



CENTRAL BANK OF THE REPUBLIC OF TURKEY



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FOREWORD

In this fourth issue of the Financial Stability Report, as in previous reports, macroeconomic developments affecting the financial system are analyzed, and the risks borne by the banking sector, which constitutes the largest portion of the financial system, are assessed through stress tests and scenario analyses.

It is pleasing that modern risk management tools keep gaining ground in Turkey. This progress, in fact, played a significant role in limiting the negative impacts of the turbulences experienced during May and June 2006.

In the period ahead, the course of international risk factors maintains its importance. These factors, on the other hand, depend largely on the interest rate decisions of central banks in developed countries and global liquidity conditions. The magnitude of the impact of potential turbulences will closely depend on domestic risk perceptions and risk management, as well as decisive implementation of sound economic policies. Therefore, together with the maintenance of monetary and fiscal discipline, it is of vital importance that economic agents should improve their risk awareness and take necessary measures.

In this perspective, I believe the assessments provided in this Report will be beneficial to all economic agents.



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