

November 2009

TURKEY

BROKERAGE INDUSTRY 2009 SEMIANNUAL REVIEW

EQUITY
MARKET

DERIVATIVES

ASSET MANAGEMENT

FIXED INCOME

**CORPORATE
FINANCE**



TURKISH BROKERAGE INDUSTRY 2009 SEMIANNUAL REVIEW

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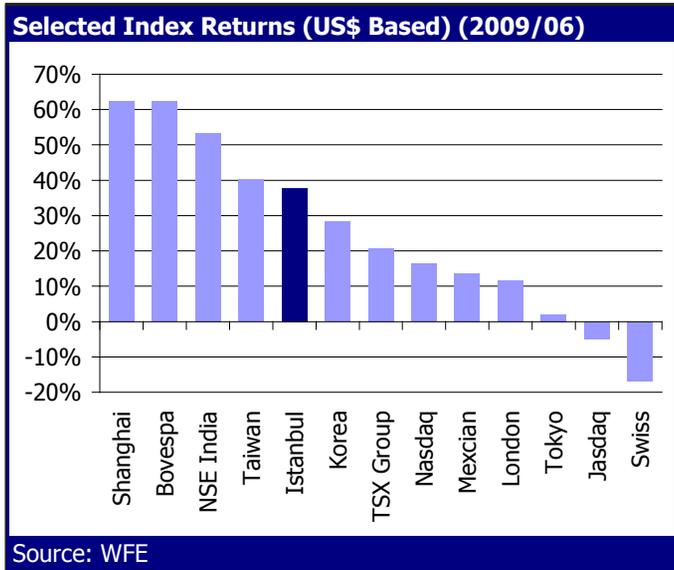
ABBREVIATIONS

Term	Definition
CBRT	Central Bank of the Republic of Turkey
CMB	Capital Markets Board
CRA	Central Registry Agency
IFRS	International Financial Reporting Standards
ISE	Istanbul Stock Exchange
MCap	Market Capitalization
Takasbank	Settlement and Custody Bank
TRY	New Turkish Lira
TSPAKB	The Association of Capital Market Intermediary Institutions of Turkey
TurkDex	Turkish Derivatives Exchange
WFE	World Federation of Exchanges
Y-t-d	Year-to-Date
Y-o-y	Year-on-Year

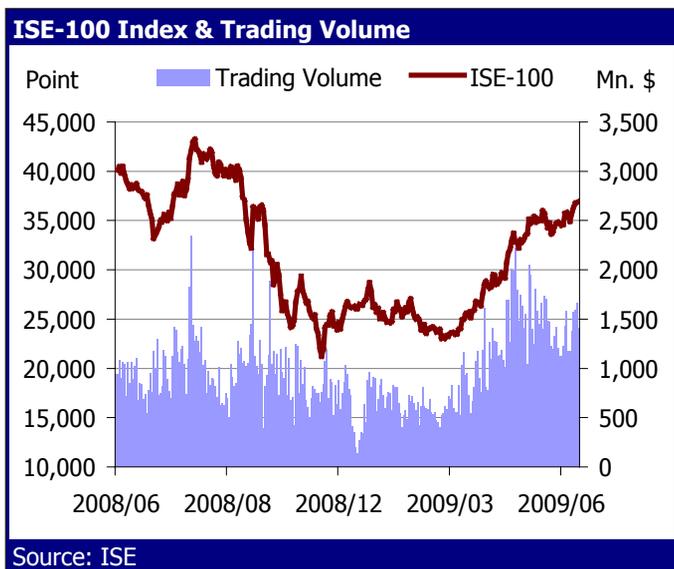
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MARKET RETURNS

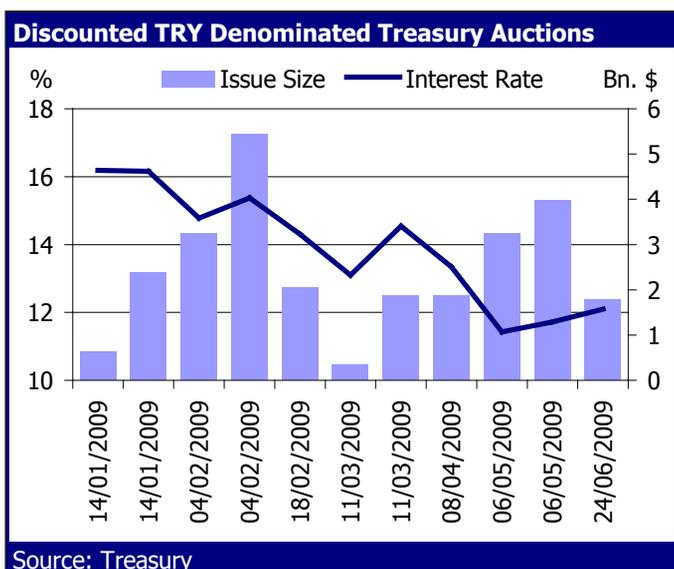


The financial turmoil weakened the capital market indicators globally, causing significant downturns in equity index performances in 2008. However, the indexes have experienced a rally in 2009 with relatively positive expectations regarding the global outlook. Shanghai and Istanbul Stock Exchange, which were amongst the worst performers in 2008, posted positive returns of 62% and 38% respectively in the first half of 2009.



The ISE-100 index started 2008 at 54,708 points and has dropped by half to 26,864 points at the end of the year. It has recovered mainly in 2Q2009 and reached 36,949 points at the end of the first half, the highest level recorded since 2008/09.

On the other hand, the daily average trading volume continued to be around US\$ 1 billion.

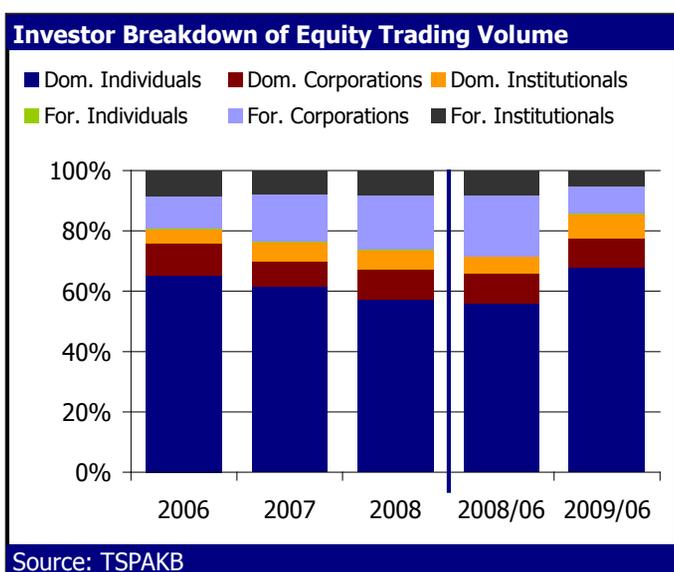


The Treasury held 2 auctions for discounted T-bills per month on average in the first half of 2009. Maturities ranged between 6 to 22 months. Interest rates declined from 16% in January 2009 to 12% in June 2009. Within the same period, Central Bank cut down the discount rate from 15% to 8.75%.



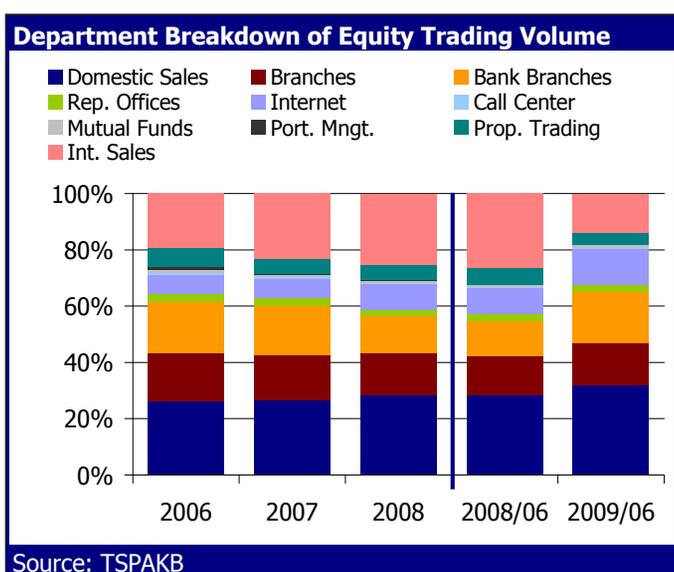
In Turkey, only brokerage firms are allowed to trade equities. As of June 2009, there are 103 established brokerage firms. However, our report is based on the aggregate results of 92 brokerage firms, excluding the dormant ones. The following analyses cover only the brokerage firms' operations unless otherwise specified.

Despite the recovery in 2Q2009, total trading volume in the first half of 2009, declined by 11% compared to the same period of 2008. Nevertheless, the trading volume of US\$ 86 billion recorded in 2Q2009 is the highest volume in the last seven quarters.



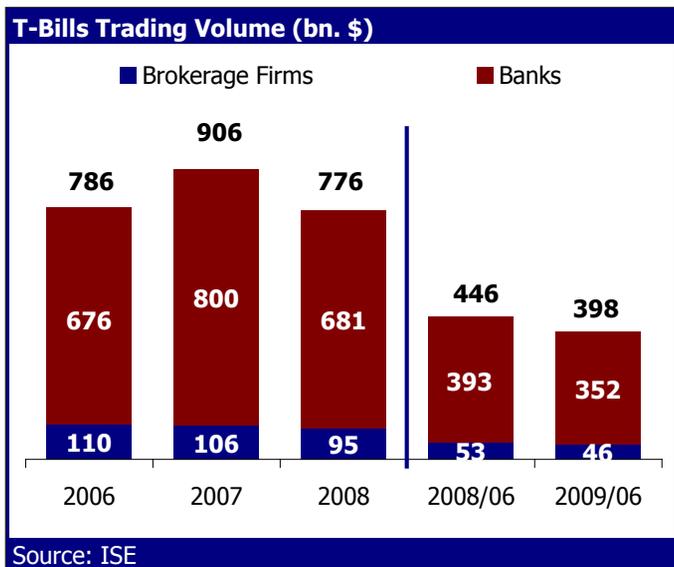
Domestic investors have generated 86% of the total equity trading volume. With 68% share, domestic individual investors are the major investor group providing the liquidity of the market. Meanwhile, the total share of domestic corporations and institutional investors has increased slightly to 18% in 1H2009.

The share of total foreign investors in the equity trading volume had increased from 18% in 2005 to 29% in 2008. In the aftermath of the financial crisis, this share has fallen to 15% in the first half of 2009, indicating a 14 points decline as compared to 1H2008. The most significant drop in foreign investors has been in the "corporations" segment which mainly refer to foreign banks and brokerage firms. The share of foreign corporations has declined from 20% to 9%, y-o-y.



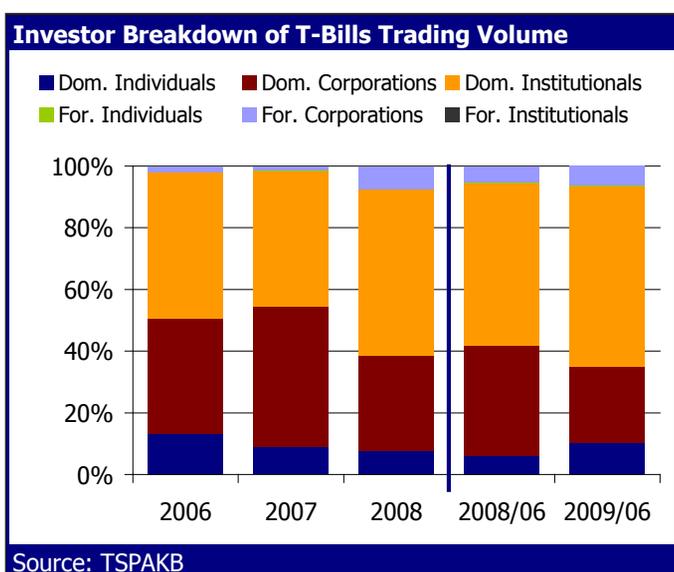
Department breakdown of the equity trading volume shows the channels through which trading is done. Domestic sales refer to the headquarter of the brokerage firms. Branches are owned by the brokerage firms. Bank branches show the order flow based on brokerage firms' agency agreements with the banks. As a result of strong domestic demand, domestic sales continued to be the major channel for brokerage firms. 32% of the equity trading volume has been generated through domestic sales. The most significant change in departmental breakdown has been marked by bank branches and internet. With 18% share, bank branches are the second largest channel at trading volume. Internet trading volume has touched a record of 13% share which indicates a 6 points increase as compared to 1H2008. As the foreign investors' share decreased significantly, international sales departments' trading volume has decreased by 13 points to 14% in 1H2009.

BONDS AND BILLS MARKET



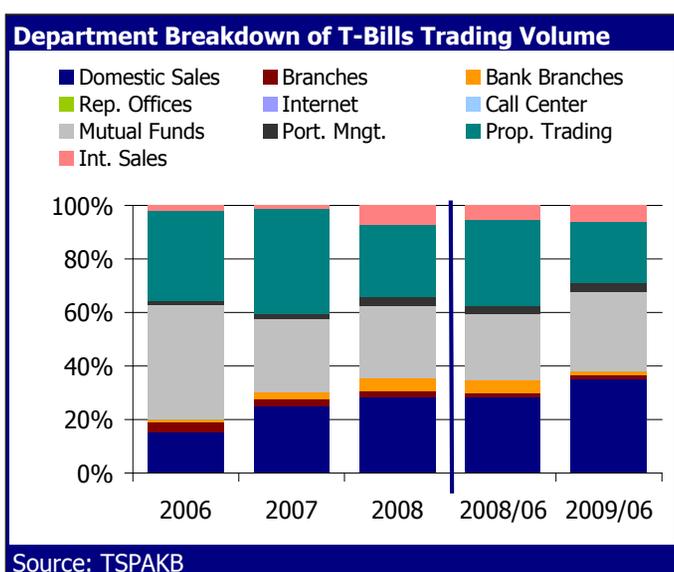
In the first half of 2009, T-bill trading volume has declined by 11% from US\$ 446 billion a year ago to US\$ 398 billion. Banks dominate the market with a share of 89%. Brokerage firms' market share declined slightly to 11% from 12% and they generated US\$ 46 billion of trading volume in the first six months.

The breakdown of trading volume in terms of departments and investor categories, includes the brokerage firms' statistics only.



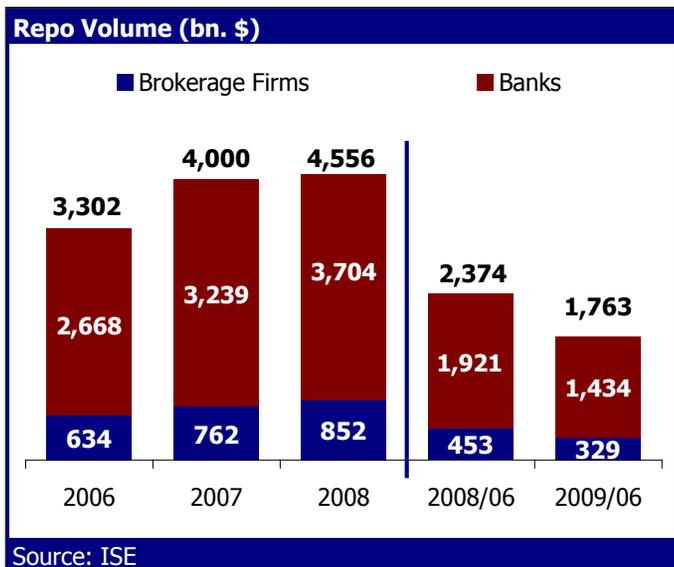
Domestic institutional investors, which represent mutual funds, investment trusts and pension funds, are the leading investor group in T-bills trading volume, with a share of 59%. Domestic corporations, including the proprietary trading of brokerage firms, generate 25% of T-bills trading volume.

Foreign investors' share remained at 6% in 1H2009. One brokerage firm generates 98% of total foreign investors' trading volume. It is assumed that foreign investors prefer to trade T-bills through banks rather than brokerage firms.



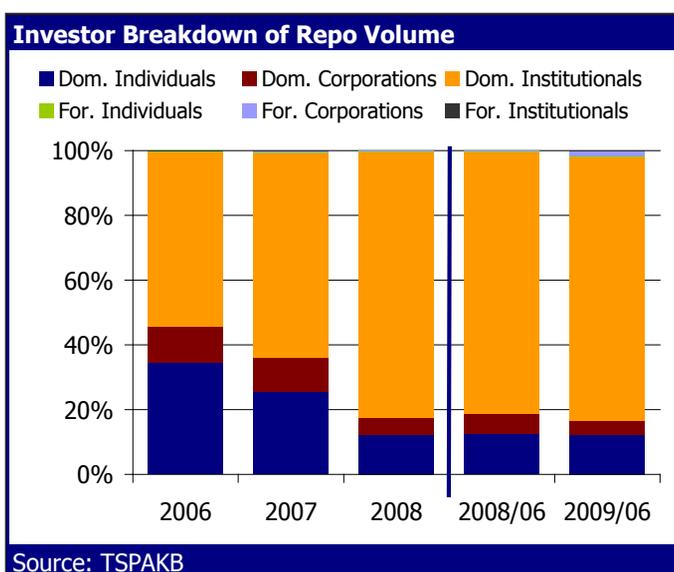
T-bill trading of brokerage firms is done mainly through domestic sales, mutual funds and proprietary trading. In parallel with the increase in domestic individual investors' trading volume, domestic sales' share has risen from 28% to 35%, y-o-y.

While mutual funds' trading volume increased by 5 points to 29%, proprietary trading volume decreased by 10 points to 23% in 1H2009.



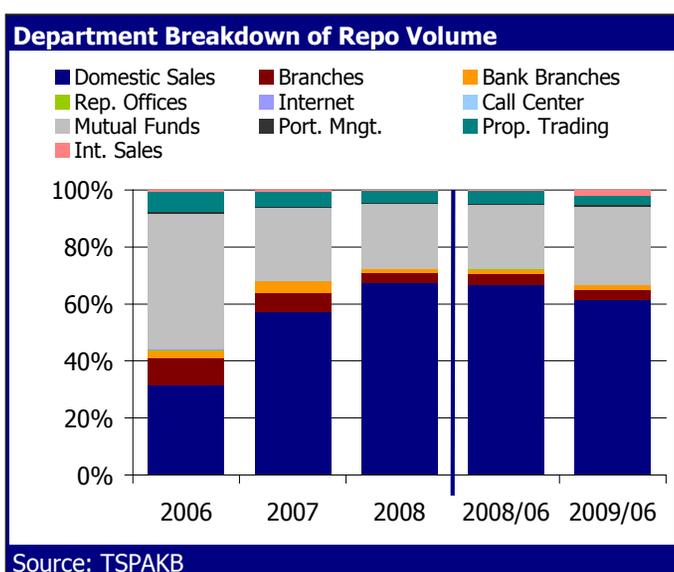
Total repo trading volume, including ISE and OTC markets' transactions, has decreased by 26% to US\$ 1.8 trillion in 1H2009, while banks and brokerage firms' share remained at 81% and 19% respectively.

As in bonds and bills trading section, the breakdown of trading volume, in terms of departments and investor categories, includes the brokerage firms' statistics only.



Domestic investors continued to generate almost entire (98%) trading volume in repo market, although foreign investors' share has increased slightly in 1H2009.

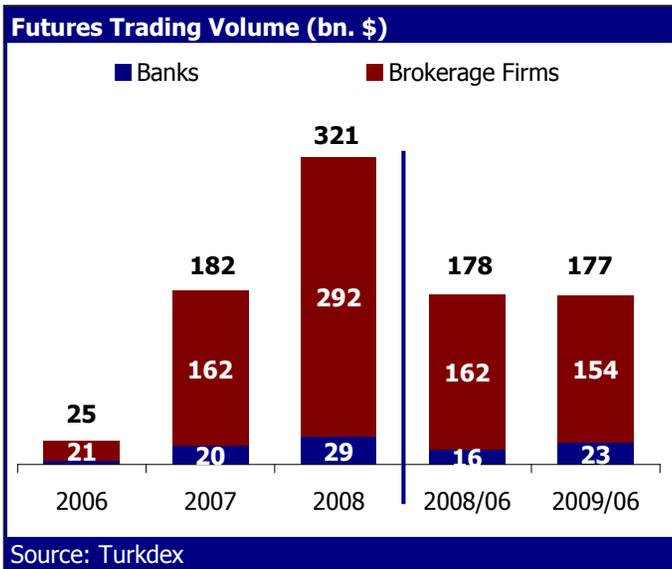
Domestic institutional investors, which mainly indicate the money market mutual funds managed by brokerage firms or their affiliated portfolio management companies, are the major investor group with a volume share of 81%. One brokerage firm generated nearly half of domestic institutional investors' trading volume.



Domestic sales and mutual funds are the leading departments in repo volume. While domestic sales represent 62% of repo transactions, mutual funds generate 27% of the total trading volume.

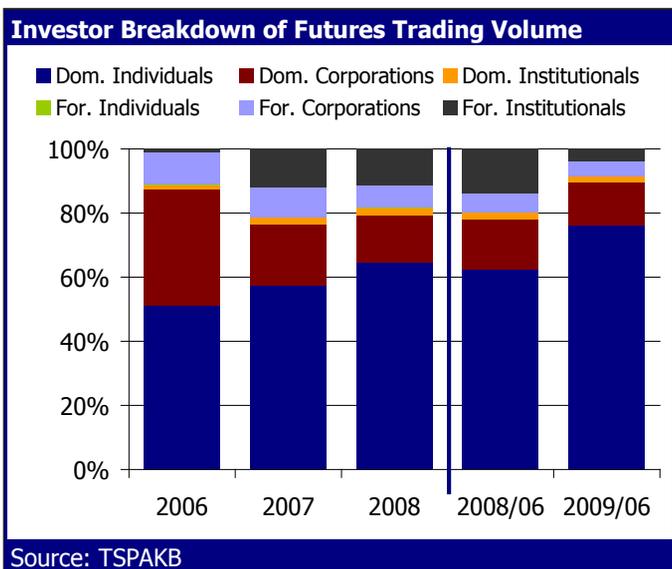
Concentration in repo transactions among brokerage firms is very high. In 1H2009, 39% of total repo transactions was done executed by a single brokerage firm.

DERIVATIVES MARKET



In the first half of 2009, banks and brokerage firms posted US\$ 177 billion trading volume. Contrary to the fixed income market, brokerage firms have a preeminent position in the futures market with a share of 87%. Yet, banks' share rose slightly to 13% from 9%, y-o-y.

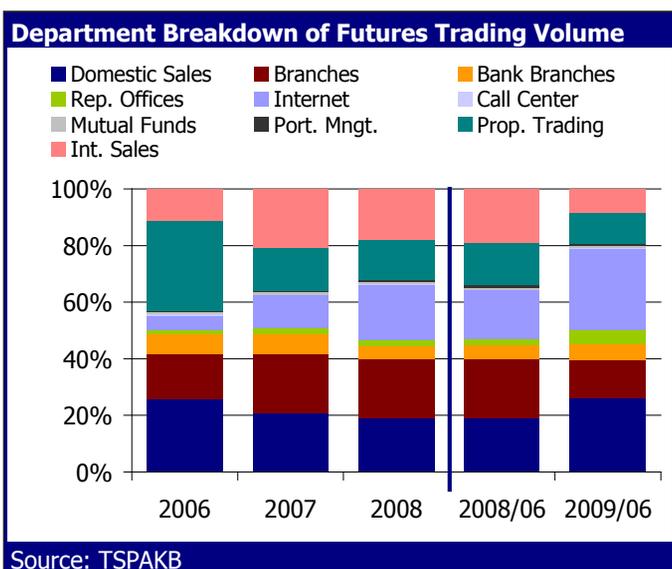
In 2Q2009, brokerage firms and banks have generated US\$ 110 billion trading volume which is the highest quarterly figure recorded since the TurkDex's inception. Thus, financial crisis' impact over the futures trading volume has been partially offset by the increase in the second quarter.



Domestic individuals continued to be main investor group in the futures market. 17% increase in individual investors' trading volume has resulted in an increase in their market share to 76% from 62%.

Domestic corporations are mainly representing the proprietary trading volume of brokerage firms. Corporations' trading volume share decreased from 16% in 1H2008 to 13% in 1H2009.

Foreign investors' share of futures trading volume has decreased dramatically from 20% to 9%. The decline mainly reflects the 60% drop in the trading volume of a single brokerage firm, which generated half of the total foreign investors' trading volume in 1H2008.



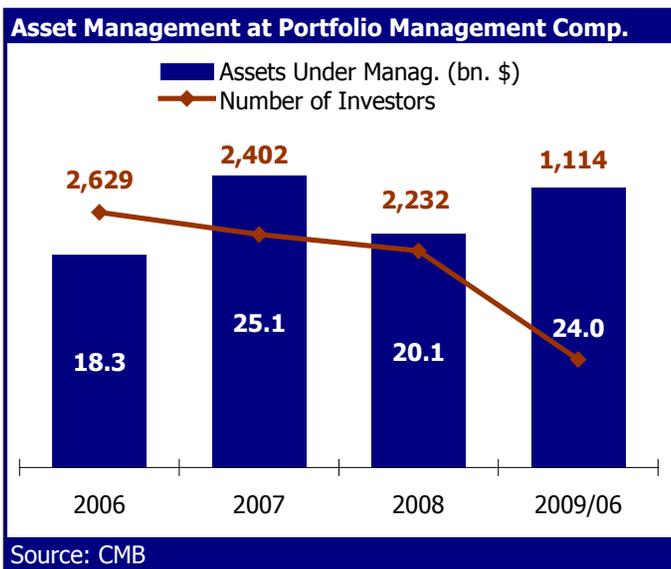
In parallel with the increase in domestic investors' trading volume, domestic sales departments' share rose from 19% to 26%. On the other hand, branches' share declined by 7 points to 13%.

The most significant change in departmental breakdown has occurred in internet transactions. The number of brokerage firms which offer futures trading volume through internet increased from 28 to 34, while internet trading's share rose by 12 points to 29%. Futures trading through internet has exceeded the equity trading volume.



Asset management services are provided by portfolio management firms and brokerage firms. Portfolio management firms are generally either subsidiaries, or within the same financial group, of brokerage firms. Portfolio management companies have 90% share in assets under management.

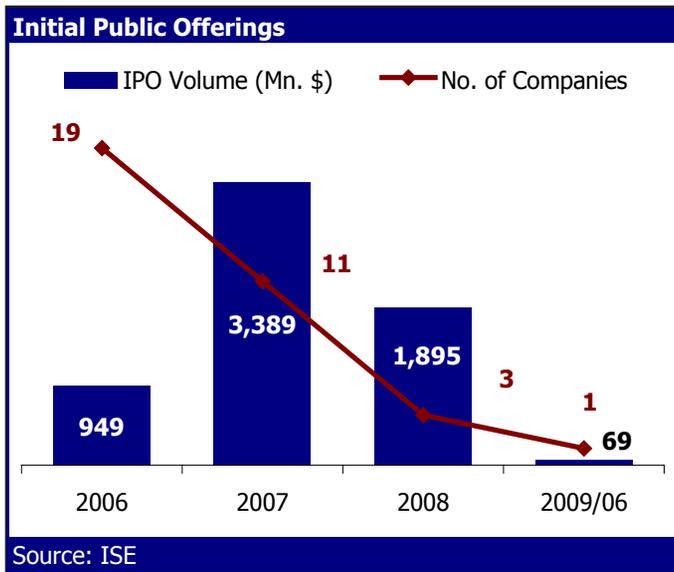
Although the number of brokerage firms, offering asset management services has decreased from 39 to 35 in the first six months of 2009, number of investors and assets under management have increased by 23% and 22% respectively in US\$ terms. 76% of assets under management belong to fixed income funds, most of which are money market funds.



The number of clients at portfolio management companies has decreased by 50% to 1,114 by the end of 1H2009. The decline mainly reflects a brokerage firm's data update. On the other hand, assets under management have increased by 20% to US\$ 24 billion.

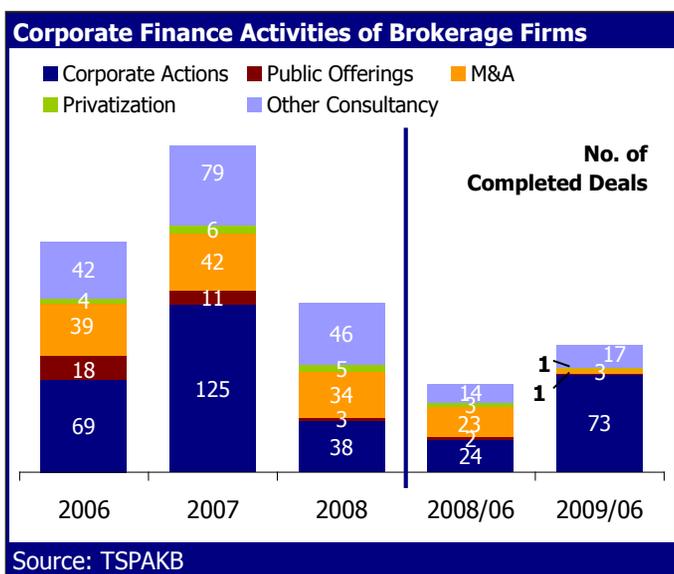


The number of margin trading clients, which experienced a sharp decline due to the global financial crisis as of end 2008, has increased slightly to 8,663 by the end of 2009. Although the total loan size increased by 14% in US\$ terms as compared to the end of 2008, it is still at less than half of its pre-crisis level.



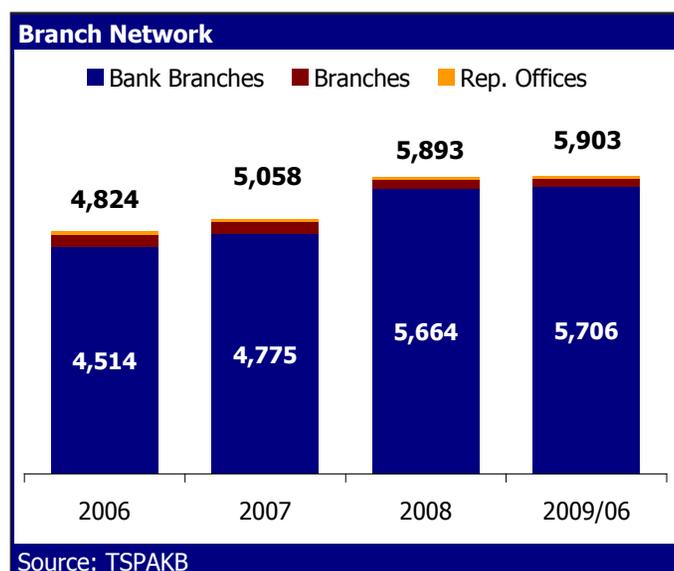
Due to the global financial crisis, limited number of public offerings took place in the market. In 2008, there were 3 public offerings, amounting US\$ 1.9 billion. Almost the entire amount of that was raised by the privatization of Turk Telekom which has been the largest IPO ever in Turkey. In the first half of 2009, there was only one public offering of an exchange traded fund amounting US\$ 69 million.

Companies which have more than 250 shareholders are deemed as public companies according to Turkish regulations. These companies are subject to the Capital Markets Law and Capital Markets Board's supervision, but they may not be traded on the exchange. On the other hand, listing regulations of ISE have been revised in 2009. Public companies, which are not traded on ISE, can become listed after fulfilling certain conditions, without having to go through a formal IPO procedure.



Corporate finance services are provided by brokerage firms as well as M&A consultancy companies, auditors and other consultants. However, this section covers only the corporate finance activities of brokerage firms. During the first half of 2009, only 21 brokerage firms were active in the market.

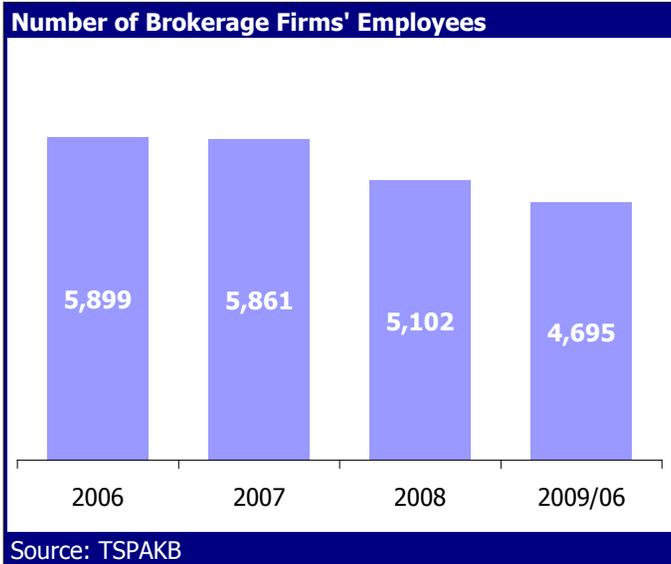
By the end of 2009/06, the number of completed deals increased from 66 to 95, y-o-y. Even though the global financial crisis affected corporate finance transactions, brokerage firms have completed 73 corporate actions in this period. 35 companies raised their paid-in capital through brokerage firms, while 38 companies used brokerage firms to pay dividends. The number of finalized consultancy projects, which mainly consist of valuation and restructuring consultancy, increased from 14 to 17. Besides that, brokerage firms have completed 3 M&A deals during the first half of 2009.



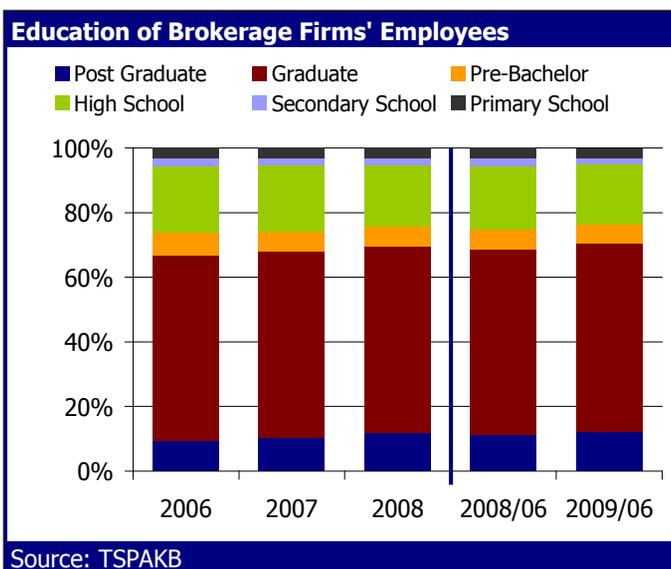
Brokerage firms reach investors through three types of sales points; bank branches, branches and representative offices.

Branches and representative offices are owned and staffed by brokerage firms. On the other hand, bank branches are used as sales agents, based on agreements between the banks and the brokerage firms.

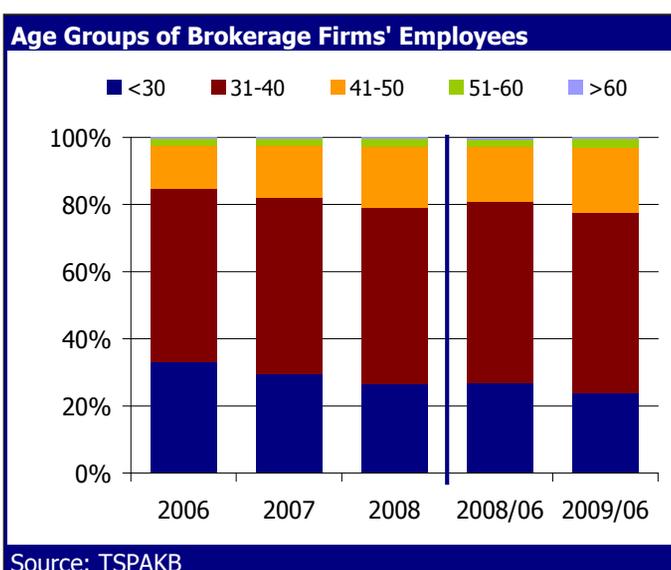
Due to the financial crisis, brokerage firms cut down the number of branches and representative offices by 14%, y-t-d. As of 1H2009, while the total number of branches and representative offices decreased from 253 to 197, the number of bank branches increased slightly to 5,706.



In the last few years, the number of employees was around 5,900 at brokerage firms. After the global financial crisis, brokerage firms have reduced the headcount by 20% to 4,695 since the beginning of 2008. Due to the decline in the number of branches, the most significant decrease in the number of employees has been in this department.

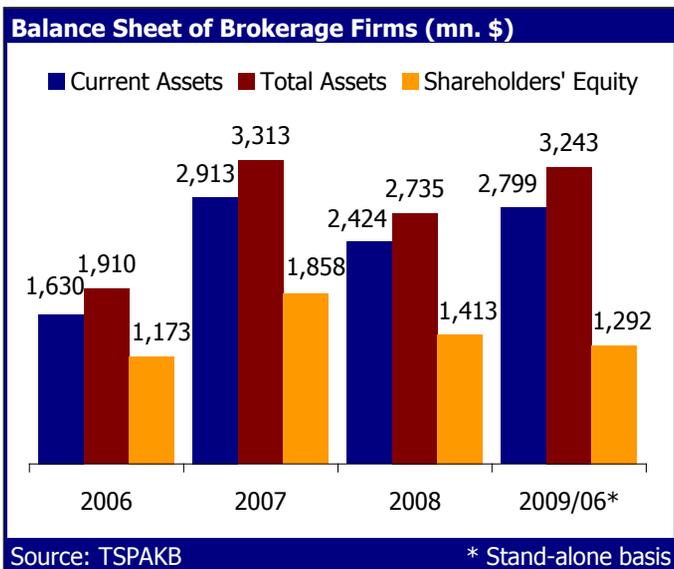


The education level of the sector has been increasing. While 70% of brokerage firms' employees have at least a graduate diploma in the first half of 2009, the share of employees under pre-bachelor degree decreased by 2 points to 30%, y-o-y. It can be inferred that the brokerage firms have preferred to lay off less-educated employees.

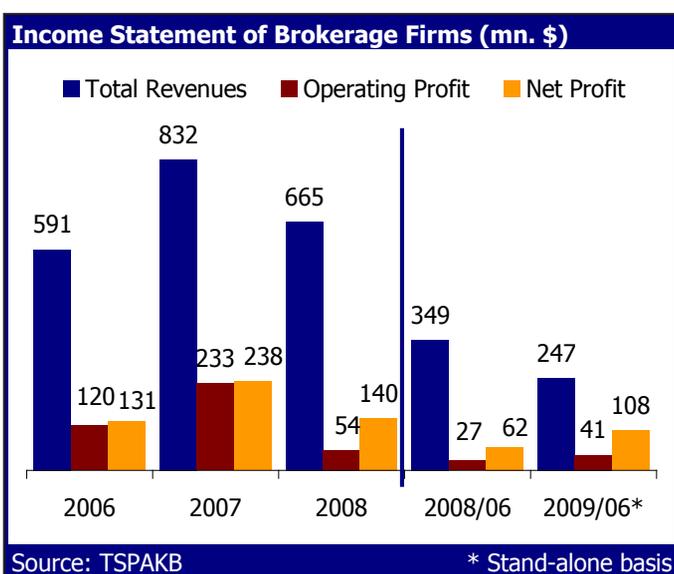


Although the majority of employees are aged under 40, an aging trend is observed. The age breakdown implies that the most dramatic change has been in this group. The share of employees under 40 has decreased from 81% to 78%.

FINANCIAL STATEMENTS

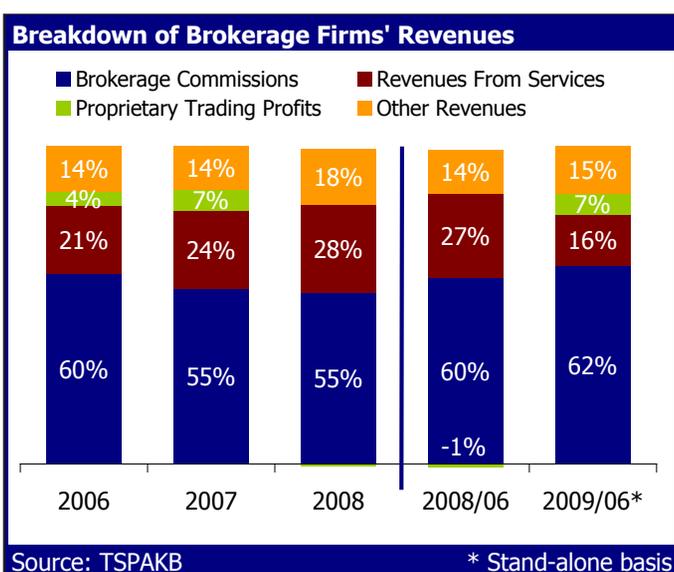


International Financial Reporting Standards have been adopted in 2005 and revised in 2008. In this section, financial statements cover the aggregate data of 98 brokerage firms in 2008 and 92 firms in 2009/06. While in 2008 18 brokerage firms announced only their consolidated statements, in 2009/06 stand-alone basis financial statements were collected from all brokerage firms. Thus, 2008 and 2009/06 data are not entirely comparable. As of June 2009, total assets of the industry reached US\$ 3.2 billion. Brokerage firms continued to have a strong liquid position as 86% of total assets is composed of current assets. Cash and cash equivalents is the major account with a share of 44%. 40% of total liabilities is composed of shareholders' equity. Short term liabilities, which include overnight borrowings and trade payables, cover 59% of total liabilities. 95% of overnight borrowings belong to two brokerage firms which preferred to borrow short term from the money market and invest in longer-term deposits.



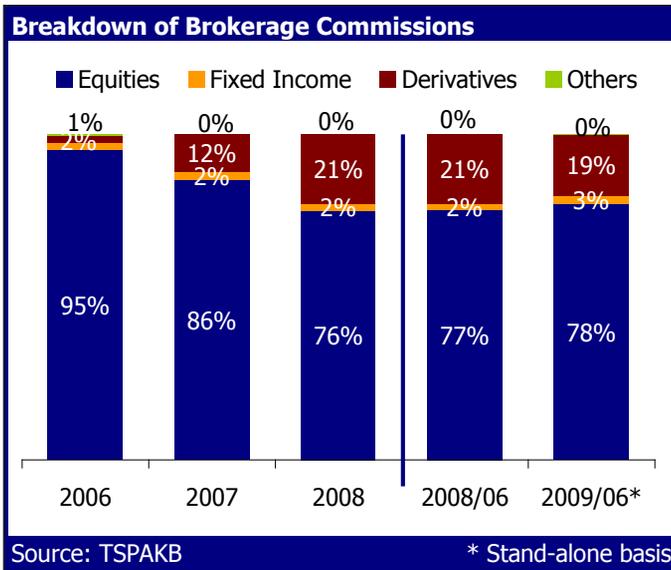
In the first half of 2009, brokerage firms announced US\$ 247 million total revenues down from US\$ 349 million a year ago. While revenues declined, net profits nearly doubled to reach US\$ 108 million in the same period because of the proprietary trading profits.

Brokerage firms generate revenues from brokerage commissions, services, proprietary trading and other operations.



The major revenue source of the industry is brokerage commissions. Brokerage firms generated 62% of their revenues from brokerage commissions in 1H2009.

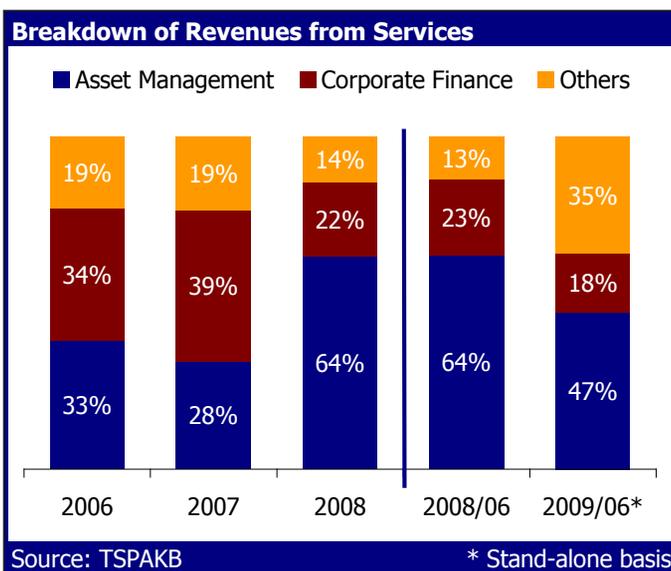
Revenues from services, which refer mainly to corporate finance and asset management activities, covered 16% of total brokerage firms' revenue. Brokerage firms posted a profit from securities trading, which generated 7% of the firms' revenues in 1H2009.



In the first half of 2009, brokerage firms earned US\$ 154 million on brokerage commissions. Equity trading commissions, with a 78% share, are the major revenue item in this breakdown.

Effective commission rate on equity trading could be calculated by the net amount left to the brokerage firm, excluding rebates to clients and revenue sharing with the sales agents. In 1H2009, the effective commission rate was 0.050% as compared to 0.062% in 1H2008. However, this should not be interpreted as the rate charged from the clients.

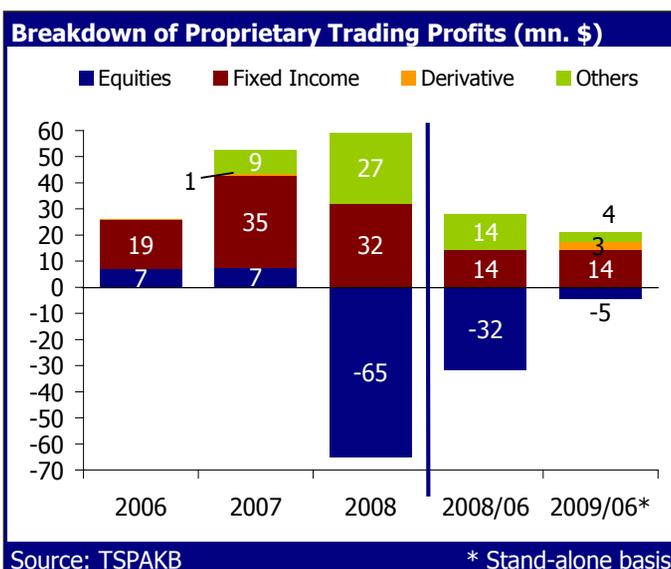
In line with rising trading volumes, the share of derivative commissions has been increasing significantly. However, the financial crisis slowed down the growth of the market. In 1H2009, brokerage firms generated 19% of their revenues through derivatives trades.



Brokerage firms generated US\$ 40 million revenues from services in 1H2009. Service revenues cover mainly asset management and corporate finance fees. "Others" refer to fees charged on custody services, as well as money and securities transfers.

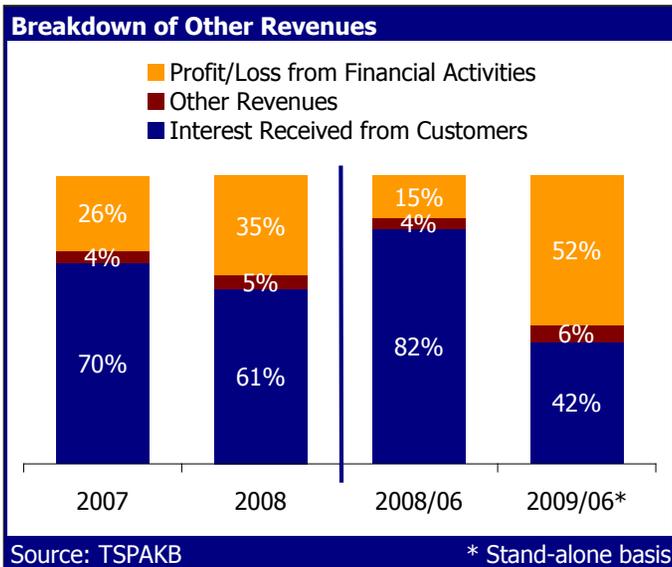
In 1H2009, almost half of brokerage firms' revenues from services have been generated by asset management activities. As 1H2008 figures include consolidated income statements of 18 brokerage firms, the breakdown of the revenues from services has changed significantly in 1H2009.

As the global recession affected the initial public offerings, brokerage firms' corporate finance activities were limited to corporate actions mainly.



Brokerage firms have recorded a proprietary trading profit of US\$ 17 million in the first half of 2009. While they posted a loss of US\$ 5 million in equities, fixed income securities became the major revenue item with US\$ 14 million profits.

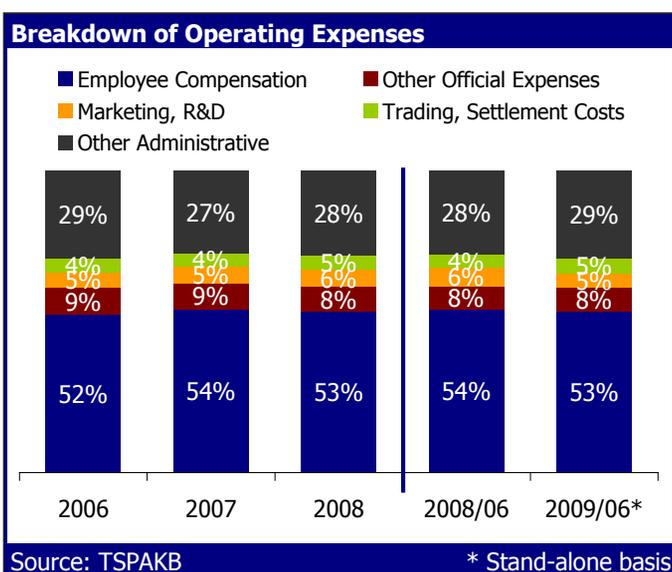
FINANCIAL STATEMENTS



In the first half of 2009, brokerage firms' other revenues declined from US\$ 52 million to US\$ 39 million, y-o-y.

The most significant change took place in the interests received from customers. Interest revenues declined as the amount of margin trading decreased due to the financial crisis.

On the other hand, profit/loss from financial activities increased slightly. This account mainly reflects the revenues of one brokerage firm's arbitrage trades.



Although brokerage firms' operating expenses declined from US\$ 343 million to US\$ 224 million in 1H2009, the breakdown did not change. More than half of the expenses are incurred by employee compensations, which refer to the salaries, employment dues, health insurance and alike. The average monthly cost of an employee was recorded as US\$ 4,246 in 1H2009.

Administrative expenses, which include office rents and other infrastructure expenses, represent one third of total expenses.

Breakdown of Brokerage Firms' Profits

	Consolidated		Stand Alone
	2008/06	2009/06	2009/06
No. of Profit Makers	41	61	63
No. of Loss Makers	57	31	29
Total Profits (Mn. \$)	102,910	123,050	122,537
Total Losses (Mn. \$)	-40,436	-18,497	-14,932
Net Profits/Losses	62,474	104,553	107,604

Source: TSPAKB

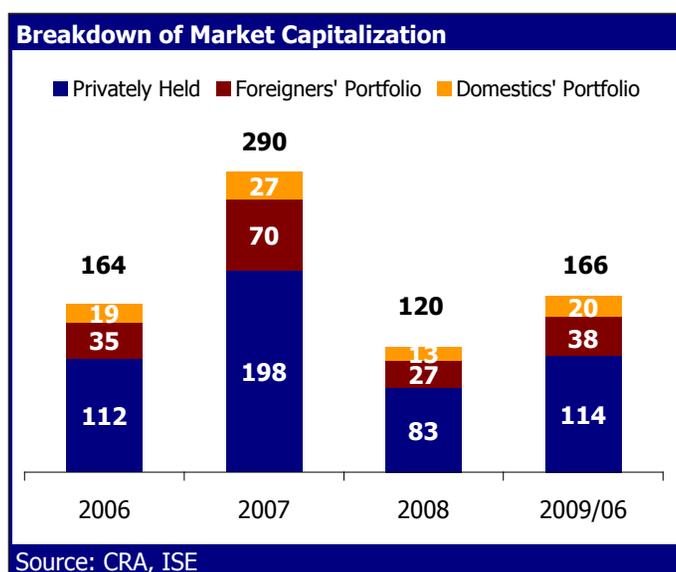
As mentioned before, in 2009, both stand-alone basis and consolidated financial statements of brokerage firms were gathered. According to stand-alone figures, in 1H2009, 63 brokerage firms have recorded a total profit of US\$ 123 million, while 29 brokerage firms recorded loss of US\$ of 15 million.

Number of Equity Investors			
	2007	2008	2009/06
Domestic Investors	933,361	983,267	989,937
Dom. Individuals	930,735	980,340	987,061
Dom. Corporations	2,215	2,486	2,407
Dom. Institutionals	411	441	469
Foreign Investors	6,686	6,586	6,805
For. Individuals	3,983	4,181	4,167
For. Corporations	1,343	734	763
For. Institutionals	1,360	1,671	1,875

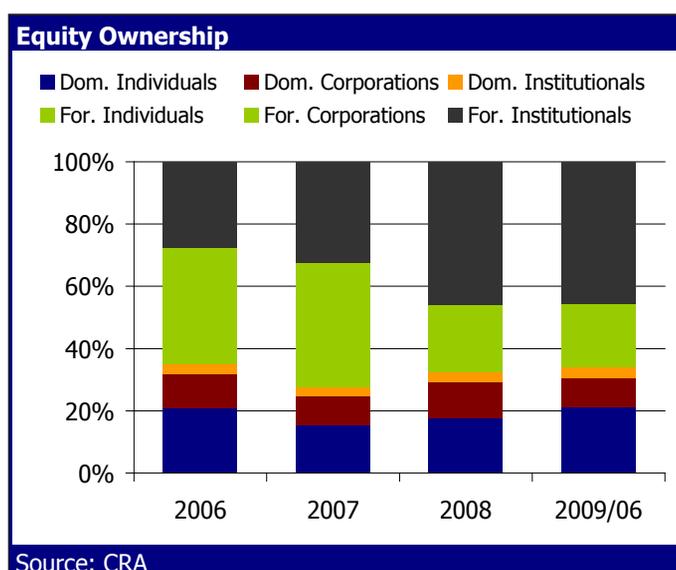
Source: CRA

The number of investors with equity holdings increased slightly to 1 million by the end of 1H2009 with the participation of new domestic individual investors.

At the end of the first half of 2009, the number of domestic investors reached 990,000, while the number of foreign investors increased slightly to 6,805.



In the first six months of 2009, market capitalization increased by 39% to US\$ 166 billion. US\$ 114 billion of market capitalization is privately held; meaning 31% of ISE companies' shares are freely floated.



Although the share of foreign investors declined in the aftermath of the crisis, they still hold 66% of the free float market capitalization at the end of 2009/06. Foreign institutional investors are the leading investor group with a share of 45%.

The share of foreign corporations, which include banks and brokerage firms, decreased by 20 points to 20% by 1H2009, as compared to the end of 2008.

On the other hand, domestic individual investors, which generate the majority of the trading volume, own only 21% of the free float.

CAPITAL MARKET INSTITUTIONS

Capital Market Institutions

Capital Markets Board of Turkey

Central Registry Agency

Istanbul Gold Exchange

Istanbul Stock Exchange

Takasbank - Settlement and Custody Bank

Turkish Derivatives Exchange

www.cmb.gov.tr

www.mkk.com.tr

www.iab.gov.tr

www.ise.org

www.takasbank.com.tr

www.turkdex.org.tr

Public Institutions

Banking Regulation and Supervision Agency

Central Bank of the Republic of Turkey

Financial Crimes Investigation Board

Undersecretariat of Treasury

www.bddk.org.tr

www.tcmb.gov.tr

www.masak.gov.tr

www.treasury.gov.tr

Professional Associations

Association of Brokerage Firms' Managers

Association of Publicly Traded Companies' Managers

Banks' Association of Turkey

Corporate Governance Association of Turkey

Participation Banks' Association of Turkey

Turkish Institutional Investment Managers' Association

www.bakyd.org.tr

www.koteder.org.tr

www.tbb.org.tr

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