



Classification Of Loans

June 2022

August 2022

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 June 2022,

- ▶ Group I loans amounted to **TL 5,387 billion**. Group I loans were **87 percent** of total loans. (Graph 1)
- ▶ Loans under close monitoring (Group II) increased by **43 percent** compared to the previous year and reached **TL 596 billion**.
- ▶ The ratio of Group II loans to total loans was **9.6 percent**. (Graph 2)
- ▶ The performing loans (Group I and Group II), which consist of 97 percent of total loans reached to TL 5,984 billion.
- ▶ Non-performing loans amounted to **TL 151 billion**.



Highlights - 2

- ▶ Special provisions have been set aside for **81 percent** of the non performing loans. (Graph: 5)
- ▶ The amount set aside as general provision was **TL 149 billion**. (Graph 4)
- ▶ General provisions to Group II loans ratio was **24.9 percent**.
- ▶ Restructured loans were **TL 368 billion**. **91 percent** of the restructured loans consist of loans under close monitoring.
- ▶ Restructured loans to total loans ratio was **5.9 percent**. (Graph 7)



Loans by Groups (TL billion)

	2019	2020	2021	June 2022	Yearly Change (percent)
Loans^{*,**}	2,752	3,609	4,883	6,185	57
Group I. Loans	2,282	3,062	4,147	5,387	61
Group II. Loans	300	370	543	596	43
Group III., IV and V. Loans ^{***} (Non-Performing Loans)	140	144	149	151	8
Provision	133	187	239	271	40
Special Provision ^{***}	92	107	118	122	14
General Provision ^{***}	41	80	122	149	71
Restructured Loans	151	192	320	368	58
Group II. Loans	134	174	294	336	57
Group III., IV. and V. Loans (Non-Performing Loans)	17	18	25	32	63

* 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



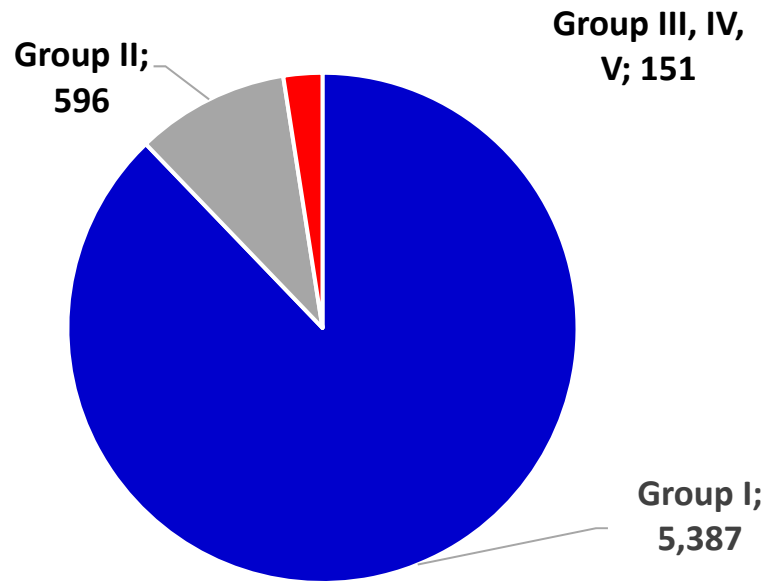
Selected Ratios (percent)

	2019	2020	2021	June 2022	Yearly Change (percent)
Group I loans / loans	82.9	84.8	84.9	87.1	2.2
Group II loans / loans	11.0	10.0	11.1	9.6	-0.9
Non performing loans / loans	5.1	4.0	3.0	2.4	-1.1
Special provisions / non performing loans	65.0	75.0	79.0	80.7	4.3
General provisions / Group II loans	13.8	21.5	22.4	24.9	4.1
Restructured loans / loans	5.5	5.3	6.5	5.9	0.0



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

97 percent of the loans consist of performing loans

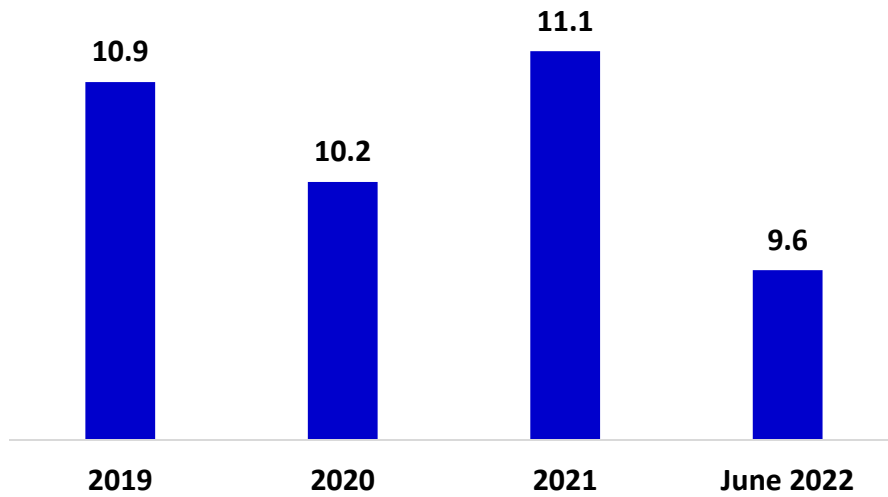
*Information on loan groups can be found on page 10



Loans (percent)

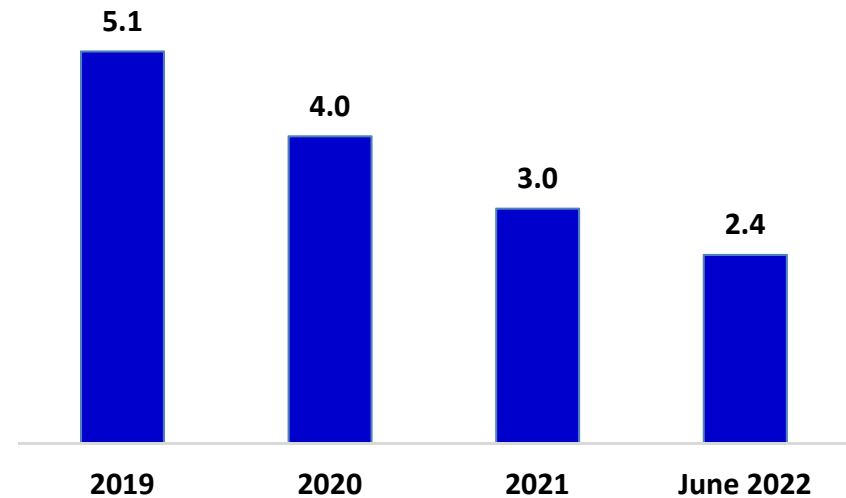
Graph: 2

Group II Loans/Loans



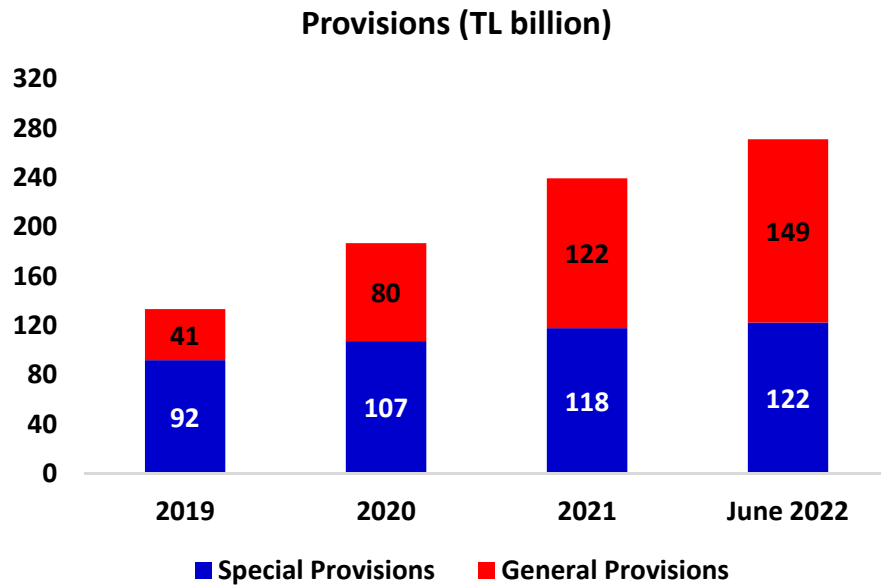
Graph: 3

Non performing loans / loans

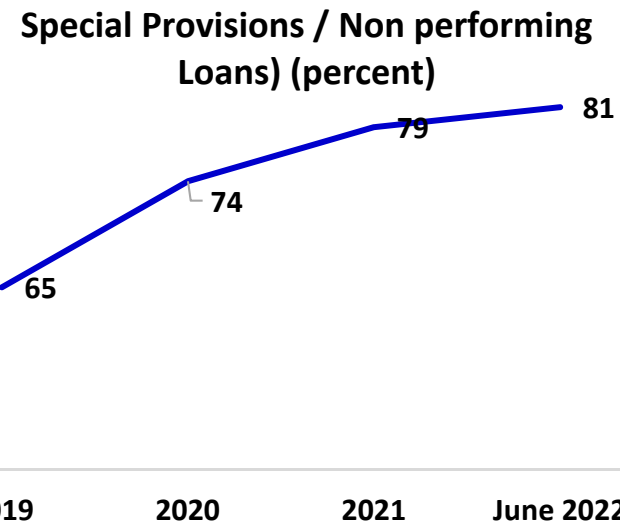


Provisions

Graph: 4



Graph: 5



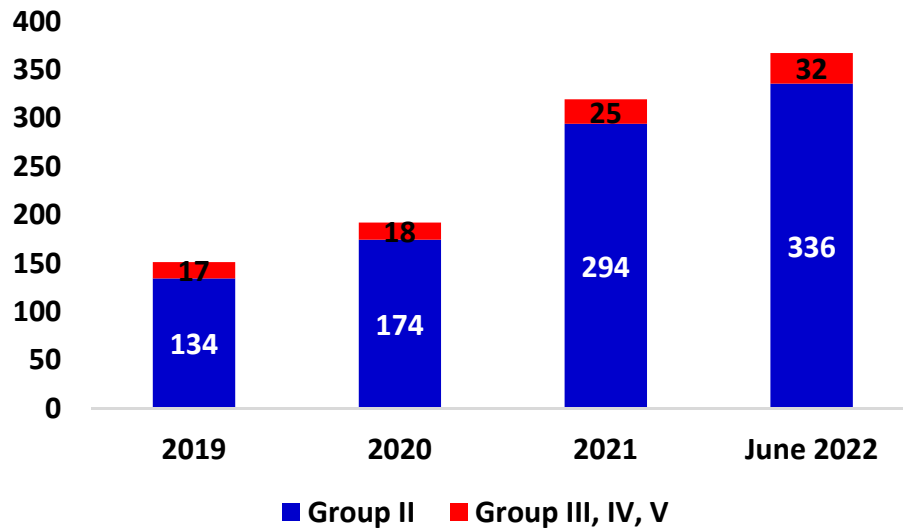
Special Provisions: Provisions set aside to Group III, IV, V loans
General Provisions : Provisions set aside to Group I, II loans



Restructured Loans

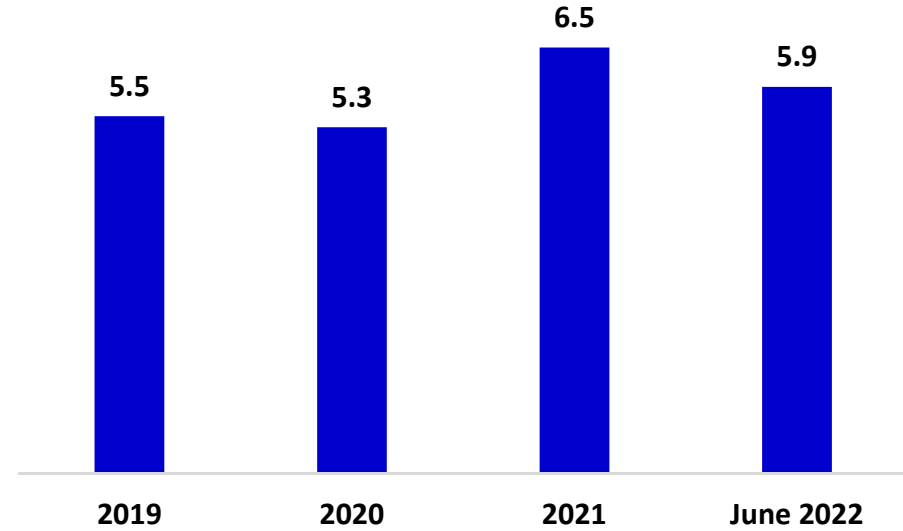
Graph: 6

Restructured Loans by Groups (TL billion)



Graph: 7

Restructured loans / loans (percent)



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

