

(FINANCIAL SECTOR) S.12

THE MEASUREMENT OF FINANCIAL SERVICES

- Financial corporations consist of all resident corporations that are principally engaged in providing financial services, including insurance and pension funding services, to other institutional units.
- Financial services are the result of financial intermediation, financial risk management, liquidity transformation or auxiliary financial activities. As the provision of financial services is typically subject to strict regulation, it is usually the case that units providing financial services do not produce other goods and services and financial services are not provided as secondary production



Financial corporations can be divided into three broad classes, namely,

- financial intermediaries,
- financial auxiliaries
- other financial corporations.

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Money market funds (MMFs)	S123
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Other financial intermediaries except insurance corporations and pension funds	S125
Financial auxiliaries	S126
Captive financial institutions and moneylenders	S127
Insurance corporations	S128
Pension Funds	S129

NACE	Units	Data Source
64	Central Bank (S.121)	Central Bank of The Republic of Turkey
	Banks (Commercial, Participation and Investment) (S.122)	Banking Regulation and Supervision Agency
	Financial Leasing Companies(S.125) Consumer Financing Companies(S.125)	
	Asset Management Companies and Factoring Companies (S.125)	
	Agricultural Credit Cooperatives (S.125)	Survey, Administrative data
65	Insurance Companies (life and non-life) (S.128-S.129)	Undersecretariat of Treasury (UT), Agricultural Insurance Pool (AIP), Turkish Catastrophe Insurance Pool (TCIP)
	Pension Funding(S.128-S.129)	
	Reinsurance Company(S.128)	
	Foundations and chests' (found in the pension commitments to members) (S.128-S.129)	General Directorate of Foundations
66	Capital Market Board (CMB) (S.126) Saving Deposit and Insurance Fund (SDIF) (S.126)	Administrative data
	Banking Regulation and Supervision Agency (BRSA) (S.126)	Survey, Administrative data
	Interbank Card Centre (S.126)	
	Istanbul Stock Exchange (S.126)	
	Exchange Offices (S.126)	
	Credit Surety Cooperatives of Turkish Craftsmen and Artisans (S.126)	
	Istanbul Gold Exchange (S.126)	
	VAT Repayment Companies (S.126)	
	Credit Guarantee Fund (S.126)	
	Central Institution of Record (S.126)	
	Derivatives Exchange (S.126)	
	Insurance Agents (S.126)	
	Insurance Brokers (S.126)	
	Insurance Experts (S.126)	
	Portfolio Management Companies (S.126)	

S.122	Data Source	Source Type
Deposit Banks Nace Rev.2: 64.19	Banking Regulation and Supervision Agency	Administrative Records
Development and Investment Banks Nace Rev.2: 64.99	Banking Regulation and Supervision Agency	Administrative Records
Participation Banks (Islamic Banks) Nace Rev.2: 64.19	Banking Regulation and Supervision Agency	Administrative Records

S.125	Data Source	Source Type
Consumer Finance Corporations Nace Rev.2: 64.92	Banking Regulation and Supervision Agency	Administrative Records
Factoring Nace Rev.2: 64.99	Banking Regulation and Supervision Agency	Administrative Records
Financial Leasing Nace Rev.2: 64.91	Banking Regulation and Supervision Agency	Administrative Records
Securities Investment Associations, Real Estate Investment Associations Nace Rev.2: 64.99	Turkish Statistical Institute	Survey
Asset Management Companies Nace Rev.2: 64.99	Turkish Statistical Institute	Survey

S.121 Central Bank

- As long as the central bank is a separate institutional unit, it is always allocated to the financial corporations sector, even if it is primarily a non-market producer.

Output of the Central Bank (CB) is divided into:

- *market output;*
- *non-market output.*

The CB output is calculated in two stages

S.121 Central Bank

The non market output of the central bank is measured as the sum of costs such as its intermediate consumption, compensation of employees, consumption of fixed capital and other taxes less subsidies on production in line with the ESA 2010 (Table 3.17.3.). Annual detailed profit/loss table of Central Bank of Republic of Turkey (CBRT) is used for all ESA transactions. The data doesn't need any adjustment. FISIM is not calculated for the central bank for not necessary conceptually. According to ESA 2010, the non-market output (P.13) of the central bank output has been entirely allocated to the intermediate consumption of other financial intermediaries.

S.121 Central Bank

- P.11: Commissios and Fees
- $P13/R \text{ (Non-market output)} = P2/U + P51c/U + D1/U - P11$
- The central bank's market output (P11/R) was moved to the intermediate consumption (P22/U) of sector S122, as instructed in Section 14.16 of ESA 2010.
- No FISIM output and No FISIM IC were calculated for the central bank.

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3.3. Profit and Loss Statements for 2015 and 2014

	Explanation No.	2015	2014
Interest Income	3.4.2.20	8,358,772,402	6,346,312,256
Interest Expense	3.4.2.20	-1,997,385,869	-1,009,528,914
Net Interest Income /Expense		6,361,386,533	5,336,783,342
Fee and Commission Income	3.4.2.20	477,292,315	404,815,947
Fee and Commission Expense	3.4.2.20	-14,534,728	-10,160,789
Net Fee and Commission Income /Expense		462,757,587	394,655,158
Non-Interest Income	3.4.2.20	12,734,764,147	7,427,995,804
Non-Interest Expense	3.4.2.20	-3,351,236,299	-3,056,115,939
Net Non-Interest Income/Expense		9,383,527,848	4,371,879,865
Net Profit /Loss Before Tax		16,207,671,969	10,103,318,365
Tax Provision	3.4.2.14	-2,350,350,777	-1,461,674,539
Net Profit/Loss		13,857,321,192	8,641,643,826

Table 28. Profit/Loss Statement

	2015	2014
NET INTEREST INCOME/EXPENSE	8,381,388,533	5,336,783,342
Interest income	8,358,772,402	8,348,312,258
TL and FX securities portfolio	2,238,650,148	2,313,891,627
Securities purchased under agreements to resell	5,841,937,647	3,918,262,243
Interbank money market operations	176,933,637	9,040,148
Credits	74,836,429	90,762,820
Banks	26,414,542	14,355,418
Interest Expense	-1,997,385,889	-1,009,528,914
FX deposits by citizens abroad	-13,651,824	-23,082,130
Securities sold under agreements to repurchase	-199	-4,802,315
Interbank money market operations	-1,807,577	-5,504,050
Treasury accounts	-1,402,704,612	-939,790,853
IMF general resource account (GRA) charges	-2,097,857	-3,045,558
TL required reserves	-341,861,797	-33,027,233
FX required reserves	-209,256,823	-
Banks	-26,005,180	-276,776
NET FEE AND COMMISSION INCOME/EXPENSE	482,757,587	384,855,158
Fee and commission income	477,292,315	404,815,947
EFT transaction fees and commissions	228,087,911	201,333,406
Commissions due from the Treasury	136,098,370	149,341,828
Commission and maintenance fees due from banks	104,203,591	46,644,330
Other fund transfer fees	2,240,996	1,922,913
Other	6,661,447	5,573,471
Fee and commission expense	-14,534,728	-10,180,789
Commission and maintenance fees due to banks	-14,341,505	-9,979,020
Other	-193,222	-181,769
NET NON-INTEREST INCOME/EXPENSE	9,383,527,848	4,371,878,865
Non-Interest Income	12,734,784,147	7,427,995,804
Profit on purchase and sale of FX	12,710,303,150	6,333,511,390
Securities portfolio trading income and fair value increase	8,928,134	1,082,158,536
Dividend income	6,355,953	5,361,045
Deferred tax income	5,065,940	2,490,016
Other	4,110,971	4,474,817
Non-Interest Expense	-3,351,236,299	-3,056,115,939
Loss on purchase and sale of FX	-237,909,101	-239,833,459
Securities portfolio trading loss and fair value decrease	-1,280,244,154	-1,677,478,331
Provision expense for claims under legal proceedings	-909,183,735	-287,035,119
Wages and salaries	-631,546,401	-598,858,993
Social security costs	-81,421,770	-63,310,278
Operating expenses	-84,894,150	-75,242,604
Banknote paper and ink expenses	-92,483,167	-81,147,604
Depreciation charges	-29,525,114	-29,831,203
Other	-4,028,705	-3,378,347
NET PROFIT/LOSS	18,207,671,969	10,103,318,365

S.122 Deposit-taking corporations except the central bank

- Deposit-taking corporations except the central bank have financial inter-mediation as their principal activity. To this end, they have liabilities in the form of deposits or financial instruments (such as short-term certificates of deposits) that are close substitutes for deposits. The liabilities of deposit-taking corporations are typically included in measures of money broadly defined

S.122

- In general, this subsector comprises:
 - a) Commercial banks
 - b) Savings banks
 - c) Agricultural credit banks
 - d) Cooperative credit banks and credit unions
 - e) Specialized banks or other financial corporations if they take deposits or issue close substitutes for deposits (for example, corporations engaged in granting mortgages, including building societies and mortgage banks, merchant banks, and municipal credit institutions, including regional or provincial credit institutions which accept deposits)

S.122 The following institutional units are not deposit-taking corporations:

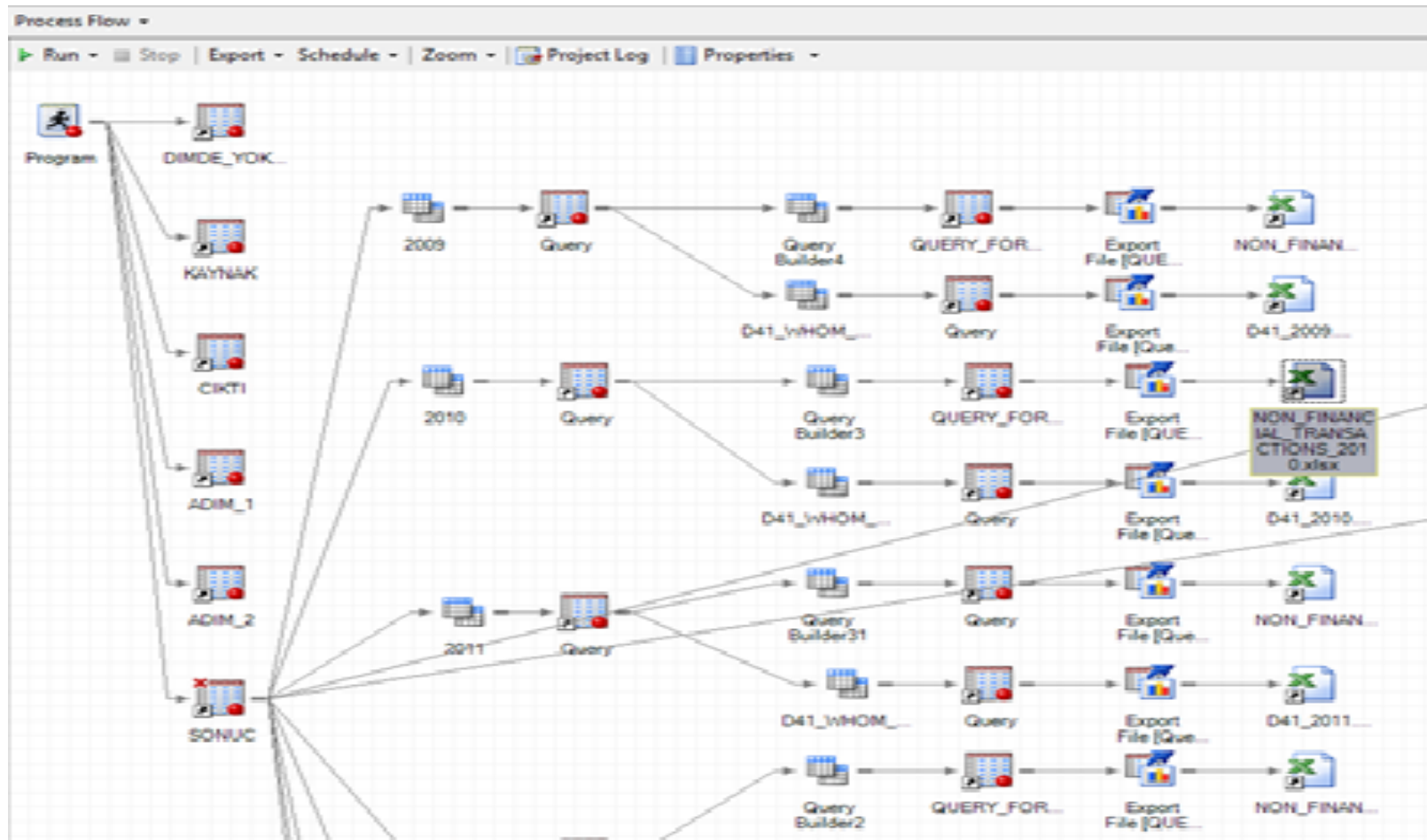
- a) Head offices which oversee and manage other units of a group consisting predominantly of deposit-taking corporations except the central bank, but which are not deposit-taking corporations themselves. They are classified as financial auxiliaries (S126);
- b) Non-profit institutions recognized as independent legal entities serving deposit-taking corporations, but not engaged in financial intermediation. They are classified as financial auxiliaries (S126);
- c) Holding corporations, which are allocated to the captive financial institutions and money lenders subsector (S127), even if all their subsidiary corporations are deposit-taking corporations

Defining and classifying head offices and holding companies

The 2008 SNA and the BPM6 classify head offices according to their main activity either as a non-financial corporation (S11) or, by convention, as a financial auxiliary (S126). Holding companies are always included in the financial corporations subsector “captive financial institutions and moneylenders” (S127), irrespective of whether all their subsidiary corporations are financial or non-financial corporations

	Head offices	Holding companies
Description in ISIC Rev.4 and NACE Rev.2	ISIC Rev.4 Class 7010 (NACE Rev. 2, class 70.10)	SIC Rev.4 Class 6420 (NACE Rev. 2 class 64.20):

SAS project for 64 Nace



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- The accounting data structure codes for banking (which are also in Figure 3.17.1) are;
- Receivables:
 - Group 5 (500...): interest receivables
 - Group 7 (700...): non-interest income
- Expenses:
 - Group 6 (600...): interest expense
 - Group 8 (800...): non-interest expense
- According to the income statement of banks at figure 3.17.1., output and intermediate consumption are estimated by using the codes of groups 7-8, respectively. Codes of Group 5-6 are used for estimating FISIM.

The template of income statement of banks

NAME OF BANK		PERIOD:/....		
CODE OF BANK				
NAME OF FORM : MONTHLY INCOME STATEMENT				
CURRENCY UNIT : BILLION TRY				
ACCOUNT CODES AND NAMES		DOMESTIC	BRANCHES	GENERAL
CODE	NAME	ORGANIZATION	ABROAD	CONSOLIDA TED
500	INTEREST TAKEN FROM DISCOUNT AND NEGOTIATION BILLS-TRY			
501	INTEREST TAKEN FROM DISCOUNT AND NEGOTIATION BILLS-FX			
502	INTEREST TAKEN FROM FACTORING RECEIVABLES-TRY			
503	INTEREST TAKEN FROM FACTORING RECEIVABLES-FX			
504	INTEREST TAKEN FROM PRECIOUS METAL LOANS-TRY			
...				
608	INTEREST GIVEN TO TRY DEPOSIT (NON RESIDENT PERSONS AND INSTITUTIONS)			
610	INTEREST GIVEN TO TRY DEPOSIT (RESIDENT INSTITUTIONS)			
611	INTEREST GIVEN TO FOREIGN EXCHANGE DEPOSIT ACCOUNTS			
614	INTEREST GIVEN TO PRECIOUS METAL DEPOSIT ACCOUNTS-TRY			
...				
700	COMMISSION TAKEN FROM DISCOUNT AND NEGOTIATION BILLS-TRY			
701	COMMISSION TAKEN FROM DISCOUNT AND NEGOTIATION BILLS-FX			
702	COMMISSION AND FEES TAKEN FROM FACTORING RECEIVABLES-TRY			
...				
810	PERSONNEL EXPENSES-TRY			
811	PERSONNEL EXPENSES-FX			

P.1	Output	
P.11	Market output	
P.111	Market Output (exc. FISIM)	
P.112	Market Output (FISIM)	
P.12	Output for own final use	R&D, OAS (Own Account Software)
P.13	Non-market output	Central Bank

S.125:Other financial intermediaries, except insurance corporations and pension funds

In particular, this subsector may be further subdivided into:

- Financial corporations engaged in the securitization of assets;
- Security and derivative dealers (operating on own account);
- Financial corporations engaged in lending, including financial leasing, hire purchase and the provision of personal or commercial finance;
- Central clearing counterparties. These organizations provide clearing and settlement transactions in securities and derivatives. Clearing relates to identifying the obligations of both parties to the transaction, while settlement is the exchange of the securities or derivatives and the corresponding payment. The central clearing counterparties involve themselves in the transaction and mitigate counterparty risk;

S.125:Other financial intermediaries, except insurance corporations and pension funds

- Specialized financial corporations that assist other corporations in raising funds in equity and debt markets and provide strategic advisory services for mergers, acquisitions and other types of financial transactions. These corporations are sometimes known as “investment banks”. In addition to assisting with the raising of funds for their corporate clients, such corporations invest their own funds, including in private equity, in hedge funds dedicated to venture capital, and in collateralized lending. However, if such corporations take deposits or close substitutes for deposits, they are classified as deposit-taking corporations;

S.125:Other financial intermediaries, except insurance corporations and pension funds

Specialized financial corporations that provide the following:

- ◆ Short-term financing for corporate mergers and takeovers.
- ◆ Export/import finance.
- ◆ Factoring services.
- ◆ Venture capital and development capital firms.
- ◆ Loans against mortgage on real estate by issuing mortgage bonds.

S.126 Financial auxiliaries

- Financial auxiliaries consist of financial corporations that are principally engaged in activities associated with transactions in financial assets and liabilities or with providing the regulatory context for these transactions, but in circumstances that do not involve the auxiliary taking ownership of the financial assets and liabilities being transacted.

S.126

- The most common types of financial auxiliaries are the following:
- (a) Insurance brokers, salvage and claims adjusters (whether employed by the insurance corporation, an independent adjuster or a public adjuster employed by the policyholder), and insurance and pension consultants;
- (b) Loan brokers, securities brokers who arrange trades between security buyers and sellers but do not purchase and hold securities on their own account, investment advisers, etc.;
- (c) Flotation corporations that manage the issue of securities;
- (d) Corporations whose principal function is to guarantee, by endorsement, bills and similar instruments;
- (e) Corporations that arrange derivative and hedging instruments, such as swaps, options and futures (without issuing them);
- (f) Corporations providing infrastructure for financial markets, including those providing transaction processing and settlement activities, such as for credit card transactions, as well as securities depository companies, custodians, clearing offices and nominee companies;

S.126

- g) Managers of pension funds, mutual funds, etc. (but not the funds they manage);
- (h) Corporations providing stock exchange, insurance exchange, and commodity and derivative exchange;
- (i) Foreign exchange bureaux;
- (j) Non-profit institutions recognized as independent legal entities serving financial corporations, but that do not themselves provide financial services;
- (k) Head offices of financial corporations that are principally engaged in controlling financial corporations or groups of financial corporations, but that do not themselves conduct the business of financial corporations;
- (l) Central supervisory authorities of financial intermediaries and financial markets when they are separate institutional units.

S.126

- Output of activities auxiliary to financial services and insurance activities is calculated by directly survey data compiling of business statistics except Capital Market Board (CMB), Saving Deposit and Insurance Fund (SDIF) and Banking Regulation and Supervision Agency (BRSA). The output of these institutions is to be measured as the sum of the costs from administrative data. Additionally, R & D, own account software and FISIM adjustments are made.

- Thanks for your attention...