

TURKISH CAPITAL MARKETS 2022 ANNUAL REVIEW

TCMA RESEARCH

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BROKERAGE COMPANIES 2022/12

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In this note, we will review brokerage and corporate finance activities, employee statistics and financial statements of intermediaries operating in the capital markets in 2022. Operational and financial data were obtained

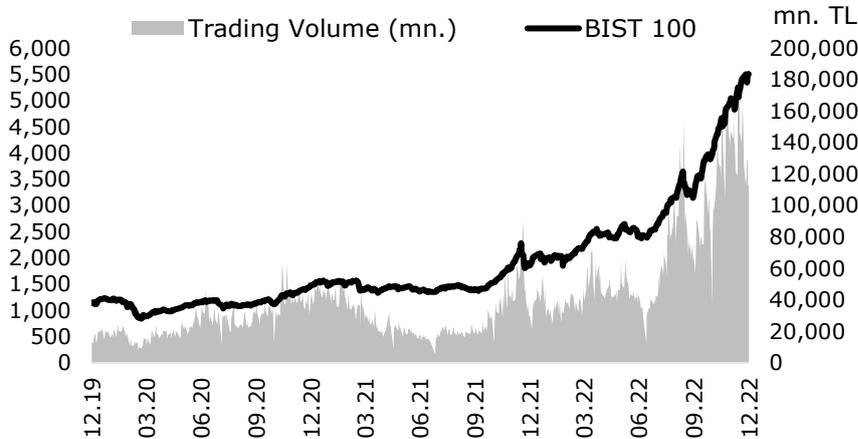
from 63 brokerage firms and 1 investment bank. In 2022, 1 brokerage firm started to operate. More information on data sets can be found on www.tspb.org.tr.

FINANCIAL MARKETS OUTLOOK

Macroeconomic issues such as rising inflation and energy bottlenecks in developed countries have had a negative impact on stock markets worldwide in 2022. In this environment, the MSCI World index decreased by 19% compared to end-2021. The equity market remained attractive for domestic retail investors in the inflationary environment helped amidst low interest rate policy. On the other hand, there has been a noticeable decrease in the market share of foreign investors. The share of foreign investors in free float has dropped by 11 percentage points compared to the end of 2021, to record 30% by the end of 2022.

Meanwhile, 37 companies went public in 2022. The number of individual equity market investors rose by 1.4 million reaching 4 million by the end of the year. The BIST 100 index tripled compared to the end of 2021 and closed the year at 5,509 points. The stock exchange provided the highest return among investment alternatives in 2022. As the index increased by 111% in dollar terms, Borsa İstanbul was the stock exchange that provided the highest return to its investors in the world.

Figure 1: Equity Market



Source: Borsa İstanbul

The overnight interest indicator, TLREF, also decreased to 10% by the end of 2022, in

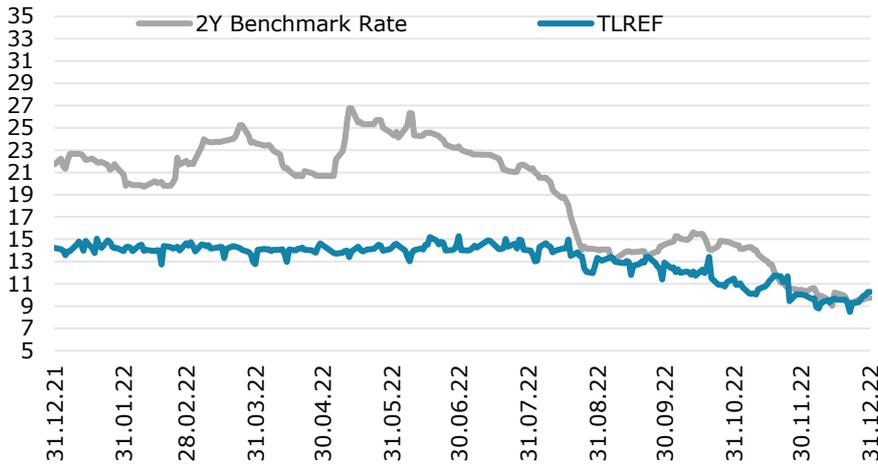
parallel to the policy rate cuts by Central Bank of the Republic of Turkey (CBRT) the

policy rate from 14% to 9% in the second half of the year.

The benchmark bond yield, which ended 2021 at 22%, surpassed 27% at the beginning of May due to various domestic and international developments. However, macro-

prudential policy measures including the institution of various reserve requirement measures starting from the end of July, played a significant role in this sharp decline. Bond yields declined sharply with those measures to close the year at 10%.

Figure 2: Interest Rates



Source: Rasyonet

BROKERAGE ACTIVITIES

In 2022, the double-sided volume of stocks increased by 136% compared to 2021, reaching TRY 35 trillion.

Futures trading volume increased by 76% compared to 2021, reaching TRY 15.6 trillion, while option transactions increased by 40% to TRY 62 billion.

Forex transactions also experienced significant growth of 97% compared to 2021, reaching TRY 25 trillion.

On the other hand, bond-bill transactions increased by 119% compared to 2021, while repo transactions decreased by 14% during the same period.

Table 1 displays the bilateral transaction volumes of brokerage firms. It includes outright purchases and sales of fixed-income securities, as well as repo/reverse-repo transactions, both conducted within Borsa Istanbul and over the counter (OTC). Transactions by the Central Bank and Takasbank are not included in the table.

Table 1: Trading Volumes (million TRY)			
	2021	2022	Change (%)
Equity	14,946,636	35,261,757	135.9%
Brokerage Firm	13,338,003	31,262,929	134.4%
Bank	1,608,633	3,998,828	148.6%
Fixed Income	1,307,776	2,863,769	119.0%
Brokerage Firm	247,364	491,668	98.8%
Bank	1,060,412	2,372,100	123.7%
Repo	29,411,871	25,245,253	-14.2%
Brokerage Firm	6,843,620	3,134,843	-54.2%
Bank	22,568,251	22,110,409	-2.0%
Futures	8,872,143	15,635,349	76.2%
Brokerage Firm	8,482,584	14,719,437	73.5%
Bank	389,558	915,912	135.1%
Options	43,945	61,702	40.4%
Brokerage Firm	40,786	59,208	45.2%
Bank	3,159	2,495	-21.0%
Warrants*	79,881	150,572	88.5%
Forex*	12,637,436	24,871,708	96.8%
Client	7,224,033	14,451,905	100.1%
Liquidity Provider	5,413,403	10,419,803	92.5%

Source: Borsa İstanbul, TCMA

* Authorized only for brokerage companies.

EQUITIES

In 2022, 54 brokerage firms and 1 investment bank traded in the stock market. By the end of 2021, 2 more brokerage firms started to trade in the equity market. Transaction volume increased by 129% compared to 2021 and reached TRY 26 trillion. The first seven brokerage firm and the investment bank make up 57% of the total market volume at the end of 2022.

The share of foreign investors in the trading volume increased by 1 percentage point compared to 2021 and rose to 29%. Domestic institutional investors, who increased their trading volume by 214%, became the item that provided the highest proportional increase compared to 2021. While the total of foreign institutions and foreign institutional investors increased their share in the total by 2 percentage points to 29% compared to 2021, the share of foreign investors in custody decreased by 11 percentage points compared to the end of 2021 and regressed to 30%.

In 2022, 71% of the stock trading volume in Borsa İstanbul was generated by domestic investors. According to MKK (CSD of Türkiye) data, these investors own 71% of the publicly traded equities by the end of 2022.

The number of domestic individual investors, which was 2021 2.3 million people at the end of 2021, approached 4 million at the end of 2022. The trading volume of these investors increased by 129% compared to 2021 and reached 25.1 trillion TL. The share of domestic individuals in the total volume was 61% with a decrease of 2 percentage points compared to the end of 2021.

Table 5 shows the breakdown of stock volumes by departments. The share of internet transactions, which has the highest share, is 53%.

Internet is followed by direct market access (DMA) with a share of 26%. The share of the direct market access channel in corporations' transactions increased by 2 percentage

points compared to the end of 2021. Direct market access is generally preferred by foreign institutions that engage in high-frequency and/or algorithmic transactions.

While a total of 12 institutions are trading equities through direct market access, 88% of the equity transactions through this channel are made by 2 institutions.

Table 2: Breakdown of Trading Volume by Investors (2022)

Investor	Equity	Fixed Income	Repo	Futures	Options	Warrants	Forex
Domestic Individuals	61.1%	15.2%	29.5%	39.7%	30.1%	49.7%	55.7%
Domestic Corporations	6.4%	27.3%	13.5%	12.5%	44.1%	48.3%	44.1%
Domestic Institutional	3.6%	55.5%	56.5%	10.1%	10.2%	0.4%	-
Domestic Investors	71.1%	97.9%	99.5%	62.3%	84.4%	98.4%	99.9%
Foreign Individuals	0.1%	0.1%	-	0.1%	0.1%	-	-
Foreign Corporations	28.3%	1.9%	0.1%	37.2%	10.2%	1.6%	0.1%
Foreign Institutional	0.5%	0.1%	0.4%	0.4%	5.3%	-	-
Foreign Investors	28.9%	2.1%	0.5%	37.7%	15.6%	1.6%	0.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: TCMA

FIXED INCOME

Both brokerage firms and banks operate in the fixed income securities market.

The final trading volumes of investment institutions (including registration) increased by 119% at the end of 2022 compared to 2021 and amounted to TRY 3 trillion.

Repo/reverse-repo transactions (including registration) amounted to TRY 25 trillion at the end of 2022, and the volume decreased by 14% compared to the end of 2021.

In 2022, 40 brokerage firm and 46 banks traded in the bond/bill outright purchase and sale market. While the share of brokerage firms in these transactions is 17%, banks hold 83%. In the repo market, 35 brokerage firm and 43 banks were active. Similarly, the share of brokerage firms in repo transactions was 12%. Almost one-fifth (17%) of the repo transaction volume carried out by brokerage firms was carried out by a single brokerage firm, which is a subsidiary of the bank.

The investment bank, whose data are compiled, also operates in the fixed income

securities market; are included in the department and investor distribution analyses presented below.

Almost all of the fixed income transactions of the institutions whose data were compiled by our Association were made by domestic investors (Table 2).

Domestic institutional investors accounted for 55% of the bond/bill trading volume, while domestic institutions accounted for 27%. While the brokerage firms examined at the end of 2021 made 21% of the fixed income transactions in their own portfolios, this rate decreased to 7% in 2022, and was replaced by transactions made through branches that increased their share in the total by 18 percentage points to 28%. (Table 5).

In the repo/reverse-repo market, almost all of the brokerage firms and customers of the investment bank are domestic investors. While the share of institutional investors in these transactions decreased by 25% in 2022 compared to the previous year, their share

decreased to 56%. On the other hand, while the repo volume of domestic individual investors has increased by 35% in the last period, their share in the total has increased to 29%.

FUTURES

In 2022, futures transactions were made by 52 brokerage firms and 13 banks. Compared to the end of 2021, 1 more brokerage firm started to trade in the futures market. As to be seen in Table 1, the total futures trading volume made by investment institutions increased by 76% in 2022 compared to 2021 and reached TRY 16 trillion.

As can be seen in Table 3, futures based on BIST stocks and indices continued to be the highest group as in previous years.

Equity futures increased by 119%, while futures based on precious metals and classified as other increased by 5% year-on-year. Thus, in this period, the share of futures classified as other in the total decreased to 5% compared to the same period of 2021, while the share of equity futures in the total increased by 9 percentage points to 44%.

Brokerage firms and the investment bank under consideration realize 98% of the total transactions, while the transactions of the other 12 banks are very limited. While 24% of the volume created comes from a single brokerage firm, the first 2 brokerage firm constitute one third of the total volume.

Domestic individual investors, who make up 61% of stock transactions, also have the highest share in futures transactions, constituting 40% of the total futures transaction volume (see Table 2).

The share of foreign investors, mostly reflecting foreign institutions, increased by 2 percentage points compared to the end of 2021

The share of the foreign sales and marketing department in both the fixed income and repo transactions is mainly due to the fact that a brokerage firm carries out the transactions of domestic institutional investors through this department.

and reached 38%. On a departmental basis, the share of transaction volume in the foreign department was limited to 7%. While a part of the transactions of foreign investors is realized through DMA and internet channels, some brokerage houses carry out these transactions under the domestic sales department since they do not have foreign sales departments. The share of the direct market access channel used by a total of 7 brokerage firm in the transaction volume increased by 1 percentage point compared to 2021 and became 31%. Futures transactions via Direct Market Access and internet channels account for two-thirds of the total volume.

Table 3: Breakdown of Futures Volume

Underlying Asset	2021	2022
Indices	35.6%	36.7%
Currencies	21.7%	15.1%
Equities	35.1%	43.7%
Other	7.6%	4.5%
Total	100%	100%

Source: Borsa İstanbul

The internet channel has the highest share in the departmental distribution of futures transactions of the analysed institutions with 34%. Although this share decreased by 3 percentage points compared to 2021, the internet is still the most popular channel for futures transactions.

In this period, the volume of futures transactions conducted through domestic sales and marketing channels doubled by two and a half times, and the share of domestic sales and marketing channel in the total increased by 2 percentage points to 11%.

OPTIONS

In 2022, the options trading volume conducted by 33 brokerage firms and 2 banks increased by 40% compared to the same period of the previous year, reaching TRY 62 billion. It is worth noting that the volume of options linked to equity, index, and foreign currency as underlying assets experienced growth during this period.

In 2022, equity options, which held a 40% share of the total in 2021, increased their share to 47%. On the other hand, the share of FX options in the total continued to decline and reached 25% in 2022.

By the end of 2022, the aggregated options trading volume of the brokerage firms analysed amounted to approximately TRY 59 billion. Notably, the transactions carried out by the top 4 brokerage firm represented two-thirds (65%) of the total options volume of the analysed institutions.

WARRANTS

In 2022, 44 brokerage firm acted as intermediaries in the warrants market, which is predominantly traded by individual investors. The annual trading volume increased by 88% to TRY 151 billion. 40% of these transactions

When examining brokerage firms' options transactions, it is observed that they are primarily concentrated within the domestic institutions category, with the volume executed by the two largest institutions accounting for nearly half of the total volume. These transactions generally reflect proprietary trading.

Underlying	2021	2022
Indices	31.0%	28.4%
Currencies	29.2%	24.7%
Equity	39.8%	46.8%
Total	100.0%	100.0%

Source: Borsa İstanbul

A more detailed breakdown of departmental distribution shows that most trades are for proprietary trading, followed by branches (as indicated in Table 5).

	Equity	Fixed Income	Repo	Futures	Options	Warrants	Forex
Domestic Sales	5.2%	40.4%	39.3%	11.1%	18.0%	5.3%	15.8%
Branch, Bank Br., Rep. Office	11.0%	36.8%	26.9%	11.6%	23.7%	11.7%	11.6%
Branches	8.6%	27.9%	11.0%	9.8%	23.5%	0.7%	11.3%
Bank Branches	1.2%	8.4%	15.5%	0.8%	0.0%	0.0%	0.3%
Representative Offices	1.2%	0.5%	0.3%	1.0%	0.2%	11.0%	0.0%
Internet	53.1%	1.6%	0.0%	34.3%	11.8%	46.3%	29.9%
Direct Market Access	26.4%	-	0.0%	31.2%	11.4%	0.2%	0.0%
Call Centre	-	-	6.4%	0.0%	0.0%	0.0%	0.0%
Asset Management	0.2%	-	0.4%	0.3%	0.0%	0.0%	0.0%
Proprietary Trading	1.1%	6.8%	9.8%	4.3%	31.0%	35.2%	42.6%
International Sales	3.0%	14.4%	17.3%	7.0%	4.2%	1.4%	0.1%
Total	100%	100%	100%	100%	100%	100%	100%

Source: TCMA

As seen in Table 5, internet transactions lead the market with a 46% share, followed by

proprietary trading (35%) which reflects the transactions of issuers.

FOREX MARKET

Only brokerage firms are authorized to execute leveraged forex transactions. The volume of these transactions reached TRY 25 trillion in 2022, an increase of 97% compared to 2021. In 2022, 33 brokerage firm operated in this field. TRY 11 trillion of this volume consists of leveraged transactions realized by brokerage firms with their customers, and the remaining part consists of transactions that institutions carry out with liquidity providers in order to hedge their risks.

Concentration is observed in forex transactions. Two-thirds of transactions with customers were made by the first five brokerage firms.

In 2022, 30% of leveraged transactions were executed through the internet, while 16% of these transactions were executed by domestic sales departments. The proprietary trading share shown in Table 5 mostly reflects transactions with liquidity providers.

CORPORATE FINANCE

This section presents the number of corporate finance projects carried out by the analyzed institutions. In 2022, 39 brokerage firm

engaged in corporate finance activities. Compared to the end of 2021, 4 more brokerage firm started to corporate finance activities.

INITIAL PUBLIC OFFERINGS AND BOND ISSUANCES

Ongoing global uncertainties, Inflationary pressures and consequent rate hikes led to a slowdown in the global IPO market in 2022. According to the Ernst&Young Global IPO Trends report, the number of IPOs in the world slowed down considerably in 2022, with the number of companies going public decreasing by 50% year-on-year to 334, while the total size of IPOs decreased by 73% to USD 32 billion.

TRY 362 billion. Of the 1,856 bond issues, 369 were realized via the intermediation of brokerage firms. Issuances intermediated by investment banks are not included in the following analysis and Table 7.

The IPO market was buoyant in 2022 as well. 37 companies, 2 REITs and 1 venture capital investment trust were listed on the stock exchange, with total proceeds exceeding TRY 19 billion. (See Table 6). Due to co-leadership in some of the IPOs, the number of completed IPOs is shown as 45 in Table 7.

In 2022, corporate bond issuances increased by 40% compared to 2021 and amounted to

Table 6: Equity Offerings and Bond Issuance

Initial Public Offerings	2021	2022
Number of companies	49	37
IPO size of co.'s (mn TRY)	15,929	18,572
Investment Trusts		
Number of investment trusts	4	3
IPO size of co.'s (mn TRY)	5,632	727
Exchange Traded Funds		
Number of ETFs	2	-
IPO size of ETFs (mn TRY)	25	-
Bond Issuances		
Number of companies	1,294	1,856
Size (million TRY)	258,444	362,153

Source: Borsa İstanbul

COMPLETED CORPORATE FINANCE PROJECTS

	2021	2022
Initial Public Offering	59	45
Secondary Public Offering	0	0
Debt Instruments Issuance	1,085	1,567
M & A / Buy-Side	4	0
M & A / Sell-Side	11	10
Private Equity	0	0
Other Financing	4	2
Capital Increases	35	25
Dividend Distribution	36	56
Privatization/Buy-Side	0	0
Privatization/Sell-Side	0	0
Other Consultancy	72	64
Total	1,306	1,769

Source: TCMA

According to the data compiled by our Association, during 2022, brokerage houses received 1,856 new corporate finance projects and completed a total of 1,770 projects, 1,567 of which were bond/bill issues.

In 2022, a total of 95 new public offering projects were mandated to brokerage firms, 45 of them were completed and total 93 projects are ongoing in 2023.

ASSET MANAGEMENT

Brokerage firms can provide discretionary asset management services to real and legal persons.

As of December 2022, 17 brokerage firms provided asset management services to 3,220 individuals and legal entities. When evaluating the number of clients, it should be taken into account that there may be clients with accounts at more than one brokerage firm.

While the total asset size managed by brokerage firms increased by 149% at the end

of 2022 compared to end-2021, the increase was mainly driven by corporations.

	2021	2022
Number of Investors	2,634	3,220
Corporations	46	69
Individuals	2,588	3,151
Asset Size (TRY mn.)	4,361	10,851
Corporations	1,038	5,586
Individuals	3,324	5,266

Source: TCMA

MARGIN TRADING

Brokerage firms can directly extend loans to their customers limited to the purchase of stocks.

As of end-2022, the number of margin trading investors increased by 5% to 37,777. The loan balance extended by brokerage firms to their customers exceeded TRY 30 billion at the end of December 2022, an increase of 163% compared to the end of 2021.

Top 5 brokerage firm with the highest loan sizes accounted for half of the total credit balance. The average loan balance per investor varied between TRY 97 thousand and TRY 4.1 million across brokerage firms.

When analysing the data on credit transactions, it should be taken into account that an investor may have accounts at more than one institution.

Table 9: Margin Trading

	2021	2022
Loan Size (million TRY)	11,469	30,206
No. of Margin Trading Investors	29,979	37,777
Average Loan per Investor (TRY)	382,580	799,577

Source: TCMA

BRANCH NETWORK

In order to service their customers, other than their headquarters, brokerage firms use their own branches and representative offices in addition to bank branches. Branches and representative offices are owned and staffed by brokerage companies.

As of December 2022, 42 brokerage firm had a branch network. Most of those are composed of bank branches engaged in order execution intermediation. While bank-based brokerage firms have agreements with group banks for order execution, five non-bank affiliated brokerage firms have order execution intermediation agreements with various banks.

As of end-2022, 26 institutions have branches and the number of branches increased to 327. A total of 19 institutions have liaison offices, while the number of liaison offices decreased slightly compared to end-2021.

EMPLOYEES

The total number of employees in the sector reached 6,771 in 2022, an increase of 592 employees. In 2022, the majority of the increase in the number of employees was in liaison offices and branches. While the average number of employees per brokerage firm was 106, the number of employees per brokerage firm varied between 4 and 484.

Majority of the personnel in the brokerages work in the branch network (branches, bank branched and representative offices), domestic sales and marketing, and financial and

An analysis of the role of branched in trading volume reveals that the volume of branch network has a considerable share in total transactions, especially for government bonds, repo and options.

Table 10: Branch Network

	2021	2022
Branches	302	327
Representative Offices	128	124
Bank Branches	9,408	9,449
Total	9,838	9,900

Source: TCMA

Although some brokerage companies have signed contracts with banks in order to process customers' orders, bank branches are mainly involved in reaching out to customers and do not have a significant share in the trading volume. Similarly, some representative offices are only involved in advertising activities and do not transmit orders.

administrative affairs departments. The number of employees working in branched and domestic sales and marketing exceeds half of the total number of employees.

Table 11: Number of Employees

	2021	2022
Female	2,656	2,948
Male	3,523	3,823
Total	6,179	6,771

Source: TCMA

Table 12 shows department and gender breakdown of brokerage firms' employees as

well as the average number of employees. The department with the highest average number of employees is the domestic sales and marketing department with 28 employees, followed by the financial affairs department with 13 employees. The research department is established in 52 firms and the average number of employees is 4. However, the organization with the highest number of research specialists has 14. The corporate finance department is present in 39 organizations. The six institutions with the highest number of employees in this department

account for 40% of the total number of employees in the corporate finance department.

In 2022, new hires were predominantly in the under-35 age group. This group constituted 49% of the industry employees. Comprehensive data on the age, gender, experience, and educational background of brokerage firms' employees can be found at www.tspb.org.tr.

	Tablo 12: Brokerage Companies' Employees				Avg. No. of Employees	
	Total Number of Employees				2021	2022
	2021	Women%	2022	Women%		
Branch Network	2,140	45.7%	2,453	46.1%	5	5
Branches	1,392	42.1%	1,611	41.8%	5	5
Bank Branches	748	52.5%	842	54.3%	6	7
Domestic Sales	1,261	48.1%	1,337	48.5%	27	28
Broker	71	38.0%	63	34.9%	2	2
Dealer	159	41.5%	149	39.6%	7	6
International Sales	174	33.9%	176	33.5%	6	6
Treasury	144	36.1%	166	39.2%	4	4
Asset Management	33	18.2%	36	13.9%	2	2
Corporate Finance	146	33.6%	158	36.1%	4	4
Research	205	22.9%	220	25.5%	4	4
Financial & Admin. Affairs	760	45.1%	800	47.0%	12	13
Internal Audit	212	47.6%	234	45.7%	4	4
Human Resources	98	79.6%	103	79.6%	3	3
IT	344	16.6%	367	16.9%	6	7
Other	432	42.8%	509	42.8%	7	9
Total	6,179	43.0%	6,771	43.5%	101	106

Source: TCMA

FINANCIALS

In addition to the financial statements released to the public, TCMA compiles additional data from brokerage companies for analysis purposes. There may be minuscule differences in the aggregate values of data obtained from public sources and the data compiled by TCMA. This analysis focuses on the latter it provides more standardized and clear information on the brokerage companies.

As shown in Table 13, total assets of investment firms increased by 148% in 2022 compared to the end of 2021, mainly due to the increase in trade receivables. A detailed analysis of short-term trade receivables shows

that loan receivables from margin trading customers increased by 167% to nearly TRY 31 billion in 2022. Receivables from customers and receivables from clearing and custody centre increased by TRY 15.3 billion and TRY 8.4 billion, respectively. As a result, short-term trade receivables grew by 153% to TRY 76 billion at the end of 2022 compared to end-2021.

On the liabilities side of the balance sheet, short-term trade payables increased by 178% to TRY 61.9 billion, reflecting the increase in the balance of clearing and custody centre receivables, and the receivables from margin trading customers.

	2021	2022
Current Assets	57,576	145,382
Cash and Cash Equivalents	17,202	32,614
Financial Assets (Short-term)	7,399	30,518
Trade Receivables (Short-term)	30,009	76,000
Others	2,967	6,249
Non-Current Assets	3,810	7,061
Financial Assets (Long-term)	1,881	2,992
Others	1,929	4,069
TOTAL ASSETS	61,386	152,443
Short-Term Liabilities	42,024	118,860
Financial Liabilities (Short-term)	16,894	50,814
Trade Payables (Short-term)	22,248	61,893
Others	2,882	6,153
Long-Term Liabilities	2,583	1,448
Equity	16,780	32,135
Paid-in Capital	3,542	5,616
Adjustments on Equity	241	224
Shares Premiums/Discounts	112	539
Non-Classified to Profit or Loss	642	1,187
Income/Expenses Classified to P/L	1,214	1,594
Retained Profit/Loss	5,255	8,550
Net Profit/Loss	5,775	14,465
TOTAL LIABILITIES	61,386	152,443

Source: TCMA

Due to the extraordinary volatility in spot and futures markets in Borsa Istanbul in September 2023, customers of some brokerage firms' were unable to pay their cash debts to the brokerage firm. In the last quarter of the year, those companies increased their paid-in capital in order to strengthen their shareholders' equity.

The industry has a liquid asset structure, with current assets amounting to TRY 145.4 billion. Three brokerage firms' account for 41% of this amount, amounting to TRY 59 billion. Of total assets, TRY 32.6 billion is composed of cash and cash equivalents and TRY 76 billion of short-term trade receivables. Financial investments increased by 313% by the end of 2022 compared to 2021, reaching almost TRY 31 billion.

When cash and cash equivalents and short-term financial investments are evaluated together, as seen in Table 14, the majority of the TRY 57.1 billion short-term portfolio of brokerage houses is composed of repo and deposits with TRY 26.6 billion.

In the analysed period, the equity investments of the institutions increased by 321% and exceeded TRY 20 billion due to the optimistic expectations in Borsa Istanbul. In the same period, the 471% increase in other financial assets was driven by the growth in mutual fund balances of a few brokerage firms.

On the assets side, the growth in financial investments and trade receivables was financed by short-term borrowings. Compared to end-2021, short-term borrowings increased by 201% to TRY 50.8 million at the end of 2022.

A breakdown by sub-items shows that the resources obtained from issued bonds, bills and notes increased by 214% to TRY 16.4 billion due to the impact of a small number of brokerage firms. In 2022, 2 new brokerage firm issued debt instruments, bringing the number of brokerage firm issuing fixed income securities to 19 by the end of 2022. In addition, resources obtained through money market and bank loans increased by approximately TRY 22 billion. As of end-2022, bank loans amounted to TRY 7.1 billion and money market debt to TRY 26.6 billion.

Financial Instruments	2021	2022
Repo and Deposits	14,812	26,617
Public Bonds & Bills	649	3,284
Corporate Bonds & Bills	901	1,216
Equities	4,811	20,272
Other	1,038	5,746
Total	22,210	57,134

Source: TCMA

Total equity of brokerage firms increased by TRY 15.4 billion compared to end-2021 and reached TRY 32.1 billion at the end of 2022, due to the increase in retained earnings, net profit and brokerage firms that increased their paid-in capital. During this period, 29 institutions, one of which was newly established and two of which restarted their operations, increased their paid-in capital by a total of TRY 2 billion. The sector's paid-in capital increased by 59% compared to end-2021, reaching TRY 5.6 billion.

Three of the brokerage firms, whose equity decreased in the third quarter of 2022 due to the customers' failure to meet their futures' trading collateral clearing liabilities, increased their paid-in capital by a total of TRY 850 million in the last quarter.

INCOME STATEMENT

In 2022, revenues of brokerage firms increased by 134% compared to the previous year and reached to TRY 27.2 billion.

In 2022, brokerage revenues increased by 95% year-on-year to TRY 11.3 billion due to the increase in trading volumes. Of this amount, 55% was generated by the top seven institutions.

When analysed in detail, commissions on equities and derivatives transactions increased in parallel with the increase in trading volume

in these products. While the futures trading volume of brokerage firms increased by 76%, their revenues from derivatives transactions increased by 59%.

Brokerage firms' equity trading volume increased by 138% compared to 2021, commissions on equity trading increased by 122%. However, commissions on equity trading is still the biggest part of total commissions and represents %35 of brokerage firms' total revenues.

Table 15: Breakdown of Revenues (TRY million)

	2021	2022	Change
Brokerage Commissions	5,800	11,325	95.3%
Proprietary Trading	1,838	3,420	86.1%
Corporate Finance	792	985	24.4%
Asset Management and Funds Sales	111	197	77.6%
Interest Revenue from Customers	2,435	6,354	160.9%
Other	670	4,938	636.6%
Total	11,646	27,220	133.7%

Source: TCMA

The concentration in equity trading volumes is also reflected in revenues. While 36% of equity trading volume is generated by 3 institutions, 30% of revenues are generated by those institutions

Although leveraged trading volume increased by 97% compared to the previous year, the increase in commissions earned from leveraged transactions remained at 44%.

Table 16: Breakdown of Brokerage Commissions (TRY million)

	2021	2022	Change
Equities	4,409	9,778	121.8%
Derivatives	1,058	1,679	58.8%
Forex	718	1,036	44.4%
Fixed Income	108	167	55.3%
Foreign Securities	304	416	36.7%
Gross Profit from Commissions	6,596	13,076	98.2%
Deductions from Commissions	-797	-1,751	119.8%
Net Profit/ Loss	5,800	11,325	95.3%

Source: TCMA

As seen in Table 15, all income items increased in 2022 compared to the previous year, with the largest increase in brokerage revenues, which grew by TRY 5.5 billion. In addition, customer interest income grew by TRY 3.9 billion in the comparative period.

The sector's corporate finance revenues increased by 24% year-on-year to TRY 985 million. The buoyancy seen in primary market in 2021 continued in 2022. In 2022, these revenues also increased in line with the rise in corporate finance activities compared to the previous year (Table 17). Intermediation

revenues from public offerings and bond issues increased by 31% to TRY 868 million.

(TRY million)	2021	2022	Change
Initial Public Offerings	661	868	31.4%
Mergers & Acquisitions	27	24	-10.4%
Other Capital Increases	40	53	33.2%
Corporate Actions	12	16	33.9%
Others	52	24	-54.9%
Total	792	985	24.4%

Source: TCMA

Turning back to the total revenues presented in Table 15, in parallel with the increase in customers' loan balances in 2022 compared to the previous year, interest income from customers increased by 161% in 2022 compared to the previous year and reached TRY 6.4 billion.

In 2022, 19 institutions generated revenues from the sale of mutual funds, which grew by 106% year-on-year to TRY 134.3 million. Meanwhile, discretionary asset management, in which 16 brokerage firm were active, generated TRY 63 million in revenues. In total, institutions' mutual fund distribution and discretionary asset management revenue amounted to TRY 197 million (Table 15).

The other revenues item, which accounts for other commission revenues such as custody and investment advisory as well as other operating revenues, increased by 623% in the comparative period and exceeded TRY 4.8 billion. The rapid increase in this item was driven by the capital gain on the venture capital investment fund in the portfolio of one brokerage firm.

	2021	2022	Change
Marketing, Sales, Distribution and R&D	1,242	2,427	95.4%
Trading Commissions Paid to Exchanges	890	1,758	97.5%
Other Marketing, Sales, Distribution and R&D	352	669	90.1%
Administrative	3,752	7,384	96.8%
Salaries and Fringe Benefits	1,982	3,897	96.7%
Depreciation Expenses	183	274	49.5%
Depreciation Expenses on Intangible Assets	21	26	23.0%
Membership Fees and Contributions	35	57	63.5%
Commissions and Other Service Charges	92	256	179.3%
Taxes and Other Legal Dues	318	795	150.4%
Other Administrative Expenses	1,123	2,080	85.2%
Total	4,995	9,811	96.4%

Source: TCMA

In 2022, total expenses of institutions increased by 96% compared to the previous year and amounted to TRY 9.8 billion. The biggest driver of the increase in expenditures was personnel expenditures, which was driven by the increase in the number of personnel in line with the growth in business volume and the increase in salaries above inflation. Total personnel expenses increased by 97% to almost TRY 3.9 billion in the period under review.

With 6,771 employees at the end of 2022, the average monthly personnel expenses per employee in the sector increased by 81% to TRY 50,202, above the average inflation rate of 72% compared to the same period of the previous year.

As a result, in 2022, when the stock market was on an upward trend, total revenues (gross profit) increased by 133% compared to 2021 to TRY 27.2 billion, while expenses

increased by 96% to TRY 9.8 billion (Table 19).

Other operating revenue which mostly reflects appreciation/depreciation revenues/losses from foreign currency denominated assets and various financial instruments, and other operating expenses which reflect FX losses were occurred predominantly by few firms. The other operating income item increased by 75% compared to 2021, reaching TRY 3.4 billion, driven by

increased foreign exchange gains as a result of the fluctuations in the markets.

In 2022, other operating income generated by one institution constituted one-third of the total amount in this item. At TRY 3.9 billion, other operating expenses similarly reflect foreign exchange losses of these brokerage firms.

Table 19: Income Statement (TRY million)

	2021	2022	Change
Sales Revenues (net)	646,301	811,189	25.5%
Cost of Sales	-634,655	-783,969	23.5%
Gross Profit/Loss	11,646	27,220	133.7%
Marketing, Sales and Distribution Expenses	-1,239	-2,426	95.8%
Administrative Expenses	-3,752	-7,384	96.8%
Research & Development Expenses	-3.4	-1.6	-52.5%
Other Operating Income	1,922	3,362	74.9%
Other Operating Expenses	-1,596	-3,886	143.5%
Operating Profit/Loss	6,977	16,885	142.0%
Income from Investment Activities	6	12	103.6%
Expenses from Investment Activities	-0.1	-0.1	51.5%
Profit/Loss from Participations	47	85	78.8%
Profit/Loss Before Tax from Financial Expenses	7,031	16,981	141.5%
Financial Income	3,661	6,095	66.5%
Financial Expenses	-3,075	-5,306	72.6%
P/L Before Tax from Continued Operations	7,617	17,771	133.3%
Cont. Operations Tax Income / Expense	-1,842	-3,306	79.5%
Current Tax Income / Expense	-1,903	-3,069	61.3%
Deferred Tax Income / Expense	61	-236	-
Profit /Loss from Continuing Operations	5,775	14,465	150.5%

Source: TCMA

Thus, operating profit in 2022 increased by 142% compared to the previous year, reaching TRY 16.9 billion. Net financial income, which includes financial income/expenses such as net interest income/expenses, foreign exchange gains and dividends related to financial investments of brokerage firms, increased by TRY 203 million to TRY 790 million in the same period.

As a result, the net profit of the brokerage firms increased by 150% in 2022 and reached TRY 14.5 billion.

Of the 64 brokerage firms and 1 investment bank, 55 made a profit in this period. It is worth noting that the increase in the number of loss-making brokerage firms compared to the previous quarter was due to the volatility in the markets in September.

As shown in Table 20, net profit margin increased by 3.5 percentage points year-on-year to 53.1% in 2022. On the other hand, the return on equity ratio increased by 23.7 percentage points compared to the previous year and realized at 65%. The increase was mainly driven by the fact that the increase in shareholders' equity lagged behind the increase in profit.

Table 20: Profitability		
	2021	2022
# of Companies	61	64
# of Companies With Profits	58	55
# of Companies With Losses	3	9
Net Profit (TRY million)	5,775	14,465
Total Profit (TRY million)	5,790	14,619
Total Losses (TRY million)	-15	-154
Net Margin	49.6%	53.1%
Return on Equity	41.3%	65.0%

Source: TCMA

ASSET MANAGEMENT COMPANIES 2022/12

Deniz Kahraman

Turkish Capital Markets Association collects and analyses the asset management industry's data on a monthly and quarterly basis. In this report, we will review 56 asset management companies' assets under management, employee statistics and the financial statements respectively. More information on data sets can be found on www.tspb.org.tr.

ASSET MANAGEMENT

In Turkey, investment funds can only be established and managed by asset management companies. Apart from managing investment funds, pension funds and investment trusts, asset management companies also provide discretionary asset management services for individuals and corporations.

There are two categories of asset management companies. Asset management companies with activities restricted to real estate investment and venture capital funds management have reduced

regulatory requirements as compared to regular asset management firms.

As of December 2022, there are 59 asset management companies in the market. 10 of these companies' activities are restricted.

8 asset management companies were established and started to manage assets in 2022. As 3 of the newly established companies have not started managing assets yet, the number of asset management firms actively managing assets is 56 as of end 2022.

Table 1: Asset Management

	Number of Firms	Number of Funds/Clients	Assets Under Management (TRY million)
Investment Funds	54	1,441	799,078
Pension Funds	24	384	433,534
Discretionary Management*	34	16,242	335,020
Investment Trusts	7	14	1,373
Total	56	18,081	1,569,005

Source: TCMA

* It should be noted that an investor may have accounts in more than a single firm.

The total assets under management managed by asset management firms increased by 140% in 2022 to TRY 1.6 trillion. The total portfolio size of pension funds grew by 78%, while investment funds' portfolio grew by 145%.

By the end of 2022, the number of mutual funds increased to 1,441 from 974 in 2021 mainly due to the rapid increase in the number of hedge funds and venture capital investment funds.

Table 2: Assets under Management (TRY million)			
	2021	2022	Change
Investment Funds	325,700	799,078	145.3%
Pension Funds	243,834	433,534	77.8%
Discretionary Management	82,439	335,020	306.4%
Individuals	36,144	112,972	212.6%
Corporates	46,295	222,048	379.6%
Investment Trusts	919	1,373	49.4%
Total	652,893	1,569,005	140.3%

Source: TCMA

As the end of 2022, 15 of the 56 firms that provide asset management services are owned by banking industry groups. Bank-

based institutions manage 80% of the total assets under management.

Table 3: Number of Investment Funds			
	2021	2022	Change
Investment Funds	974	1,441	47.9%
Pension Funds	372	384	3.2%
Discretionary Management	4,096	16,242	296.5%
Individuals	3,717	15,518	317.5%
Corporates	379	724	91.0%
Investment Trusts	13	14	7.7%
Total	5,455	18,081	231.5%

Source: TCMA

Investment Funds

As the end of 2022, there are 54 firms managing mutual funds. The number of mutual funds increased by 467 to 1,441, while the size of the investment funds portfolio increased by 145% to TRY 799 billion. Half of this amount is managed by five companies.

According to MKK (Central Securities Depository of Turkey), the total number of investment fund investors increased by 377,000 compared to the previous year to reach 3.6 million. Individual investors, who constitute a significant part of these investors, make up 53% of the total investment fund portfolio size.

Investment funds consist of mutual funds, real estate investment funds, venture capital investment funds, exchange-traded funds and hedge funds.

The steady increase in hedge funds caused the total share of these funds in total investments funds managed increased from 31% to 45% in 2022. the share of mutual funds in total investment funds portfolio decreased to 43% as of end-2022 from 57% in 2021.

As of end-2022, the number of mutual fund investors increased by 378.000 year on year to 3,6 million.

	2021	2022	Change
Mutual Funds	184,372	343,912	86.5%
Real Estate Investment Funds	16,719	36,670	119.3%
Venture Capital Investment Funds	15,776	46,289	193.4%
Exchange Traded Funds	7,377	14,188	92.3%
Hedge Funds	101,455	358,018	252.9%
Total	325,700	799,078	145.3%
<i>Private Funds</i>	45,628	146,305	220.6%

Source: TCMA

In the last quarter of 2021, with the significant depreciation of the Turkish lira, investor preference favoured FX-denominated products. From this period onwards, hedge funds grew both in terms of portfolio size and number. While the number of hedge funds increased by 73% to 650 in 2022 compared to 2021, the portfolio size of these funds increased by 253% to TRY 358 billion.

As of the end of 2022, the number of venture capital funds increased to 167 from 96 in 2021.

The size of their portfolios increased by 193% to more than TRY 46 billion. Two asset managers accounted for 36% of the increase in portfolio size. As of December 2022, there were 34 asset management

companies with venture capital investment funds.

As of December 2022, the number of real estate investment funds managed by 19 asset management companies increased by 29 compared to the previous year to 105, and the size of these funds grew by 119%. The first real estate funds were established in 2016.

The portfolio size of the private funds (compiled by our Association for information purposes) marketed to individuals or organizations in an exclusive manner increased by 221% in the last year, exceeding TRY 146 billion. Approximately half of these funds were hedge funds investing in foreign currency denominated instruments.

	Asset Size December 2021	Net Capital Inflows Jan.-Dec. 2022	Jan. - Dec. 2022 Capital Gains	Asset Size December 2022
Hedge Funds	101,488	168,499	254,769	356,257
Money Market Funds	40,749	47,675	58,339	99,088
Debt Securities Funds	24,398	12,632	39,395	63,793
Fund of Funds	35,547	6,273	19,089	54,636
Equity Funds	16,211	10,742	28,793	45,004
Variable Funds	14,294	2,753	20,430	34,724
Real Estate Funds	17,415	2,197	13,632	31,047
Venture Capital Funds	26,375	-4,593	4,430	30,805
Participation Funds	8,410	7,698	10,405	18,815
Precious Metal Funds	8,104	2,405	5,924	14,028
Blend/Mixed Funds	4,896	-1,706	-397	4,499
Capital Protected Funds	809	-647	-554	255
Total	298,696	253,928	454,255	752,951

Source: CSD

Pension Funds

As of 2022, 24 institutions manage pension funds in Turkey.

Various reforms have recently been introduced in the private pension system. The regulation that entered into force in May 2021 paved the way for participants under the age of 18 to be included in the private pension system. Moreover, starting from 2022, the state contribution rate was increased to 30% from 25% previously.

In 2022, the size of pension funds, including auto-enrolment system funds, increased by 77% compared to the end of 2021 to TRY 433 billion. The first five

institutions manage 84% of the total pension funds. As of end-2022, the total number of participants in private pension system increased by 10% year on year to 13 million people.

The pension fund portfolio composition as per Takasbank data is presented in Table 6. Precious metal funds, which mainly refer to gold funds, account for the largest share. While the share of equity funds was around 4% at the end of 2021, it reached 11% by the end of 2022. Foreign equities are monitored under foreign securities and the share of this instrument in the fund portfolio is around 2%.

Table 6: Pension Fund Types (TRY million)

	2021	2022
Precious Metals	63,542	106,947
Debt Securities Fund	48,702	67,735
Corporate Debt Securities Fund	3,409	3,901
Public Debt Securities Fund	23,269	32,544
Eurobond Fund	12,375	18,315
Debt Securities Fund	9,649	12,975
Variable Fund	47,383	78,838
Money Market Fund	13,470	11,955
Equity Fund	11,580	45,505
Mixed Fund	6,234	8,474
Fund of Funds	2,626	9,177
Index Fund	1,715	6,705
Participation Fund	959	1,444
Standard Fund	9,887	17,642
State Contribution Fund	23,162	50,282
Initial Fund (auto-enrolment)	1,726	1,186
Standard Fund (auto-enrolment)	12,980	9,399
Total	244,038	432,516

Source: Takasbank

Funds' Portfolio Breakdown

The securities breakdown for mutual funds (excluding real estate and venture capital funds) and pension funds obtained is given in the table 7.

In 2022, the most significant change was the increase in the share of equity investments in both mutual funds and pension funds.

Investment Funds			Pension Funds		
Asset Class	2021	2022	Asset Class	2021	2022
Domestic Equities	13%	21%	Domestic Equities	13%	23%
Foreign Equities	8%	2%	Foreign Equities	1%	2%
Government Debt Securities	4%	2%	Government Debt Securities	16%	14%
Corporate Debt Securities	16%	10%	Corporate Debt Securities	8%	5%
Public Eurobond	9%	12%	Public Eurobond	15%	11%
Corporate Eurobond	16%	11%	Corporate Eurobond	1%	1%
Deposit	6%	25%	Deposit	6%	5%
Repo	6%	4%	Repo	1%	1%
Government Sukuk	0%	1%	Government Sukuk	4%	5%
Corporate Sukuk	2%	2%	Corporate Sukuk	1%	1%
Gold-backed Sukuk	1%	1%	Gold-backed Sukuk	16%	18%
Gold-backed Debt Securities	0%	0%	Gold-backed Debt Securities	1%	1%
Gold	4%	3%	Gold	9%	5%
Other*	15%	7%	Other*	9%	9%
Total	100%	100%	Total	100%	100%

Source: Takasbank

*Other includes venture capital investments and fund shares.

As investment funds started to prefer deposits over repo transactions in their short-term investments, the share of deposits increased by 19 percentage points compared to end-2021 to 25%. The shares of public eurobonds and private sector debt instruments issued abroad by the private sector were 12% and 11%, respectively. The share of domestic equities in investment funds increased by 8 percentage points to 21%. While the share of domestic equities increased, the share of foreign equities decreased by 6 percentage points to 2%.

Discretionary Asset Management

As of the end of 2022, there are 34 firms providing discretionary asset management services in Turkey. 15,518 real and 724 legal persons' portfolios totalling TRY 335 billion is managed by asset management firms.

On the pension funds side, domestic equities constituted the largest share with 23%. The share of domestic equities in these funds also increased by 10 percentage points compared to the previous year. Gold-backed sukuks (lease certificates) ranked second with an 18% share. Precious metals are also an asset class preferred by pension fund investors, and when gold-backed lease certificates are included, nearly 25% of the total portfolio is invested in these products. This ratio remains at 4% in mutual funds. The shares of domestic government debt securities and government Eurobonds were 14% and 11%, respectively.

In 2022, the number of clients receiving individual asset management services increased by 12,146, with the majority of this increase stemming from clients of 2 institutions in the last quarter of the year. This increase can be attributed to the currency-protected TRY deposit accounts

opened for clients receiving individual asset management services.

It should be noted that an investor may have accounts in more than a single firm, implying that client numbers are subject to double counting. 70% of investors who received discretionary asset management

services in 2022 turned to one of the top two asset management companies.

In terms of portfolio size, the institution with the highest individual asset management manages half of the discretionary asset management portfolio.

	Collective Investment Securities	Other Securities	Total
Real Persons	80,454	32,518	112,972
Legal Entities	64,440	157,608	222,048
Total	144,895	190,126	335,020

Source: TCMA

Discretionary asset management data is divided into collective investment securities (mutual funds, etc.) and other securities (equities, bonds etc). When analysed along these lines, 71% of the

investments of TRY 113 billion belonging to 15,518 real persons are invested in mutual funds. This figure stands at 29% for the portfolio of TRY 222 billion belonging to legal entities.

Investment Trusts

Portfolios of investment trusts that outsource asset management services might be managed by asset management firms. Only a small portion of investment trusts are managed by asset management firms. Currently, 14 out of 55 investment trusts receive portfolio management services from 7 asset management companies.

On the other hand, the size of the portfolio of venture capital investment trusts managed by 2 companies increased by 50% to TRY 344 million, while the size of real estate investment trusts managed by only 1 company almost quadrupled to more than TRY 12 million. This asset management company manages the cash assets of the trust.

The portfolio size of investment trusts managed by asset management companies increased by 49% to TRY 1,4 billion as the end of 2022. 74% of the total portfolio of investment trusts consists of securities investment trusts.

	2021	2022	Change
Securities Investment Trusts	687.7	1,016.5	47.8%
Real Estate Investment Trusts	3.1	12.1	290.3%
Venture Capital Investment Trusts	228.9	344.2	50.4%
TOTAL	919.7	1,373.8	49.4%

Source: TCMA

EMPLOYEES

With increasing AUM and the establishment of 8 new firms the number of employees reached 1,187 by the end of 2022. Women constitute only 39% of the total number of employees in the asset management industry.

Among the 59 asset management firms, the first six firms that have 50 or more employees each, employ 36% of the total number of employees in the industry. On the other hand, there are 21 institutions that have 10 or less than 10 employees. Looking at the sector in general, the average number of employees per company is 20.

In 2022, 255 new jobs were created on net, while 48% of the increase in the number of employees consisted of people with less than 10 years of experience.

More details regarding personnel can be reached through our website.

The department breakdown of employees in asset management companies is given in Table 10. Asset management companies may have in-house risk management and fund service departments, or they can outsource these services from third parties. There are 24 asset management companies with a either risk management or fund service unit and 34 asset management companies have research department.

As of the end of 2022, 21% (291 people) of the employees work in the asset management department. Only 21% of the employees in this department are female.

Table 10: Employees by Department

	# of Employees				Average # of Employees	
	2021	Female Ratio (%)	2022	Female Ratio (%)	2021	2022
CEO	51	7.8	59	10.2	1	1
Asset Management	231	21.2	291	20.6	6	6
Domestic Sales	112	58.0	134	58.2	5	5
International Sales	6	50.0	7	71.4	2	2
Financial Advisory	26	26.9	31	22.6	1	2
Research	45	37.8	54	35.2	2	2
Risk Management	42	52.4	47	51.1	2	2
Fund Service Unit and Operations	86	55.8	122	49.2	3	4
Financial & Administrative Affairs	120	48.3	141	54.6	2	3
Internal Audit	76	51.3	94	44.7	2	2
Human Resources	7	71.4	11	72.7	1	1
Information Technology	21	23.8	27	14.8	1	2
Other	109	33.9	169	39.6	3	4
TOTAL	932	38.5	1,187	38.5	18	20

Source: TCMA

FINANCIALS

In 2022, the total assets of asset management firms increased by 118% compared to the end of 2021 and reached TRY 7.5 billion.

In 2022, the total paid-in capital of the sector increased by TRY 183 million, of which TRY 68.5 million came from the 8 new companies and TRY 37.5 million from the state owned Ziraat's capital increase.

	2021	2022	Change
Current Assets	3,306.5	6,296.6	90.4%
Cash and Cash Equivalents	1,165.9	1,347.8	15.6%
Financial Assets (Short-term)	1,041.4	2,811.2	169.9%
Other Current Assets	1,099.1	2,137.5	94.5%
Non-Current Assets	130.2	1,250.0	860.1%
Tangible Assets	41.7	105.7	153.5%
Financial Assets (Long-term)	31.6	113.2	258.2%
Other Non-Current Assets	56.9	1,031.1	1,712%
TOTAL ASSETS	3,436.7	7,546.6	119.6%
Short-term Liabilities	406.2	1,137.1	179.9%
Long-term Liabilities	196.9	501.8	154.9%
Equity	2,833.6	5,907.7	108.5%
Paid-in Capital	582.0	765.1	31.5%
Adjustments on Equity	5.6	4.4	-21.4%
Share Premiums/Discounts	9.5	9.5	0.0%
Other Comprehensive Income	3.6	57.2	1,489%
Reserves on Retained Equities	124.2	201.6	62.3%
Retained Profit/Loss	609.5	1,360.0	123.1%
Net Profit/Loss	1,499.3	3,509.8	134.1%
TOTAL LIABILITIES	3,436.7	7,546.6	119.6%

Source: TCMA

A significant portion of assets are invested in short-term assets. As of December 2022, sector-wide cash and cash equivalents increased by 16% compared to the end of 2021 and reached TRY 1.3 billion.

Short-term financial investments increased by 170% to TRY 2.8 billion. Almost all of the assets of the sector, which has a liquid structure, are composed of current assets.

Operating Income

Income stream of asset management companies can be split into three categories: asset management commissions, investment consultancy fees and fund sales revenues. However, in practice, nearly all income is generated by asset management commissions.

Compared to 2021, companies' asset management revenues increased by 136% to TRY 4.2 billion. The rise in total revenues was driven by the increase in hedge fund management commissions in parallel with the growth in portfolio sizes. As in previous years, fund marketing and sales intermediation services did not generate significant revenues. In 2022, only

4 institutions earned income from fund sales.

	2021	2022	Change
Asset Management Commissions	1,768.5	4,169.8	135.8%
Collective Asset Management	1,603.5	2,243.8	39.9%
Pension Funds	187.2	339.1	81.2%
Investment Funds	1,400.4	3,205.7	128.9%
Mutual Funds	841.6	1,654.6	96.6%
Real Estate Funds	90.6	178.2	96.7%
Venture Capital Funds	184.1	352.3	91.4%
Exchange Traded Funds	13.9	29.4	111.4%
Hedge Funds	270.3	991.2	266.7%
Investment Trusts	15.8	22.4	41.4%
Discretionary Asset Management	165.0	602.5	265.1%
Retail	110.6	317.8	187.4%
Corporate	54.4	284.7	423.0%
Investment Consultancy Revenues	5.6	13.1	134.9%
Mutual Fund Sales Revenues	1.6	5.8	-
TOTAL	1,775.7	4,188.7	135.9%

Source: TCMA

Investment Funds

Depending on a rapid increase in investment funds' asset size from 2021 to 2022, income derived from investment funds rose by 97% to TRY 1,6 billion. While hedge funds' assets grew by 253% year over year, revenue from these funds increased 267% to TRY 991 million.

The average annual commission rate charged by asset management companies investment funds is 0.69% (Table 13) in 2022.

Pension Funds

Although the portfolio size of pension mutual funds is TRY 434 billion, 54% of the portfolio size of mutual funds, the revenues generated from pension mutual funds are only 11% of the revenues generated from mutual funds. In 2022, revenues from the management of these funds increased by 81% to TRY 339 million.

Asset management companies earned a sector average commission of 0.11% from pension funds.

	2021	2022
Investment Funds	0.64%	0.69%
Pension Funds	0.10%	0.11%
Discretionary Asset Man.	0.31%	0.48%
Investment Trusts	1.86%	2.16%
TOTAL	0.38%	0.46%

Source: TCMA

Discretionary Asset Management

As of the end of 2022, there are 34 firms providing discretionary asset management services in Turkey. 15,518 real and 724 legal persons' portfolios totalling TRY 335 billion is managed by asset management firms. It should be noted that an investor may have accounts in more than a single firm.

In 2022, revenues generated from individual asset management increased by 265% to TRY 603 million. The average annual commission rate of companies providing individual asset management services was 0.48%.

Investment Trusts

As mentioned above, 7 asset management companies manage the portfolios of 14 investment trusts. In 2022, the size of the investment trust portfolio under management grew by 49% compared to the previous year, while the total revenue

generated from investment trust management increased by 41% to TRY 22.4 million.

In this period, the average annual commission rate for asset management companies managing investment trusts was 2.16%.

INCOME STATEMENT

In 2022, gross profit increased by 147% to TRY 4.8 billion, driven almost entirely by asset management commission income, which reached TRY 4.2 billion (Table 10), as well as income from proprietary trading. On the other hand, net expenses item, which includes general administrative expenses net of other

operating income, increased by TRY 594 million to TRY 845 million.

In 2022, general administrative expenses increased by 145% compared to the previous year and exceeded TRY 1.9 billion. Personnel expenses accounted for 60% of these expenses.

	2021	2022	Change
Sales Revenues (net)	2,478.6	5,802.6	134.1%
Cost of Sales	-542.7	-1,019.8	87.9%
Gross Profit/Loss	1,935.9	4,782.8	147.1%
Marketing, Sales and Distribution Expenses	-31.8	-70.4	121.2%
Administrative Expenses	-784.5	-1,922.1	145.0%
<i>Salaries and Fringe Benefits</i>	-448.0	-1,149.5	156.6%
Research & Development Expenses	0.0	0.0	253.0%
Other Operating Income	610.1	1,265.9	107.5%
Other Operating Expenses	-44.3	-117.9	166.2%
Operating Profit/Loss	1,685.4	3,938.2	133.7%
Income from Investment Activities	94.2	166.4	76.6%
Expenses from Investment Activities	-24.1	-22.8	-5.3%
Profit/Loss Before Financial Expenses	1,755.5	4,081.8	132.5%
Financial Income	210.9	503.7	138.8%
Financial Expense	-7.3	-25.8	252.9%
Profit/Loss Before Tax	1,959.1	4,559.8	132.7%
Current Tax Income / Expense	-349.1	-811.0	132.3%
Deferred Tax Income / Expense	-110.8	-239.0	115.7%
Net Profit/Loss	1,499.3	3,509.8	134.1%

Source: TCMA

Some institutions classify their accrued performance bonuses under other operating income. This item increased by TRY 565 million to TRY 1.3 billion mainly reflecting revenues of only two institutions. Operating expenses amounted to 118

million in the same period. Operating profit thus increased by 134% to TRY 3.9 billion.

Proprietary trading revenues and accrued capital gains of financial assets, rediscount income for their financial

investments are recorded in the income/expenses of investment activities and financing income/expenses. These revenues increased by TRY 348 million to TRY 622 million in 2022.

As a result, net profit rose 136% to more than TRY 3.5 billion in the comparative

period. With the increase in profits, return on equity rose by 15 percentage points to 93%.

In 2022, 50 institutions made a total profit of TRY 3.5 billion, while the total loss of 9 loss-making institutions amounted to TRY 22.3 million.

Table 15: Profitability of Asset Management Companies		
	2021	2022
# of companies	51	59
# of companies with profits	45	50
# of companies with losses	6	9
Net Profit (million TRY)	1,499.3	3,509.8
Total Profit (TRY million)	1,507.8	3,532.2
Total Losses (TRY million)	-8.5	-22.3
Net Margin	77.4%	73.4%
Return on Equity	77.3%	92.5%

Source: TCMA

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