

THE EBRD IN TURKEY

Resilient financial sector

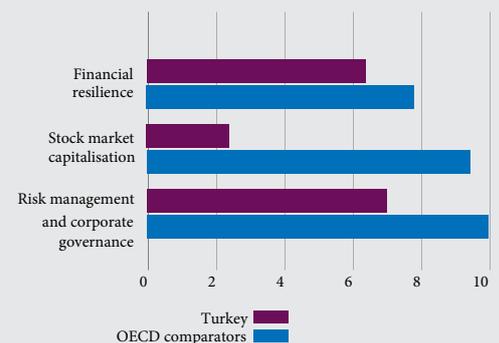
2015-20

Related SDGs



Turkey's local capital markets remain fragile, also because of the Covid-19 pandemic. Low savings rates have led to a reliance on foreign capital and, thus, economic vulnerability. The high net foreign currency exposure of the corporate sector, at 20 per cent of GDP, poses a risk in light of the volatility of the Turkish lira (TRY). Access to finance remains an issue, especially for SMEs. Lastly, despite positive steps to improve financial-sector resilience, rising corporate non-performing loans (NPLs) have not been addressed in certain sectors (such as energy, real estate and construction). Together with the volatile TRY, this puts further stress on the already strained local banking system.

EBRD score (1-worst, 10-best)



How we work

The EBRD supports efforts to strengthen the resilience of the financial sector, including through the Local Currency and Local Capital Markets Initiative and the SME Local Currency Programme. We combine investment support and policy dialogue to improve banking sector capacity for NPL resolution and to support the deepening of capital markets through the TRY Corporate Bond Framework and policy engagement with the Turkish authorities. Our Trade Facilitation Programme (TFP) enables international trade by providing local banks with guarantees to cover political and commercial payment risk.

In numbers

€2.9 billion

Net cumulative investment in local banks and financial institutions

€1.1 billion

Equity and quasi-equity investments

€1.3 billion

Financing provided in local currency

Quick links

- > [Local currency and capital markets development](#)
- > [TRY Corporate Bond Framework](#)
- > [Trade Facilitation Programme](#)



The EBRD developed the **TRY Corporate Bond Framework**, which helped to expand the average maturity of Turkey's corporate bond market.

Achievements and results: A resilient financial sector

We contributed to stronger financial markets, by:

- ▶ strengthening the resilience of banks through support for NPL resolution (for example, by subscribing to TRY-denominated bonds with NPL asset manager Hayat or through policy dialogue to stimulate NPL sales markets)
- ▶ advising financial authorities, regulators and the Borsa İstanbul (BIST) on the creation of the TLREF, the new TRY risk-free rate
- ▶ supporting the development of interest-rate risk management instruments by participating in TLREF-linked overnight index swaps
- ▶ working with the Capital Markets Board to develop legislation for equity-based crowdfunding (regulating the establishment, administration and oversight of crowdfunding platforms).

We helped to broaden sources of financing for local business by:

- ▶ supporting the viability of local-currency bond financing through investments in corporate bond issues (such as Enerjisa, Dogus, YDA and Ronesans)
- ▶ introducing new capital-market instruments, such as an inflation-linked bond for Turkey's largest utility group
- ▶ providing financing in local currency (up to one-third of all EBRD investments in some years), supporting the Turkish lira when currency volatility affected many firms
- ▶ supporting local infrastructure projects with international issuance through an innovative PPP scheme (for example, the Elazig PPP hospital Eurobond)
- ▶ providing a financial lifeline to Turkish businesses and municipalities affected by the Covid-19 pandemic with credit lines provided via partner financial institutions
- ▶ promoting international trade affected by the pandemic by providing trade financing to eight partner banks.

Capital market development

The EBRD supported five initial public offerings and eight TRY corporate bond issues. With the support of the EBRD, the Capital Markets Board adopted and published its inaugural report on corporate governance disclosures by companies listed on the BIST. The report was based on the EBRD-supported reporting framework for listed companies.

Improved transparency

The EBRD supported improvements in the disclosure and transparency of Turkish capital markets.

First ever listing on the London Stock Exchange

As a shareholder, we supported the first ever IPO of a Turkish company (Global Ports) on the London Stock Exchange. The EBRD nominated a member of the board of Global Ports and helped advance the company's corporate governance, making it more competitive, both in Turkey and abroad, and better prepared for the IPO.

Innovative financial products

The EBRD invested in Turkey's first euro covered bond.

Support for financial benchmarks

We supported the development of the TLREF by advising regulators and Borsa İstanbul. We executed the first ever overnight index swap indexed to the TLREF. Prior to this, we invested in inflation-linked bonds and TRLIBOR bonds and loans.

Trade finance

During the Covid-19 pandemic, we provided financial support to enable companies to pursue foreign trade amid high economic uncertainty.



Read how the EBRD supported the growth of a Turkish grocer by investing in the company, in one of the largest initial public offerings on the BIST



Read about the first TLREF loan ever, to Enerjisa. Under the loan agreement the EBRD and Enerjisa Enerji will also cooperate to advance equal opportunities in the power sector, a focus on supporting with women's access to employment in the sector.

