



CORPORATE SECTOR ANALYSIS IN TURKEY



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CENTRAL BANK OF THE REPUBLIC OF TURKEY

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Romania



AGENDA

- I. Why do we analyze?
- II. How do we analyze?



The Importance of Corporate Sector Analysis

➤ **Default risk (Non- Performing Loans)**

Credit risk faced by banks stemming from the corporate sector

➤ **Foreign Exchange Risk**

FX exposure of the corporate sector as a potential risk factor for the banking sector



DATA BASE

- I. ***Company Accounts***, published by CBRT, is the most comprehensive data set concerning the corporate sector. This data set is published once a year.
- II. ***Financial Statement of Companies***, which have been continuously traded on the Istanbul Stock Exchange for the last three year period, but which are not financial entities or do not include any financial institutions in their consolidated financial statements, are analyzed.



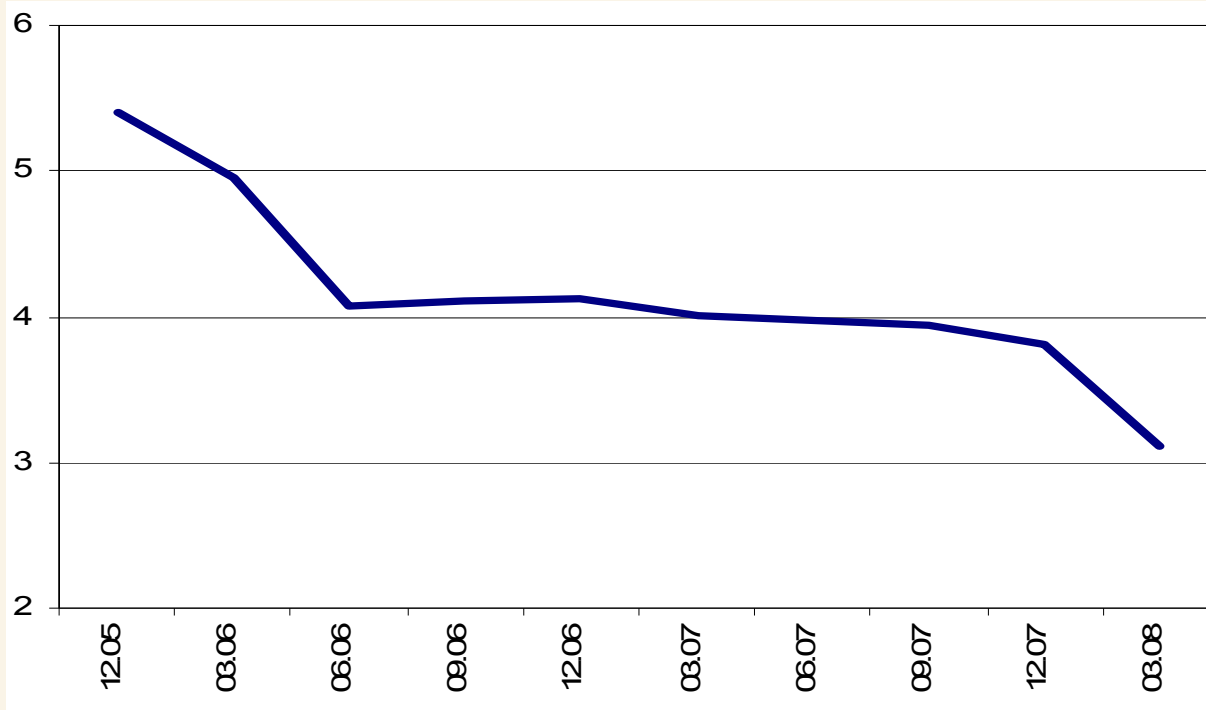
Selected Financial Ratios

	All Companies			Manufacturing Companies		
	2005	2006	2007	2005	2006	2007
Leverage and Capital Structure Ratios						
Leverage Ratio	44.7	48.5	46.4	43.0	47.5	46.4
Equity / Total Debt	116.4	100.5	110.5	125.8	105.2	111.7
Short Term Liabilities / Total Assets	30.9	32.5	31.9	30.2	32.2	31.5
Financial Debts / Total Liabilities	31.0	32.1	29.4	33.4	37.4	34.1
Financing Expenses / Sales Revenue	1.2	1.9	1.4	0.9	1.6	1.0
Interest Coverage Ratio (Times)	6.3	4.7	7.5	7.3	4.9	9.1
Liquidity Ratios						
Current Ratio	142.8	143.4	149.5	154.6	152.1	152.3
Liquidity (Acid Test) Ratio	106.7	106.2	112.8	111.2	108.3	107.3
Profitability Ratios						
Net Profit / Assets (ROA)	5.6	6.8	8.7	5.5	7.3	8.5
Net Profit / Equity (ROE)	10.8	13.9	16.9	10.2	14.6	16.4
Turnover Ratios						
Inventory Turnover Ratio (Cost of Sales/Ave.Invent.)	-	8.2	7.3	-	7.9	6.9
Receivables Turnover Ratio (Net Sales/ Trade Rec.)	7.7	7.5	7.7	7.6	7.2	7.4
Asset Turnover Ratio (Net Sales / Total Assets)	1.2	1.2	1.2	1.3	1.3	1.3

Source: ISE



NPL Ratios for Corporate Loans



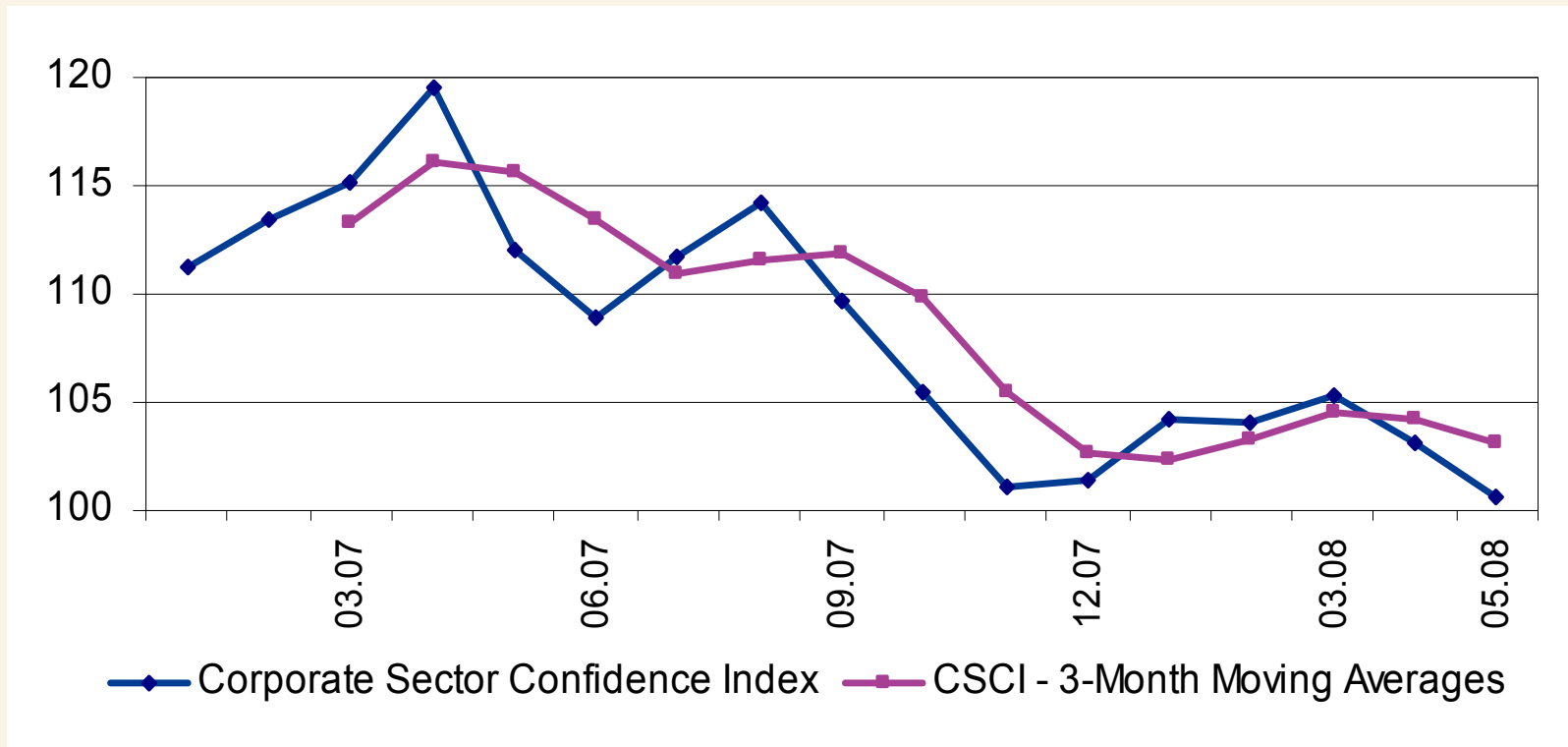


NPL Ratio for Some Selected Sectors (%)

	2005	2006	2007	03.08
1 Wholesale and Ret. Trade, Brokerage, Repair of Motor Vehicle	3.9	2.3	3.3	3.4
2 Transport, Storage and Communication	3.4	1.3	1.2	1.2
3 Textile and Textile Product Industry.	10.0	11.2	11.7	9.5
4 Construction	4.3	4.0	2.4	1.9
5 Industry of Tobacco, Beverages and Food	3.8	3.8	4.7	3.7
6 Manufacture of Basic Metals and Fabricated Metal Prod.	2.7	0.9	1.1	0.7
7 Sources of Electricity, Gas and Water	0.2	0.2	0.1	0.1
8 Agriculture, Hunting and Forestry	3.4	3.1	3.2	3.5
9 Manufacture of Machinery and Equipment	5.0	2.1	2.1	1.6
10 Hotels and Restaurants (Tourism)	3.1	2.4	2.4	1.8
Total of 10 Sectors	4.4	3.1	3.2	2.9



Corporate Sector Confidence Index

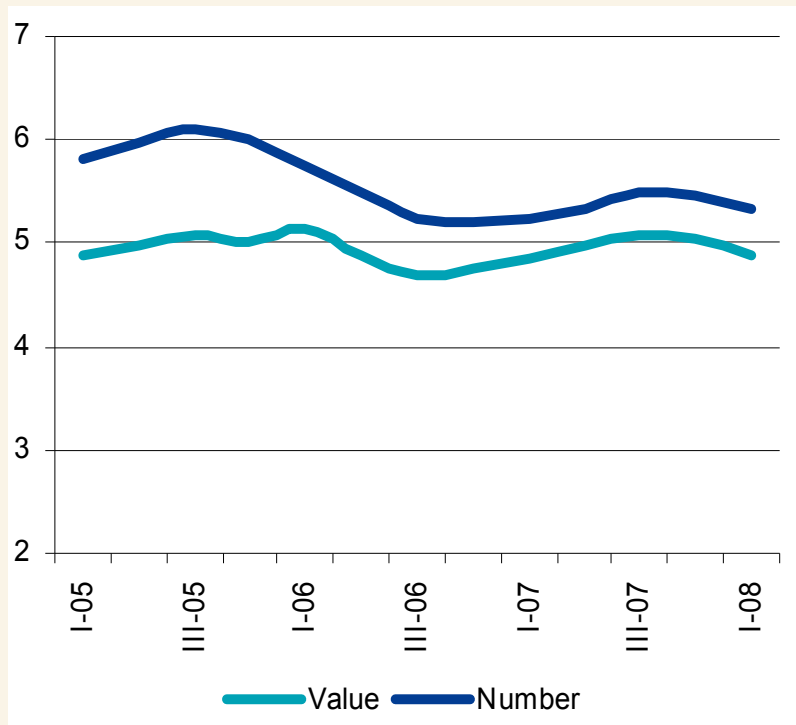


Source: CBRT



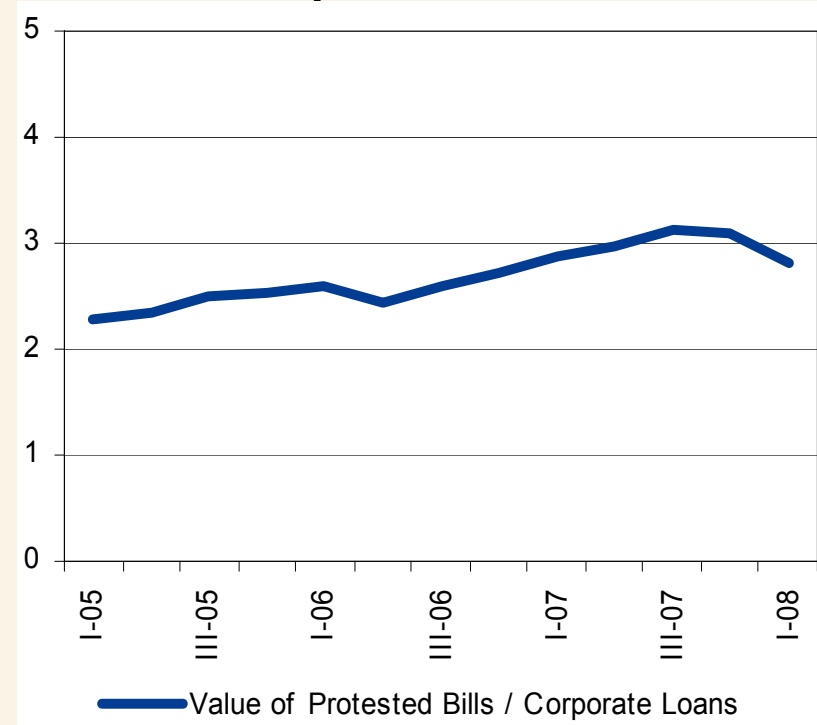
Protested Bills and Over-Drawn Cheques

The Ratio of Over-Drawn Cheques Presented to the ICH to the Total Cheques Presented to the ICH (%)



Source: CBRT

The Amount of Protested Bills/Corporate Loans



Source: CBRT - BRSA



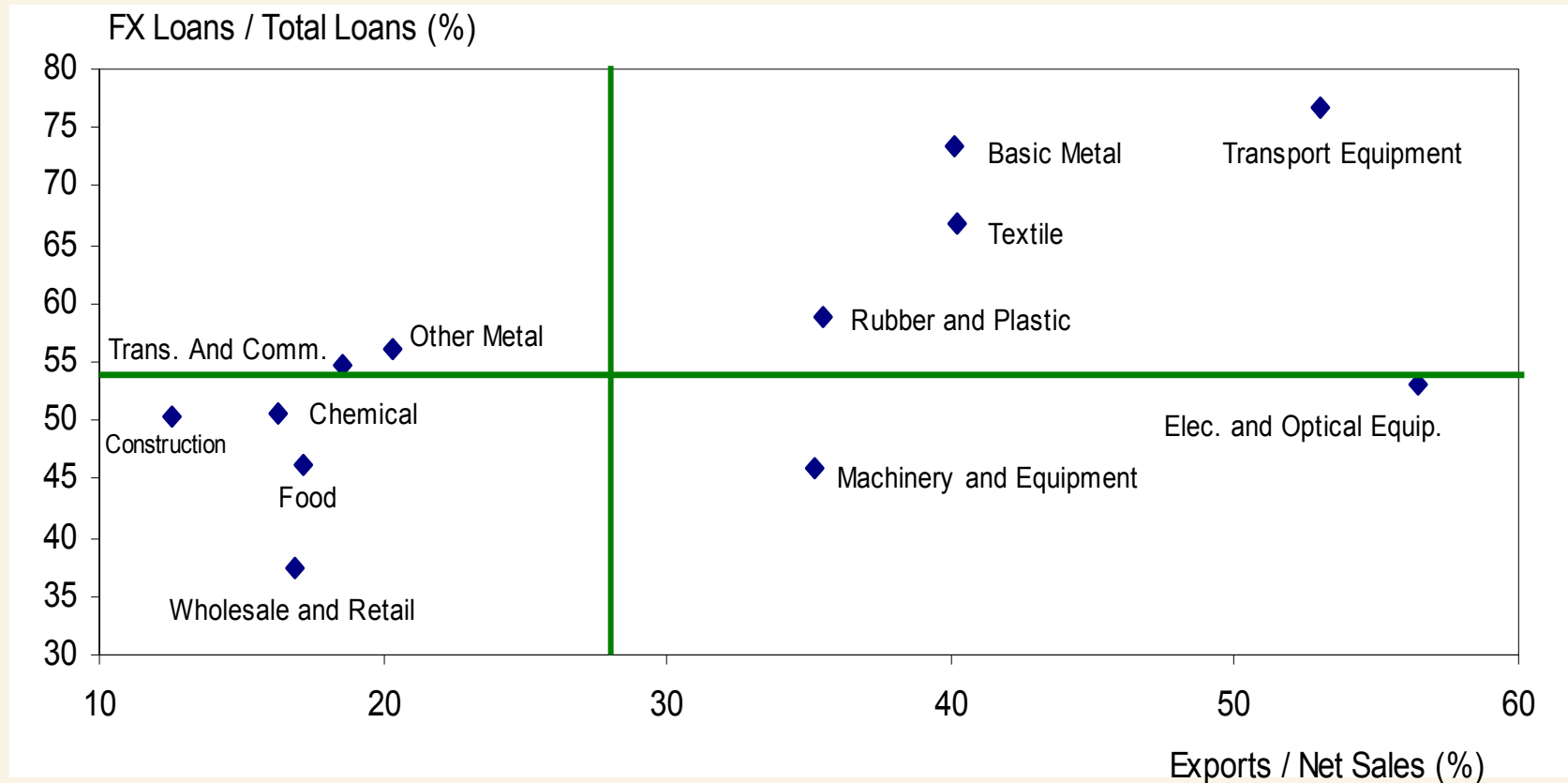
FX Assets and Liabilities of the Corporate Sector

	2005	2006	Mar. 2007	Jun. 2007	Sep. 2007	Dec. 2007	Mar. 2008	Change 2006-2007 (%)	Change Mar. 2007- Mar.2008 (%)
Assets	45,701	63,426	65,860	67,977	72,723	77,864	80,832	22.8	22.7
A. Deposits	30,890	45,452	45,815	47,189	51,205	54,834	55,377	20.6	20.9
-Domestic Banks	12,636	18,756	18,990	20,921	22,414	24,402	24,051	30.1	26.7
-Foreign Banks	18,254	26,696	26,825	26,268	28,791	30,432	31,326	14.0	16.8
B. Securities	1,035	933	1,001	862	807	830	898	-11.0	-10.3
C. Export Receivables	6,721	9,584	10,073	10,720	10,935	12,009	14,154	25.3	40.5
D. Foreign Direct Invest. to Abroad	7,056	7,457	8,971	9,205	9,776	10,191	10,403	36.7	16.0
Liabilities	72,383	100,047	108,373	117,164	128,499	138,843	154,584	38.8	42.6
A. Cash Loans	61,348	88,275	95,930	103,846	114,292	124,250	138,905	40.8	44.8
-Domestic	26,429	34,804	36,430	38,575	43,368	46,305	51,666	33.0	41.8
Banks	20,796	24,744	26,048	27,694	31,103	32,787	39,424	32.5	51.4
Non-bank financial institutions		4,869	5,305	6,125	7,287	8,220	8,706	68.8	64.1
Protocolized Receivables of SDIF	5,633	5,191	5,077	4,756	4,978	5,298	3,536	2.1	-30.4
-Foreign	34,919	53,471	59,500	65,271	70,924	77,945	87,239	45.8	46.6
Long Term	33,731	52,088	58,198	63,332	68,741	76,319	85,478	46.5	46.9
B. Import Payables	11,035	11,772	12,443	13,318	14,207	14,593	15,679	24.0	26.0
Net Position	-26,682	-36,621	-42,513	-49,187	-55,777	-60,979	-73,752	66.5	73.5

Source: CBRT



Exports and FX Borrowings



Source: CBRT



Sensitivity Analysis

Change in Foreign Exchange and Interest Coverage Ratio

	Debt / Equity (%)	Interest Coverage Ratio	NPL Ratio	Capital Adequacy Ratio
Current	100,4	309,8	3,7	17
10 % Depreciation	109,3	297,1	4,6	16,5
20 % Depreciation	118,7	283,7	5,5	16
30 % Depreciation	128,6	269,4	6,5	15,4

Source: CBRT Company Accounts, BRSA, CMB



Other Points

- CBRT publishes Company Accounts once a year and the Financial Stability Report twice a year. By the help of FSR, we try to increase awareness about corporate sector's potential weaknesses and FX risk.
- CBRT cooperates with Banking Regulation and Supervision Agency on the riskiness of the corporate sector, including regulatory measures such as enhanced provisioning rates or limits to extend FX denominated credits.
- For more accurate and timely data, we cooperate with the Ministry of Finance to get FX B/S of firms.



CENTRAL BANK OF THE REPUBLIC OF TURKEY

THANK YOU FOR ATTENTION!