

## LIST OF CHARTS

Chart I.1	Market Confidence Indicators in Selected Countries	1
Chart I.2	Credit Default Swap Indices	2
Chart I.3	Stock Market Developments in Developed Countries	2
Chart I.4	Risk Premia and Credit Default Swap (CDS) Spreads of Selected Developing Countries	3
Chart I.5	Stock Market Developments in Developing Countries	3
Chart I.6	Nominal Exchange Rates in Developing Countries	3
Chart I.7	Commodities Price Index	4
Chart I.8	Inflation Rates in Selected Countries	4
Chart I.9	Indices of Balance Sheets' Size of Fed and ECB	5
Chart I.10	Policy Rates in Selected Countries	5
Chart I.11	Share of Banks that Have Tightened Lending Conditions in the US and European Banking Sectors	6
Chart I.12	Credit Developments in the USA and European Banking Sectors	6
Chart I.13	Issuance of Asset Based Securities (ABS) and Collateralized Mortgage Obligations (CMO)	7
Chart I.14	Growth Rates in Selected Countries	7
Chart I.15	Current Account Balance (CAB) to GDP Ratio and the Impact of Energy Prices	14
Chart I.16	Export - Import Volumes and the Trade Deficit	14
Chart I.17	Imports and Exports Volume Indices	15
Chart I.18	Imports and Exports Unit Value Indices	15
Chart I.19	Development of the Balance of Payments Items	16
Chart I.20	Short-Term External Debt and International Reserves	17
Chart I.21	Import Coverage Ratio of Reserves	17
Chart I.22	Net Receivables of International Banks from Selected Countries	18
Chart I.23	Roll-over Ratios for Long-term External Loans of Banks and Non-Bank Sector	18
Chart I.24	Growth Rate and Its Composition	20
Chart I.25	Contributions of Sectors to Growth	20
Chart I.26	Industrial Production and Capacity UtilizationRate	21

Chart I.27	Number of Workers and Partial Productivity per Worker for the Manufacturing Industry	21
Chart I.28	Annual PPI and CPI Developments	22
Chart I.29	12 Months Ahead CPI Expectations	22
Chart I.30	Composition of Total Public Sector Net Debt Stock	25
Chart I.31	General Government Nominal Debt Stock Defined by EU Standards	25
Chart I.32	Composition of Domestic Debt Stock	26
Chart I.33	Maturity Structure of Government Domestic Debt Stock	26
Chart I.34	Government Domestic Debt Securities by Holders	26
Chart I.35	Private Sector Consumption and Savings Ratios and Real Disposable Income	28
Chart I.36	Household Liabilities to GDP	28
Chart I.37	Retail Loans to Household Consumption Expenditures	28
Chart I.38	Decomposition of Household Liabilities	29
Chart I.39	Credit Card Balances of Deposit Banks and Balances That Incur Interest Charge	29
Chart I.40	FX Indexed Consumer Credits and FX Indexed Housing Credits	30
Chart I.41	FX Retail Loans in Total Retail Loans for Selected Countries	30
Chart I.42	Rise in Unemployment Rate for Selected Countries	31
Chart I.43	Unemployment and NPL Ratios	31
Chart I.44	Ratio of TL-FX Denominated Investment Instruments	34
Chart I.45	Households' Financial Assets and Liabilities	34
Chart I.46	Number of Firms that Incurred Profit/Loss	36
Chart I.47	The Ratio of Over-Drawn Cheques Presented to the ICH to the total Cheques Presented to the ICH	38
Chart I.48	Number of Newly Established and Liquidated Companies and Cooperatives	38
Chart I.49	Real Sector Confidence Index	38
Chart I.50	Remaining Maturity Composition of Long-Term Loans Received from Abroad by Corporate Sector	41
Chart I.51	Interest Rate Composition of Long-Term Loans Received from Abroad by Corporate Sector	41
Chart I.52	Ratios Related to FX Position of the Corporate Sector	41
Chart I.53	FX Position of ISE Companies	42

Chart I.54	Cash Loans Extended to ISE Companies	43
Chart II.1	Composition of Balance Sheet of the Financial Sector	45
Chart II.2	Balance Sheet Size of the Banking Sector	45
Chart II.3	Banking Sector Assets by Groups	46
Chart II.4	Banking Sector Assets According to Equity Ownership	46
Chart II.5	Asset Structure of the Banking Sector	47
Chart II.6	Liability Structure of the Banking Sector	47
Chart II.7	Net Interest Margin	48
Chart II.8	Return on Assets and Return on Equity	48
Chart II.9	Return on Assets and Equity by Selected Countries	48
Chart II.10	Return on Equity Based on Asset Share	49
Chart II.11	Return on Equity Based on Asset Share by Selected Countries	49
Chart II.12	Capital Adequacy Ratio	50
Chart II.13	CAR by Selected Countries	50
Chart II.14	Asset Share of Banks Based on Capital Adequacy Ratio	51
Chart II.15	Free Capital of the Banking Sector	51
Chart II.16	Composition of Total Risk Exposure	51
Chart III.1	Gross Loans	53
Chart III.2	Non-Performing Loans	53
Chart III.3	Currency Composition of Loans	55
Chart III.4	FX Loans	55
Chart III.5	Distribution of Loans by Provinces	55
Chart III.6	Loan Interest Rates	56
Chart III.7	Spread between Corporate Loan and Deposit Rates	56
Chart III.8	Breakdown of Gross Loans and Real Growth Rates	56
Chart III.9	Corporate Loans by Type	57
Chart III.10	NPL Ratios for Corporate Loans	57
Chart III.11	Retail Loans	59
Chart III.12	NPL Ratios for Retail Loans	59
Chart III.13	Consumer Loans	60
Chart III.14	NPL Ratios for Consumer Loans	60
Chart III.15	Consumer Loans Interest Rates	60
Chart III.16	Effect of Credit Shock on the Profitability of the Sector	61

Chart III.17	Effects of Credit Shocks on the CAR of the Sector	62
Chart III.18	Foreign Exchange Rates, Interest Rates and Equity Prices	63
Chart III.19	Interest Rates	63
Chart III.20	Ex-ante and Ex-Post Real Interest Rates of GDDS	63
Chart III.21	Interest Rate Sensitivity Gap of the Banking Sector	64
Chart III.22	Foreign Exchange Position of the Banking Sector	64
Chart III.23	Swap Transactions in TL/FX	64
Chart III.24	Impacts of the Scenarios on the Largest 10 Banks of the Sector	68
Chart III.25	Basic Liquidity Indicators	70
Chart III.26	Liquid Assets	70
Chart III.27	Free Securities and Liabilities	71
Chart III.28	Funding Gap ???	71
Chart III.29	Funding Gap ???	71
Chart III.30	FX Interbank Operations	72
Chart III.31	FX Liquidity Adequacy Ratio	72
Chart III.32	Total Liquidity Adequacy Ratio	72
Chart III.33	Liquidity Ratio of the Banking Sector Calculated By Using Stock Values of Selected Assets and Liabilities	73
Chart III.34	Financial Strength Sub-Indices	75
Chart III.35	Financial Strength Index	76

## LIST OF TABLES

Table I.1	Balance of Payments	14
Table I.2	GDP Growth Rate and Current Account Deficit to GDP Ratio in Selected Economies	15
Table I.3	Developments in Financial Accounts	17
Table I.4	Central Government Budget Performance	23
Table I.5	General Government Balance (% of GDP)	27
Table I.6	Household Disposable Income, Liabilities and Interest Payments	29
Table I.7	Number of Consumer Loan and Credit Card Defaulters	31
Table. I.8	Restructured Credit Card Receivables in Accordance with Law No.5464 Provisional Article 5	32
Table. I.9	Composition of Household Financial Assets	32
Table I.10	Income Statement Items of Selected ISE Firms	35
Table I.11	Profitability Rates	36
Table I.12	Indebtedness Ratios	37
Table I.13	Non-Performing Loan Ratios for Firms	37
Table I.14	Financial Debt of the Corporate Sector	39
Table I.15	Sectoral Breakdown of the Remaining Maturity Composition of Long-Term Loans Received from Abroad by Corporate Sector	40
Table I.16	FX Assets and Liabilities of Corporate Sector	42
Table II.1	Indicators of the Banking Sector's Financial Depth and Intermediation Function	46
Table II.2	Net Profit and Its Components	47
Table II.3	The Ratio of Capital Intervention by Government to GDP by Selected Countries	50
Table III.1	NPL Ratios in Selected Countries	54
Table III.2	Selected Credit Ratios	54
Table III.3	Sectoral Composition of Corporate Loans	58
Table III.4	Sectoral Composition of NPL Ratios of Corporate Loans	59
Table III.5	Interest and FX Rate Increase Scenarios	65
Table III.6	Results of Market Risk Scenarios	67
Table III.7	Financial Strength Index Variables	74

## LIST OF BOXES

Box 1.	Exit Strategies: When and How ?	8
Box 2.	Recent Resolutions with respect to the Global Crisis Made Within the G-20 Framework	9
Box 3.	Basel Committee on Banking Supervision's Work on Strengthening Prudential Regulation	10
Box 4.	Developments in International Financial Reporting Standards	11
Box 5.	Compensation Policies	13
Box 6.	Amendment to Decree Number 32 Regarding The Protection of the Value of the Turkish Currency	18
Box 7.	The Medium Term Programme (2010-2012)	24
Box 8.	Gold Imports and Exports	33
Box 9.	Dividend Payout Ratio of Deposit Banks	52
Box 10.	The Council of Ministers Decision on the Principles and Procedures of Treasury Support that will be Provided to Credit Guarantee Fund Inc.	58
Box 11.	Market Liquidity Index (MLI)	69
Box 12.	Liquidity Stress Test	73

## ABBREVIATIONS

BCBS	: Basel Committee on Banking Supervision
BIS	: Bank for International Settlements
BRSA	: Banking Regulation and Supervision Agency
CAR	: Capital Adequacy Ratio
CBRT	: Central Bank of the Republic of Turkey
CDS	: Credit Default Swap
CGF	: Credit Guarantee Fund
CMB	: Capital Markets Board
CMO	: Collateralized Mortgage Obligation
CPI	: Consumer Price Index
CRA	: Central Registry Agency
ECB	: European Central Bank
EMBI	: Emerging Markets Bond Index
ESA	: European System of Accounts
EU	: European Union
FASB	: Financial Accounting Standards Board
FCAG	: Financial Services Advisory Group
FED	: Federal Reserve System
FSB	: Financial Stability Board
FSI	: Financial Strength Index
FSF	: Financial Stability Forum
FX	: Foreign Exchange
FXIL	: Foreign Exchange Indexed Loans
FXNGP	: Foreign Exchange Net General Position
G-20	: Group of 20
GAAP	: Generally Accepted Accounting Principles
GDDS	: Government Domestic Debt Security
GDP	: Gross Domestic Product
IAS	: International Accounting Standards
IASB	: International Accounting Standards Board
IFRS	: International Financial Reporting Standards
IFS	: International Financial Statistics
IMF	: International Monetary Fund
ISE	: Istanbul Stock Exchange
MLI	: Market Liquidity Index

NPL	: Non Performing Loans
OECD	: Organization of Economic Co-operation and Development
O/N	: Overnight
PPI	: Producer Price Index
RIB	: Revenue Indexed Bonds
ROA	: Return on Assets
ROE	: Return on Equity
S&P	: Standard and Poor's
SDIF	: Savings Deposit Insurance Fund
SEE	: State Economic Enterprise
SME	: Small and Medium Size Enterprise
SPO	: T. R. Prime Ministry State Planning Organization
TL	: Turkish Lira
TOKI	: Housing Development Administration of Turkey
Treasury	: Republic of Turkey Undersecretariat of Treasury
TURKSTAT	: Turkish Statistical Institute
UK	: United Kingdom
USA	: United States of America
USD	: United States Dollar
VAT	: Value Added Tax
WEO	: World Economic Outlook