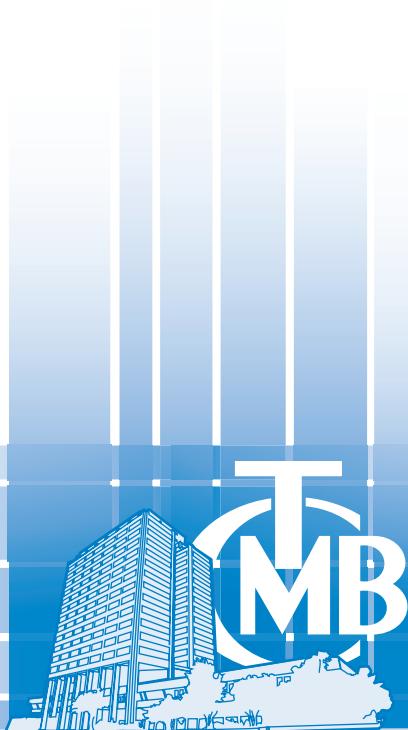




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This report, which aims to inform the public, is based mainly on September 2008 data. However, the report also includes the developments and evaluations until the publishing date of the report in Turkish. This text is fully available at the CBRT web site. The CBRT cannot be held accountable for decisions taken based on the information and data provided in this report.

FOREWORD

The current global crisis started to affect developing countries like Turkey, especially in the last quarter of 2008. The effects of the slowdown in capital inflows and the credit contraction have become more apparent. In many developed and developing countries, growth expectations are either diminishing or turning into expectations for contraction.

All around the world, concerns regarding inflation are being replaced with efforts to ensure the flow of liquidity into the financial system and the efficient-functioning of credit markets. The Central Bank of Turkey has all the essential tools to effectively meet both the New Turkish Lira and foreign exchange liquidity needs of the banking system. As a matter of fact, our Bank has taken the necessary measures to contain the effects of problems in international markets on the domestic economy. Also in the upcoming period, the smooth functioning of payment systems will continue to be ensured.

The negative repercussions of the global crisis on our banking sector have remained limited due to the resolute reform process following the 2001 crisis. Although the default rates are expected to rise due to the unfavorable developments in the economic conjuncture, according to the analyses made, the capital adequacy of our banks stands at a level that is able to cover this risk.

I hope that the analyses and assessments presented in this report will contribute to a financial system that is more stable and less susceptible to crises.



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Central Bank of the Republic of Turkey