



Recent Developments, Digitalization, and Covid-19 Measures in Turkish Banking Sector

EBF 50th Meeting Presentation

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Presentation Content

- Overview of Recent Data from Turkish Banking Sector
- Digitalisation Progress
- Pandemic Measures Undertaken in Banking Sector and by The Banks Association of Turkey



Overview of Turkish Banking Sector

- ▶ Total assets annually grew by 26 percent in nominal terms as of June 2020 and reached TL 5.4 trillion (USD 783 billion). In dollar terms, total assets have increased by 6 percent.
- ▶ The ratio of loans to GDP is 73 percent as of June 2020 while that of deposits is 69 percent. The loans/deposits ratio is 111 percent as of the same date.
- ▶ Commercial loans account for 78 percent of total loans while loans to consumers take 22 percent of the total. SME's share in total loans has been 26 percent.



Balance Sheet (USD Billion)

	December 2019	June 2020	Change (%)	
			YtD	Y-Y
Liquid assets	118	96	-18	-18
Securities portfolio	111	132	19	30
Loans	447	476	6	8
Permanent assets	23	21	-9	-5
Other assets	57	58	-11	-2
Total assets	756	783	3	6
Deposits	432	447	3	13
Non-deposit funds	168	180	7	-4
Shareholders' equity	83	82	-2	4
Other liabilities	73	74	2	-1
Total liabilities	756	783	3	6



Balance Sheet (As of GDP, Perc.)

	2017	2018	2019	June 2020*
Loan	68	64	63	73
Securities	13	13	16	20
Assets	105	104	105	120
Deposit	55	55	60	69
Non-Deposit	29	28	24	28
Shareholders' equity	12	11	12	13
Liabilities	105	104	105	120

*: Forecast

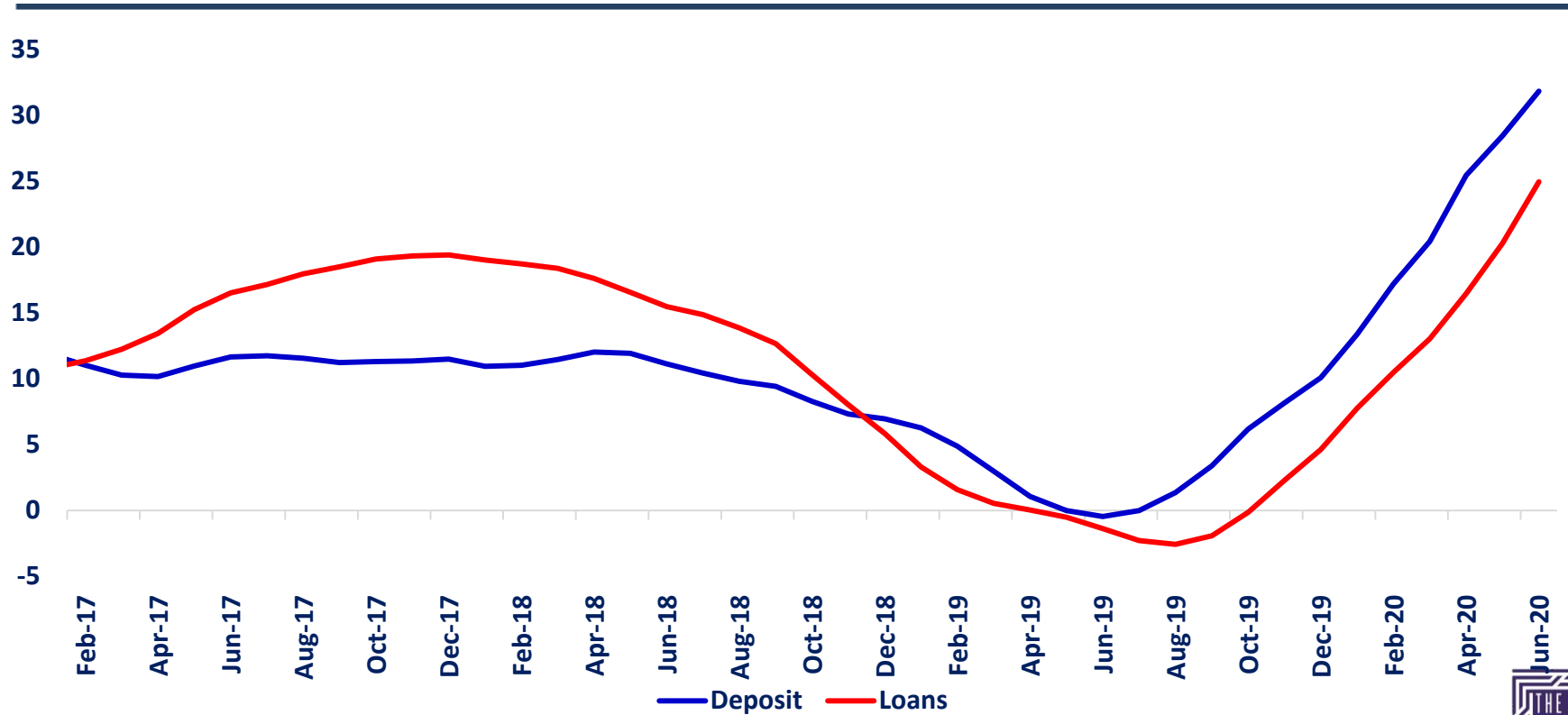


Overview of Turkish Banking Sector

- ▶ Non-performing loans before special provisions to loans ratio are realized as 4.6 percent. The ratio is 5.1 percent in corporate loans, and 2.7 percent in consumer loans.
- ▶ Provisions are set aside for 116 percent of non-performing loans. 85 percent of the loan stock has been classified in the first group and 9.9 percent in the second group.
- ▶ The ratio of restructured loans to total loans is 5 percent as of June 2020.



Loans and Deposit (Annual change, fixed prices, perc.)



Overview of Turkish Banking Sector

- ▶ Capital adequacy ratio is 19.5 percent and remained above the regulatory ratio.
- ▶ Return on equity is realized as 11.1 percent.
- ▶ Private sector's outstanding loans received from abroad, long-term loans recorded are USD 162.2 billion as of July 2020, decreasing USD 16.8 billion; whereas short-term loans (excluding trade credits) are realized USD 8.5 billion, decreasing USD 199 million compared to end of 2019.

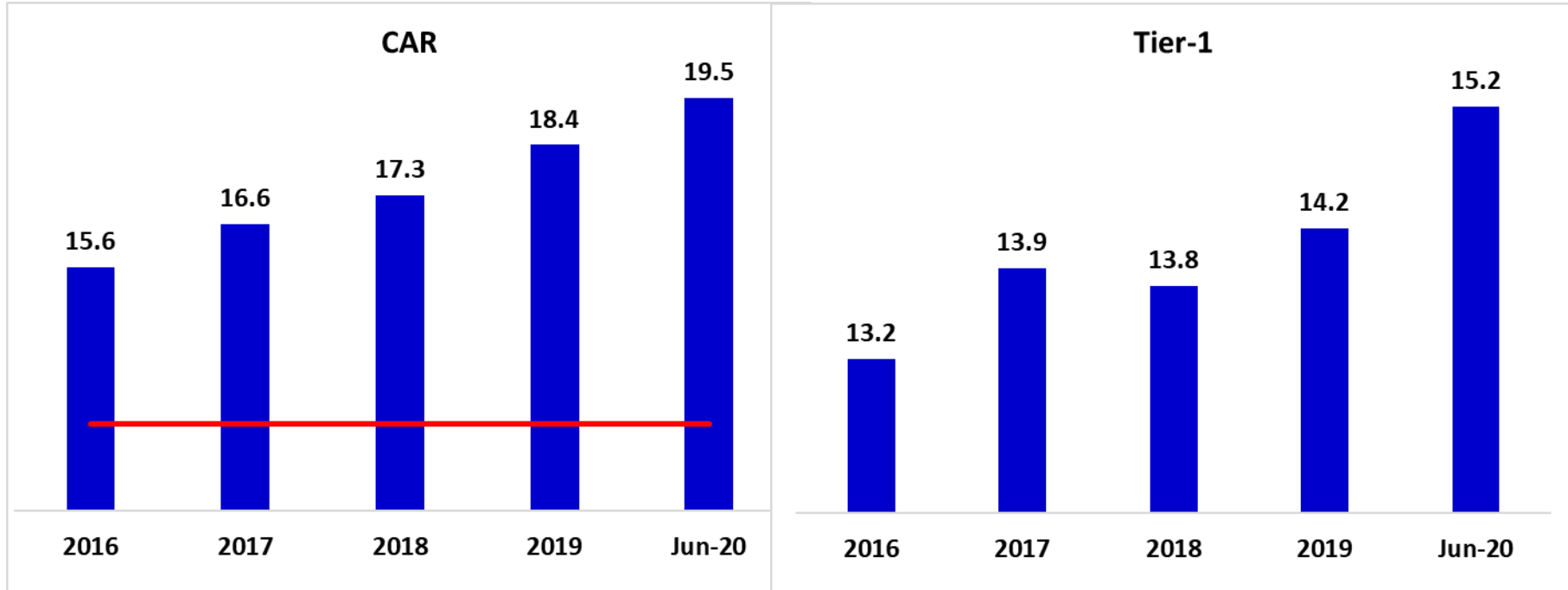


Overview of Turkish Banking Sector

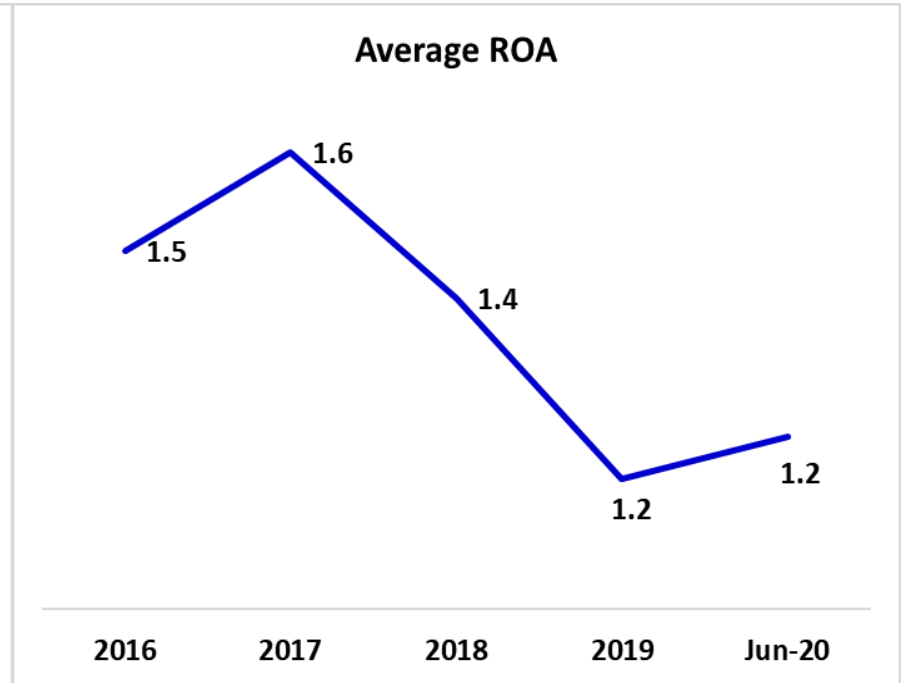
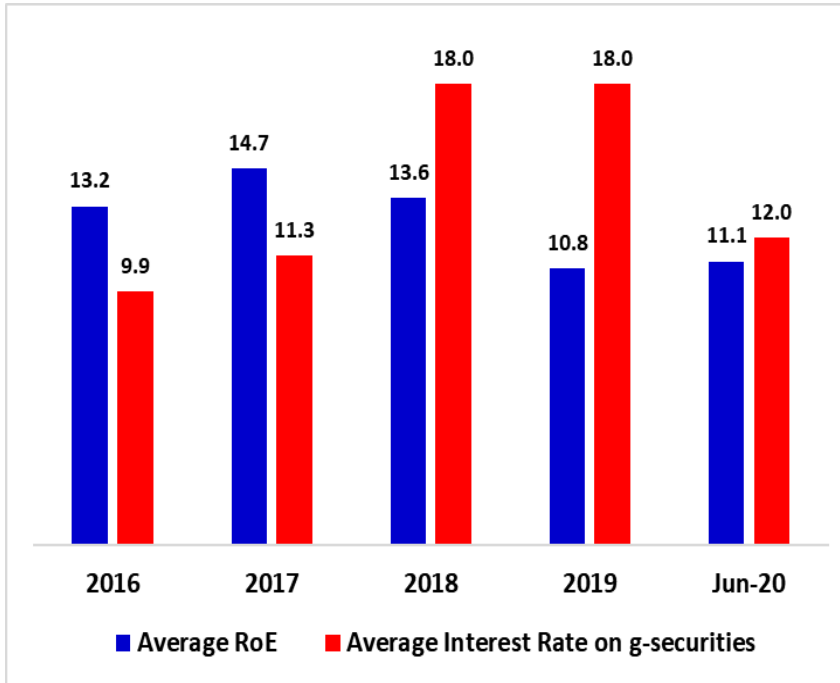
- ▶ As of June 2020, number of operating banks is 54; 34 are deposit banks, 14 are development and investment banks and 6 are participation banks.
- ▶ The number of employees decreased slightly (1.6%) and realized as 187.490 compared to previous year.



Capital Adequacy Ratio (Perc.)



Return On Average Equity (Perc.)



Overview of Turkish Banking Sector

Some highlights in comparison with the EU are:

- ▶ Turkish banking sector with its EUR 640 billion worth of assets, recently ranked 13th among member states of the European Union.
- ▶ The EU average is EUR 1.548 billion and the EU developing countries average is EUR 119 billion.
- ▶ With 11 per cent shareholders' equity to assets ratio, the banking sector in Turkey is above the EU average of 8 percent.



Digitalisation Progress

As of June 2020:

- ▶ The number of active customers using digital banking transactions has reached around 62 million. 96 percent of the customers are individual, and 4 percent are corporate.

In the March-June 2020 period:

- ▶ The volume of internet banking transactions is TL 1.6 trillion, while mobile banking volume is TL 2 trillion.



Covid-19 Measures in Banking Sector

Measures by Banks:

- ▶ Primary, interest and installment payments of individual and corporate clients have been delayed with the same terms and conditions on demand.
- ▶ The Credit Guarantee Fund by the Treasury can now be used more extensively for loans granted to companies.
- ▶ Use and volume of special loans like the Acceleration Package has been increased.



Covid-19 Measures in Banking Sector

- ▶ Special loan packages have been introduced for a number of industries including textile, construction and automotive.
- ▶ Limits of overdraft accounts and credit cards have been increased to use for emergencies on demand.
- ▶ Transactions on mobile, internet and ATM banking are now free of charge. Daily withdrawal limits from ATMs are increased.



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Covid-19 Measures in Banking Sector

- ▶ The limits of corporate credit cards and the Direct Loan System have been increased to support the operating capital requirements.
- ▶ The companies are provided with long-term loans and a limit increase at an amount equal to the monthly personnel costs to support employment.
- ▶ Credit limits have been increased and additional loans are provided for payment of cheques drawn by the banks.



Covid-19 Measures in Banking Sector

- ▶ Cash management limits are increased and installments are improved.
- ▶ Clients who are temporarily in default are provided with restructuring and delayed payment opportunities.
- ▶ In short-term loans, the assurance time of 2 years and the required time of exports are increased.
- ▶ The insurance coverage terms are increased free of charge.



Covid-19 Measures in Banking Sector

- ▶ Credit packages have been announced for financing new or second-hand house purchases, meeting financing needs for furniture, electronics, white-goods, home textiles, dowry or bicycles purchases and purchase of new personal vehicles (including motorcycles) or commercial vehicles from contracted companies performing local production.

Covid-19 Measures in Banking Sector

- ▶ Credit opportunities with favorable conditions have been provided under the Economic Stability Shield Program to ensure that TOBB Member businesses can sustain their commercial activities and continue their current employments.



Covid-19 Measures in Banking Sector

Measures by The Banks Association of Turkey:

- ▶ Regarding clients whose income-expenditure balance affected by Covid-19 outbreak or for those who cannot repay loans in due time despite the intention to pay despite measures taken to minimize its impact; the financial situation, debts - receivables and payment status of each of them have been carefully analyzed and the following are recommended in mutual good faith:



Covid-19 Measures in Banking Sector

- ▶ based on the resources and credit limits; loan demands of companies, SMEs and individuals should be swiftly evaluated and met
- ▶ credit access and terms should be improved
- ▶ credit channels should be maintained
- ▶ a certain flexibility should be introduced in terms of due dates, installments and assurances
- ▶ restructuring requests should be swiftly met



Covid-19 Measures in Banking Sector

- ▶ Clients detected to have been negatively affected by the outbreak should be reported to the Risk Centre for a better assessment.
- ▶ **Cheque Payment Support Credit:** To ensure efficiency of measures taken within the scope of "Economic Stability Package", loans are provided, within limits to be set by banks, for SMEs and other companies for withdrawal of cheques which are or will be drawn in relation to their commercial activities. The loans are supported by the Credit Guarantee Fund (CGF/KGF).



Covid-19 Measures in Banking Sector

- ▶ "Economic Stability Package Credit Support" has been launched to help SMEs and other corporate clients with their operating capital needs. KGF assurance supported by the Treasury has been provided to support the clients with assurance for loans. The interest rate will be 95 percent for 12 months, with 3 months delay for primary and interest payment.



Covid-19 Measures in Banking Sector

- ▶ Banks have been recommended to remind their branches in provinces where curfew is imposed to use alternative channels rather than the branches for all banking transactions and actions, or delay the actions of clients until April 27,2020 and May 20,2020.

Covid-19 Measures in Banking Sector

- ▶ The Banks Association of Turkey Risk Center Board has taken a decision that notifications to be made by members on April 24. 2020 and May 20 regarding transactions in the provinces with curfew will be made one week later and that the curfew should be notified in force majeure notifications of customers who failed to make their payments on such dates.

Covid-19 Measures in Banking Sector

- ▶ Detailed risk information was shared based on the decision of the Banks Association of Turkey Risk Center Board for the purpose of supporting the effective and accurate evaluation of credit applications by the Credit Guarantee Fund, which is a member of the Risk Center.



Thank you for your kind attention!

