## CONTENTS

Contents	i
Overview	iii
I. Macroeconomic Developments	1
I.1. External Sector	1
1.1.1. International Developments	1
I.1.2. Balance of Payments	16
I.2. Growth and Inflation	21
I.2.1. Growth	21
I.2.2. Inflation	23
I.3. Public Finance	24
I.4. Private Sector Developments	29
I.4.1. Household	29
I.4.2. Corporate Sector	35
I.4.2.1. Financial Analysis	35
I.4.2.2. Borrowing Structure of the Corporate Sector	41
I.4.2.3. Foreign Exchange Position of the Corporate Sector	44
I.4.2.3.1. Foreign Exchange Position of Corporate Sector Firms	
Listed on the ISE	45
II. Structure of the Financial Sector	47
II.1. Banking Sector	47
II.2. Banking Sector Profitability and Capital Adequacy	49
II.2.1. Profitability	49
II.2.2. Capital Adequacy	53

## CENTRAL BANK OF THE REPUBLIC OF TURKEY

III. Banking Sector Risks	57
III.1. Credit Risk and Scenario Analysis	57
III.1.1. Credit Portfolio	57
III.1.2. Non-Performing Loans	64
III.1.3. Non-Cash Loans	68
III.1.4. Credit Risk Scenario Analysis	69
III.2. Market Risk and Scenario Analysis	70
III.2.1. Market Risk	70
III.2.2. Scenario Analysis	73
III.2.2.1. Interest and Exchande Rate Increases	73
III.2.2.1.1. Depreciation of YTL	74
III.2.2.1.2. Interest Rate Increases and Loss in Value	75
III.3. Liquidity Risk	78
III.4. Financial Strength Index	82
IV. Financial Infrastructure	85
V.1. Turkish Interbank Clearing Real Time Gross Settlement System (TIC-RT	GS) and
Elektronic Securities Transfer and Settlement System (TIC-ESTS)	85
IV.2. Cheque Clearing System	88
IV.3. System of Card Payments	89