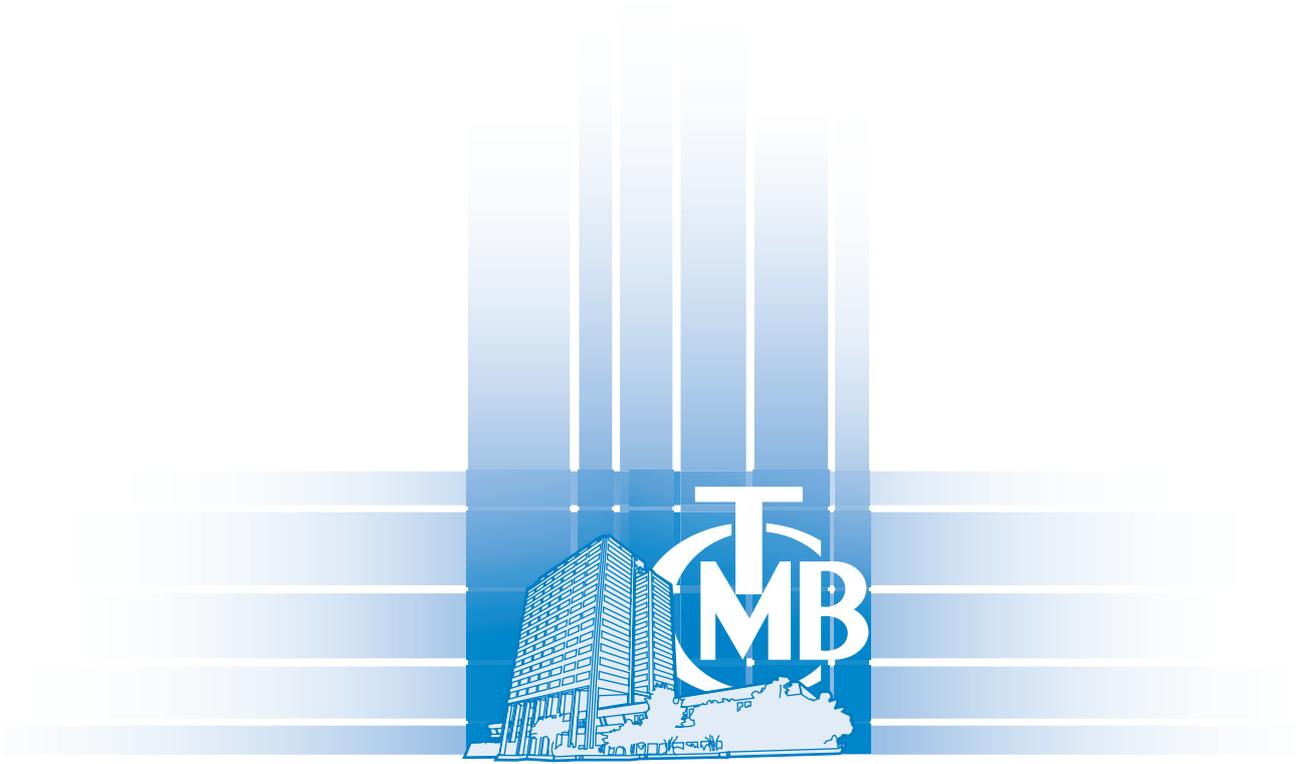




CENTRAL BANK OF THE REPUBLIC OF TURKEY



Financial Stability Report

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This report, which aims to inform the public, is based mainly on March 2010 data. However, the report also includes the developments and evaluations until the publishing date of the report in Turkish. This text is fully available at the CBRT web site. The CBRT cannot be held accountable for decisions taken based on the information and data provided in this report.

FOREWORD

Thanks to the measures taken worldwide, the normalization process in the financial markets started as of the second half of 2009 and global economic activity started to recover. However, the high budget deficit problem, which manifested itself in some countries in the form of a debt crisis in recent months, fuels concerns over the sustainability of economic recovery and indicates that the global crisis is not completely over yet.

In Turkey, economic activity also started to recover in the last quarter of 2009 and domestic demand assumed a steady climb. Nevertheless, persisting uncertainties in developed economies, especially in European countries, constitute a risk factor for all developing countries through external demand and foreign financing, and Turkey is no exception.

Unlike many other countries, the Turkish financial sector maintained its resilience throughout the crisis and no capital support from public sector was resorted to. This is a result of the steadfast implementation of structural reforms and regulations introduced in the light of our past experience. Within this framework, policies to be implemented with the aim of achieving the targets set forth in the Medium Term Program, and especially putting the Fiscal Rule into practice are of crucial importance.

Studies for establishing the new rules and approach needed in order to maintain financial stability on national and global levels are carried out by the G-20 with a view to averting similar crises. Our country actively supports this process with all its relevant institutions and endeavours to prevent the new global financial regulations from adversely affecting the competitive power and growth potential of developing countries.

I hope that the Report, which evaluates the latest status of our financial system in the context of global and domestic macroeconomic developments, will be beneficial for all relevant parties.



Durmuş YILMAZ
Governor