



T.C. Başbakanlık
Sermaye Piyasası Kurulu
CAPITAL MARKETS BOARD OF TURKEY

Turkish Capital Markets

Bora Oruç

Executive Vice Chairman
Capital Markets Board of Turkey

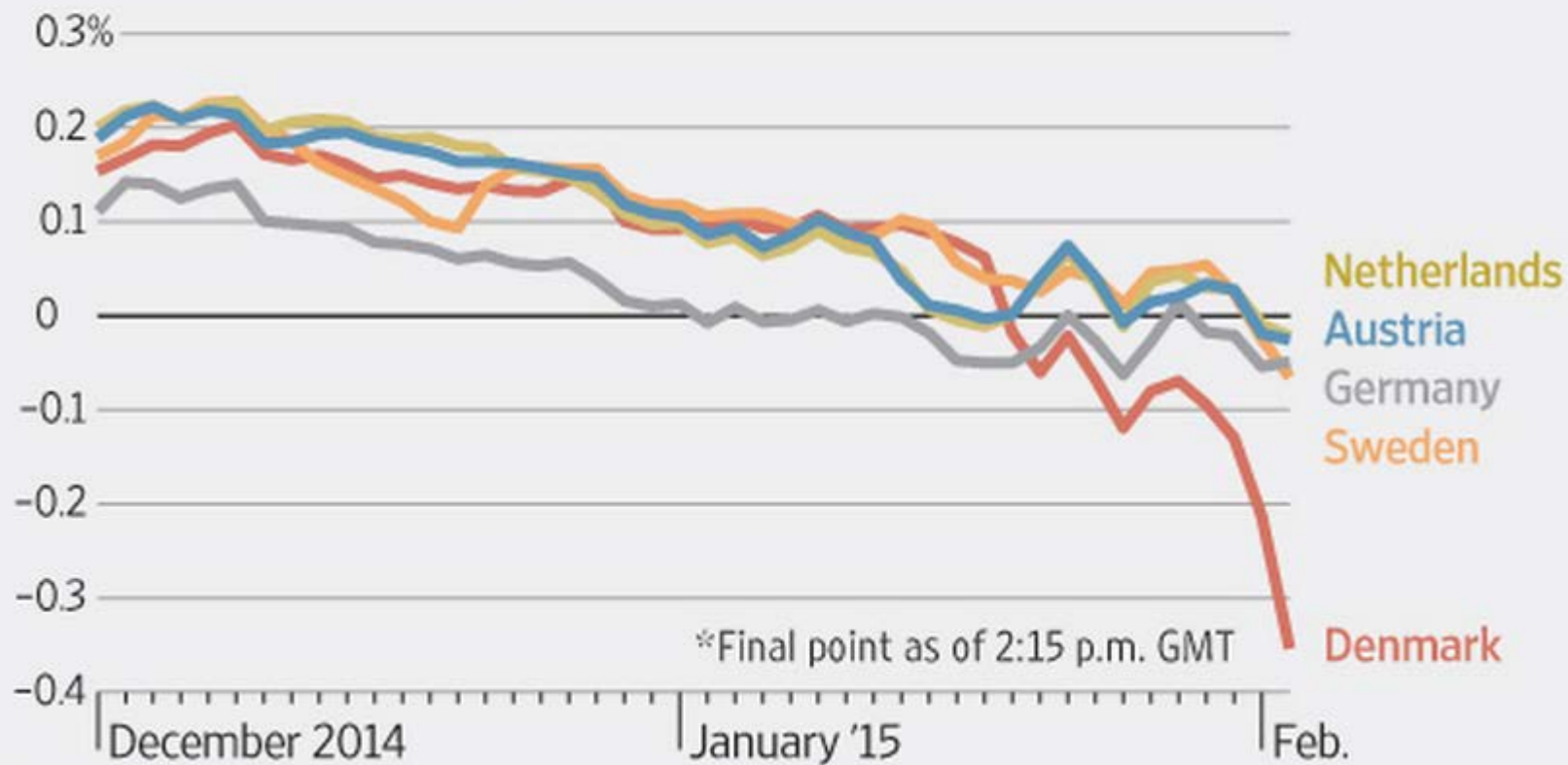
March 25th 2015



GLOBAL ECONOMY

Borrowers' Market

Five-year government bonds of Germany, Austria, Netherlands, Sweden and Denmark are yielding less than zero.*

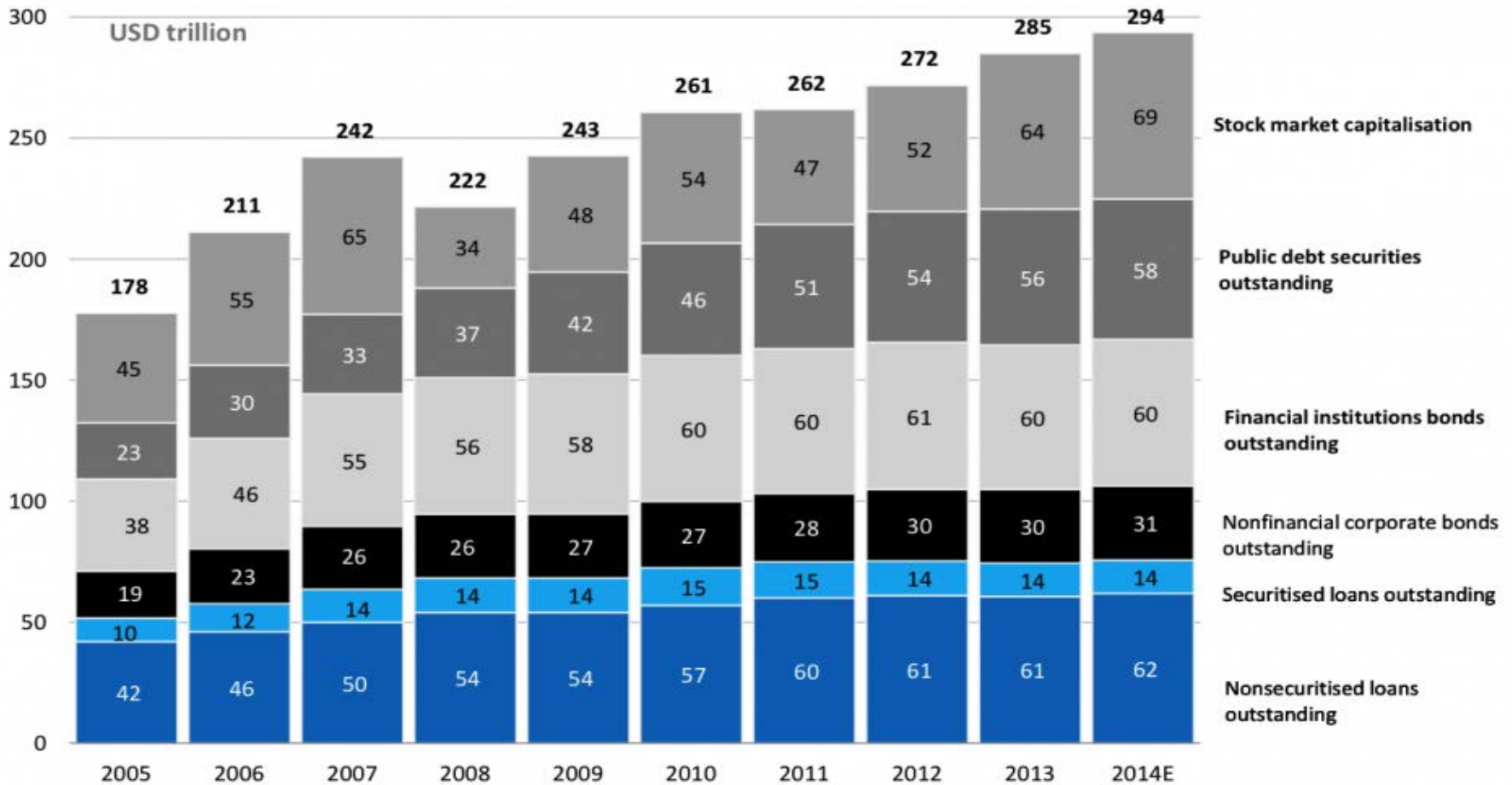


*Final point as of 2:15 p.m. GMT

Source: Tradeweb via Thomson Reuters

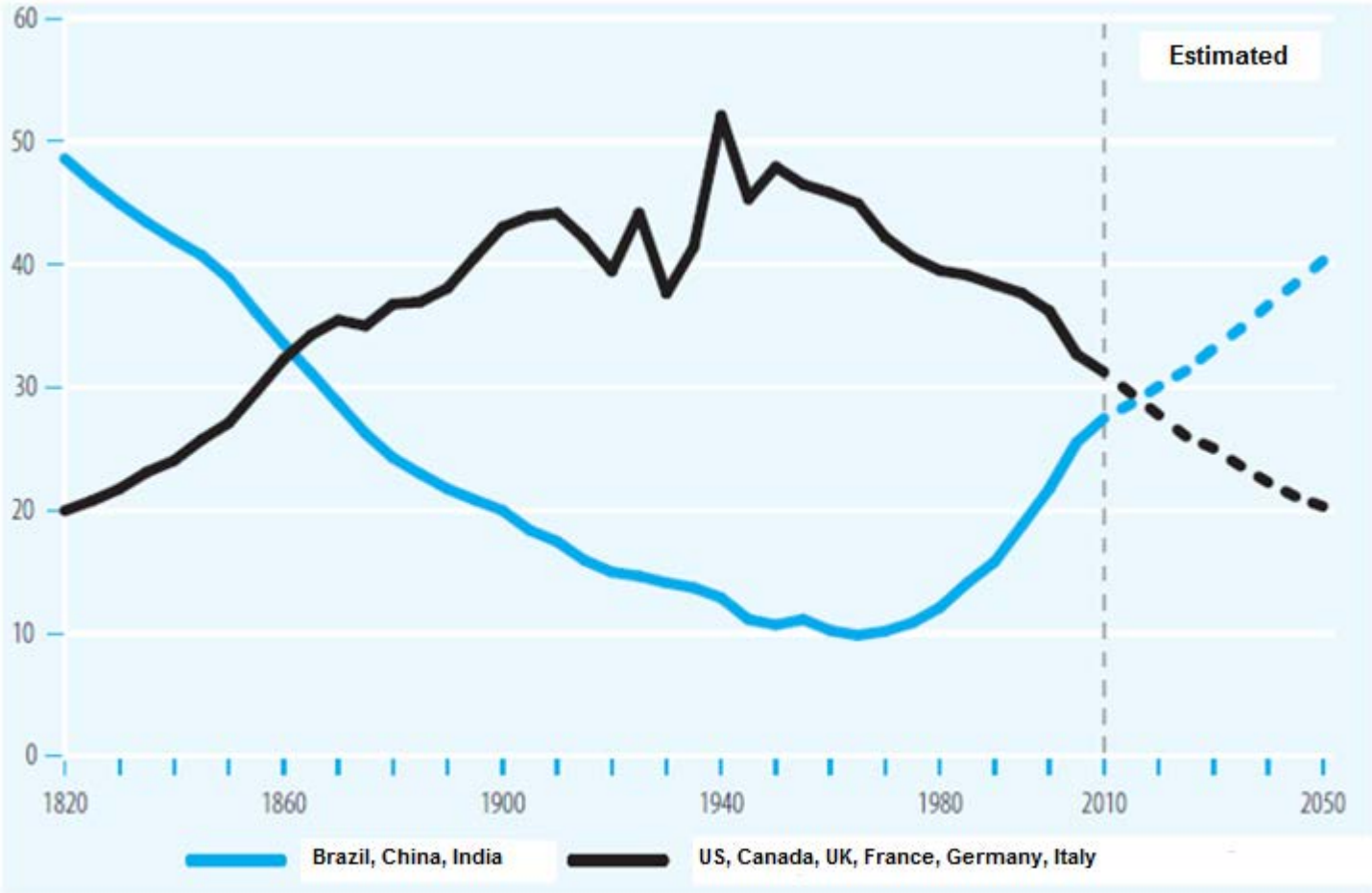
The Wall Street Journal

Global Financial Assets - 2014E



Source: MGI – McKinsey Global Institute

Contributions to the Global Output (%)



Source: UNDP



TURKISH ECONOMY & CAPITAL MARKETS

Distribution of Household Financial Assets

Billion TL	2007	2008	2009	2010	2011	2012	2013	2014/09	%
Deposits (TL)	142,5	188,7	209,6	253,8	281,9	307,1	317,0	376,7	50,1%
Deposits (FX)	78,5	89,0	98,2	96,9	111,6	121,6	140,6	186,9	24,8%
Participation Account	-	-	-	-	37,8	35,7	32,6	22,9	3,0%
Bonds	19,6	19,7	14,1	9,4	10,5	16,4	17,2	20,3	2,7%
Mutual Funds	22,6	20,8	26,1	28,5	25,8	26,1	26,8	28,9	3,8%
Repo	1,9	2,2	2,3	1,5	1,4	3,9	2,9	2,4	0,3%
Pension Funds	4,6	6,4	9,0	12,1	14,3	20,3	25,2	33,4	4,4%
Equities	31,3	20,1	40,6	55,8	52,9	72,7	73,0	80,7	10,7%
TOTAL	269,7	326,8	359,3	402,2	483,3	531,1	562,3	752,2	100,0%

Main Indicators – Turkish Financial Markets

(USD billion)	Dec. 2014
Market Cap. of BIST Listed Companies	269.8
Total Banking Assets	859.8
Net Assets of Investment Funds	14.3
Net Assets of Pension Funds	16.2
Net Assets of Real Estate Investment Trusts	8.5
Assets Under Management by Portfolio Management Companies	35.1

Main Indicators – Borsa İstanbul

Number of Companies Registered	582
BIST Listed Companies	425
Other Publicly Held Companies	157
BIST Markets	2014 Trading Volume (USD billion)
Equity Market	373.6
Bond Market	3,493
Futures and Options Market	186.9
Precious Metals and Diamonds Market	9.7

Main Indicators - Institutions

	Dec. 2014
Investment Firms	140
Banks	51*
Banks with foreign capital	25
Intermediary Institutions	97
Intermediary institutions with foreign capital	27
Portfolio Management Companies	40
Number of portfolio management companies with foreign capital	8
Credit Rating Agencies	10
Independent Audit Companies	92

*43 Banks have been authorized by the CMB in relation to capital market activities

Main Indicators - Collective Investment Schemes

	Dec. 2014
Investment Funds	482
Foreign Investment Funds	41
Pension Funds	246
Investment Companies	9
Number of venture capital investment companies	6
Real Estate Investment Companies	31

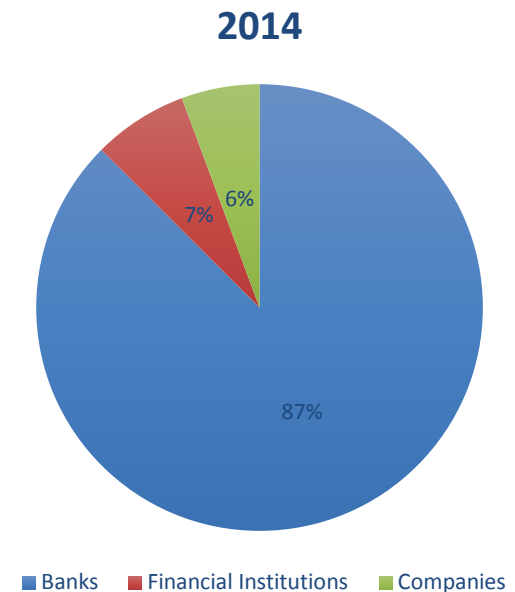
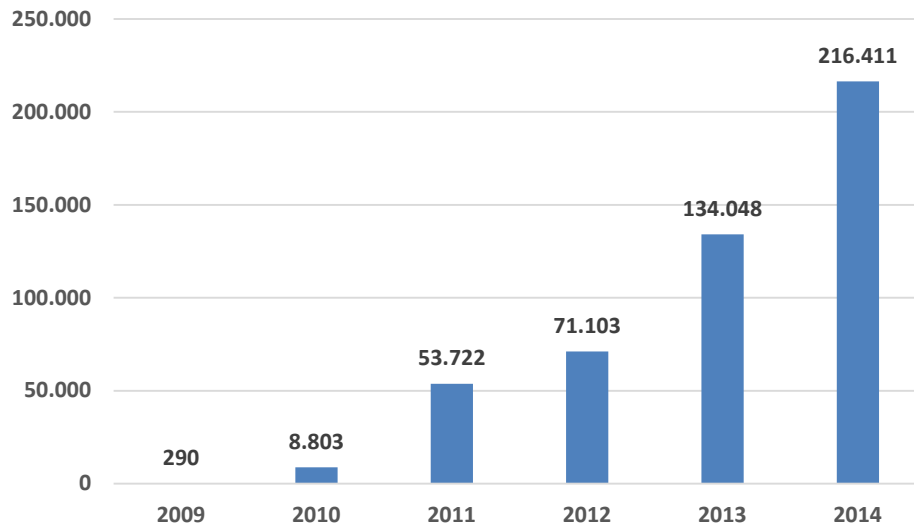
Main Indicators - Investors

	Dec. 2014
Equity Investors	1,075,368
Domestic	1,065,473
Foreign	9,895
Shares in Equity Custody Balances	%
Domestic	36.2
Foreign	63.8
Bond Investors	159,266
Government Bond Investors	21,441
Private Sector Bond Investors	137,825
Investment Fund Investors	2,751,820
Pension Fund Holders	5,136,353

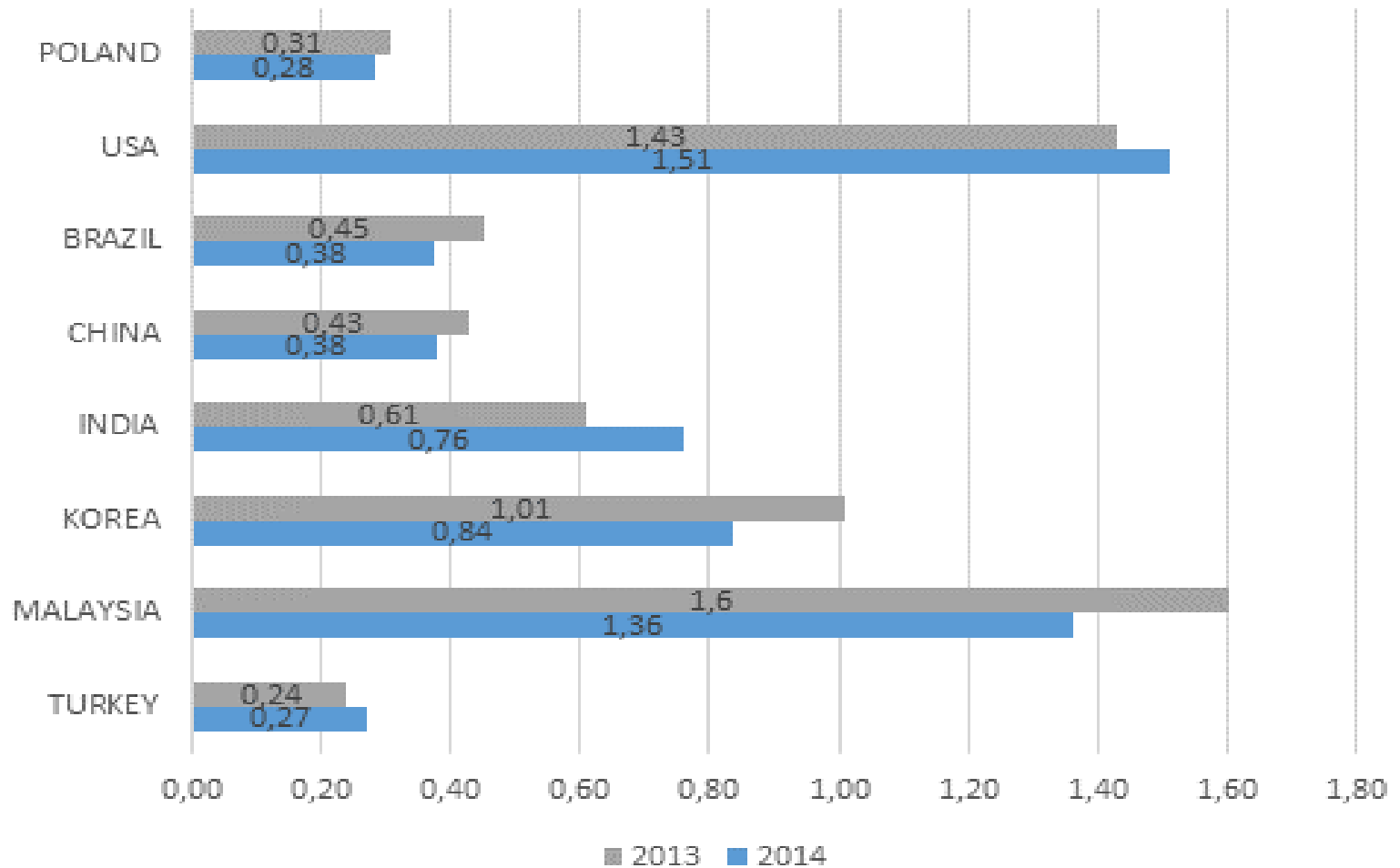
Progress in the Corporate Bond Market

Issuance limit for debt Instruments approved by the CMB increased by 61% in 2014

Issuance Limit for Debt Instrument Approved by the CMB (Million TL)



Market Cap./GDP



Source: WFE – World Federation of Exchanges, IMF

Equity Investors

There are 1.1 million open accounts trading in Borsa İstanbul

Asset value per investor is quite low.

Investment values	Number of investors
>10,000 TL	225,399
>50,000 TL	77,095
>100,000 TL	42,675

Why are Capital Markets Relatively Underdeveloped?

- Past mistakes
 - Unauthorized public offerings
 - Failed banks/Termination of concession contracts
 - Unstable tax environment
- Low financial literacy

Why are Capital Markets Relatively Underdeveloped?

- Low scale : Few listings by big enterprises
- Domination of family business culture
- Low national savings
- Low competition
 - Domination of banks
 - Weak independent financial firms

Why are Capital Markets Relatively Underdeveloped?

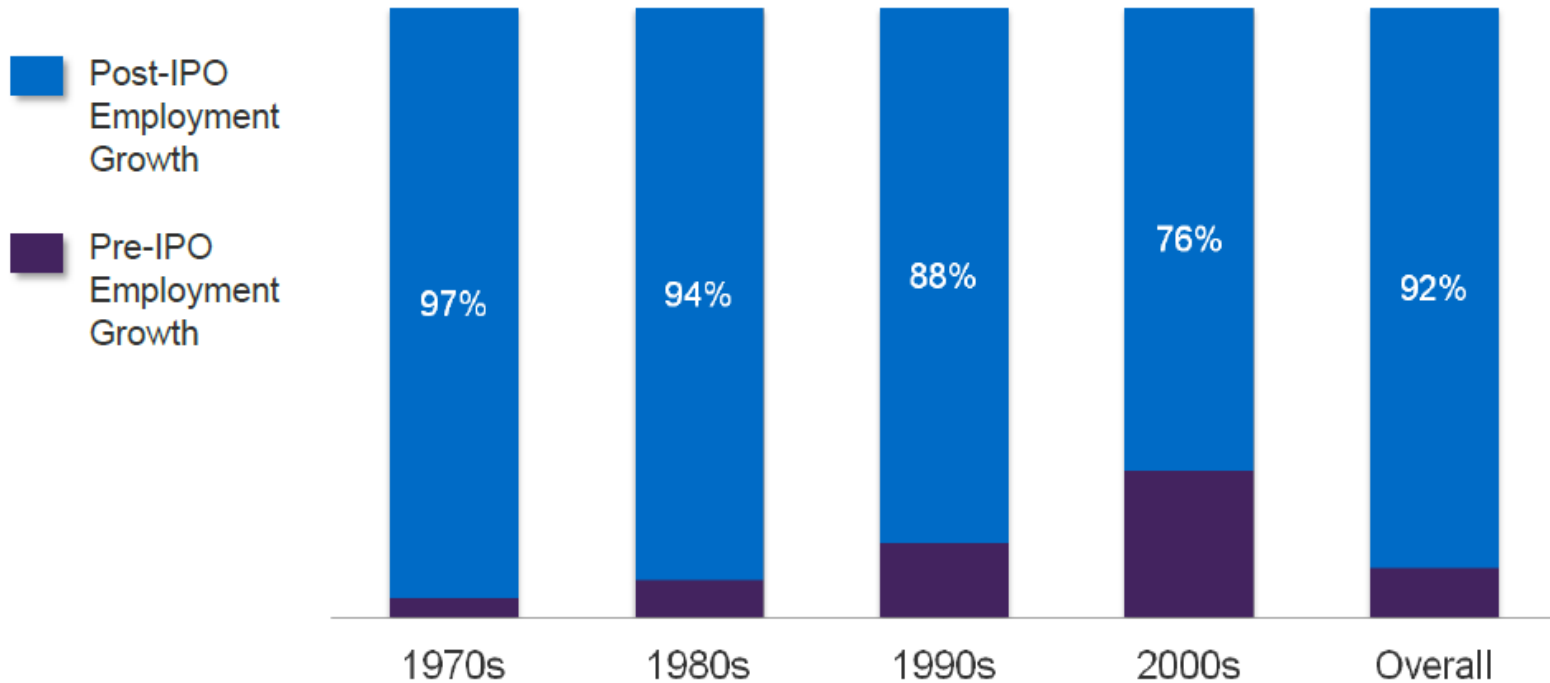
- Low performance by asset managers
- Comparatively high deposit rates
- Investment culture
 - Speculative investment behaviour
 - Need to enhance transparency
 - Need to enhance surveillance capacity



WHY CAPITAL MARKETS MATTER?

Capital Markets Matter...

Job creation, innovation → Robust economy



92% of Job Growth in a Company Occurs Post-IPO
86% Post-IPO Job Growth Per August 2011 Survey of 2006+ IPOs

Source: Venture Impact 2007, 2008, 2009 & 2010 by IHS Global Insight, FESE IPO Task Force August 2011 CEO Survey

Capital Markets Matter...

To reach global economic growth projections until 2030 additional infrastructure investment needed is app. \$20 trillion.

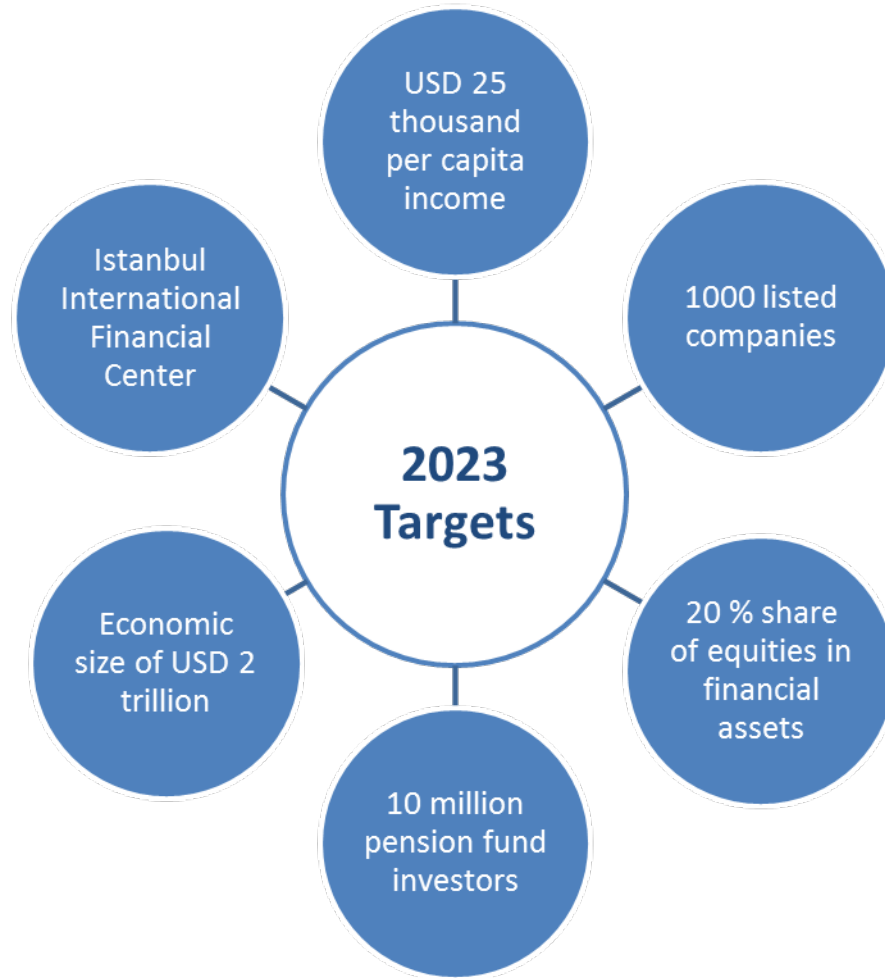
Source: McKinsey Global Institute, Infrastructure productivity: How to save \$1 trillion a year

- Government financing is problem for both developed and developing economies
- Basel III will inhibit bank credit for long term project financing. Infrastructure projects terms are for 20 years and more

To reach 2023 Vision it is projected that Turkey has to realize around \$250 billion worth of infrastructure investment mainly on energy generation and transportation.

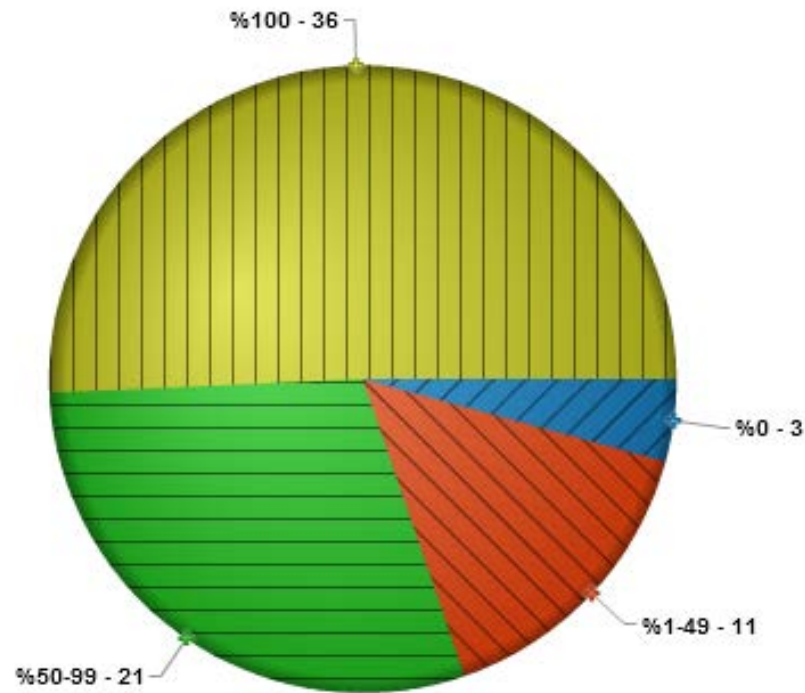
- Limited government financing...
- Budget discipline...

2023 Vision for Turkish Capital Markets



Istanbul International Finance Center Project

- Number of actions: 71
- Completed actions: 36



Global Finance Centers Index - 1

City	Ranking in the current index	Ranking in the previous index
New York	1	1
London	2	2
Hong Kong	3	3
Singapore	4	4
San Francisco	5	10
Tokyo	6	6
Zurich	7	5
Seoul	8	7
Boston	9	8
Washington	10	13



Top 10 Finance Centers

City	Ranking in the current index	Ranking in the previous index
Munich	37	28
Johannesburg	38	50
Amsterdam	39	46
Buenos Aires	40	25
K.Lumpur	41	35
Istanbul	42	47
Almaty	43	58
Mexico City	44	70
Rio de Janeiro	45	45
Bangkok	46	52
BVI	47	44

Peers of Istanbul





NEW CAPITAL MARKETS LAW

New Laws Regulating the Financial Industry



- New Commerce Code and Code of Obligations
- Leasing, Factoring and Finance Companies Law
- Private Pensions Law and Government Matching Scheme
- Angel Investors Regulation
- Law on Payment Systems
- Law on Consumer Protection
- New Capital Markets Law
- Draft Laws on Specialized Courts and Arbitration Center is on the Parliament's agenda

New CML has 3 main pillars



Investor Protection

- Retirement right
- Right to squeeze-out/sell-out
- Removal of privileges in case of financial loss in consecutive 5 years
- CCP Regulation
- Regulation on transfer pricing
- Market abuse regulation
- Corporate governance principles
- Investor compensation center

New investment services and asset management industry

- New investment services and ancillary services
- Strong asset management industry
- New mutual fund supermarket
- Borsa Istanbul
- Strategic partners for Borsa Istanbul

New Financial Instruments

- New Investment Funds
- Islamic Bonds and CIS
- Securitization
- Investment Companies with Variable Capital