

CONTENTS

Contents	i
Overview	iii
I. Macroeconomic Developments	1
I.1. External Sector	1
I.1.1. International Developments	1
I.1.2. Balance of Payments	7
I.2. Growth and Inflation	13
I.2.1. Growth	13
I.2.2. Inflation	16
I.3. Public Finance	17
I.4. Private Sector Developments	20
I.4.1. Household	20
I.4.2. Corporate Sector	26
I.4.2.1. Financial Analysis of Companies	26
I.4.2.2. Foreign Exchange Position	30
I.4.2.2.1. Foreign Exchange Position of Companies	30
I.4.2.2.2. Foreign Exchange Position of the Non-Financial Firms Listed on ISE	32
II. Structure of the Financial Sector	35
II.1. Banking Sector	35
II.2. Banking Sector Profitability and Capital Adequacy	37
II.2.1. Profitability	37
II.2.2. Capital Adequacy	41

III. Banking Sector Risks	45
III.1. Credit Risk and Scenario Analysis	45
III.1.1. Credit Portfolio	45
III.1.2. Non-Performing Loans	51
III.1.3. Non-Cash Loans	56
III.1.4. Credit Risk Scenario Analysis	56
III.2. Market Risk and Scenario Analysis	57
III.2.1. Market Risk	57
III.2.2. Scenario Analysis	59
III.2.2.1. Interest and Exchange Rate Shocks	59
III.2.2.1.1. Depreciation of YTL	61
III.2.2.1.2. Interest Rate Increases and Loss in Value	61
III.3. Liquidity Risk	63
III.4. Financial Strength Index	65
IV. Financial Infrastructure	69
IV.1. Turkish Interbank Clearing-Real Time Gross Settlement System (TIC-RTGS) and Electronic Securities Transfer and Settlement System (TIC-ESTS)	69
IV.2. Cheque Clearing System	72
IV.3. System of Payment by Cards	74