



**Opening Speech by Faik Açıkalın
Member of the Board
The Banks Association of Turkey**

**Banks Association of Italy & the Banks Association of Turkey
Meeting of Board of Directors
Istanbul, May 4th, 2012**

Dear Vice President of Banks Association of Italy, distinguish representatives of the Banks Associations of Italy and Turkey, dear Guests, I am greeting you with respect in the name of the Banks Association of Turkey and myself.

I wish to express my pleasure for having the chance to make the opening speech in this meeting convened to develop the cooperation between banking industries of our countries. It is obvious that the warm and constructive cooperation approach established by our Governments in the political area has had positive reflections also on other areas and has contributed to strengthen our relations. I believe that this new era of mutually enhancing relations will confer substantial benefits for our region, businessmen and communities and will further expand our trading, investment, production, tourism and financial relations.

Dear Guests,

As you know, there has been great efforts both on national and international level with an intention to limit the effects of the global economic crisis. However, aftershocks of the crisis are still continuing. Even though the trade volume is increasing many economies have not secured a stable growth process and still have many vulnerabilities.

The expansionist monetary and fiscal policies implemented in many countries for global economic recovery may become the source of new instabilities in the long-run if we lose the track of it. That is why strong cooperation and political will are needed until the international instabilities reach to a manageable level.

The primary indicators of instabilities are; the growing budget deficits and public net debt stocks of developed countries, the relatively low level of interest rates against the increasing inflation, the frequent fluctuations in monetary markets, the weaknesses in financial sector in some countries, and the tendency of rise in energy and food prices.

Some countries have already started to revoke the economic packages they created in the face of the crisis and built up new exit strategies.

An important part of the new exit strategies is about gradually slowing down the monetary and fiscal expansion. Another part is on formulating common rules for regulation and supervision of financial institutions, which at large aim to make the supervision and audit more effective, improve the risk management, upgrade the capital adequacy and limit the leverage. These measures will hopefully create a more stable and healthy economic system.



These potential regulations may negatively effect emerging countries which need capital to fuel their growth, but have small national financial sectors. We expect that the regulations will be traced and monitored by a prudent approach which will minimize these outcomes and in contrast, raise international competitive power. In the end, the contribution of the growth of emerging markets in world economy is increasing significantly.

Dear Guests,

Although the Mediterranean region holds a great economic potential, the existing regional and bilateral relations are not yet at the desired level. Comprehensive reforms, serious investments and resources are needed in order to further exploit this potential and nourish regional relations.

Turkey has been one of the countries undertaking these comprehensive reforms addressing the needs to align with international standards. The efforts made to bring standards to international level have contributed the economic and social life in many ways. As a result, Turkey and its financial sector displayed a firm stand during the global crisis. Our businessmen have continued their investments, and consumption has continued to increase, and economy has recovered in a short while, thanks to the high confidence in the banking sector.

The financial sector of Turkey which is still in the growth stage is mainly banking-oriented. Total assets of the deposit and investment banks have reached to approximately 660 billion dollars as of February. Total assets to gross domestic product have reached 90% as of the end of 2011. As of February, shareholders' equity of 80 billion dollars and capital adequacy of 15.7% are fairly high.

Loans account for 55%, and securities portfolio for 25% of total assets as of February. Loans have spread over a rather wide range. Deposits hold a share of 56% in total liabilities. Sources from international markets are increasing. Profitability of the banking system is still based on interest margin. Return on equity is 13.5%.

We expect the financial sector to continue its stable growth and to contribute to finance the growth of Turkish economy. As the Banks Association of Turkey we are supporting the initiatives aimed at developing the regional institutional cooperation.

Before ending my speech, I wish you a nice time in Istanbul which is the cradle of a unique cultural and historical heritage. I wish to express once more that we are glad to see you in Istanbul. I thank all of you for listening to me.