



Classification Of Loans

September 2021

November 2021

This report has been prepared on the basis of quarterly finalized, independently audited and publicly released data of deposit banks and development and investment banks.

This study was prepared for the aim of provide information about classification of loans.

Whilst every effort has been made to ensure that the information contained in this study is correct, The Banks Association of Turkey cannot accept any responsibility for any errors or omissions or for any consequences resulting therefrom.

Highlights

As of September 2021,

- ▶ Group I loans amounted to **TL 3,475 billion**.
- ▶ Group I loans were **86 percent** of total loans. (Graph 1)
- ▶ Loans under close monitoring (Group II) increased by 12 percent compared to the previous year and reached **TL 406 billion**.
- ▶ The ratio of Group II loans to total loans was 10 percent. (Graph 2)
- ▶ Non-performing loans amounted to **TL 137 billion**.

Highlights - 2

- ▶ Special provisions have been set aside for **77 percent** of the non performing loans. (Graph: 5)
- ▶ The amount set aside as general provision was **TL 85 billion**. (Graph 4)
- ▶ General provisions to Group II loans ratio was **21 percent**.
- ▶ Restructured loans were **TL 246 billion**. **90 percent** of the restructured loans consist of loans under close monitoring.
- ▶ Restructured loans to total loans ratio was **6.1 percent**. (Graph 7)

Loans by Groups (TL billion)

	2018	2019	2020	Sept. 2021	Yearly change as of Sep-2021 (percent)
Loans^{*,**}	2,352	2,752	3,609	4,060	13
Group I loans	2,083	2,282	3,062	3,475	14
Group II loans	258	300	370	406	12
Group III, IV, V loans ^{***}	90	140	141	137	-3
Provisions	99	133	183	189	7
Special provisions ^{***}	62	92	105	105	1
General provisions ^{***}	36	41	78	85	15
Restructured loans	78	151	192	246	27
Group II loans	68	134	174	221	24
Group III, IV, V loans	10	17	18	25	69

* Includes non-performing loans, rediscounts and loans to banks.

** In the accounting of rediscounts, due to differences between banks, there may be a difference between the total of sub-items of the items and the total loan.

*** BRSA data

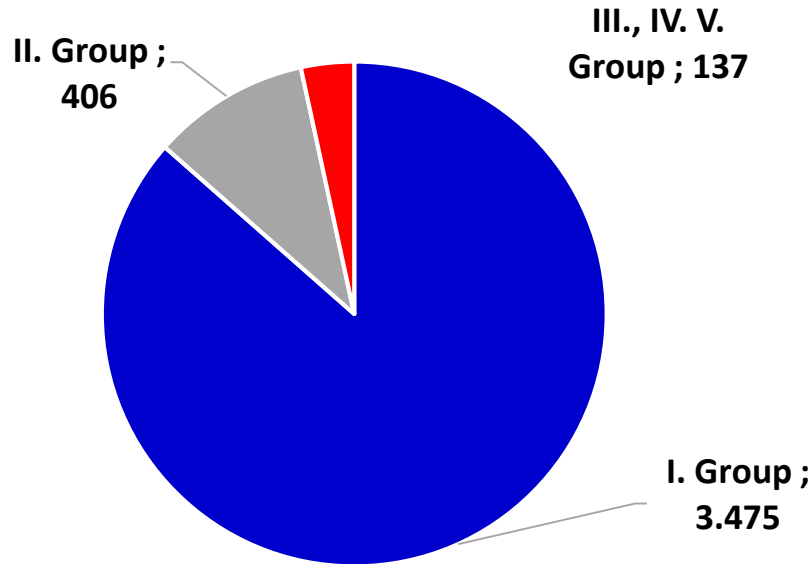


Selected Ratios (percent)

	2018	2019	2020	Sep. 2021	Yearly change as of September 2021 (percent)
Group I loans / loans	89	83	85	86	1
Group II loans / loans	11	11	10	10	0
Non performing loans / loans	3.8	5.1	3.9	3	-1
Special provisions / non performing loans	69	65	75	77	3
General provisions / Group II loans	14	14	21	21	1
Restructured loans / loans	3.3	5.5	5.3	6.1	0

Classification of Loans (TL billion)

Graph: 1



Group I and II loans are defined as performing loans in Regulation On Procedures And Principles For Classification Of Loans And Provisions To Be Set Aside

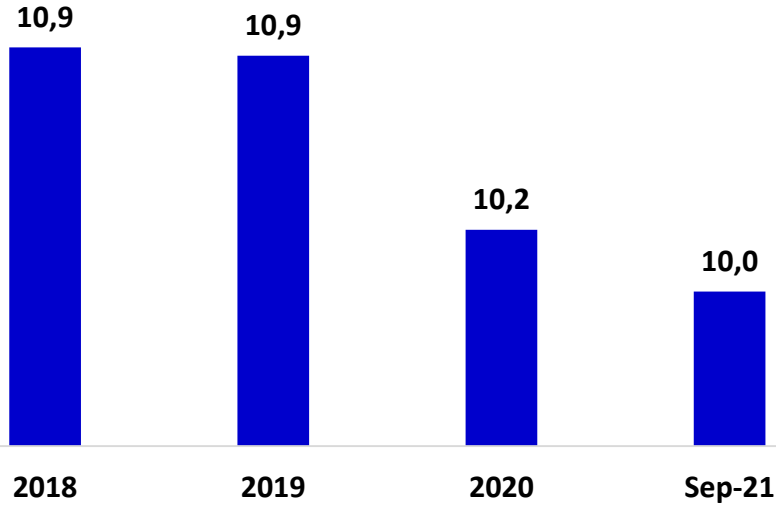
96 percent of the loans consist of performing loans

*Information on loan groups can be found on page 10

Loans (percent)

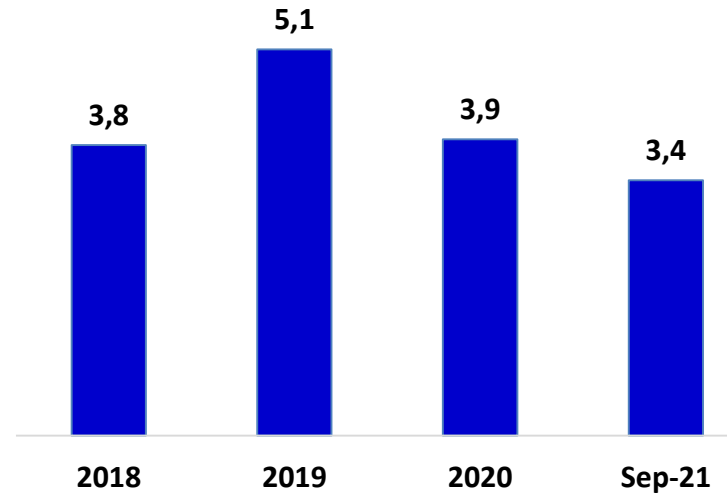
Graph: 2

Group II Loans/Total Loans



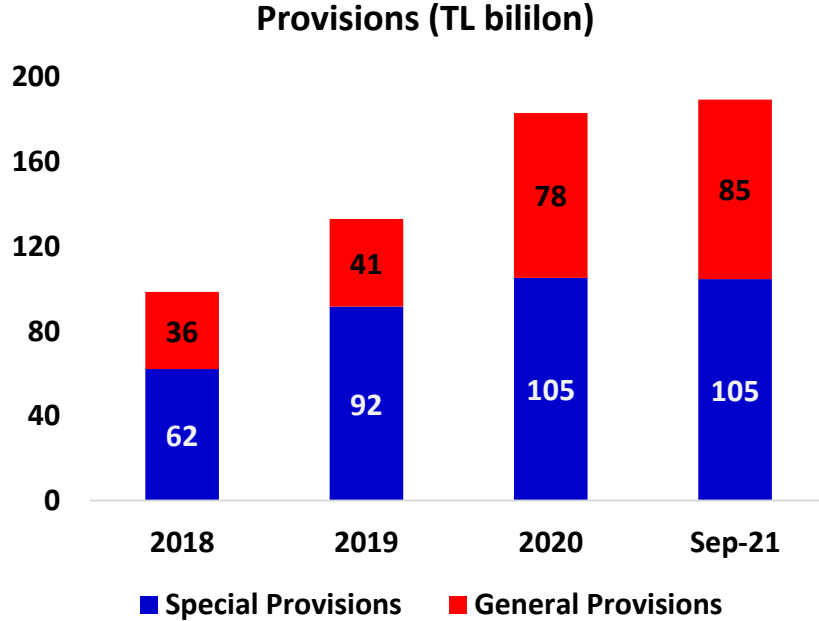
Graph: 3

Non performing loans / loans



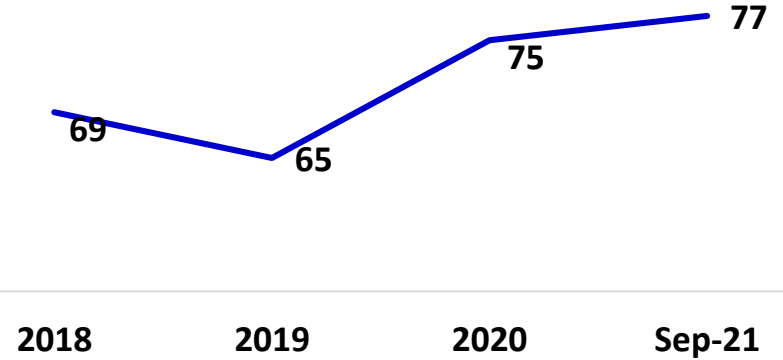
Provisions

Graph: 4



Graph: 5

Special Provisions / Non performing Loans

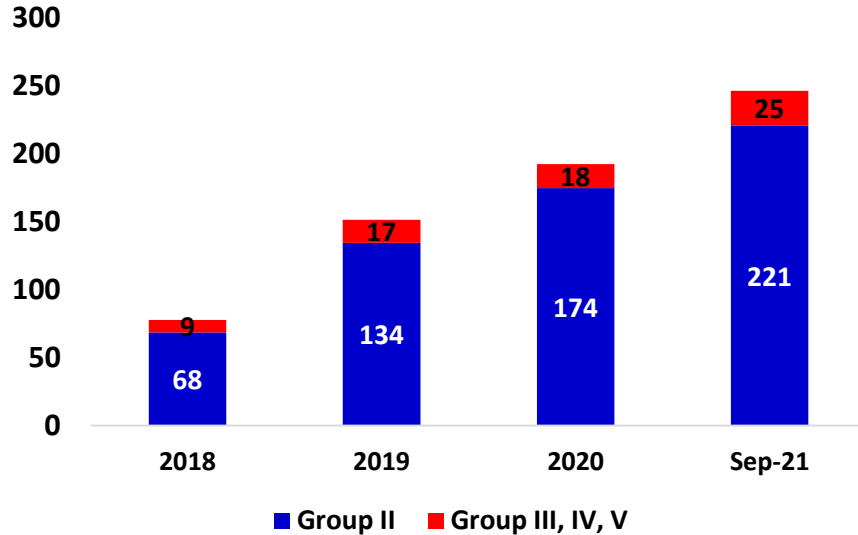


Special Provisions: Provisions set aside to Group III, IV, V loans
General Provisions : Provisions set aside to Group I, II loans

Restructured Loans

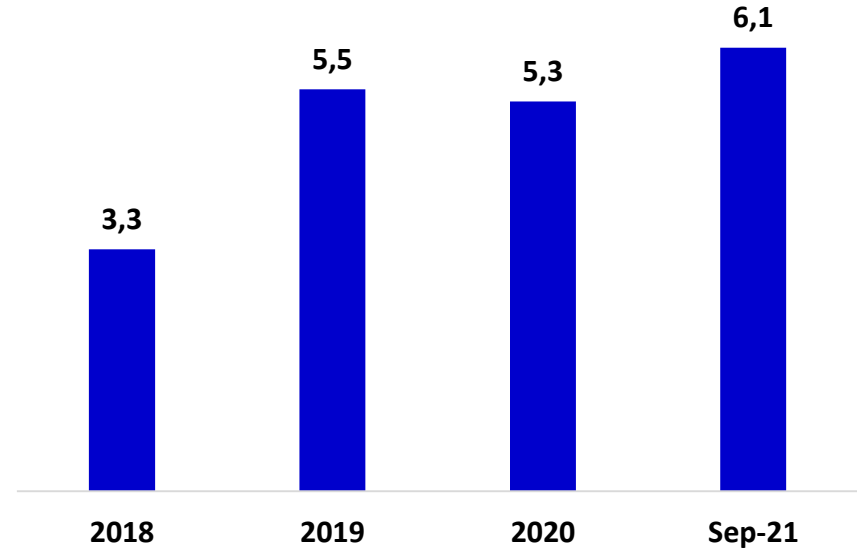
Graph: 6

Restructured Loans, TL billion



Graph: 7

Restructured loans / loans



Classification of Loans (According to Code of Provisions)

Group I - Loans of a Standard Nature

- Payments are made when due or past due up to thirty days and, repayment problems are not expected in the future and, totally collectable without realization of collateral.

Group II - Loans Under Close Monitoring

- Extended to natural persons and legal entities with a creditable financing structure, but for which negative signs are observed or forecasted in debtor's solvency or cashflows due to unfavorable developments in macroeconomic conditions or in the sectors the debtor operates, or, independent from the above-mentioned ones, due to adverse developments peculiar to the debtor.

Group III - Loans with Limited Collectability

- Full collection is unlikely without realizing collaterals since net realizable value of collaterals or debtor's own funds are inadequate to pay the debt on its maturity and loan loss is likely unless observed problems are removed.

Group IV - Doubtful Loans

- Full collection of principal and/or interest in accordance with the contract is unlikely without realizing the collateral.

Group V - Loans classified as Loss

- Nil or negligible collection is expected since the creditworthiness of the debtor is totally deteriorated.

Performing
loans

Non-performing
Loans



Thank You

