



CENTRAL BANK OF THE REPUBLIC OF TURKEY



# Financial Stability Report

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**CENTRAL BANK OF THE REPUBLIC OF TURKEY**

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This report, which aims to inform the public, is based mainly on September 2007 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

*In this fifth issue of the Financial Stability Report, the risk factors and fragilities challenging the financial system within the context of the current turmoil in global financial markets are assessed.*

*The impacts of problems intensifying since last summer in global markets, have remained limited on Turkey's economic balances and financial system. Moreover, analyses have revealed that the banking sector is resilient to potential shocks. This is mainly attributable to the improvements in macroeconomic balances and structural transformation in the financial system. Hence, it is stated in the Financial System Stability Assessment Report, which is prepared within the scope of the Financial Sector Assessment Program by the IMF and the World Bank, that the Turkish financial sector has been remarkably invigorated in the last five years and that it has become a rapidly growing sector, which has increasingly been integrating with international markets. It is also emphasized in the Report that remarkable progress has been made in the fields of supervision and financial infrastructure via effective regulations that will ease systemic effects of a potential shock.*

*In the meantime, since it is not yet known how and to what extent global volatility will affect global liquidity conditions, liquidity risk management assumes great importance for Turkish banks.*

*Furthermore, in order to ease the effects of potential risks in international markets on our country, it is of vital importance to continue the current economic program; to maintain monetary and fiscal discipline; to step up the pace of structural reforms; to continue strengthening prudent regulations and, for economic units, to take the necessary measures to minimize risks by adopting risk management principles.*

*In this context, I hope that the assessments presented in this report will be beneficial for all market participants.*



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Governor  
Central Bank of the Republic of Turkey

