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TURKEY

BROKERAGE INDUSTRY 2011 SEMIANNUAL REVIEW

EQUITY
MARKET

DERIVATIVES

ASSET MANAGEMENT

FIXED INCOME

**CORPORATE
FINANCE**



TSPAKB The Association of Capital Market
Intermediary Institutions of Turkey

TURKISH BROKERAGE INDUSTRY 2011 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
OTC	Over-the-Counter
PMC	Pension Monitoring Center
Q-o-q	Quarter-on-Quarter
Takasbank	ISE Settlement and Custody Bank
TL	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

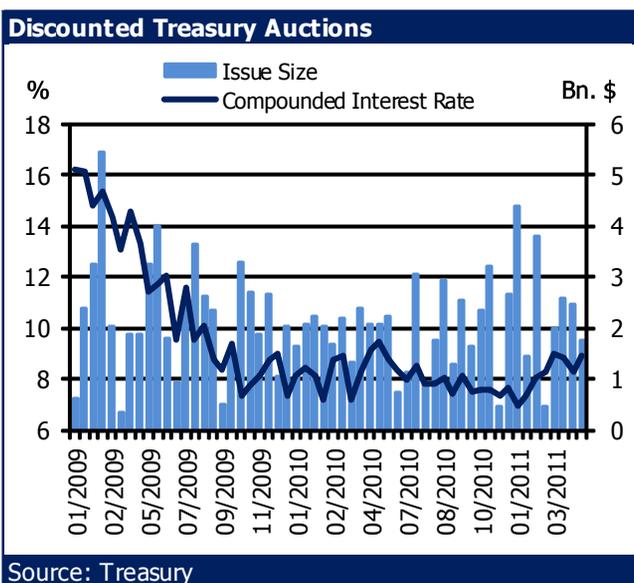


After the global financial crisis, global equity markets started to recover in 2009. Especially, the emerging markets rallied in 2010. But in 1H2011, the debt worries in the US and Europe, coupled with political instabilities in the MENA region had negative effects on the equity market in Turkey. At the end of the first half of 2011, ISE-100 Index declined by 9% in US\$ terms.



ISE-100 index started to rise in the second quarter of 2009 to reach a record high of 71,543 points in October 2010. In the following months, a downward trend was observed due to the rising concerns about the indebtedness of the developed economies. At the end of the first half of 2011, the index recorded 63,269 points, by 4% declining in TL terms.

The average daily trading volume was around US\$ 2.1 billion in the first half of 2011.



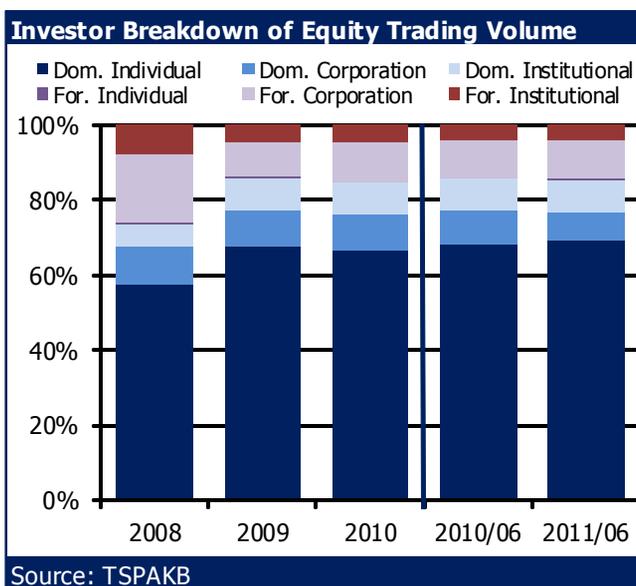
The Undersecretariat of Treasury issues zero coupon (discount) bonds, coupon bonds and international bonds (eurobonds). Among these, discounted bond auctions will be used as an indicator of market interest rates. In 1H2011, Treasury held 8 auctions for discounted bonds. Maturities of these instruments ranged between 6 and 23 months. Average borrowing has been US\$ 2.4 billion per auction.

Following the sharp decline in 2009, interest rates fluctuated around 8% in 2010 and 1H2011. The peaks of the interest rates in the chart correspond to longer maturities, whereas the troughs correspond to auctions for shorter terms, generally.



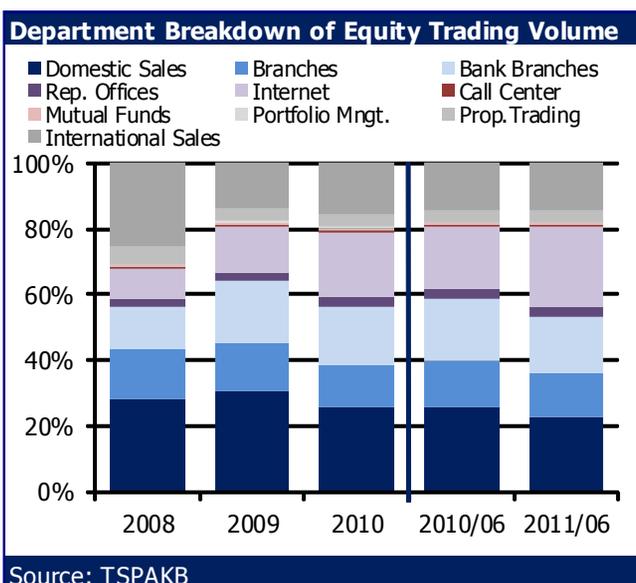
In Turkey, only brokerage firms are allowed to trade equities. Although there are 102 licensed firms as of end-June 2011, this report is based on the aggregate results of 93 brokerage firms, excluding the dormant ones. The following analyses cover only the brokerage firms' operations unless otherwise specified.

After the contraction caused by the financial crisis, the equity trading volume recovered starting from 2Q2009 and continued to rise in 2010. Total trading volume in 1H2011 increased by 23% year-on-year. However in 2Q2011, a decline of 17% was observed q-o-q.



With a 69% share, domestic individuals are the major group providing liquidity of the market. In contrast, these investors hold around only one fifth of the free float, as of end-June 2011. While the share of domestic institutional investors is stable around 9%, domestic corporations' share declined by 2 percentage points to 7%.

The share of foreign investors in the trading volume increased for five consecutive years from 2004 to 2008. Their share reached a historic high of 33% in May 2008. However, as the financial crisis deepened, this trend reversed with this share retreating to 14% in 2009. With the rise in capital inflows to emerging markets, foreign investors' share in trading volume increased slightly to 16% in 2010. At the end of 1H2011, foreign investors' share was around 14%.

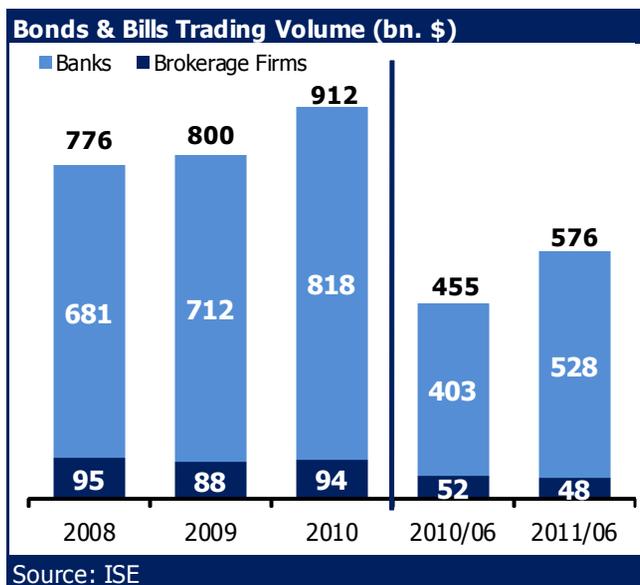


Department breakdown of the trading volume shows the channels through which trading is done. Domestic sales refer to the headquarters of the brokerage firms. Branches are owned by the brokerage firms. Bank branches show the order flow from banks.

For the first time, internet became the major channel for order flows at the end of 1H2011. 25% of trading volume was done online. Domestic sales followed internet trading with a 23% share.

International sales departments' share in the trading volume is around 15%, parallel to the share of foreign investors.

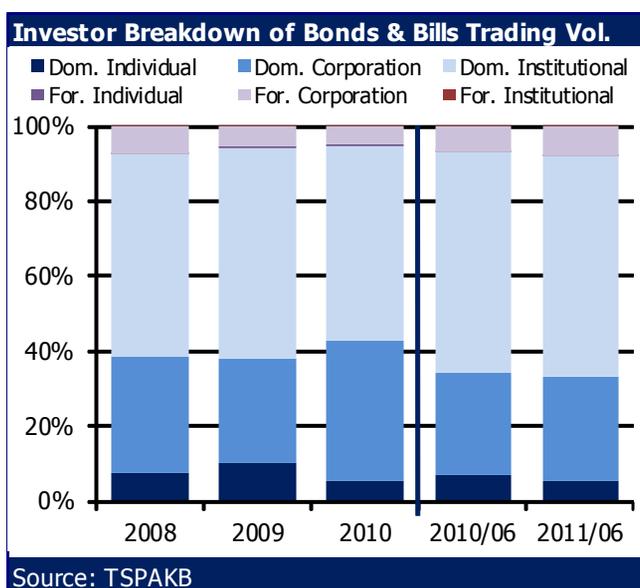
BONDS & BILLS MARKET



In the fixed income market, both brokerage firms and banks are authorized to trade. Fixed income market is composed of bond and repo transactions. Figures in this section represent the sum of public and corporate bonds and bills, traded at the Istanbul Stock Exchange and OTC markets. It should be noted that corporate bonds have negligible trading volume. The figures on the chart show the trading volume of financial intermediaries. It excludes the transactions by the Central Bank and Takasbank.

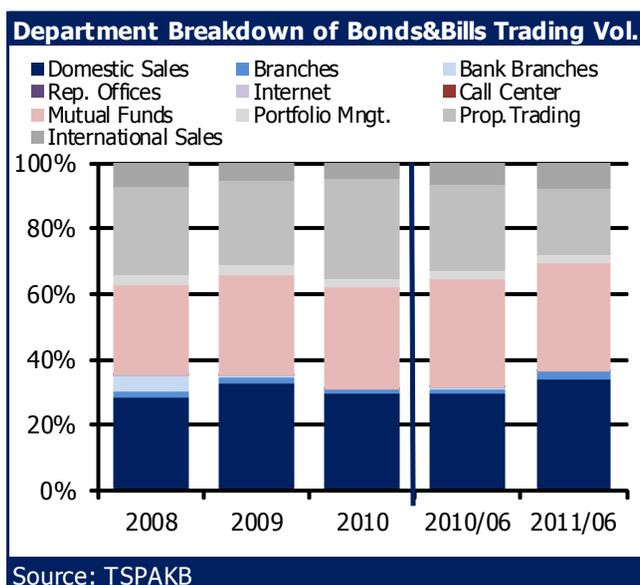
In the first half of the 2011, intermediaries' bonds and bills trading volume increased by 26% to US\$ 576 billion. 39% of total volume was done in OTC markets. Banks continued to dominate the market with a share of 92%. First 3 banks generated 37% of the total transactions in the first half of 2011.

63 brokerage firms traded bonds and bills in 1H2011. Almost all trading volume of brokerage firms was done in ISE markets, while OTC trading was negligible. Brokerage firms have an 8% share in the bonds and bills market, and this share has been declining since 2003. The following breakdown of trading volume, in terms of departments and investor categories, includes the brokerage firms' statistics only.

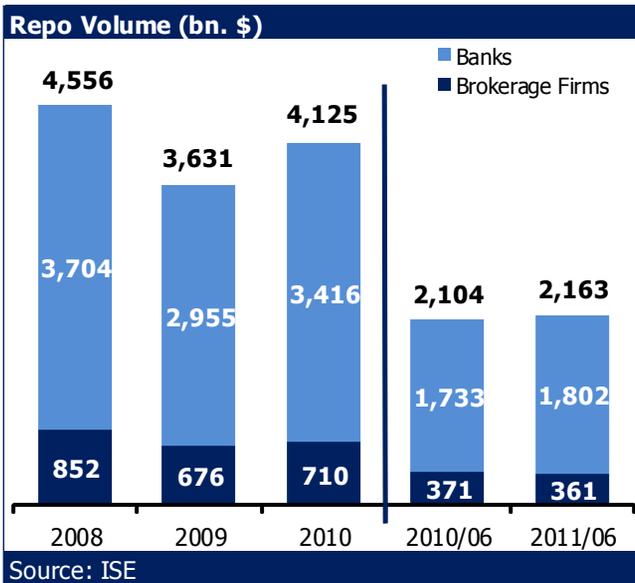


92% of bonds and bills trading volume of brokerage firms is generated by domestic investors. Domestic institutional investors, which represent mutual funds, investment trusts and pension funds, is the leading group making 59% of total trading volume, same as in 1H2010. Domestic corporations, mainly reflecting the proprietary trading of brokerage firms, generated 28% of bonds and bills trading volume.

Foreign investors' bonds and bills trading through brokerage firms is quite limited with an 8% share. However, their share has been increasing in the last three quarters. One brokerage firm generated almost all of the foreign investors' trading volume. Foreign investors prefer to trade bonds and bills through banks rather than brokerage firms.



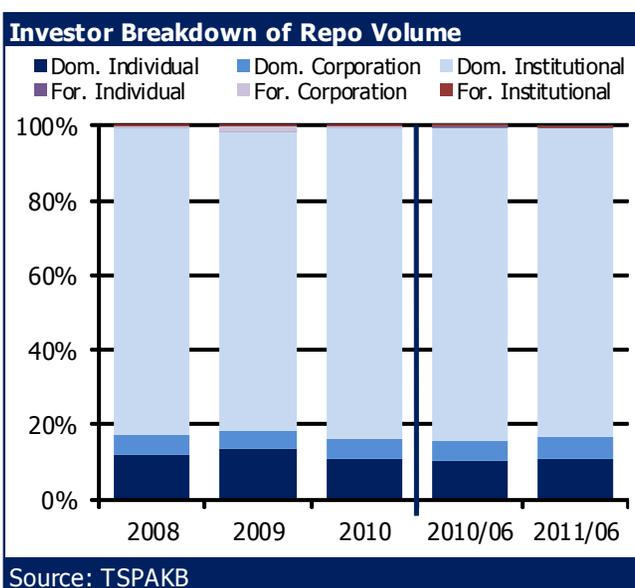
Bonds and bills trading is done mainly through mutual funds, proprietary trading and domestic sales departments. Discretionary portfolio management clients and mutual funds that are managed by brokerage firms generated 35% of the trading volume in the 1H2011. While domestic sales' share increased by 4 percentage points, proprietary trading's share decreased by 6 percentage points between 1H2010 and 1H2011.



Total repo trading volume, including ISE and OTC markets' transactions, increased by 3% y-o-y, to US\$ 2.2 trillion at the end of 1H2011. 92% of repo transactions was done on the regulated ISE market.

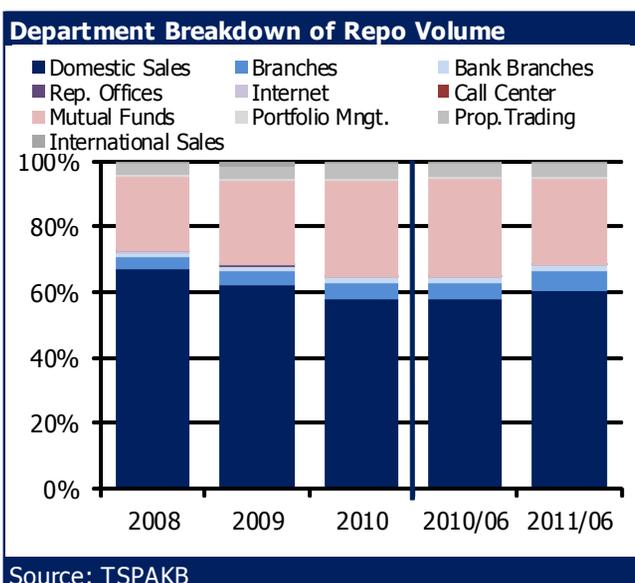
Similar to the bonds and bills market, banks dominate the repo market. Brokerage firms' share in total repo transactions fell by 1 percentage point in 1H2011 from 18% in 1H2010. First 3 banks generated 47% of repo transactions in 1H2011.

46 brokerage firms were active in the repo market with a US\$ 361 billion volume in the 1H2011. As in bonds and bills trading, the breakdown of the repo volume, in terms of departments and investor categories, includes the brokerage firms' statistics only.



Domestic investors create almost the entire repo trading volume of brokerage firms. As in the bonds and bills market, it is known that foreign investors prefer to trade through banks rather than brokerage firms.

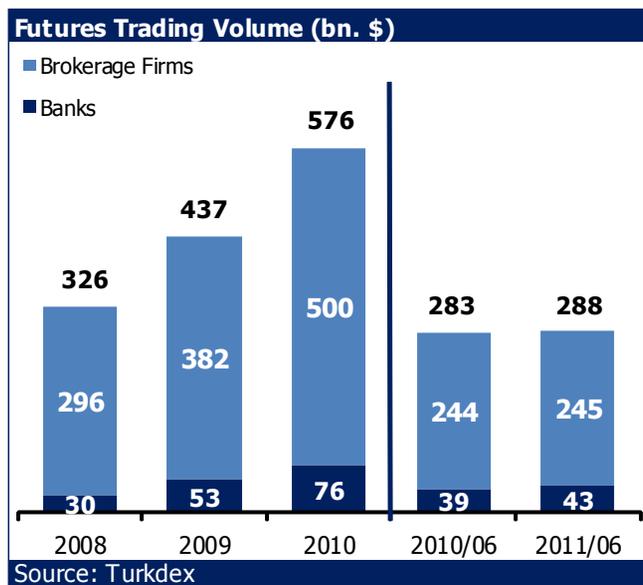
In this breakdown, domestic institutional investors, which mainly represent the money market mutual funds managed by brokerage firms or their affiliated portfolio management companies, are the major investor group with a volume share of 83%. One brokerage firm generated more than half of the domestic institutional investors' repo volume.



A considerable amount (60%) of repo trading was done through domestic sales. Mutual funds' and propriety trading's shares decreased by 4 and 1 percentage points respectively, between 1H2010 and 1H2011.

Concentration in repo transactions among brokerage firms is relatively high. A single brokerage firm generated 46% of the total volume.

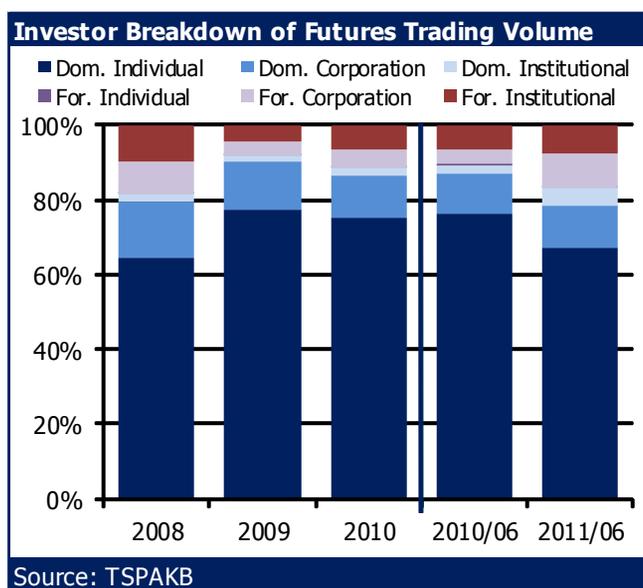
DERIVATIVES MARKET



In the futures market, brokerage firms, derivatives brokerage firms and banks are authorized to trade. Derivatives brokerage firms are only allowed to trade in the futures markets.

The trading volume in the futures market reached US\$ 288 billion and increased by only 2% y-o-y, in 1H2011. Contrary to the fixed income market, brokerage firms dominate the market with a trading share of 85%. Yet, banks' market share has been rising since 2008. First 3 institutions (2 brokerage firms and 1 bank) generated one quarter of total futures trading volume in 1H2011.

66 brokerage firms and 1 derivatives brokerage firm traded in this market in the first half of 2011. The breakdown of trading volume includes the brokerage firms and the derivatives brokerage firm's statistics only.

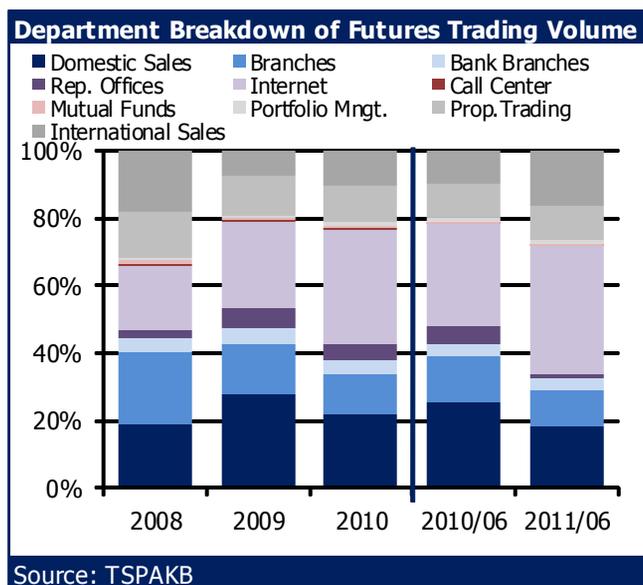


Domestic individual investors are the most active group with a share of 67% in brokerage firms' futures transactions. But this investor group's share decreased by 9 percentage points since 1H2010.

Domestic corporations' (mainly the proprietary trading of brokerage firms) market share remained at 11%, while domestic institutional investors' share increased to 5%.

Foreign investors' share in the trading volume increased from 11% to 17% between 1H2010 and 1H2011. It is the highest share in the last ten quarters. The share of foreign investors was around 20% before the global crisis.

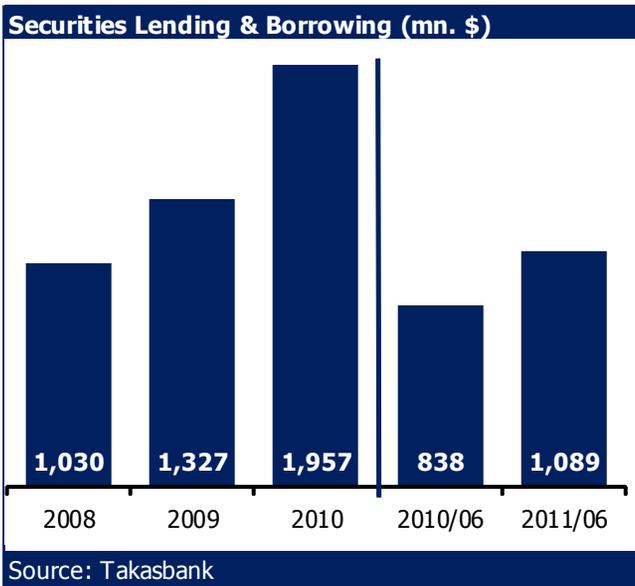
Meanwhile, concentration in foreign investors' futures trading volume is high. Three brokerage firms generated more than half of the foreign investors' trading volume.



The most significant change in the department breakdown occurred in internet transactions. In 1H2011, internet trading's share rose by 8 percentage points to 38%. Thus, online trading became the major channel for futures transactions. The share of internet transactions in the futures market exceeded that of the equity market.

Domestic sales, representing the headquarters of brokerage firms, generated 18% of the futures trading volume, with a 7 percentage points decline as compared to 1H2010. 16% of futures transactions have been done through brokerage firms' international sales departments. Parallel to foreign investors' share, it is the highest level of the last ten quarters.

LENDING, BORROWING & MARGIN TRADING



Takasbank operates the Securities Lending and Borrowing Market. In 1H2011, 145 securities were eligible for borrowing and lending transactions. Trading volume reached over US\$ 1 billion in the first half of 2011.



Authorized ISE members are allowed for short selling in the ISE markets. Only the equities classified as Group A are eligible for short selling and margin trading. In 1H2011, short selling volume was US\$ 16 billion, while the share of short selling in total trading volume stood around 6%.

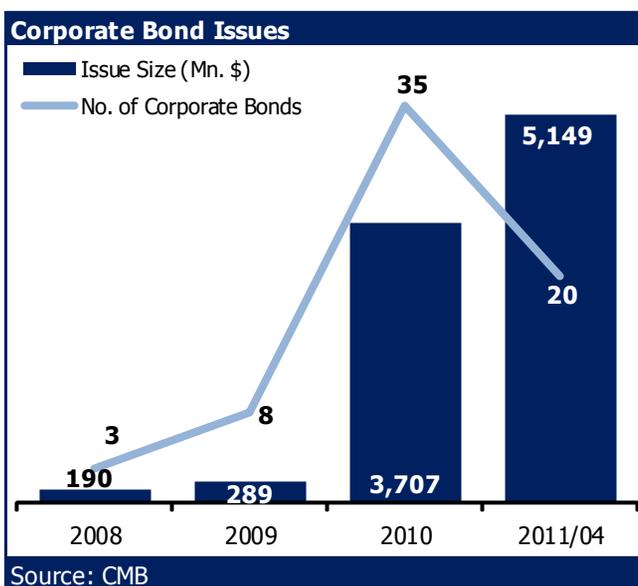


Amidst the global financial crisis, total loan size and the number of margin trading investors decreased sharply. As in other activities of brokerage firms, a recovery started from the second half of 2009. 65 brokerage firms have margin-trading customers as of end June 2011. At the end of 1H2011, total loan size and margin trading investors increased to US\$ 621 million and 11,956 respectively. Average loan size per client is US\$ 51,956, up by 11% as compared to the end of 2010.

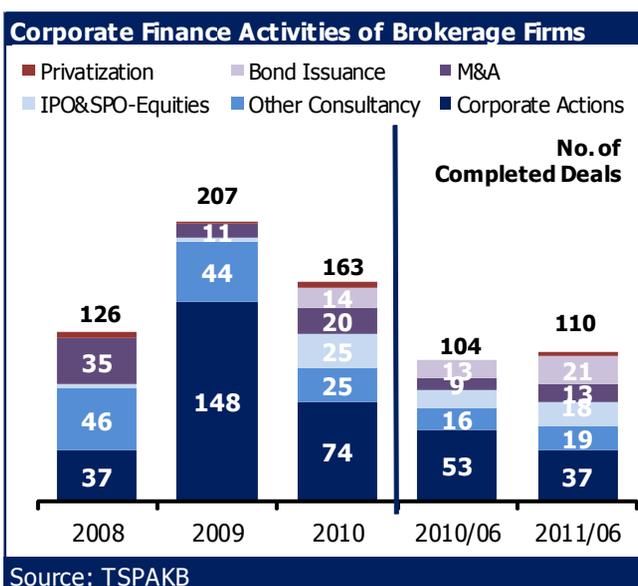


The global financial crisis limited the number of public offerings. In 2009, there were only 2 IPOs amounting to US\$ 76 million. With favorable market conditions and the support of the campaign to encourage IPOs, 25 offerings (3 of which are exchange traded funds) took place in 2010 amounting to over US\$ 2 billion. Furthermore, 18 new companies became listed on the ISE in 1H2011, cashing in US\$ 727 million.

Meanwhile, brokerage firms are becoming listed companies themselves. While two brokerage firms went public in 2010, one more brokerage firm got listed on the ISE in 1H2011. Currently, four brokerage firms are being traded on the Istanbul Stock Exchange.



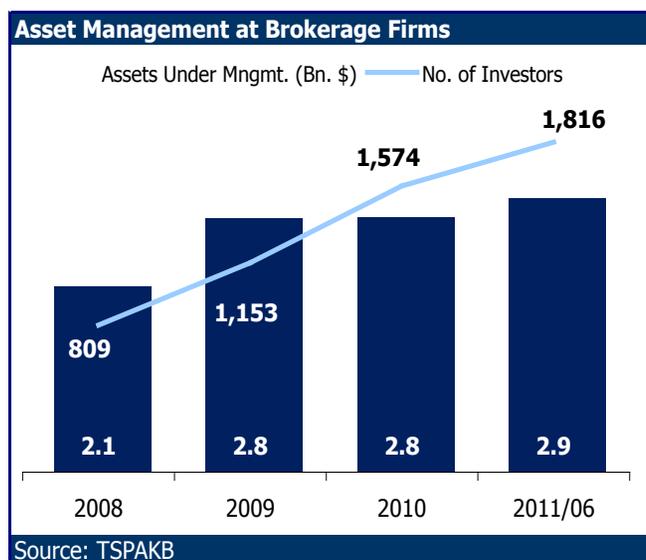
The corporate bond market was dormant for a long time. After 1994, the first corporate bond was issued in 2005. Following the regulatory revisions to revive the market and declining interest rates, the market exploded in 2010. In the first four months of 2011, 20 corporate bonds were registered by the CMB for a total issue size of US\$ 5 billion.



Corporate finance services are provided by brokerage firms, as well as consultancy companies. However, this section covers only the corporate finance activities of brokerage firms. The number of active brokerage firms in this market decreased from 28 to 27 at the end of 1H2011, when compared to 1H2010.

In 1H2011, the number of completed transactions increased to 110, from 104 a year ago. While only the number of corporate actions (capital increases and dividend payments) declined, the number of other deals increased. Brokerage firms completed 39 public offerings, 21 of which were corporate bonds. Additionally, the number of completed M&A deals reached 13 in the first six months of 2011.

ASSET MANAGEMENT & BRANCH NETWORK



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. Total assets under management was around US\$ 33 billion at the end of 1H2011.

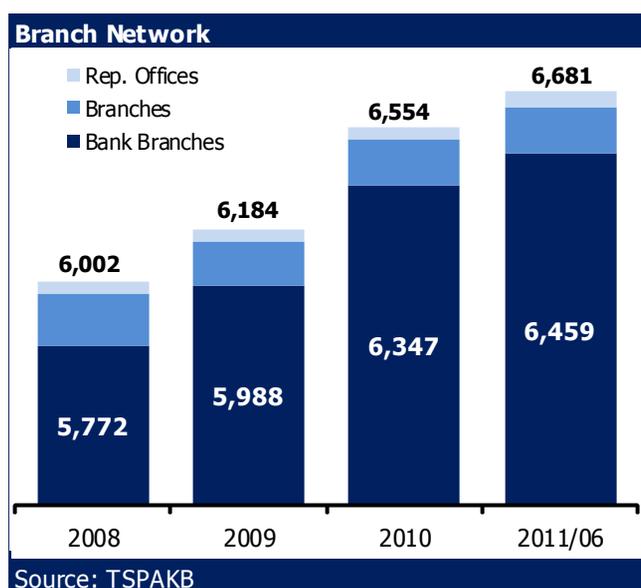
35 brokerage firms were offering asset management services at the end of the first half of 2011. Both the number of investors and assets under management increased to 1,816 and US\$ 3 billion, respectively. Three quarters of this portfolio belongs to fixed income funds (mostly money market funds) generally founded by the managing brokerage firms.



While the number of investors at portfolio management companies increased to 1,443 in the first half of 2011, total assets under management remained around US\$ 30 billion. 652 institutional investors and corporations own 98% of this amount.

Portfolio management companies had an 88% share in managed assets at the end of 1H2011. Brokerage firms increased their stake by 4 percentage points since 1H2010.

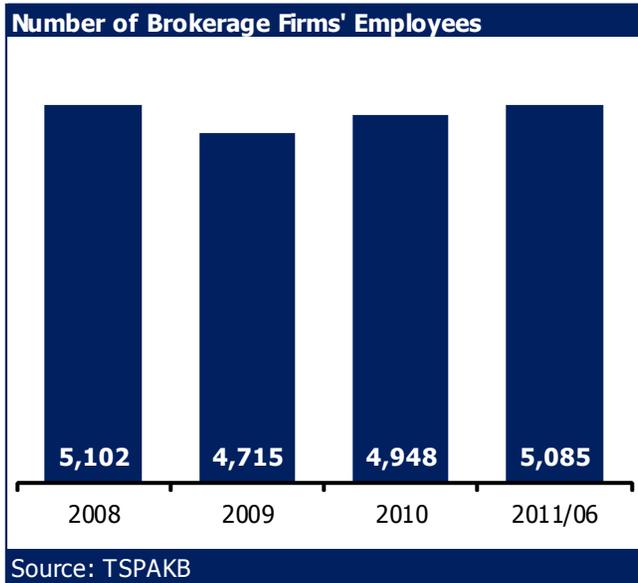
On the other hand, average portfolio for institutional investors and corporations is around US\$ 66 million in brokerage firms, versus US\$ 74 million in portfolio management companies.



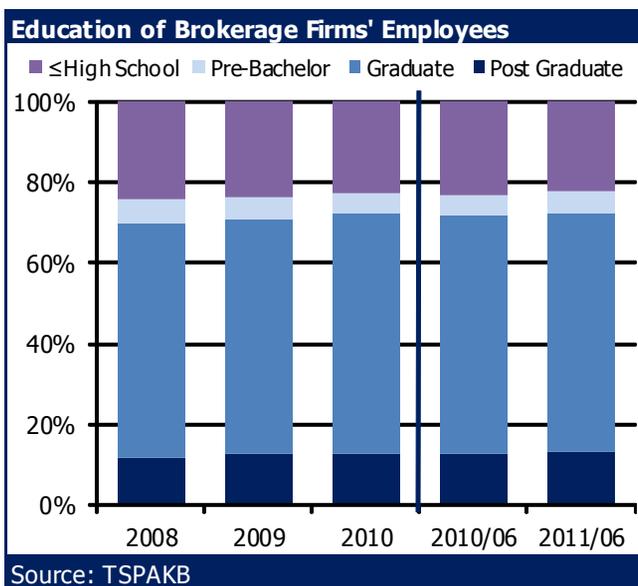
Brokerage firms reach investors through three sales points; bank branches, own branches and representative offices. Branches and representative offices are owned and staffed by brokerage firms. On the other hand, bank branches are used as sales agents, based on agreements between the banks and the brokerage firms.

The number of branches and representative offices are declining since 2006, and the global crisis accelerated this trend. Since then, the first increase in the sales network of brokerage firms was seen in the second quarter of 2010. At the end of 1H2011, the number of branches and representative offices continued to increase slightly to reach 167 and 55, respectively. On the other hand, the number of bank branches was continuously increasing, even during the crisis. It reached 6,459 at the end of June 2011, from 6,347 at the beginning of the year.

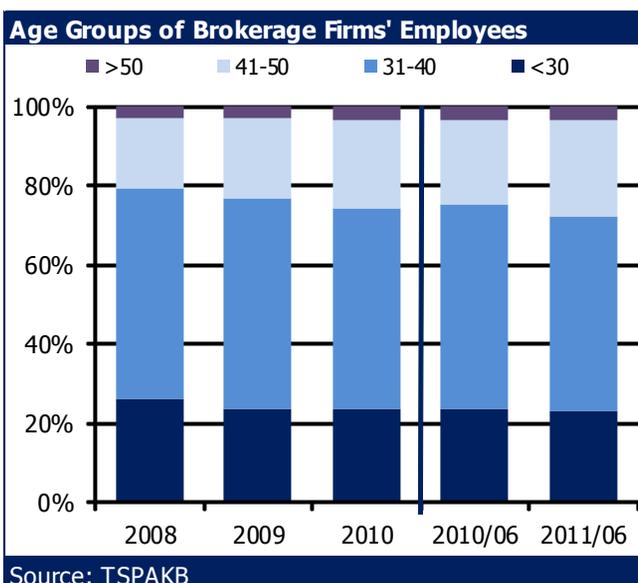
EMPLOYEES



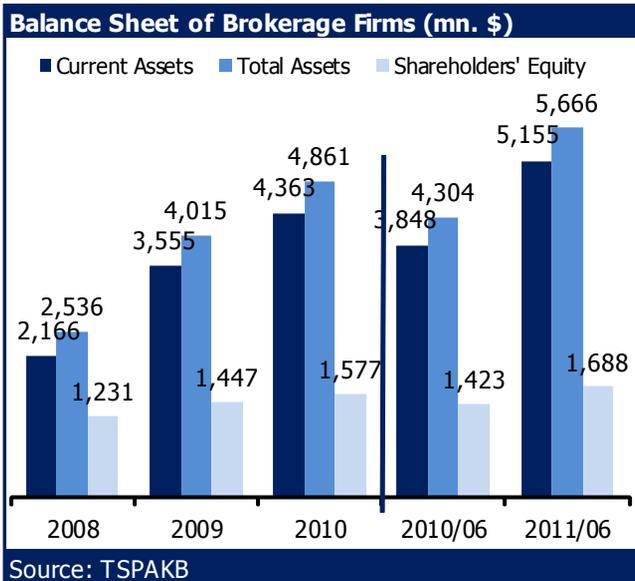
Between 2004 and 2007, brokerage firms employed around 5,900 personnel. Amidst the global crisis, the headcount fell down to 4,700 in two years. Thanks to the market recovery, the number of employees started to rise in 2010 and reached 4,948 at the end of the year. It increased further to 5,085 at the end of 1H2011 still below the pre-crisis level.



The education level of the industry has been improving as well. The share of employees that have at least a graduate diploma increased to 78% at the end of 1H2011, from 66% in 2000. Moreover, graduate and post-graduate segments' weight increased by 1 percentage point as compared to the end of 2010.



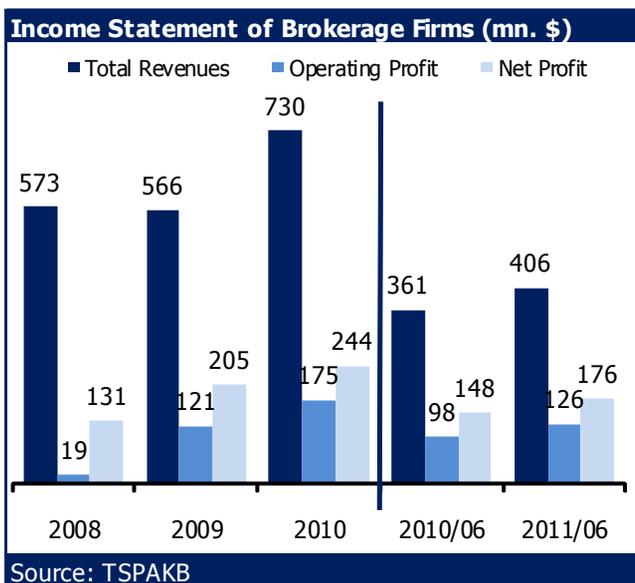
Although the majority of employees are aged under 40, an aging trend is observed. The breakdown implies that the share of this group was declining. In 2000, 92% of the employees were aged below 40, while this ratio went down to 72% at the end of 1H2011. Furthermore, as compared to 1H2010, share of employees under 40 decreased by 3 percentage points.



Stand-alone financial statements, prepared according to the International Financial Reporting Standards (IFRS), include aggregate data of 93 brokerage firms in 2010/06 and 2011/06.

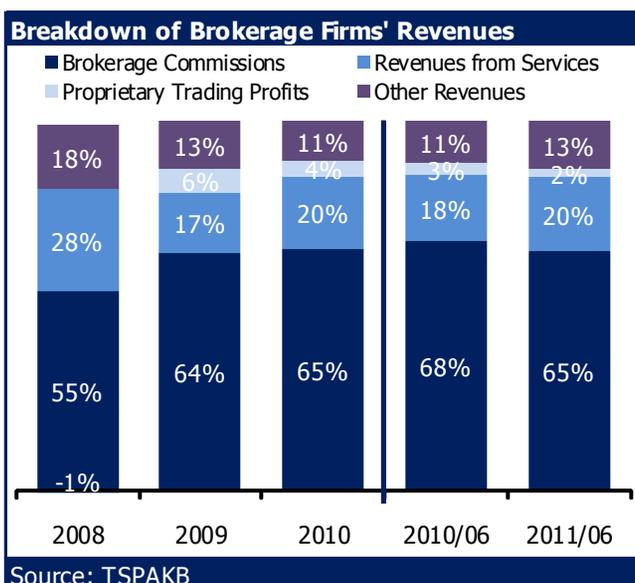
At the end of June 2011, total assets of the brokerage industry reached US\$ 5.7 billion. The composition of financials has not changed. Current assets continued to be the major component of total assets with a share of 91%.

Shareholders' equity of the industry is US\$ 1.7 billion, representing 30% of total liabilities. Short term financial liabilities comprise 70% of the liabilities, representing mainly overnight borrowings and settlement dues. As of end-June 2011, 5 brokerage firms which borrowed short term from the money market and invested in the long term bank deposits, constituted 90% of the overnight borrowings of the industry.



In the first half of 2011, brokerage firms' total revenues increased by 12% to US\$ 406 million, y-o-y. In the same period, operating profit of the industry rose to US\$ 126 million, from \$ 98 million a year ago.

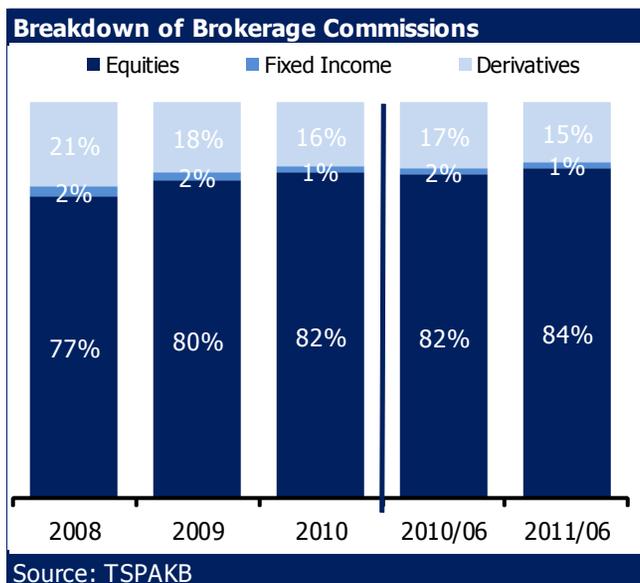
Brokerage firms generate revenues from brokerage commissions, services, proprietary trading and other operations.



The major revenue source of the industry is the brokerage commissions. In the first six months of 2011, brokerage firms generated 65% of their revenues from brokerage commissions. Following that, additional revenues from services, which include corporate finance and asset management activities, contributed by 20%.

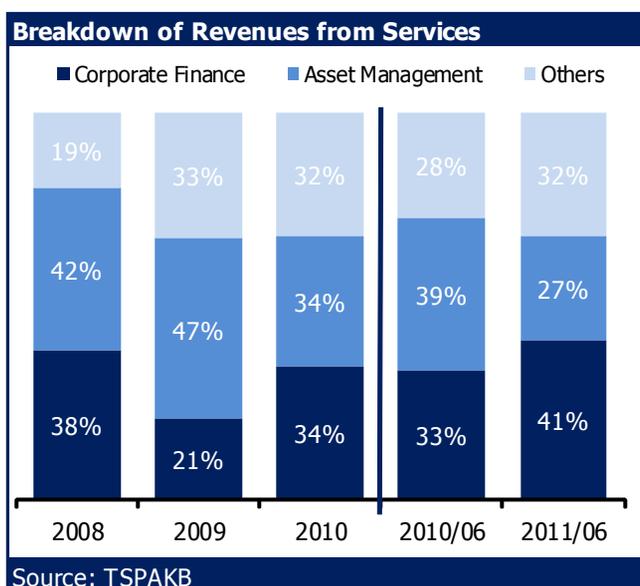
2% of the revenues were derived from proprietary trades. Other revenues, including interest income and dividends received, represented 13% of the brokerage industry's revenues.

FINANCIAL STATEMENTS



In 1H2011, brokerage firms generated US\$ 263 million revenue from brokerage commissions, 84% of which were derived from equity trading. While in the first half of the year, equity trading rose by 23% y-o-y, equity brokerage commissions increased by 10%, reaching US\$ 220 million. Effective commission rate on equity trading could be calculated by the net amount left to the brokerage firms, excluding rebates to clients and revenue sharing with the sales agents. In 1H2011, the effective commission rate was 0.043% as compared to 0.048% in 1H2010. Noting that, this should not be interpreted as the rate charged from the client.

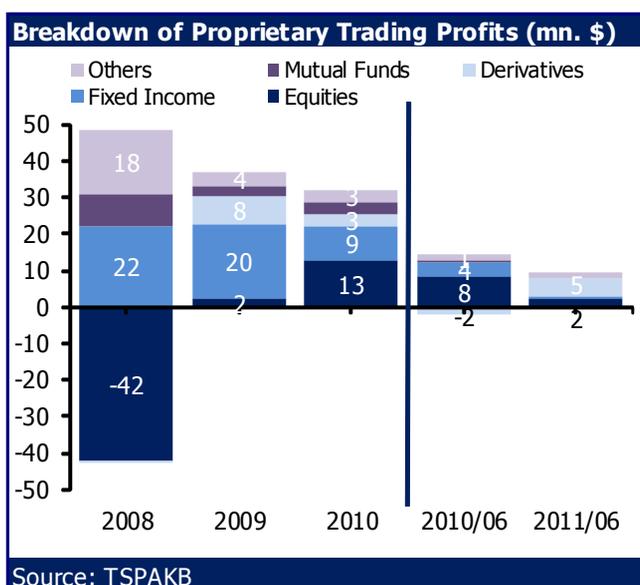
15% of the brokerage commissions were generated from derivatives trading. While the derivatives trading volume of the brokerage firms did not change as compared to the same period in 2010, derivatives commissions declined by 3%. The effective commission rate was 0.018% in the 1H2011.



Revenues from services mainly cover corporate finance and asset management fees. "Others" refer to fees charged on custody fees, as well as money and securities transfers. In the first half of 2011, revenues from services increased by 27% to US\$ 81 million, y-o-y.

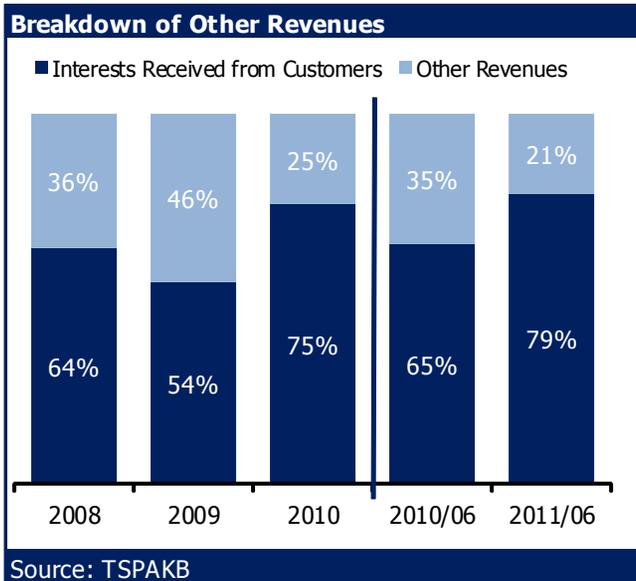
The most significant change occurred in the corporate finance revenues, due to the revival of the IPO market. Between 1H2010 and 1H2011, these revenues posted a 57% increase and reached US\$ 33 million.

On the other hand, revenues from asset management activities decreased by 12% to US\$ 22 million in the same period.



In 1H2011, brokerage firms posted a US\$ 9 million profit in proprietary trading, which indicates a 25% decline as compared to the same period in 2010.

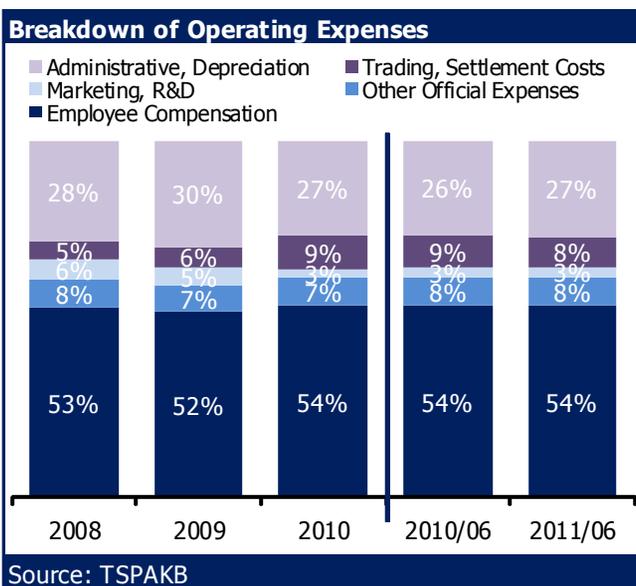
In the same period, the profits from proprietary equity trading decreased from US\$ 8 million to US\$ 2 million. On the other hand, the \$ 2 million loss on derivatives trading in 1H2010 was replaced by US\$ 5 million profits in 1H2011.



In the first half of 2011, other revenues increased by 29% to US\$ 53 million.

Interests received from customers rose from US\$ 27 million in 1H2010 to US\$ 42 million in 1H2011.

Other revenues mainly refer to one brokerage firms' arbitrage trading profits.



Operating expenses of the brokerage industry increased by 10% to US\$ 296 million in the first half of 2011.

Employee compensation, which includes salaries, social security payments, health insurance and alike, comprised 54% of operating expenses. The average monthly cost of an employee was US\$ 5,267 in 1H2011.

Trading and settlement costs were US\$ 25 million. Administrative and depreciation expenses, which include office rents, other infrastructure expenses and depreciation, represented 27% of total expenses.

Breakdown of Brokerage Firms' Profits

	2010/06	2011/06	Change
No. of Profit Makers	65	65	0%
No. of Loss Makers	28	28	0%
Total Profit (Mn. \$)	157.6	183.2	16%
Total Loss (Mn. \$)	-9.2	-7.1	-23%
Net Profit/Losses	148.4	176.1	19%

Source: TSPAKB

Although the number of profit and loss makers did not change between 1H2010 and 1H2011, brokerage industry's net profits increased by 19% to US\$ 176 million.

In the first six months of 2011, 65 brokerage firms recorded a profit of US\$ 183 million, indicating a 16% increase as compared to the same period of last year. On the other hand, 28 brokerage firms posted a total loss of US\$ 7 million.

The most profitable brokerage firms' profit was US\$ 44.2 million, while the highest loss incurred by a brokerage firm was US\$ 1.1 million.



As of end June-2011, total savings increased slightly to US\$ 600 billion. Domestic residents hold 81% of the total savings.

Banks deposits are the major component of the investment preferences. Investors hold US\$ 387 billion in bank deposits. Following that, equities comprised 17% of the total savings. Noting that, 62% of the equities were held by non-residents. Fixed income and mutual funds constituted 14% and 5% of the total savings, respectively.

Number of Equity Investors			
	2009	2010	2011/06
Domestic	993,253	1,035,612	1,085,133
Dom. Individuals	990,388	1,032,456	1,081,690
Dom. Corporations	2,429	2,679	2,905
Dom. Institutionals	436	477	538
Foreign	7,008	7,523	7,658
For. Individuals	4,094	4,295	4,436
For. Corporations	856	1,036	1,060
For. Institutionals	2,058	2,192	2,162
Total	1,000,261	1,043,135	1,092,791

Source: CRA

The number of investors with equity holdings increased to 1.09 million, with the participation of around 49,200 new domestic individuals in the first 6 months of 2011.

Although the number of foreign investors continued to increase, they represent less than 1% of the investor base.

Equity Ownership			
mn. \$	2009	2010	2011/06
Domestic Investors	27,292	36,309	38,622
Dom. Individuals	16,476	21,193	22,438
Dom. Corporations	7,886	11,677	11,984
Dom. Institutionals	2,930	3,439	4,200
Foreign Investors	56,274	71,267	63,807
For. Individuals	296	264	269
For. Corporations	15,913	21,583	19,981
For. Institutionals	40,065	49,420	43,557
Total	83,566	107,576	102,429

Source: CRA

After a sharp decline during the global financial turmoil in 2008, equity values recovered quickly, hitting record highs in 2010. Due to the gloomy global outlook, as of end-June 2011, equity holdings declined slightly to US\$ 102 billion.

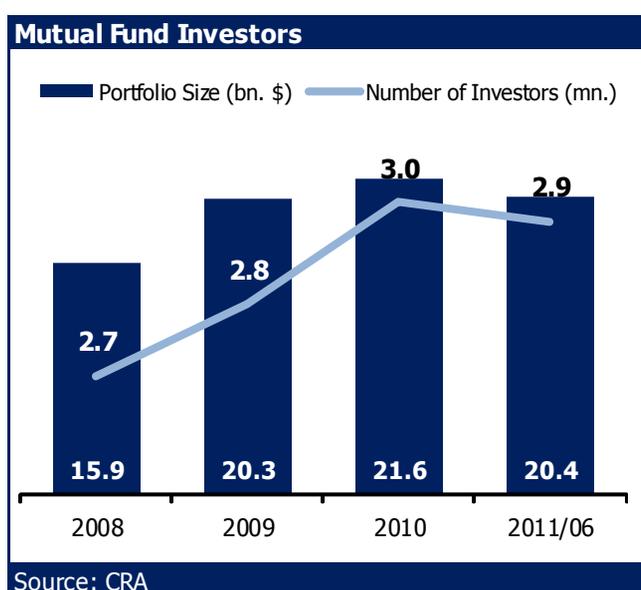
Foreign investors hold 62% of the freely floating equities. Foreign institutionals are the major investor group with a US\$ 44 billion portfolio. Foreign corporations' holdings, including banks and brokerage firms, decreased slightly to US\$ 20 billion.

Although foreigners hold a significant portion of the equities, domestic investors' share has been increasing steadily. Among the domestic investors, individuals stand out with US\$ 22 billion equity investments.



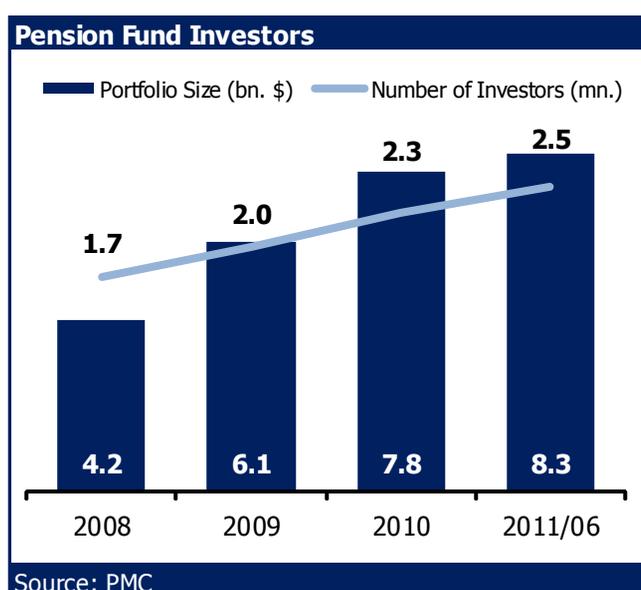
Foreign investors' share in the free-float market capitalization has been rising until 2007, when it hit record highs of 72%. However, it has been declining since then. As of end-June 2011, foreigners hold 62% of the free-float Mcap.

On the other hand, trading volume of foreigners decreased sharply due to the global crisis. While foreigners generated 27% of the trading volume in 2008, their share fell down to 14% in 2009. At the end of 1H2011, foreigners generated 15% of the trading volume.



As of end-June 2011, the number of mutual fund investors remained around 3 million, 96% of which is domestic individuals.

At the end of the first half of 2011, total size of mutual funds decreased slightly to US\$ 20 billion.



Pension funds' steady growth continued in 1H2011. The number of pension fund investors increased to 2.5 million, while the asset size reached US\$ 8.3 billion.

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
Pension Monitoring Center
Undersecretariat of Treasury

www.bddk.org.tr
www.tcmb.gov.tr
www.masak.gov.tr
www.egm.org.tr
www.treasury.gov.tr

Professional Associations

Association of Capital Market Intermediary Institutions of Turkey
Association of Brokerage Firms' Managers
Association of Publicly Traded Companies' Managers
Association of Stock Market Investors
Banks' Association of Turkey
Corporate Governance Association of Turkey
Investor Relations Association of Turkey
Participation Banks' Association of Turkey
Turkish Institutional Investment Managers' Association

www.tspakb.org.tr
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