BANKING
REGULATION AND
SUPERVISION AGENCY

PRESS RELEASE

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According to the asset quality review process conducted by the BRSA, it has been determined that the total amount of loans that should be classified as NPL, mostly comprising of loans to construction and energy sectors, amounts to 46 Billion TL. In that context, the BRSA has sent to the related banks the official instructions regarding the loan reclassifications and maintaining additional level of provisions for expected credit losses, which should be complied by the banks before the end of 2019.

The impact analysis conducted on the July 2019 financial statements of the banks reveals that the capital adequacy ratio of the banking system decreases by 50 basis points, from 18.2% to 17.7%, and the level of NPL increases from 4.6% to 6.3%.

Even though the globally accepted minimum capital adequacy ratio set by the Basel Committee on Banking Supervision is 8%, the BRSA has been implementing a target capital adequacy ratio of 12%. The capital adequacy ratio calculated after financial safety assessments of banks is well above both of these limits/targets.

The BRSA conducts financial safety analysis, including asset quality reviews, on a regular basis and gives the necessary feedback to banks for implementing relevant actions for the reclassification of loans and enhancing their financial soundness. In that context Common Equity Tier 1, Additional Tier 1 and Tier 2 capital of banking system in general and government owned banks in particular, excluding the impact of retained earnings, have been increased by 49 Billion TL in the last one-year period.

As a result, the studies conducted by the BRSA concludes that the banking system preserves its safety and soundness and the current level of capital is sufficient to manage asset quality related risks.

Respectfully announced to the public.