been prepared which includes the studies, reports and publications made by national and international organizations and our members in the sector on sustainability.

2. Digitalization



Digitalization

Turkey is very much advanced in electronic banking services and considerable investments are made by the banks for secure client-oriented services. **To provide you an idea about the volume I can provide a few figures for your convenience:**

As of June 2021, the number of active customers using digital banking transactions reached about 71 million. 96 percent of the customers were individual, and 4 percent were corporate. The volume of internet banking transactions was TL 1.9 trillion.



Digitalization

Some of the current digitization best practices we can mention within the sector are;

▶ Remote Banking

The *Regulation on Remote Identity Detection Methods to be used by Banks and Establishment of a Contractual Relationship in the Electronic Environment* has been published. Accordingly, efforts are being made to prepare informative and guiding works for customers on remote banking applications.

In addition, work is continuing for **enhancing the capability of SMEs to acquire customers remotely.**

For **full digitalization** of banks, the regulatory framework is further enhanced with participation of wider base of stakeholders and it is about to be completed.



Digitalization

▶ Digital Safe

Approval was obtained from the BRSA for banks to provide digital safe services. Work on the legal infrastructure continues to develop the optimum implementation for the sector.

▶ Fighting Potential Fraud in Digitalization

A new study has been initiated to update the existing training and information documents for the Bank's employees. Efforts have been made and continue to be carried out to warn citizens against fraudulent action attempts.

Digitalization

Our Association is constantly updating itself in terms of preparations towards digitalization, information systems and electronic banking services as a whole. We are working with public sector for regulatory environment around different aspects of open banking. To this end; one example is our work on

▶ Digital Banks

Banks' opinions and suggestions were received on the draft **Digital Banking and Service Model Banking Regulation**, and related studies were submitted to the BRSA.

▶ Open Banking Applications

In addition, the BRSA and the Legal, Administrative and Technical Working Groups work on the regulation of Open Banking activities in accordance with the Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions No. 6493 and the sub-regulations. In parallel, efforts to inform citizens about Open Banking continue.



3. Combatting Money Laundering



Combating Money Laundering

Turkey's IVth Round of Evaluation with FAT is about to be completed. It is thought that the Turkey Report will be clarified at the FATF General Assembly at the end of October.

In the process of combating money laundering and financing of terrorism (AML/CFT), NGOs in Turkey have made significant progress on various issues such as distribution of suspicious transaction reports by channels, process efficiency, and definition of financial groups. Our Association is also working to this end towards development of best practices comparable with those international developments.

PART II: Latest Developments and Figures - Overview



4. Overview of Latest Developments



Latest Developments

► **Framework Agreements on Financial Restructuring**

Pursuant to our Banking Law and the associated laws and regulations, our Association prepared two framework agreements for large scale and small scale in order to improve payment capabilities of the customers willing to pay their debts, but who fail to fulfil their performance on time due to different reasons, banks and other financial institutions, individually or collectively.

These framework agreements were revised upon demand of our members. The Framework Agreements were approved by the BRSA, following the completion of the signatures of the Creditor Institutions.

Then, an application was made to the Competition Authority for negative clearance/individual exemption for the relevant articles of the Framework Agreements. The result of the application is awaited.



Global IBOR and TLREF Project

- ▶ As it is known, within the framework of the benchmark interest rate reform carried out by the Financial Stability Board (FSB), the British Financial Management Authority (FCA) has announced that it will not support LIBOR as of the end of 2021, and following this decision, studies have been initiated by the institutions that set the standards to determine alternative reference interest rates.
- ▶ Consultation process with the relevant institutions regarding the date of transition to TLREF continues. The final recommended schedule for the transition to TLREF is 1 January 2022, and it is predicted that the transition may also occur in 2021 if the work is completed before.

5. Latest Figures and International Comparisons of the Sector



Latest Figures – June 2021

- ▶ The assets of Turkish banking sector have increased by 25 percent compared to the same period of the previous year and amounted to TL 6.73 trillion (USD 775 billion).
- ▶ Securities have increased by 26 percent compared to the same period of the previous year and reached TL 1.14 trillion (USD 131 billion). The share of securities portfolio in assets was 17 percent.
- ▶ Loans have increased by 20 percent compared to the same period of the previous year and amounted to TL 3.91 trillion (USD 451 billion).
- ▶ The ratio of non-performing loans to total loans has decreased by 0.8 points compared to the previous year and became 3.7 percent.
- ▶ Banking sector deposits have increased by 26 percent compared to the previous year and reached TL 3.87 trillion (USD 446 billion).



Latest Figures – June 2021

- ▶ Non-deposit resources increased by 30 percent on an annual basis and reached TL 1.60 trillion (USD 184 billion).
- ▶ Shareholders' equity increased by 13 percent compared to the same period of the previous year and reached TL 631 billion (USD 73 billion). The share of shareholders' equity in total liabilities is 9 percent.
- ▶ Capital adequacy ratio (CAR) has been 17.8 percent in June. The core capital adequacy ratio of the sector has been realized as 13.5 percent.
- ▶ The return on equity of the sector has decreased by 0.9 points compared to the same month of the previous year and became 11 percent.

Balance Sheet (USD Billion)

	June 2020	June 2021	Change (per.)	
			Q-Q	Y-Y
Liquid assets	95	123	0	30
Securities portfolio	132	131	1	-1
Loans	476	451	-1	-5
Permanent assets	21	21	-1	0
Other assets	59	49	-6	-18
Total assets	783	775	-1	-1
Deposits	447	446	2	0
Non-deposit funds	180	184	-5	3
Shareholders' equity	82	73	0	-11
Other liabilities	74	72	-3	-3
Total liabilities	783	775	-1	-1



Balance Sheet (As of GDP, perc.)

	2018	2019	2020	June 2021*
Loan	64	63	71	68
Securities	13	16	20	20
Assets	104	105	121	117
Deposit	55	60	68	68
Non-Deposit	28	24	29	28
Shareholders' equity	11	12	11	11
Liabilities	104	105	121	117

*: Forecast



International Comparisons of the Sector

- ▶ **The Turkish banking sector with its EUR 674 billion worth of assets, ranked 13th among the member states of the European Union.**
- ▶ The EU average is EUR 1.626 billion and the EU developing countries average is EUR 123 billion.
- ▶ The ratio of assets of the banking sector to GDP with 105 percent was below the EU average.
- ▶ The ratio of loans to assets was 59 percent in Turkish banking sector, whereas the EU average was 57 percent.
- ▶ The ratio of deposits to liabilities is 57 percent in Turkey, while the EU average for this ratio is 54 percent.



Thank you for your kind attention

