

TURKISH CAPITAL MARKETS 2015 SEMIANNUAL REVIEW

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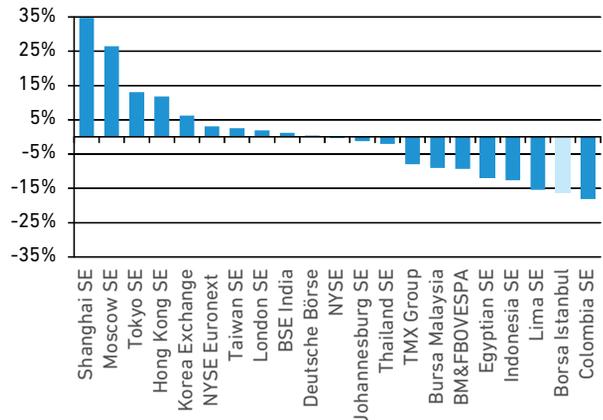
MARKET RETURNS

In the first half of 2015, Latin American exchanges including Colombia, Chile, Brazil and some developing economies such as Egypt, Indonesia, Malaysia posted negative returns, while advanced European economies and US market remained mostly neutral. Fareastern stock exchanges and Russia had the highest increase, while the increase in Russia was partly due to base effect from 2014. Some major European countries including Italy and Spain witnessed losses around 4%. In Borsa Istanbul, BIST-100 index decreased by 16% in US\$ terms. This is the second largest drop after Colombian Stock Exchange. Loss in Turkey was also accentuated by the appreciation of US dollar, as the decline in TL terms stands at 4%.

Borsa Istanbul Index (BIST-100) increased in the first quarter of 2015 due to low oil prices and increased global liquidity. Expectations on FED raising interest rates in the second half of 2015 positively contributed to BIST-100 index; however, due to political ambiguity before the general elections in June 2015 the stock exchange showed a downward trend. The average daily trading volume rose by 9% to US\$ 1.7 billion in the first half of 2015.

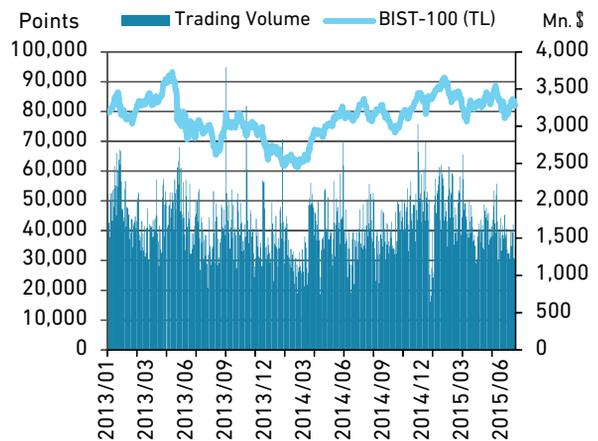
O/N rates remained around 10% in 2015, near the upper band of the interest rate corridor, with the Central Bank's tight monetary policy. Scarce liquidity conditions resulted in a rise in benchmark interest rates, from 8.02% at the end of 2014, to 9.74% by the end of June 2015.

Selected Market Returns (US\$ Based-2015/06)



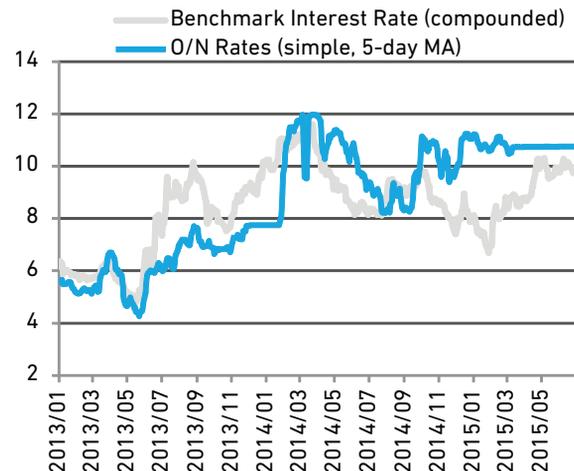
Source: World Federation of Exchanges

BIST-100 Index and Trading Volume



Source: Borsa Istanbul

Benchmark and O/N Interest Rates



Source: Bloomberg, Borsa Istanbul

EQUITY MARKET

In Turkey, only brokerage firms are allowed to trade equities. In the first half of 2015, equity trading volume of brokerage firms increased by 15.3% to US\$ 436 billion. In TL terms, there was a 37% increase.

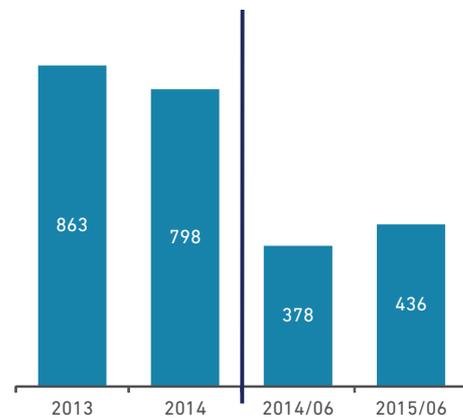
78 brokerage firms traded in the equity market. First 10 brokerage firms generated 53% of the total volume, while the share of top 20 firms reached 74%.

In the first half of 2015, domestic individuals continued to drive the market liquidity with a 60% share. Volume share of domestic corporations declined by 1 percentage point to 16%, while domestic institutional investors' share remained at 3%.

Foreign investors' share in the total equity trading volume increased slightly to 21% from 22% in the first half of 2015. Foreign corporations, which mainly refer to foreign banks and brokerage firms, created 19% of the trading volume whereas foreign institutional investors, which hold 43% of the free float, have only 3% share in total turnover.

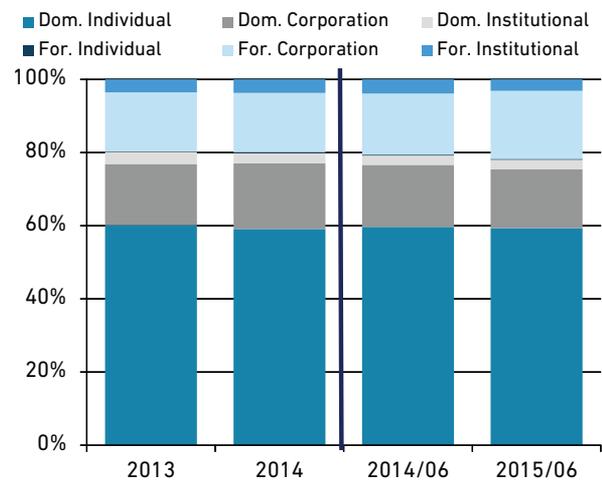
The breakdown of the trading volume by department, indicates the channels through which trading is done. Domestic sales refer to the headquarters of the brokerage firms. Branches are owned by the brokerage firms. Bank branches show the order flow from banks. Mutual funds are included in the institutional investors group in the previous investor breakdown section, and proprietary trading is included in corporations. Similar to the same period of 2014, while there is slight decline in its share, internet is still the major channel with a share of 24% in total equity trading volume. Internet is followed by international sales which increased its share by 1 point up to 22%. Domestic sales generated 16% of the total turnover, with a 3 percentage point decline compared to the previous year. The share of branches, representative offices and bank branches rose by 3 percentage points to reach 32%.

Equity Trading Volume (bn. \$)



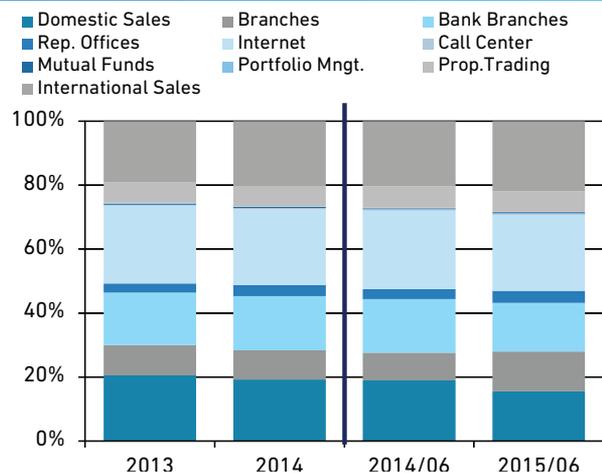
Source: Borsa Istanbul

Investor Breakdown of Equity Trading Volume



Source: Turkish Capital Markets Association

Department Breakdown of Equity Trading Volume

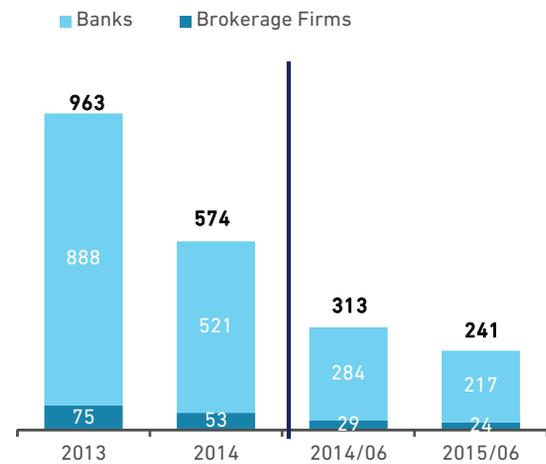


Source: Turkish Capital Markets Association

BONDS & BILLS MARKET

In the fixed income market, both brokerage firms and banks are authorized to trade. Figures in this section represent the sum of public and corporate bonds and bills, traded at Borsa Istanbul and OTC markets. Although the corporate bond market revived recently, trading volume of corporate bonds represent below 5% of the total. The figures on the chart show the trading volume of financial intermediaries. It excludes the transactions by the Central Bank and Takasbank. In 2015/06, bond trading volume of intermediaries decreased significantly by 24% to US\$ 241 billion compared to the same period of last year. 56 brokerage firms and 41 banks traded bonds and bills in 2015/06. Brokerage firms have only 10% share in this market. 2 brokerage firms generated 56% of total brokerage firms' bonds and bills trading volume.

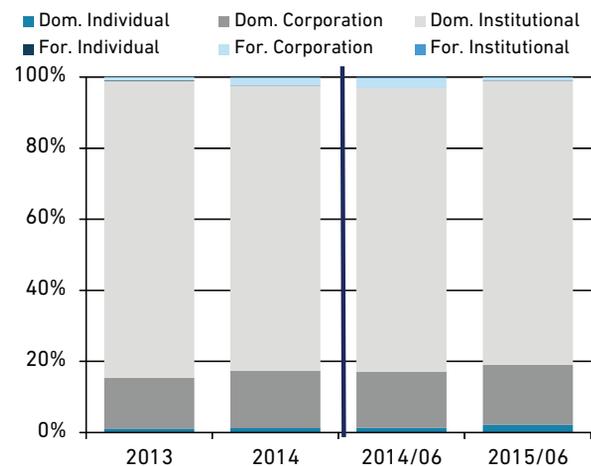
Bonds & Bills Trading Volume* (bn. \$)



Source: Borsa Istanbul
*excluding Central Bank and Takasbank

The breakdown of trading volume, in terms of departments and investor categories, includes the brokerage firms' figures only. 99% of bonds and bills trading volume of brokerage firms was generated by domestic investors. The share of domestic institutional investors, which represent mutual funds, investment trusts and pension funds, has been increasing in the last years to reach 80% in the first half of 2015. Domestic corporations, mainly reflecting the proprietary trading of brokerage firms, created 17% of bonds trading volume. The share of foreign investors' bonds and bills trading has decreased slightly to 1% in the first half of 2015. Foreign investors, who also hold one fourth of outstanding government bonds as of 1H2015, prefer using banks rather than brokerage firms for trading in the bonds and bills market.

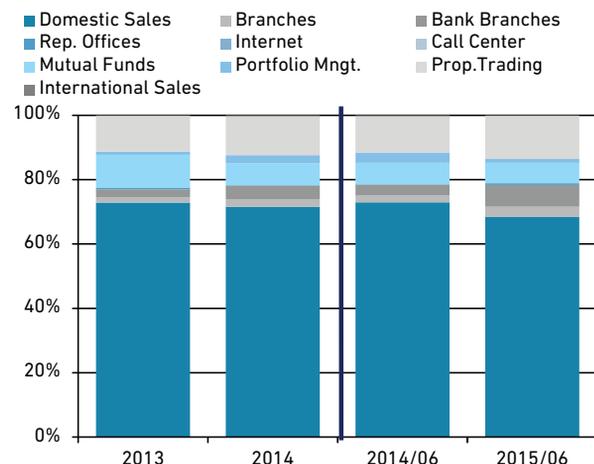
Investor Breakdown of Bonds & Bills Trading Volume



Source: Turkish Capital Markets Association

In the first six months of 2015, domestic sales department of brokerage firms generated 68% of the trading volume in the fixed income market. The share of proprietary trading increased by 2 percentage point to 13%. Discretionary portfolio management clients and mutual funds that are managed by brokerage firms generated 7% of the trading volume.

Department Breakdown of Bonds & Bills Trading Volume



Source: Turkish Capital Markets Association

REPO MARKET

Total repo trading volume decreased to US\$ 3.1 trillion in the first half of 2015 from US\$ 3.5 trillion in 1H2014.

40 brokerage firms and 38 banks traded in the repo market in the first six months of 2015. The largest 3 brokerage firms in repo market generated 50% of total transactions. Similar to bonds and bills market, banks dominate the repo market as well.

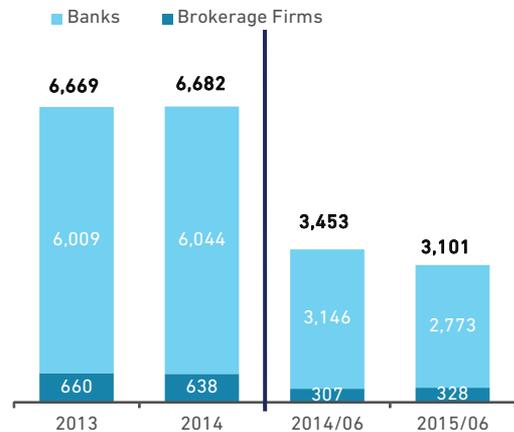
The repo trading volume of brokerage firms increased by 6% to US\$ 328 million in the first half of 2015. Brokerage firms' share in total repo transactions increased to 9.7% from 8.9% in 1H2014.

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

Domestic investors generate almost the entire repo trading volume of brokerage firms. Domestic institutional investors, which mainly represent the fixed income funds managed by brokerage firms or their affiliated portfolio management companies, are the major investor group with a share of 80%. Foreign investors' repo trading through brokerage firms is negligible with a share less than 1%.

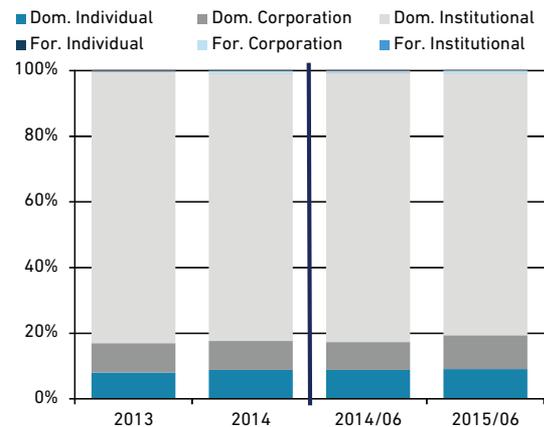
A considerable amount of repo trading was done through domestic sales department holding a share of 68%, while the share of mutual funds decreased by 5 percentage points to 12% compared to first half of 2014. Proprietary trading still represents 7% of brokerage firms' total repo transactions.

Repo Volume* (bn. \$)



Source: Borsa Istanbul
*excluding Central Bank and Takasbank

Investor Breakdown of Repo Volume



Source: Turkish Capital Markets Association

Department Breakdown of Repo Volume



Source: Turkish Capital Markets Association

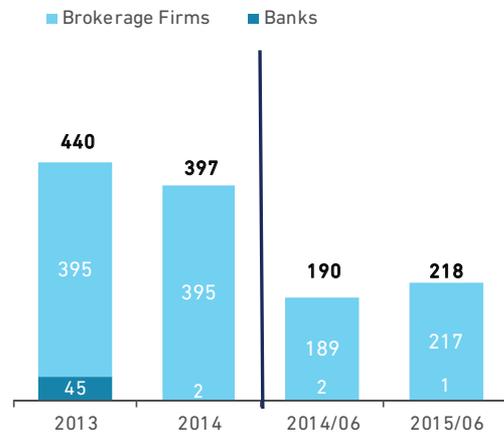
FUTURES MARKET

Since the merger of the Turkish Derivatives Exchange (TurkDex) and Borsa Istanbul on August 5, 2013, all futures and options contracts in Turkey are traded at the Borsa Istanbul Futures and Options Market (VIOP). Brokerage firms and banks are authorized to trade on VIOP. In 2015/06, the trading volume generated by 66 and 4 banks brokerage firms on Borsa Istanbul Futures Market increased to US\$ 218 billion. The equity index futures contracts represented 81% of the total volume. Contrary to the fixed income market, brokerage firms dominate the market, generating almost the entire trading volume. It is worth mentioning that banks are not permitted to trade equity-based contracts since 2012. First 10 brokerage firms made 61% of total futures trading volume in the 1H2015.

The breakdown of the futures trading volume includes brokerage firms only. As in the equity market, trading volume is driven by domestic individuals who generated 63% of the total trading volume. The share of domestic individual investors remained unchanged in 2015/06. Domestic corporations' (mainly the proprietary trading of brokerage firms) market share decreased by 3 percentage points to 5%. Domestic institutional investors have a negligible share of 4%. Foreign investors' share in the trading volume kept rising to an all-time high of 28% in the first half of 2015.

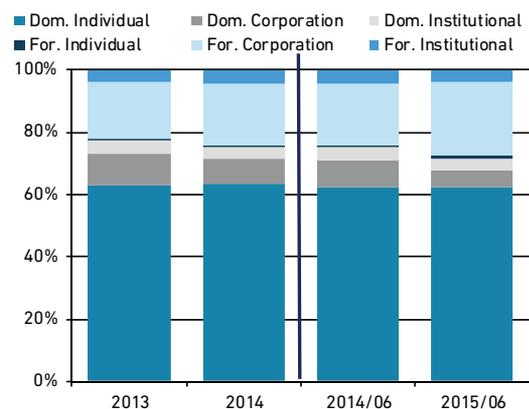
Internet continued to be the most preferred channel for investors trading futures contracts, and its share increased by 1 percentage points to 34%. Brokerage firms' branches, representative offices and bank branches constituted 28% of futures transactions in the first half of 2015. While the share of the branch network rose by 3 percentage points, the share of domestic sales department declined by 2 percentage points to 9%. Proprietary trading of brokerage firms' represent only 3% of the trading volume, compared with 6% in the same period of 2014.

Futures Trading Volume (bn. \$)



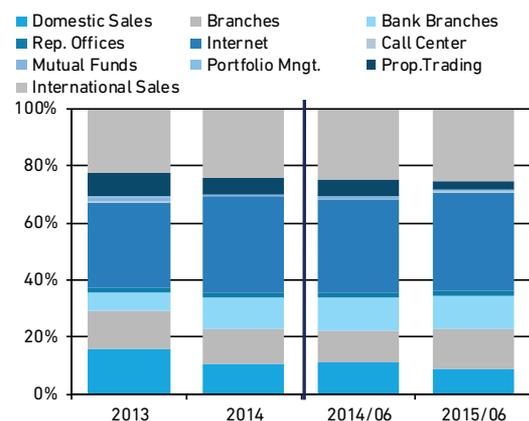
Source: Borsa İstanbul

Investor Breakdown of Futures Trading Volume



Source: Turkish Capital Markets Association

Department Breakdown of Futures Trading Volume



Source: Turkish Capital Markets Association

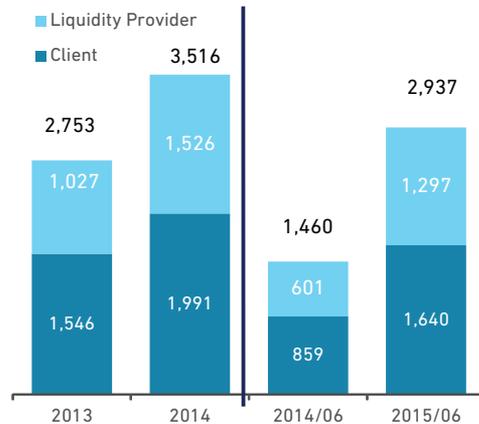
FOREX MARKET

Only brokerage firms are allowed to offer leveraged forex transactions. After it became regulated in August 2011 forex market showed a remarkable growth. The trading volume in the forex market reached US\$ 2.9 trillion in the first six month of 2015. US\$ 1.6 trillion of the total volume comprises of the transactions with the customers, and US\$ 1.2 trillion comprises of the transactions with the liquidity providers.

In 2015/06, domestic retail investors (50%) continued to dominate the market. The high share of the domestic corporations (47%) reflects mainly brokerage firms' hedging operations.

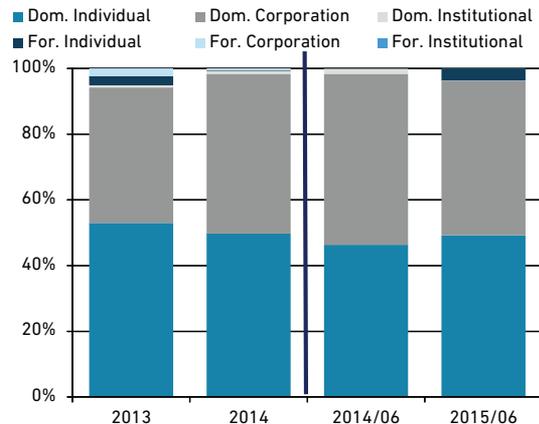
Internet is the most preferable channel for forex trading, holding a share of 39% in 2014. Internet channel is followed by domestic sales, which generated 16% of the trading volume. The hedging operations mirrored in the transactions of the domestic corporations in investor breakdown, appears in the proprietary trading in department breakdown. Proprietary trading generated 44% of the total turnover.

Forex Trading Volume (bn. \$)



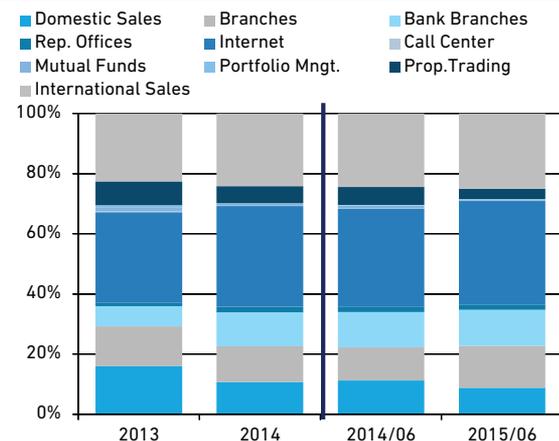
Source: Borsa Istanbul

Investor Breakdown of Forex Trading Volume



Source: Turkish Capital Markets Association

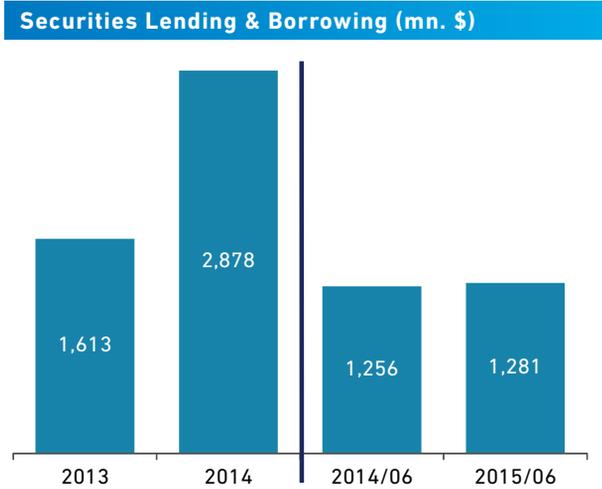
Department Breakdown of Forex Trading Volume



Source: Turkish Capital Markets Association

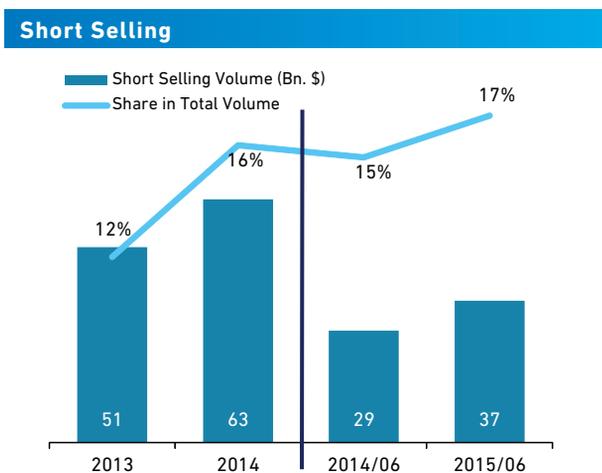
LENDING, BORROWING & MARGIN TRADING

Takasbank operates the Securities Lending and Borrowing Market. A striking jump was observed in lending and borrowing of securities in 2014. The volume of these transactions remained at US\$ 1.3 billion in the first half of 2015.



Source: Takasbank

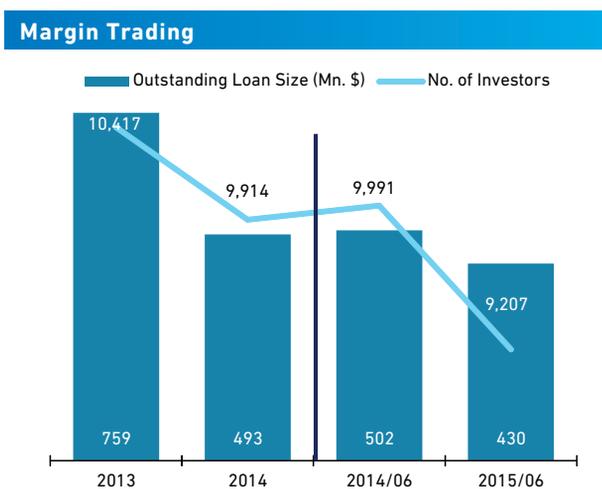
In February 2013, the uptick rule was abolished by CMB which boosted volume of short selling to US\$ 51 billion from US\$ 19 billion in 2012. The volume for the first half of 2015 has reached US\$ 37 billion, while the share of short selling in total equity trading volume increased by 2 percentage points to 17%.



Source: Borsa Istanbul

In the first half of 2015, the total loan size in margin trading decreased by 14% year-over-year to US\$ 430 million. The deterioration in the value of TL negatively affected the loan size, as there was an increase in TL terms around 8%.

52 brokerage firms have margin-trading customers as of June 2015, while there were 56 brokerage firms in first half of 2014. 9,207 investors borrowed for their equity transactions as of second half of 2015. While there is an increase in average loan size per investor in TL terms, loan size per investor declined by 14% to US\$ 43,000.



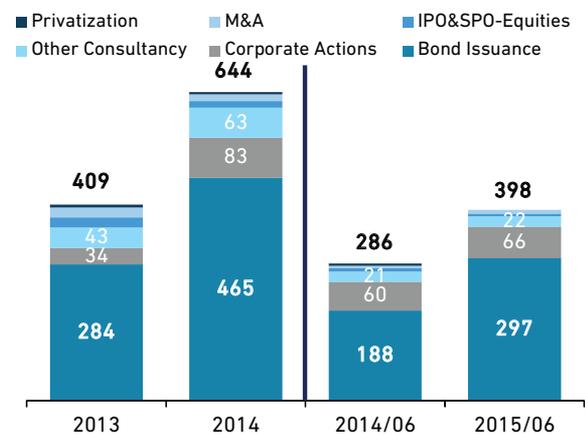
Source: Turkish Capital Markets Association

CORPORATE FINANCE

Corporate finance services are provided by brokerage firms, as well as consultancy companies. This section covers only the corporate finance activities of brokerage firms. 33 brokerage firms were active in this market in the first half of 2015.

During that period, the number of finalized transactions increased to 398 from 286 with the boom in the corporate bond issuances (297). Only 8 M&A projects were finalized by brokerage firms.

Corporate Finance Activities of Brokerage Firms

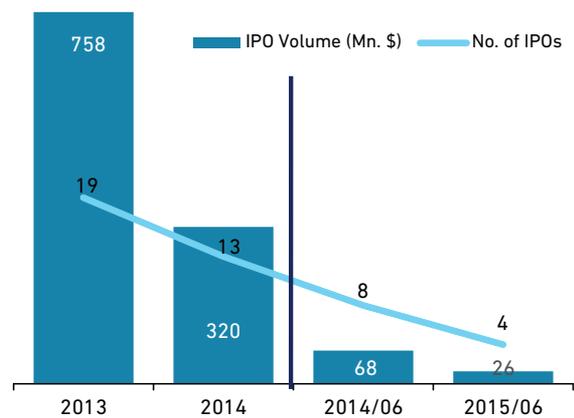


Source: Turkish Capital Markets Association

There is a downward trend in numbers and volume of initial public offerings. While in 2013, 19 IPOs took place with a size of US\$ 758 million and only 13 IPOs took place in 2014 with a size of US\$ 320 billion.

In the first half of 2015 the number of IPOs further decreased to 4 with a size of 26 US\$ million. All IPOs were offered in the Second National Market and the Emerging Companies Market which are designed mostly for small and medium size enterprises.

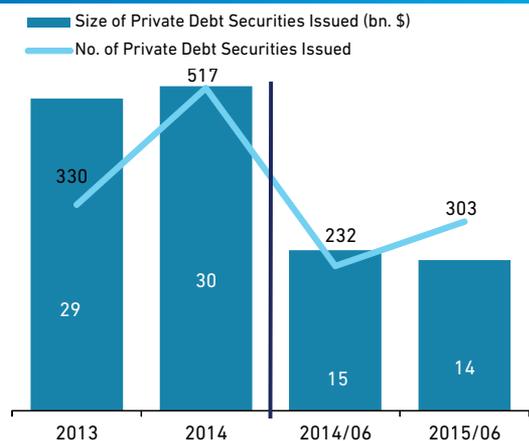
Initial Public Offerings



Source: Borsa Istanbul

Following the revisions in relevant regulations to revive the market, coupled with a downward trend in interest rates, the corporate bond market almost exploded since 2010. In the first six months of 2015, 303 bonds were issued with a size of US\$ 14 billion. Major issuers were banks as in the previous years, with a share of 62% of the total size. The share of non-bank financial sector increased from 8% in 2014 to 33%, and the share of real sector decreased to 3% from 5%.

Corporate Bond Issues



Source: Capital Markets Board

ASSET MANAGEMENT

Asset management services are provided by asset management firms and brokerage firms. Total assets under management by professionals are around US\$ 44 billion as of June 2015.

23 brokerage firms were offering asset management services in the first half of 2015. The number of investors decreased to 2,652 while assets under management also witnessed a decrease to US\$ 1.6 billion. Out of this total size, institutional investors' portfolio is US\$ 1.1 billion. Underlying reason behind the decreased number of investors is the recent regulation that foresees that mutual funds can only be managed by asset management companies as of July 2015.

A total of 36 asset management companies are actively providing asset management services in the Turkish Capital Markets as of June 2015. There are altogether 624 funds, 360 of which are mutual and 264 are pension funds. Since 2013, the number of pension funds is up by 31, parallel to the growth in the assets with the help of the state subsidies in support of private retirement schemes. Additionally, there are 1,984 investors, both individual and corporate, that receive private wealth management services from asset management firms.

Total AUM of asset management companies amount to US\$ 43 billion. Roughly 42% are in mutual funds whereas 47% are in pension funds. Only 11% of the holdings come under the category of discretionary asset management.

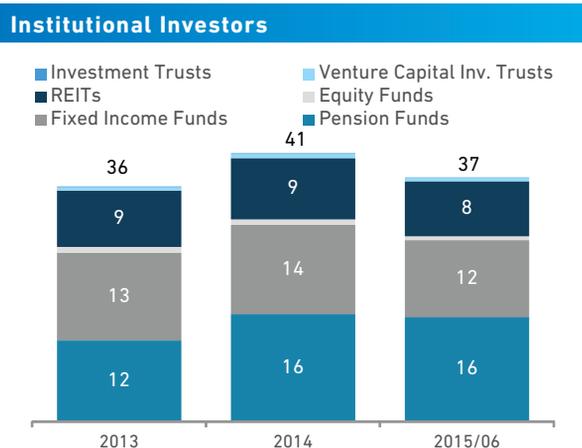
The total assets under management of institutional investors stand at US\$ 37 billion as of 1H2015, down from US\$ 41 billion at 2014 year-end. The decrease is due to the Turkish Lira's depreciation versus the US Dollar during this period. AUM of pension funds together with fixed income funds make up roughly 80% of all institutional investors' AUM. It is important to note that the AUM of pension funds rose aggressively to US\$ 16 billion whereas the size of fixed income funds decreased over the same period. Another important institutional investor class is the REITs with US\$ 8 billion under management.

Asset Management at Brokerage Firms			
	2013	2014	2015/06
No. of Investors	2,753	2,923	2,652
Institutional Investors	104	101	76
Discretionary	2,649	2,822	2,576
AUM (mn. \$)	2,049	2,310	1,561
Institutional Investors	1,472	1,648	1,125
Discretionary	577	662	436

Source: Turkish Capital Markets Association

Asset Management at Asset Management Co.			
	2013	2014	2015/06
No. of Investors	2,283	2,422	2,608
Mutual Funds	360	354	360
Pension Funds	233	242	264
Discretionary	1,690	1,826	1,984
AUM (mn. \$)	30,330	38,396	42,809
Mutual Funds	14,148	16,521	17,967
Pension Funds	12,509	17,750	19,963
Discretionary	3,673	4,125	4,879

Source: Turkish Capital Markets Association

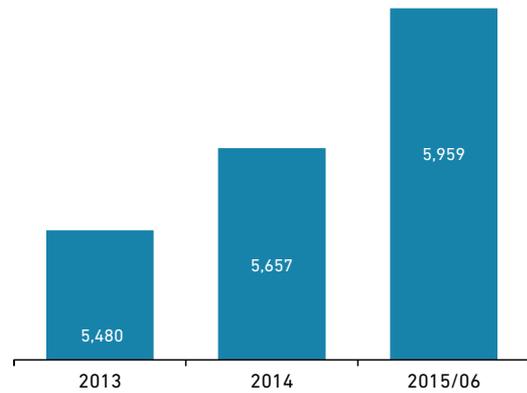


Source: Capital Markets Board, Borsa İstanbul

EMPLOYEES & BRANCH NETWORK

The total number of employees increased from 5,657 in 2014 to 5,959 in 1H2015. The number of employees in the brokerage firms is increasing mainly due to the forex companies that have started operating recently. The average number of employees per brokerage firm rose from 66 in 2014 to 74 for the current period. Main reason behind this increase is the enhanced employment opportunities offered for new graduates in domestic sales positions by brokerage firms specialized in FX trading.

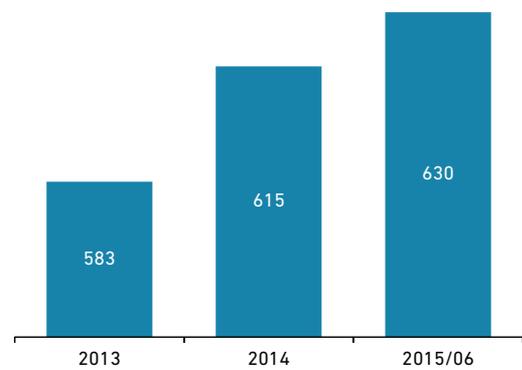
Number of Brokerage Firms' Employees



Source: Turkish Capital Markets Association

The number of personnel in asset management companies increased to 630 as of June 2015, up from 615 by the end of 2014. The average number of employees per asset management company stands at 17. Roughly 90% of the employees have at least a bachelor's degree or higher. As of 1H2015, the female employees constitute 38% of the workforce employed at the asset management firms.

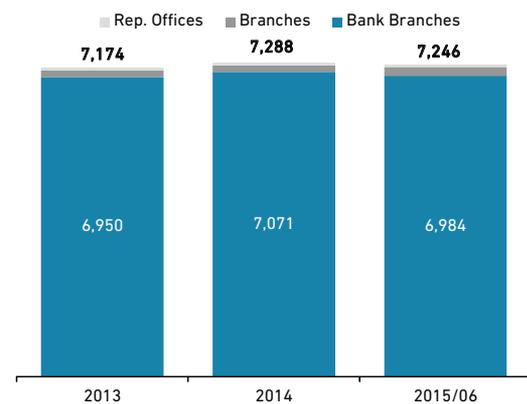
No. of Asset Management Companies' Employees



Source: Turkish Capital Markets Association

Other than headquarters, brokerage firms use their bank branches, own branches and representative offices in order to service their customers. Branches and representative offices are owned and staffed by brokerage firms. Bank branches are used as sales agents, based on agreements between banks and brokerage firms. At June 2015, 49 brokerage firms have at least one of the three types of branches.

Branch Network of Brokerage Firms



Source: Turkish Capital Markets Association

The number of representative offices went down to 62 in the first half of 2015. Some brokerage firms rather than renew their agency agreement with the related banks, preferred to open new branches, thus the number of branches increased by 50 to 200. In contrast, the number of bank branches is down to 6,984 from 7,071 in 2014 due to terminated contracts with banks.

FINANCIALS OF BROKERAGE FIRMS

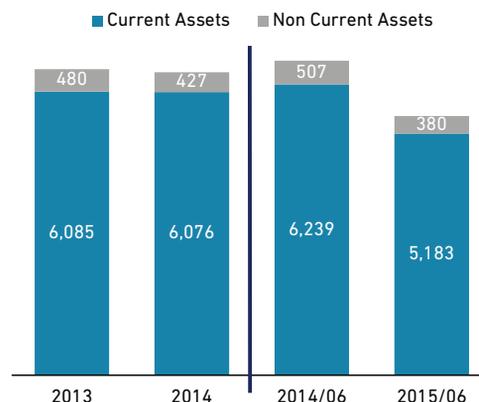
Stand-alone financial statements, prepared according to the International Financial Reporting Standards (IFRS) were collected from 82 brokerage firms in 1H2015. In the first half of 2015, brokerage firms' total assets decreased by 18% y-o-y to US\$ 5.6 billion. The deterioration in the value of the Turkish lira negatively affected the sector's total assets as there is a 4% y-o-y increase in TL terms. The bulk of assets continue to be quite liquid as 93% of the total assets is composed of current assets. Cash and cash equivalents are the key item with a share of 53% of total assets. Trade receivables related to settlement dues correspond to 30% of total assets.

The short-term liabilities that represent 73% of total liabilities, are mainly related to overnight borrowings and settlement dues. 2 brokerage firms account for 90% of the overnight borrowings of the brokerage industry. These brokerage firms borrow short term from the money markets and invest mainly in deposits.

Shareholders' equity of the industry decreased by 10% to US\$ 1.4 billion (26% of total liabilities). There is a 13% y-o-y increase in TL terms, which is mainly due to the new regulation regarding minimum capital requirements. With the new regulation, investment firms have been categorized according to their activities as introducing brokers, execution brokers and market makers. Minimum capital requirements for these firms compulsory after July 2015 are US\$ 745.000, US\$ 3.7 million, US\$ 9.3 million, respectively (calculated as of June 30, 2015). For details regarding capital requirements, please see the 'Handbook of Turkish Capital Markets 2015' published by TCMA.

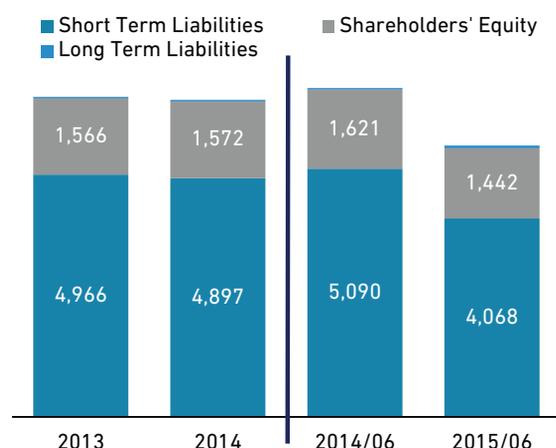
In 1H2015, brokerage firms' total revenues increased by 30% y-o-y to US\$ 426 million. The increase in TL terms stands at 57%. On the other hand, operating expenses increased by only 4% y-o-y to US\$ 305 million. Thanks to higher revenues, the net operating profits of the industry tripled to reach US\$ 121 million. In addition, one brokerage firm generated a revenue of US\$ 16 million from the liquidation of its financial assets. Net financial income of the industry that was US\$ 47 million in 1H2014, turned to minus US\$ 3 million in 1H2015, due to the high financial expense of one brokerage firm's derivative operations. Revenues from the derivative operations of the same firm is included in operating profits. Therefore high operating profits should be interpreted together with the financial expenses. Overall, sector's net profit increased by 50% y-o-y to US\$ 115 million.

Total Assets of Brokerage Firms (mn. \$)



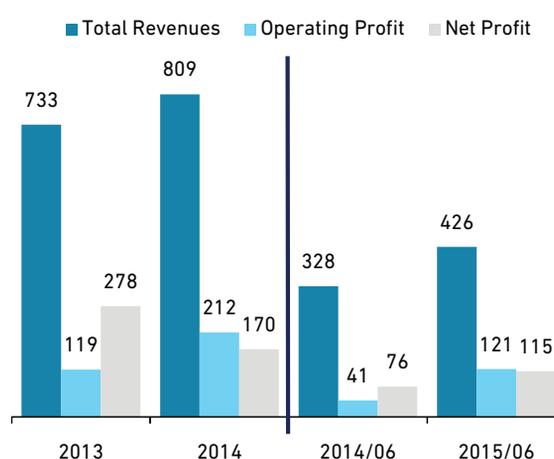
Source: Turkish Capital Markets Association

Total Liabilities of Brokerage Firms (mn. \$)



Source: Turkish Capital Markets Association

Income Statement of Brokerage Firms (mn. \$)



Source: Turkish Capital Markets Association

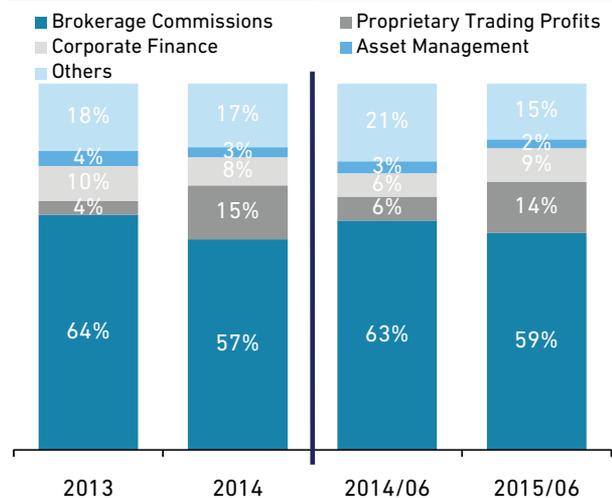
FINANCIALS OF BROKERAGE FIRMS

Brokerage firms generate revenues from brokerage commissions, proprietary trading, corporate finance, asset management and other operations. Brokerage commissions continue to be the leading revenue source of the industry. In the first half of 2015, 59% of total revenues came from brokerage charges. Brokerage commissions are followed by proprietary trading profits which increased 180% to US\$ 59 million in 1H2015. These profits represent 14% of total revenues. Profits from one brokerage firms' derivatives trading constitute 77% of the proprietary trading profits. Revenues from asset management services constitute 2% of the total revenues of brokerage firms. "Other revenues" mainly refer to interest income received from customers, including margin trading and short selling generate 15% of total revenues.

Commissions on equity trading generate 44% of total brokerage revenues. Equity trading volume surged by 15%, while commissions on equity trading increased by 4% y-o-y to US\$ 112 million. The effective commission rate on equity transactions (calculated by the net amount left to the brokerage firm) declined to 0.029% as compared to 0.031% in 1H2014. Please note that this should not be interpreted as the rate charged from the client. Brokerage firms generated 11% (US\$ 29 billion) of their brokerage revenues from derivatives trading. The effective commission rate for derivative transactions is 0.014%, down from 0.017% in 1H2014. Leveraged FX trading became one of the major sources of brokerage revenues. The revenues from leveraged FX trading increased by 64% to US\$ 107 million.

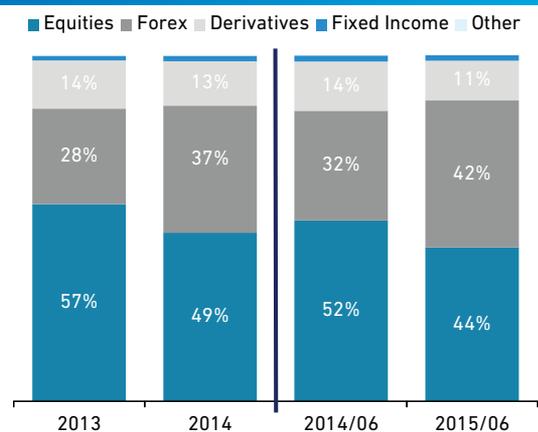
The revenues from corporate finance activities rose by 84% y-o-y to US\$ 39 million. Public offerings, an area where only brokerage firms are allowed to operate, is the main source of corporate finance revenues. While total amount of public offerings of shares contracted by 62% compared to 1H2014, corporate bond issues continued to increase. As a result, public offering revenues surged by 16% to US\$ 18 million thanks to the increase in corporate bond issuance. Merger and acquisition services are provided by consultancy companies as well. Although only 2 brokerage firms provided these services In 1H2015, the M&A revenues increased by more than five times to US\$ 13 million thanks to the operations of one brokerage firm. Other corporate finance activities were mainly valuation services. Revenues from those services totalled US\$ 7 million as of end June 2015.

Breakdown of Brokerage Firms' Revenues



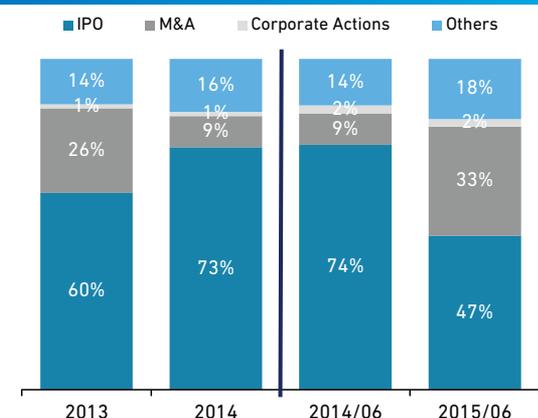
Source: Turkish Capital Markets Association

Breakdown of Brokerage Commissions



Source: Turkish Capital Markets Association

Breakdown of Corporate Finance Revenues



Source: Turkish Capital Markets Association

FINANCIALS OF BROKERAGE FIRMS

In 1H2015, operating expenses of the brokerage industry increased by 4% y-o-y to US\$ 305 million (There was a 26% increase in TL terms). 51% of the expenses correspond to employee compensation (including social security payments, health insurance and alike). The average monthly cost of an employee dropped to US\$ 4,427 in 1H2015, from US\$ 4,625 in 1H2014. In TL terms, there was a 15% increase.

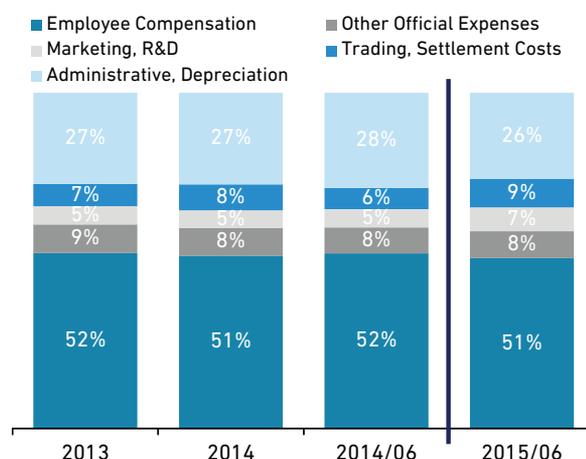
Trading and settlement costs surged by 40% to US\$ 26 million in 1H2015. The new fee schedule in equity market introduced in July 2014 increased these costs. Administrative (office rents, infrastructures etc) and depreciation expenses, represent 26% of total expenses.

The brokerage firms' aggregate net profits increased by 50% y-o-y to US\$ 115 million in 1H2015 along with the higher revenues and liquidation of tangible assets. In TL terms, the increase in profits is 81%.

58 brokerage firms recorded a profit of US\$ 134 million, while 24 brokerage firms posted aggregate losses of US\$ 19 million. The most profitable brokerage firm's profit was US\$ 17 million whereas the highest loss incurred by a brokerage firm was US\$ 4.5 million.

Despite higher profitability, return on equity (ROE) of the industry declined to 14% in 1H2015 compared to 15% in 1H2014 due to the increase in minimum capital requirements. A similar trend was observed in the earnings per share, which decreased to TL 0.22 in 1H2015, from TL 0.25 in 1H2014.

Breakdown of Operating Expenses



Source: Turkish Capital Markets Association

Breakdown of Brokerage Firms' Profits

	2014/06	2015/06	Change
No. of Profit Makers	53	58	9%
No. of Loss Makers	35	24	-31%
Total Profit (Mn. \$)	92.5	133.6	44%
Total Loss (Mn. \$)	-16.2	-18.9	17%
Net Profit/Losses	76.3	114.7	50%

Source: Turkish Capital Markets Association

Brokerage Firms' Profitability

	2013/06	2014/06	Change
Return on Equity	15.0%	13.9%	-7.4%
Earnings Per Share (TL)	0.25	0.22	-12.0%

Source: Turkish Capital Markets Association

FINANCIALS OF ASSET MANAGEMENT COMPANIES

Comprehensive financial statements prepared as per the IFRS were collected from 38 asset management companies in 1H2015.

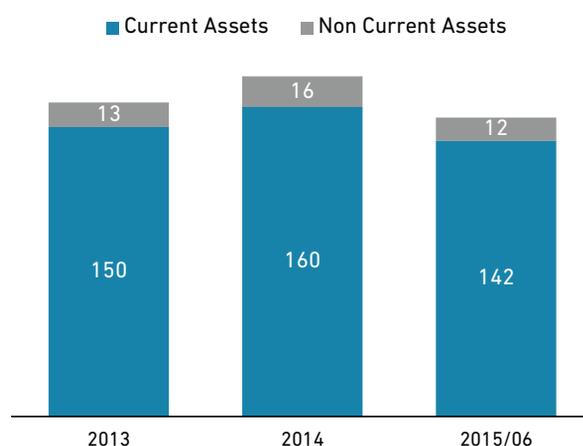
The deterioration in the value of the Turkish lira versus the USD negatively influenced the balance sheet of the asset management firms in 1H2015, so the industry experienced a decrease of 14% to US\$ 155 million in total assets.

The majority of the assets remain liquid with 92% of the assets being in the current assets. Cash and cash equivalents continue to be the dominant asset class making up 2/3 of the total assets in June 2015. Financial assets are yet another important asset class, making up 17% of the total.

More than 90% of the assets of asset management firms are financed by equity. Recent regulatory measures to increase minimum capital requirements for asset management firm further caused debt financing to fall off to 7%, down from 10% at 2014 year end. Thus, the asset management companies continue to enjoy strong balance sheets albeit at the expense of ROE. Equity stands at US\$ 141 million in June 2015 while liabilities amount to US\$ 13 million across the industry.

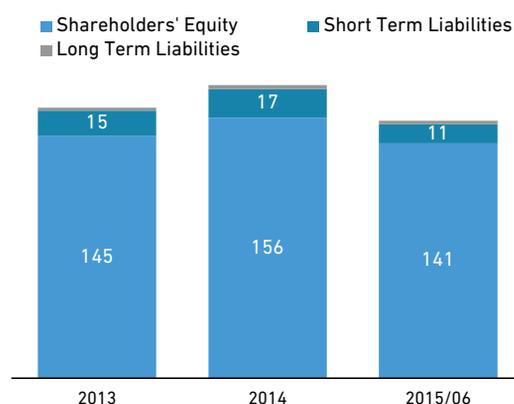
Total revenues rose by 14% y-o-y in 1H2015, from US\$ 46 million to US\$ 53 million. Operating costs increased only marginally from 1H2014 to US\$ 37 million. The significant hike in the revenues overshadowed the minor increases in the operating costs, resulting in a y-o-y increase of 33% in the operating profits. It is important to note that the Turkish lira's depreciation vis-a-vis the US Dollar during this period significantly depressed these figures.

Total Assets of Asset Management Co. (thou. \$)



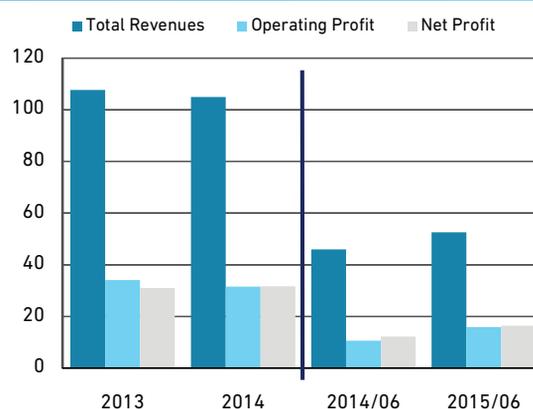
Source: Turkish Capital Markets Association

Total Liabilities of Asset Management Co. (thou. \$)



Source: Turkish Capital Markets Association

Income Statement of Asset Management Co. (thou. \$)



Source: Turkish Capital Markets Association

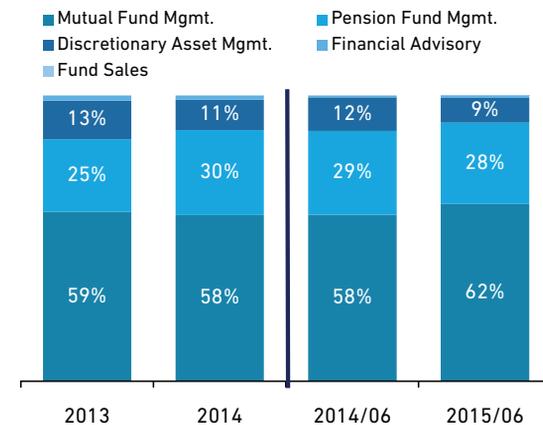
FINANCIALS OF ASSET MANAGEMENT COMPANIES

Total revenues increased by 14% y-o-y from 1H2014 to 1H2015. The surge in the revenues is mainly attributable to the 18% rise in the mutual fund management revenues and 11% increase in the pension fund management revenues. During this period, revenues generated from discretionary wealth management services declined by 17%. Although the size of pension funds is greater than that of mutual funds (US\$ 16.5 billion vs US\$ 15 billion) as of June 2015, the revenues generated through mutual funds management is roughly double of pension funds management (US\$ 33 million vs US\$ 15 million), which indicates higher management fees for mutual funds as opposed to pension funds.

The total expenses of the asset management companies were in the neighborhood of US\$ 39 million in 1H2015, slightly higher than last year's figure. Personnel expenses constitute a significant portion of the operating expenses, making up approximately 60% of all operating expenses. 1H2015 figure stands at US\$ 23 million.

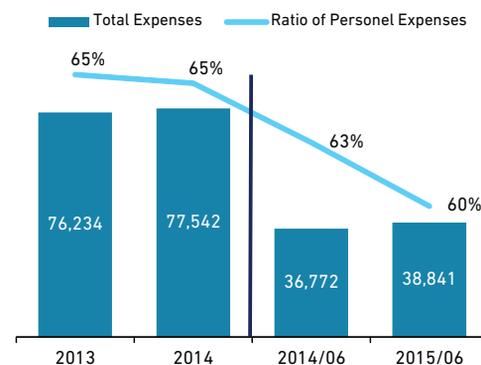
Of the 38 portfolio management companies, 20 registered profits in 1H2015. 20 companies generated US\$ 19 million in profits whereas 18 companies produced losses of US\$ 2.7 million resulting in a total net profit of US\$ 16 million across the sector. The ROE of the companies increased to 24% in 1H2015, a 26% y-o-y increase from 1H2014.

Breakdown of Asset Management Companies' Revenues



Source: Turkish Capital Markets Association

Operating Expenses of Asset Management Co. (thou.\$)



Source: Turkish Capital Markets Association

Breakdown of Asset Management Firms' Profits

	2014/06	2015/06	Change
No. of Profit Makers	21	20	-4.8%
No. of Loss Makers	19	18	-5.3
Total Profit (Mn. \$)	16,307	19,115	17.2%
Total Loss (Mn. \$)	-4,096	-2,730	-33.4%
Net Profit/Losses	12,211	16,385	34.2%
ROE	19%	24%	25.9%
EPS	0.33	0.34	2.3%

Source: Turkish Capital Markets Association

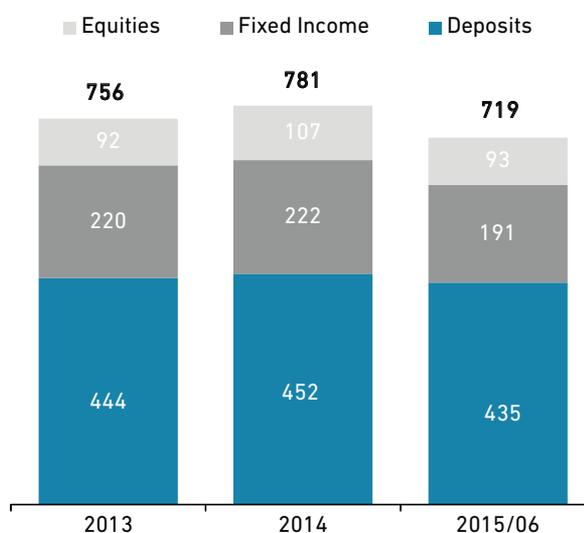
INVESTORS

In the first half of 2015, total savings in Turkey decreased by 8% to US\$ 719 billion from US\$ 781 billion in 2014. The deterioration in the value of the Turkish lira negatively affected total savings as there is a 6% y-t-d increase in TL terms. Bank deposits continued to be the major component in savings. Investors hold US\$ 435 billion in bank deposits as of end June 2015. Investments in equities decreased by 13% to US\$ 93 billion and their share in total savings decreased from 14% to 13%. Investments in fixed income securities decreased to US\$ 191 billion, their share in total savings decreasing by 1 percentage point to 27%. Domestic investors hold US\$ 589 billion of the total savings and 69% of this portfolio is kept as bank deposits. Foreign investors, however, hold US\$ 130 billion of the total savings and 46% of this portfolio comprises of equities. Share of fixed income securities in foreign investors' portfolio decreased by 5 percentage points to 31% in 1H2015.

The number of investors with equity holdings is 1.05 million as of end June 2015. 22,500 domestic retail investors liquidated their equity portfolios in the first half of 2015.

In 2014, total equity portfolio increased to US\$ 107 billion from US\$ 92 billion in 2013. In the first half of 2015, however, total portfolio size deteriorated back to US\$ 93 billion with the depreciation of the Turkish lira and unfavourable market conditions. Foreign institutional investors share in the overall equity portfolio fell to 43% 1H2015 from 45% in 2014, while foreign investors' total share remained at 64%. Share of foreign corporations, which include banks and brokerage firms, rose to 21% from 19%. In 1H2015, foreign investors generated 22% of the equity trading volume, while foreign institutional investors generated only 3% of the total trading volume. Domestic investors' share in equity holdings is 36% in 1H2015. Domestic individual investors who drive the equity market liquidity (with a share of around 60% in total trading volume) hold 17% of total equities.

Breakdown of Total Savings (bn. \$)



Source: Banking Regulation and Supervision Authority, Central Registry Agency, Turkish Capital Markets Association estimates

Number of Equity Investors

(thou.)	2013	2014	2015/06
Domestic Investors	1,100.9	1,065.5	1,042.8
Individuals	1,095.2	1,059.6	1,037.2
Corporations	5.1	5.2	5.0
Institutionals	0.6	0.7	0.7
Foreign Investors	9.6	9.9	9.7
Individuals	6.0	6.2	6.1
Corporations	1.3	1.4	1.5
Institutionals	2.3	2.3	2.2
Total	1,110.4	1,075.4	1,052.5

Source: Central Registry Agency

Equity Ownership

(mn. \$)	2013	2014	2015/06
Domestic Investors	34,281	38,549	33,120
Individuals	17,344	18,711	16,070
Corporations	12,883	15,114	12,561
Institutionals	4,055	4,724	4,489
Foreign Investors	57,369	68,435	59,526
Individuals	235	226	221
Corporations	16,296	20,259	19,681
Institutionals	40,838	47,950	39,624
Total	91,650	106,984	92,646

Source: Central Registry Agency

INVESTORS

The number of corporate bond investors declined in 2013 and 2014, while the portfolio size continued its growth. In the first half of 2015, there was a slight decrease in the number of investors to 136,000, 131,000 of which are domestic individuals.

Number of Corporate Bond Investors			
	2013	2014	2015/06
Domestic Investors	164,886	136,441	135,016
Individuals	159,613	132,132	131,197
Corporations	4,304	3,601	3,138
Institutionals	969	708	681
Foreign Investors	1,672	1,384	1,223
Individuals	1,614	1,330	1,176
Corporations	38	36	32
Institutionals	20	18	15
Total	166,558	137,826	136,239

Source: Central Registry Agency

The size of corporate bond investments rose significantly in recent years. While the number of corporate bond investors decreased, the bond portfolio reached US\$ 19 billion in 2014. In the first half of 2015, however, portfolio size decreased by 16% (3% in TL terms) to US\$ 16 billion.

Corporate Bond Ownership			
(mn. \$)	2013	2014	2015/06
Domestic Investors	16,228	18,756	15,969
Individuals	5,632	6,072	5,081
Corporations	3,492	3,562	2,569
Institutionals	7,105	9,122	8,318
Foreign Investors	711	504	275
Individuals	72	76	57
Corporations	465	338	166
Institutionals	175	90	52
Total	16,940	19,259	16,244

Source: Central Registry Agency

Domestic institutional investors own more than half of the corporate bonds, followed by domestic individuals who hold 31% of the bond portfolio. Foreign investors' share in corporate bond holdings is only 2% as of end June 2015.

Investment in the government bonds decreased by 14% to US\$ 170 billion in the first half of 2015, while it was stagnant in TL terms. Domestic banks hold 45% of the government bonds (US\$ 76 billion), followed by other domestic financial institutions (brokerage firms, institutional investors etc.) holding 32% of the bond portfolio.

Government Bond Ownership			
(mn. \$)	2013	2014	2015/06
Domestic Investors	146,308	146,205	130,838
Individuals	1,354	843	634
Corporations	1,150	1,019	339
Banks	90,140	85,145	76,058
Oth. Financial Insti.	53,662	59,198	53,808
Foreign Investors	51,831	51,450	39,177
Individuals	41	34	24
Corporations	33	117	51
Banks	31,027	29,918	22,786
Oth. Financial Insti.	20,730	21,381	16,317
Total	198,139	197,656	170,016

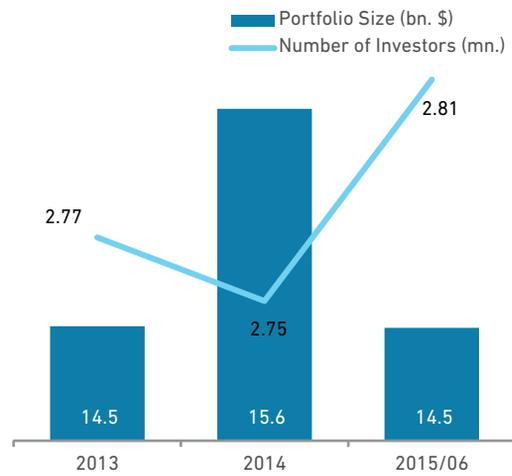
Source: Central Bank of the Republic of Turkey

Foreign ownership in government bonds decreased by 3 percentage points y-t-d to 23% in 1H2015. Banks have the largest share among foreign investors, holding 13% (US\$ 23 billion) of the total portfolio. Non-bank financial institutions rank second among the foreign bond investors, holding 10% of the government bond portfolio.

INVESTORS

As of June 2015, the number of mutual fund investors is 2.8 million, which is almost 3 times higher than equity investors. The number of mutual fund investors increased by more than 50,000 in the first half of 2015. Total size of mutual funds increased decreased by 7% to US\$ 14.5 billion, while there is an increase of 8% in TL terms. 95% of this portfolio belongs to money market and fixed income funds.

Mutual Fund Investors

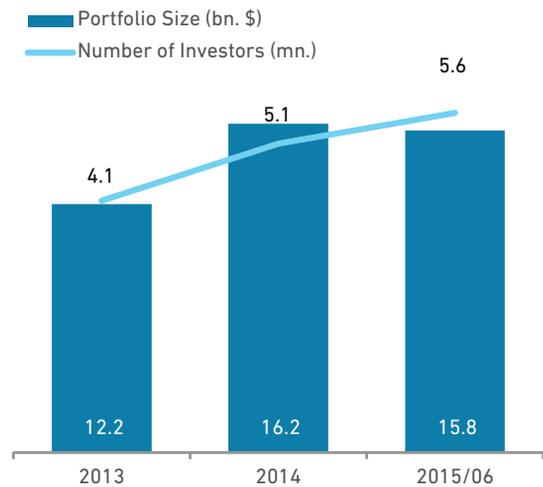


Source: Central Registry Agency

Pension funds market showed a significant development in 2013, thanks to changes in regulations, envisaging a 25% direct state contribution to private pension funds, as part of a policy aiming to boost domestic savings. The number of pension fund investors increased by 32% in 2013.

In 2014, while the number of investors rose by 23%, total portfolio size including the government contribution increased by 32% (45% in TL terms) to reach US\$ 16.2 billion. In the first half of 2015, number of investors rose further by 500,000 to 5.6 million. The portfolio size decreased by 2% to US\$ 15.8 billion, while there is an increase of 13% in TL terms.

Pension Fund Investors



Source: Pension Monitoring Center

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