Financial Services Sector in Turkey
## Glossary of Terms

<table>
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<tr>
<th>Acronym</th>
<th>Definition</th>
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<tbody>
<tr>
<td>ATM</td>
<td>Automated Teller Machine</td>
</tr>
<tr>
<td>AUM</td>
<td>Assets Under Management</td>
</tr>
<tr>
<td>BIST</td>
<td>Borsa Istanbul</td>
</tr>
<tr>
<td>BKM</td>
<td>Interbank Card Center</td>
</tr>
<tr>
<td>BRSA</td>
<td>Banking Regulation and Supervision Agency</td>
</tr>
<tr>
<td>CAGR</td>
<td>Compound Annual Growth Rate</td>
</tr>
<tr>
<td>CAR</td>
<td>Capital Adequacy Ratio</td>
</tr>
<tr>
<td>CBRT</td>
<td>Central Bank of the Republic of Turkey</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CMB</td>
<td>Capital Markets Board of Turkey</td>
</tr>
<tr>
<td>CRD</td>
<td>Capital Requirements Directive European Bank of Reconstruction and Development</td>
</tr>
<tr>
<td>EBRD</td>
<td>Capital Requirements Directive European Bank of Reconstruction and Development</td>
</tr>
<tr>
<td>EGM</td>
<td>Pension Monitoring Center</td>
</tr>
<tr>
<td>EIU</td>
<td>Economist Intelligence Unit</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FCI</td>
<td>Factors Chain International</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>FİDER</td>
<td>Turkish Leasing Agency</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>HATMER</td>
<td>Life Insurance Information and Monitoring Center</td>
</tr>
<tr>
<td>HAYMER</td>
<td>Insurance Claims Follow-up and Monitoring System</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>N/D</td>
<td>No Data</td>
</tr>
<tr>
<td>NPL</td>
<td>Non-Performing Loan</td>
</tr>
<tr>
<td>O/N</td>
<td>Overnight</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
</tr>
<tr>
<td>Q</td>
<td>Quarter</td>
</tr>
<tr>
<td>ROA</td>
<td>Return on Assets</td>
</tr>
<tr>
<td>ROE</td>
<td>Return on Equity</td>
</tr>
<tr>
<td>SAGMER</td>
<td>Health Insurance Information and Monitoring Center</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprises</td>
</tr>
<tr>
<td>TBB</td>
<td>Turkish Bank Association</td>
</tr>
<tr>
<td>TL</td>
<td>Turkish Lira</td>
</tr>
<tr>
<td>TSRB</td>
<td>Insurance Association of Turkey</td>
</tr>
<tr>
<td>TSPAKB</td>
<td>The Association of Capital Market Intermediary Institutions of Turkey</td>
</tr>
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Executive Summary

The Turkish financial sector proved resilient during the global financial turmoil in 2009 as well as the ensuing economic crisis thanks to the regulatory reforms and structural overhaul that the government implemented in the wake of the country’s own financial meltdown in the early 2000’s. In fact, the reforms in the sector boosted investor confidence so much that financial services has become the preferred sector for FDI, attracting USD 48 billion during the past 14 years.

Banking dominates the Turkish financial sector, accounting for over 70 percent of overall financial services, while insurance services and other financial activities also show significant growth potential. There are 53 banks in Turkey (34 deposit banks, 13 development and investment banks, 6 participation banks). Out 53 banks, 21 hold significant foreign capital (30% of total assets are held by foreign investors).

An expanding loan base and favorable liquidity conditions contribute to the healthy growth of Turkey’s financial services. The sector enjoys a leading position in the world with an ever-growing asset size and strong equity structure protecting it against shocks that may arise from loans or turbulent market conditions.

The Turkish insurance market is still underpenetrated (1.4% of GDP) compared to peer countries and will provide significant potential as new insurers set up shop and acquire a share of the relatively untapped Turkish market. Turkey has seen strong economic growth fueled in part by a young and dynamic population that is increasingly in need of financial products and services.

A key driver of the Turkish financial sector has been its robust economy with a bright future. Over the past 13 years, Turkish economy has been growing with an average annual real GDP growth rate of approximately 5 per cent and the growth momentum is expected to continue. Turkey’s sizeable and diversified economy has achieved remarkable growth and became 17th largest economy in the world as of 2015.

Turkey’s economic growth has resulted in income growth and a growing robust middle class with increasing purchasing power.

As Turkish economy has expanded, it has integrated with the global economy with a staggering increase in its volume of international transactions. Such developments have further stimulated economic activity, thus expanded financial activities.

Turkey has also set specific economic targets to achieve by 2023, the centennial of the Republic. One of these targets is to transform Istanbul into a prominent financial center. Turkey’s large and young population, qualified labor force and rapidly developing markets along with its geo-strategic location makes Istanbul an ideal candidate for an international financial hub. Since, the government launched the project for Istanbul Financial Center, Istanbul has rapidly made progress and is now considered among emerging financial centers in the world.
A. A Detailed Look at the Financial Services Sector

i. Overview of the Turkish Financial Services Sector

ii. The Banking Sector in Turkey

iii. Insurance and Pension Funds in Turkey

iv. Financial Leasing in Turkey

v. Factoring in Turkey

vi. Consumer Financing in Turkey
## Major milestones in Financial Services Industry of Turkey

### Milestones of Turkey’s Financial Services Industry

<table>
<thead>
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<tbody>
<tr>
<td>Banking Regulation And Supervision Agency (BRSA) founded</td>
<td>Regulation on Measurement and Evaluation of Capital Adequacy of Banks</td>
<td>Record profitability of the banking sector in Turkey</td>
<td>State-owned banks opened up participation banks</td>
</tr>
<tr>
<td>Consolidation of the Market from 100 Banks to 49 Banks</td>
<td></td>
<td>Law No. 6361 regarding Financial Leasing, Factoring and Financial Institutions</td>
<td></td>
</tr>
<tr>
<td>Takasbank is Authorized by CMB as the National Numbering Agency of Turkey</td>
<td></td>
<td>Establishment of Insurance Information and Monitoring Center - TRAMER, SAGMER, HATMER, HAYMER</td>
<td></td>
</tr>
<tr>
<td>Start of internet banking services</td>
<td></td>
<td>All local or foreign insurance, reinsurance and pension companies operating in Turkey are members of the Insurance Association of Turkey</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>New Capital Market Law No. 6362</td>
<td></td>
</tr>
</tbody>
</table>

Source: BRSA, CMB
Turkish financial sector, led by banking, has been rapidly growing while attracting tremendous amount of foreign direct investment (FDI).

**Asset Size of Turkey’s Financial Sector (TL Billion)**

- **Banking**
- **Central Bank**
- **Insurance and Private Pension**
- **Other**

**CAGR 18%**

2008: 1.130
2009: 1.380
2010: 1.600
2011: 1.840
2012: 2.200
2013: 2.660
2014: 3.200
2015: 3.600

Source: BRSA, USD/TRY as of 31/12/2015: 2.92

**FDI Flows into Turkish Financial Sector (Cumulative Value in $ Billion, 2002-2015)**

- **Banking:** 37.5
- **Central Bank:**
- **Insurance & Pension:**
- **Other:**

**CAGR 2008-2015**

- **Banking:** 18%
- **Central Bank:** 22%
- **Insurance & Pension:** 20%
- **Other:** 15%

**Share 2015**

- **Banking:** 65%
- **Central Bank:** 13%
- **Insurance & Pension:** 3%
- **Other:** 19%

*Activities of Holding Companies and Other Activities Auxiliary to Financial Services

Source: CBRT

Other includes: BIST capitalization, securities, consumer finance, real estate investments, investment trusts, asset management and venture capital investment trust assets.
Turkish financial sector has been a magnet attracting significant amount of FDI.

### Greenfield FDI projects in Financial Services

<table>
<thead>
<tr>
<th>Year</th>
<th>Value ($ Billion)</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-2009</td>
<td>2.2</td>
<td>61</td>
</tr>
<tr>
<td>2010-2015</td>
<td>3.6</td>
<td>74</td>
</tr>
</tbody>
</table>

**Source:** FDI Market

### M&As by foreign companies in Financial Services

<table>
<thead>
<tr>
<th>Year</th>
<th>Value ($ Billion)</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-2009</td>
<td>19.9</td>
<td>61</td>
</tr>
<tr>
<td>2010-2015</td>
<td>19.3</td>
<td>66</td>
</tr>
</tbody>
</table>

**Source:** E&Y, Deloitte

"The Turkish banking industry is highly developed and competitive, in our segment in particular. Returns are important but for us the importance is mainly in its growth potential, the strategic location and export potential."

Sipko Schat  
Executive board member responsible,  
Commercial banking, Rabobank.

Rabobank obtained banking license from Turkish authorities in 2013 with an initial capital investment of $300 million.

"Turkey is one of the fastest growing insurance markets worldwide, supported by a robust economic outlook and a large, young population. The transaction with Yapı Kredi is a unique opportunity to move into a market-leading position in one of Europe’s key growth markets which is also an important bridge between Europe and Middle East/Central Asia. This transaction fits perfectly into Allianz’s strategy to use bolt-on acquisitions to strengthen its position in growth markets."

Oliver Bäte,  
Member of the board of management of Allianz SE.

Allianz acquired 94% of YapıKredi Sigorta’s shares for USD 880 million and 80% of YapıKredi Bank’s pension business, YapıKredi Emeklilik, in March 2013.
Turkey’s foreign trade in financial & insurance services has significantly increased in recent years.

**Turkey’s Foreign Trade in Financial & Insurance Services ($ Billion)**

**Turkey’s Foreign Trade in Insurance & Pension Services ($ Billion)**

**Turkey’s Foreign Trade in Financial Services ($ Billion)**

*Source: CBRT*
The banking sector’s asset size grew to more than TL 2.3 trillion in 2015.

• After the crisis in 2001, the Turkish banking sector was restructured and became one of the strongest in Europe.

• Turkey enjoys strong asset growth with a stunning CAGR 19%, with a remarkable increase in the total assets to GDP ratio from 63% in 2005 to 121% in 2015. Despite that, Turkish banking sector is still unsaturated when compared with the Euro Area.

• State-owned bank Ziraat is the leader in terms of total assets with TL 299 billion, followed by İş Bank with TL 280 billion.

Source: BRSA
Source: Eurostat, ECB
Source: TBB

Top 5 Turkish Banks by Asset Size 2015 (TL Billion)

<table>
<thead>
<tr>
<th>Bank</th>
<th>Asset Size (TL Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ziraat Bank</td>
<td>299</td>
</tr>
<tr>
<td>İş Bank</td>
<td>280</td>
</tr>
<tr>
<td>Garanti Bank</td>
<td>261</td>
</tr>
<tr>
<td>Akbank</td>
<td>236</td>
</tr>
<tr>
<td>YapıKredi Bank</td>
<td>232</td>
</tr>
</tbody>
</table>

Source: Non-consolidated balance sheet USD/TRY as of 31/12/2015: 2.92
The total asset size of participation banks was more than TL 120 billion as of end 2015.

- Islamic banking operations in Turkey started in mid 1980’s under the name of «Special Finance Houses». In 2005, these institutions were renamed as «Participation Banks» and allowed to conduct banking activities in compliance with Islamic principles. Today there are six participation banks operating in Turkey.

- The total asset size of participation banks was more than TL 120 billion by the end of 2015, growing at an impressive CAGR of 28% since 2005. The share of participation banks in banking sector assets increased from 2.4% in 2005 to 5.1% in 2015.

USD/TRY as of 31/12/2015: 2.92

Source: TKBB
Through the years, Turkish banking sector has attracted many foreign investors.

- As of end 2015, 32% of the banking assets were owned by public banks, 38% by private banks, 30% by foreign banks.

- The share of foreign banks in total assets increased from just 4% in 2004 to 30% in 2015 while the share of state owned bank decreased to 32% from 38%.

- As of June 2016, there are 53 banks in Turkey. There are a total of 34 savings banks, 13 development and investment banks and 6 participation banks.

- 5 of the deposit banks are state owned banks, namely, Ziraat Bankası, Halk Bankası, Vakıflar Bankası, Adabank and Birleşik Fon Bankası.

- Additionally, there are 4 state owned development and investment banks: İlbank, Takasbank (İstanbul Settlement and Custody Bank Inc.), Türk Eximbank and Development Bank of Turkey.

Source: CBRT, BRSA
While Turkish banking sector has been growing at full speed, it has also diversified its funding sources..

Banking Sector Growth (TL Billion)

- Loans
- Deposits
- Assets

<table>
<thead>
<tr>
<th>Year</th>
<th>Loans</th>
<th>Deposits</th>
<th>Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>99</td>
<td>191</td>
<td>306</td>
</tr>
<tr>
<td>Apr-2016</td>
<td>1.515</td>
<td>1.278</td>
<td>2.396</td>
</tr>
</tbody>
</table>

Liabilities of Turkish Banks

- Other Liabilities
- Shareholder's Equity
- Securities Issued
- Money Market
- Banks

<table>
<thead>
<tr>
<th>Year</th>
<th>Other Liabilities</th>
<th>Shareholder's Equity</th>
<th>Securities Issued</th>
<th>Money Market</th>
<th>Banks</th>
<th>Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>6%</td>
<td>15%</td>
<td>0%</td>
<td>11%</td>
<td>15%</td>
<td>6%</td>
</tr>
<tr>
<td>Apr-2016</td>
<td>8%</td>
<td>12%</td>
<td>4%</td>
<td>8%</td>
<td>15%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Source: BRSA
USD/TRY as of 31/12/2015: 2.92
Loans have performed double-digit growth rates over the past decade.

- Cash and non-cash loans increased at a CAGR of 23% from 2006 to 2015. Non-cash loans surpassed TL 459 billion as of end 2015, while cash loans were more than TL 1,485 billion.

- SMEs are the backbone of the Turkish economy. Turkish banks started funding SMEs at an increased rate from 2006. Total SME loan amounts increased at a CAGR of 23% during this period with more than TL 389 billion in 2015.

USD/TRY as of 31/12/2015: 2.92
New products offered by banks increased the amount of consumer loans.

- Total consumer loans increased substantially with a CAGR of 23% from 2005 to 2015 exceeding TL 384 billion.
- The increase in different loan product categories offered by banks supported the increase in consumer loans. Within this scope, the introduction of mortgage loans, which constitute more than 37% of total consumer loans, reached to more than TL 143 billion with a CAGR of 27% from 2005 to 2015.
Banks’ improved risk management keeps the NPL ratio around 3%, well-positioned vis-à-vis peer economies.

- Turkish banks have been barely affected by the global economic crisis of 2009, and were able to maintain low levels of NPL ratios. The NPL ratio of Turkish banks was 3.1% as of end 2015. The main reason for this level was the comprehensive risk management framework applied by the banks.
Turkey is fully committed to Basel III standards... and has even implemented a higher CAR than those set by Basel III regulation

- Since July 2012, Turkey has begun fully implementing Basel II standard of credit risk assessment.
- The Turkish banking sector has capital adequacy ratios (CAR) above the regulator limits of BRSA, which was 12%. Moreover, Turkey’s CAR exceeds that of Basel II, which was 8% and Basel III, which will gradually increase each year and will be set at a total capital ratio of 10.5% by January 2019.
- Despite the global economic crisis and the Eurozone crisis, the high capital adequacy ratio of Turkish banks allowed them to achieve strong financial statements. Hence, Turkish banks were only slightly effected by both crises. Moreover, Turkish banks are already prepared to meet the new capital requirements of Basel III.

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**Capital Adequacy Ratio (CAR) in Turkey (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>CAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>23,7</td>
</tr>
<tr>
<td>2007</td>
<td>26</td>
</tr>
<tr>
<td>2009</td>
<td>15,56</td>
</tr>
</tbody>
</table>

Target: 12%
Legal Limit (Basel III): 10.5%
Legal Limit: 8%

**CAR for Banks in Turkey**

<table>
<thead>
<tr>
<th>Year</th>
<th>Deposit</th>
<th>Participation</th>
<th>Dev &amp; Inv</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>58,7%</td>
<td>17,7%</td>
<td>15,1%</td>
</tr>
<tr>
<td>2011</td>
<td>55,5%</td>
<td>17,7%</td>
<td>15,1%</td>
</tr>
<tr>
<td>2012</td>
<td>52,3%</td>
<td>15,1%</td>
<td>15,1%</td>
</tr>
<tr>
<td>2013</td>
<td>49,1%</td>
<td>13,5%</td>
<td>14,9%</td>
</tr>
<tr>
<td>2014</td>
<td>45,9%</td>
<td>12,9%</td>
<td>14,9%</td>
</tr>
<tr>
<td>2015</td>
<td>42,7%</td>
<td>12,9%</td>
<td>14,9%</td>
</tr>
</tbody>
</table>

Source: BRSA, as of March

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**Total Capital**

<table>
<thead>
<tr>
<th>Basel II</th>
<th>Basel III</th>
</tr>
</thead>
<tbody>
<tr>
<td>8%</td>
<td>10.5%</td>
</tr>
</tbody>
</table>

**Leverage**

<table>
<thead>
<tr>
<th>Basel II</th>
<th>Basel III</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Deloitte Analysis
The solid capital structure of Turkish banks allowed the sector to enjoy high profits.

- The strong growth in the Turkish banking sector was also reflected in its profits exceeding TL 26 billion in 2015.

- The total interest income, which includes interest received from loans given, interest received from required reserves, interest received from other banks and interest received from money market transactions increased over TL 164 billion.

- The banking sector not only benefits from increased income from interest but also from fees collected from other banking activities. The share from fees, commissions and banking services is around 10%  

Source: BRSA  
USD/TRY as of 31/12/2015: 2.92
The sector grew as a result of its strong asset quality and was able to maintain high profits.

**ROA Country Comparison, 2015**

<table>
<thead>
<tr>
<th>Country</th>
<th>ROA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>1.5%</td>
</tr>
<tr>
<td>Poland</td>
<td>0.8%</td>
</tr>
<tr>
<td>France</td>
<td>0.4%</td>
</tr>
<tr>
<td>USA</td>
<td>0.4%</td>
</tr>
<tr>
<td>UK</td>
<td>0.4%</td>
</tr>
<tr>
<td>Russia</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

**ROE Country Comparison, 2015**

<table>
<thead>
<tr>
<th>Country</th>
<th>ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>13.6%</td>
</tr>
<tr>
<td>Poland</td>
<td>9.5%</td>
</tr>
<tr>
<td>France</td>
<td>6.8%</td>
</tr>
<tr>
<td>UK</td>
<td>6.7%</td>
</tr>
<tr>
<td>USA</td>
<td>3.0%</td>
</tr>
<tr>
<td>Russia</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

Source: IMF Financial Soundness Indicators

- The Turkish banking sector’s return on asset (ROA) ratio was stronger than that of banks in major financial centers as well as Eastern European countries. In 2015, ROA was 1.50% in Turkey.
- Moreover, return on equity was, again, well above that of the USA and Europe with 13.6% in 2015.
Turkey’s growing banking sector also resulted in the increase in the number of bank branches.

![Total Number of Bank Branches in Turkey Including Foreign Branches, 2006-2014](chart1)

- The total number of branches increased at a CAGR of 6% between 2006 and 2015.
- The highest number of branches belongs to commercial banks, followed by participation banks and development banks.
- The per branch employee number decreased as a result of the increasing trend towards centralization of branch operations as well as the increase in automated functions.

![Development of Cashpoints (ATMs) in Turkey, 2008-2015](chart2)

- The development of the banking sector over recent years has affected the usage of cashpoints. As of end 2015, there were a total of 48,277 ATM cashpoints in Turkey.
- Between 2008 and 2015, the number of ATMs grew at a CAGR of 12%.

Source: BRSA, BKM

Investment Support and Promotion Agency of Turkey
Banks also started focusing on alternative technologies that provide low cost and faster transaction services.

- The internet banking transaction value increased CAGR 22% between 2008 and 2015. Cash transfers had the lions’ share in total internet banking transactions with 69% and increased impressively by a CAGR of 24% from 2008 to 2015. Notwithstanding the large share from cash transfers, the fastest growth was observed in payments with a staggering growth performance.

- The mobile banking transaction values almost tripled annually since 2011 and exceeded TL 555 billion in 2015. It is noteworthy to mention the development of mobile phone users and the number of 3G/4G LTE phone subscribers. In 2015, the number of mobile phone internet subscribers increased by 21% exceeding 37.0 million. 4G LTE service was launched by all operators in April 2016.

Source: TBB USD/TRY average for 2015: 2.72
Transactions for both credit and debit cards have increased significantly.

- Turkey’s vibrant and growing economy had a positive impact on the development of credit and debit cards, providing significant potential for banks.

- The number of credit cards in Turkey increased at a CAGR of 4% between 2008 and 2015. And, a staggering CAGR of 16% was realized during this time in transaction volume reaching TL 534 billion in 2015.

- The rapid development was also observed for debit cards. In 2015, transaction volume reached TL 484 billion and the CAGR since 2008 was 18%.

Source: BKM
USD/TRY average for 2015: 2.72
A Success Story: Odea Bank

"We hope to become one of the biggest banks in Turkey by 2017. Since our entrance into the Turkish market in 2012, the Turkish economy remained stable and showed significant growth despite the global economic environment. The reforms made by the government and the Banking Regulation and Supervision Agency (BRSA) enhanced our performance."

Hüseyin Özkaya, Director General of Odea Bank, July 2013

- Odea Bank started its operations in Turkey in October 2012. Odea Bank is the first bank to receive a banking license in Turkey in the last 15 years.

- The bank had a very rapid growth and by end 2015, Odea Bank’s total assets increased to TL 32.1 billion with 25% annual growth. The bank was ranked 9th among 43 banks (excluding participation banks) in Turkey.

- 91.4% of the bank’s shares are owned by Bank Audi, a Lebanese group, which has banking operations in 11 countries in the region.

Source: Odea Bank
Financial Services Sector: Selected Players

**İş Bank**
- Established in 1924 and is Turkey’s largest private bank.
- The bank’s shares are held by the İşbank Pension Fund, the Republican People’s Party and 32% of the shares were open to public.
- İş Bank’s total assets were TL 275 billion by the end of 2015.
- İş Bank’s products and services include retail, corporate banking and capital market operations and other financial services such as private pensions, insurance, asset management, leasing and factoring.

**Garanti Bank**
- Founded in 1946, Garanti is Turkey’s second largest private bank with total assets worth TL 279 billion by the end of 2015.
- Garanti is controlled by the Spanish bank BBVA, with Doğuş Holding having the minority shares.
- Garanti provides integrated financial services in every segment of banking and has subsidiaries for pension, life insurance, factoring, leasing, brokerage and asset management on both national and international levels.

**Akbank**
- Established in 1948 in Adana for cotton growers, Akbank is owned by Sabancı Holding and other shareholders.
- Akbank provides consumer, commercial, SME, corporate and private banking services as well as foreign exchange, foreign trade financing and treasury transactions.
- The bank’s total assets reached approximately TL 252 billion by the end of 2015.

**Ziraat Bank**
- Homeland Funds, the origin of Ziraat Bank, was founded in 1863 to support farmers and agricultural development.
- The Republic of Turkey Prime Ministry Under secretariat of the Treasury is the sole owner of Ziraat Bank.
- Ziraat Bank is the largest bank in Turkey and has the most extensive network.
- Ziraat Bank’s total assets reached TL 303 billion by the end of 2015.

Source: ISO 500
Participation Banks: Selected Players

<table>
<thead>
<tr>
<th>Türkiye Finans</th>
<th>Albaraka</th>
<th>Kuveyt Türk</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Türkiye Finans was established in 1991 following the merger of the companies Family Finans and Anadolu Finans.</td>
<td>• Established in 1984 by Albaraka Banking Group, Islamic Development Bank and other investors; it is a pioneer in participation banking in Turkey.</td>
<td>• Kuveyt Türk started its activities in 1989.</td>
</tr>
<tr>
<td>• It operates in credit intermediation and related activities.</td>
<td>• Albaraka had TL 29.5 billion of total assets as of end 2015.</td>
<td>• It is owned by Kuwait Finance House, the Public Institution for Social Security of Kuwait, the Turkish Directorate General of Foundations and the Islamic Development Bank.</td>
</tr>
<tr>
<td>• Türkiye Finans had assets worth TL 33.5 by the end of 2014.</td>
<td>• Albaraka Türk offers its customers participation accounts, personal and corporate finance, leasing and project-based profit and loss sharing services.</td>
<td>• Kuveyt Türk’s total assets were TL 42 billion in 2015.</td>
</tr>
<tr>
<td>• The bank has retail, commercial and SME banking services for both national and international customers.</td>
<td></td>
<td>• The bank’s main products are current and participation accounts, investment and saving accounts and leasing.</td>
</tr>
</tbody>
</table>

Source: ISO 500
The premiums to GDP ratio in Turkey is low, demonstrating potential for growth in the future years.

- Turkey’s total premiums as a percentage of GDP is 1.4%.
- The insurance market is still underpenetrated compared to peer countries and will provide significant potential as new insurers set up shop and acquire a share of the relatively untapped Turkish market. Turkey has seen strong economic growth fueled in part by a young and dynamic population that is increasingly in need of financial products and services.
Turkey’s insurance sector asset size grew at a CAGR of 20% between 2008 and 2015.

- There are a total of 61 active insurance and retirement pension companies in Turkey of which 37 are non-life insurance companies, 4 life insurance and 19 pension companies and 1 reassurance company as of 2015.

- The asset size of non-life insurance increased a stunning CAGR 24%, while the asset size of life insurance and pension companies also reported a significant increase of a CAGR of 15% during the same period.

- Life insurance premiums grew at CAGR of 13% between 2009 and 2015 to over TL 3,700 million, while non-life insurance grew at a CAGR of 17% exceeding TL 27,200 million.

Source: TSB  USD/TRY as of 31/12/2015: 2.92
The premiums grew in every business line of insurance between 2009 and 2015.

### Breakdown of Premiums in 2015

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Vehicles Liability*</td>
<td>24%</td>
<td><img src="chart" alt="Premium Breakdown" /></td>
<td>22%</td>
</tr>
<tr>
<td>Land Vehicles</td>
<td>18%</td>
<td><img src="chart" alt="Premium Breakdown" /></td>
<td>13%</td>
</tr>
<tr>
<td>General Losses</td>
<td>10%</td>
<td><img src="chart" alt="Premium Breakdown" /></td>
<td>21%</td>
</tr>
<tr>
<td>Health</td>
<td>11%</td>
<td><img src="chart" alt="Premium Breakdown" /></td>
<td>16%</td>
</tr>
<tr>
<td>Fire and Forces of Nature</td>
<td>14%</td>
<td><img src="chart" alt="Premium Breakdown" /></td>
<td>15%</td>
</tr>
<tr>
<td>Life</td>
<td>12%</td>
<td><img src="chart" alt="Premium Breakdown" /></td>
<td>13%</td>
</tr>
<tr>
<td>Other Non-Life**</td>
<td>11%</td>
<td><img src="chart" alt="Premium Breakdown" /></td>
<td>16%</td>
</tr>
</tbody>
</table>

- Premiums grew in every business line in the insurance sector between 2009 and 2015. The areas of land vehicles liability and general losses, grew considerably registering CAGRs of 22% and 21% respectively.

Source: TSB

*Land vehicles liability insurance is compulsory. **Other non-life insurance includes accident, railway rolling stock, aircraft, maritime, aircraft liability, general liability, credit, suretyship, financial losses, legal protection and assistance.
Banks are increasingly considering insurance products for cross-selling opportunities.

- Insurance sales in Turkey are conducted via direct sales, agencies, bancassurance and brokers.
- Total insurance sales reached about TL 31 billion in 2015. 88% of these sales were non-life insurance sales with more than TL 27.3 billion in sales, while the rest were life insurance sales with a total worth of more than TL 3.8 billion.
- Agencies had the biggest share in total sales constituting 60% of total sales with more than TL 18 billion. The significant amount of sales is due to the strong presence of agencies in Turkey. There were more than 16,000 actively operating agencies as of 2015.
- Agency sales are followed by bancassurance sales. Bancassurance grew from 17% to 22% from 2008 to 2015, exceeding TL 6.9 billion in total sales.
**Allianz is the market leader in non-life insurance, the life insurance market is dominated by Ziraat.**

- Allianz was the leader in non-life insurance market in terms of written premiums in 2015 with a share of 14.9% after the acquisition of Yapı Kredi Sigorta in 2014. Anadolu Sigorta and Axa Allianz with 13.2% and 11.2% market shares, respectively.

- The large scale non-life insurance companies (the top 5 companies) represent 53% of total market as of December 2015.

- Ziraat Hayat and Emeklilik started its operations in the life insurance business in 2009. As of 2010, Ziraat Hayat and Emeklilik became the market leader in terms of life insurance premiums and continued to be the leader thanks to its large retail customer base and branch network. Ziraat Hayat and Emeklilik had a share of 16.5% in 2015, followed by Allianz with 11.5% and Anadolu with 10.7%.

### Non-Life Insurance Market Share, Written Premiums

![Non-Life Insurance Market Share, Written Premiums](image)

### Life Insurance Market Share, Written Premiums

![Life Insurance Market Share, Written Premiums](image)
The government will fund 25% of a participant’s monthly contribution in order to promote savings.

- In October 2001, private pension plans were established in Turkey after the enactment of Law No. 4632 - Private Pension Plans Savings and Investment System. The objective of the new pension regulation can be described as follows:
  - Increase the savings behavior of the population with the new tax and financial incentives
  - Involve and integrate the non-working population into the system
  - Decrease the lapse issue within the system

### Government Grants and Advantages

- The government will contribute 25% of the monthly participant contribution into a separate pension contract. The government’s annual contribution will be up to 25% of the gross annual minimum wage.
- The participant is eligible for the pension fund with the following terms:
  - 0-3 years of participation (0% of the fund)
  - 3-6 years of participation (15% of the fund)
  - 6-10 years of participation (35% of the fund)
  - 10 years of participation and before the age of 56 (60% of the fund)
  - 10 years of participation and after the age of 56 (retirement), death and disability (100% of the fund)

### Major Conditions for the Individual Pension Plans

- A minimum 10 years in the system
- A minimum retirement age of 56
- No more requirement of minimum 10 years of contribution payment
- Participants can switch funds 6 times and pension plans 4 times a year
- Once the participant retires, he/she can claim the amount via three different means (i.e., total payment of asset under management, installed repayment, and annuity contract)
- A contract is signed when the first contribution amount is transferred into the company’s account.
- The participant has the right to withdraw the money in the fund up to 60 days after the contact has been signed.
- There is gradual tax on net return instead of accumulated value. Pricing is based on the riskiness of the pension fund.

Source: EGM
In 2014, the size of the Turkish pension funds relative to GDP was doubled over the past 5 years.

- Pension funds in the world’s developed and developing countries play a crucial role in the economy since they provide long term funds to the market.
- In 2014, the ratio of pension funds to GDP in Turkey was 5.5%, an increase from 2.3% in 2010. The figure is still significantly lower than major OECD countries. However, there is great potential for the market because of the government’s promotion of savings plans to the general population.
Gross national savings make up 15.6% of Turkey’s GDP in 2015, up from 12.9% in 2013.

- Gross national savings as a percentage of GDP was 15.6% in 2015, which is relatively lower than other countries.
- The Turkish government is trying to increase savings by enhancing the private pension system and generally raising awareness and promoting household savings. Thus, the government aims to increase the savings to 18% by 2018.
Both AUM and contribution amounts had rapid growth since 2006 with a CAGR of 35% and 34%, respectively.

- The number of participants in Turkey’s pension funds increased at a CAGR of 21% between 2006 and 2015, while total contributions increased at a CAGR of 34% during the same period.
- As of 2015, total contributions reached TL 37.1 billion, which is a staggering 31% increase from the previous year. This increase was due to the new pension regulation, in which the government funds 25% of the monthly contribution.
- According to the Pension Monitoring Center’s Private Pension Development Report 2015, the total number of contracts increased to 7.0 million with 6.1 million participants. The assets under management exceeded TL 34 billion.

USD/TRY as of 31/12/2015: 2.92
The top 4 pension funds constituted 71% of the market.

- AvivaSA Yaşam ve Emeklilik is the market leader in the pension fund sector in terms of assets under management. However, it is not the market leader in terms of number of participants.
- Garanti Emeklilik ve Hayat and Anadolu Hayat ve Emeklilik has the highest share in terms of number of participants with 17% as 2015.
## Non-Life Insurance Sector: Selected Players

<table>
<thead>
<tr>
<th>AXA Sigorta</th>
<th>Allianz Sigorta</th>
<th>Anadolu Sigorta</th>
<th>Güneş Sigorta</th>
</tr>
</thead>
<tbody>
<tr>
<td>• French insurance giant Axa entered the Turkish insurance market in 1995 under the name Axa Oyak Life Insurance.</td>
<td>• In 1988, the German company Allianz along with Tokio Marine Insurance from Japan bought shares of Şark Sigorta operating under Koç Holding.</td>
<td>• Anadolu Sigorta was founded in 1925 by İş Bank.</td>
<td>• Güneş Sigorta was established in 1957.</td>
</tr>
<tr>
<td>• In 2008, AXA bought Oyak’s shares.</td>
<td>• Allianz owns 96.2% of the life insurance shares of the company. The other 3.8% is held by Tokio Marine.</td>
<td>• 57% of the company is owned by Milli Reasürans T.A.Ş. and the rest is publicly listed.</td>
<td>• Vakıf Emeklilik owns 36% of Güneş Sigorta and Groupama, one of the leading insurance companies in France, owns 36%. The rest of the shares are owned by the Retirement Foundation of Vakıfbank’s personnel and the public.</td>
</tr>
<tr>
<td>• 93% of the company belong to Axa Holding A.Ş., 7% to Ziraat Bank and the rest to smaller stakeholders.</td>
<td>• A Allianz acquired Yapı Kredi Sigorta in 2014</td>
<td>• Anadolu Sigorta’s total assets under management reached TL 4.5 billion.</td>
<td>• Güneş Sigorta's total assets under management reached in 2015 TL 1.3 billion.</td>
</tr>
<tr>
<td>• Axa Sigorta’s total assets under management in 2015 reached TL 4.8 billion.</td>
<td>• Allianz's total assets under management in 2015 reached TL 5.5 billion.</td>
<td>•</td>
<td></td>
</tr>
</tbody>
</table>
# Life Insurance Sector: Selected Players

## NN HAYAT ve EMEKLİLİK
- Oyak Emeklilik A.Ş., was founded in 2003.
- Dutch financial services group ING acquired the company in 2007.
- Oyak Emeklilik’s name changed to ING Emeklilik in 2009.
- The company was renamed NN Emeklilik in February 2015.
- NN Continental Europe Holding BV owns the company.
- ING Emeklilik’s total assets under management in 2015 reached TL 2.1 billion.

## GARANTI EMEKLİLİK ve HAYAT
- Garanti Emeklilik ve Hayat began its operations in 2002.
- 85% of Garanti Hayat ve Emeklilik’s shares are owned by Garanti Bank, the remaining are owned by Dutch insurance company Achmea.
- Garanti Emeklilik ve Hayat’s total assets under management was more than TL 9.0 billion in 2015.

## ANADOLU HAYAT ve EMEKLİLİK
- Anadolu Hayat Emeklilik was founded in 1990 and is Turkey’s only publicly listed insurance company.
- 62% of the company’s shares are owned by İş Bank, 20% by Anadolu Sigorta, 17% is open to public and less than 1% is held by Milli Reasürans T.A.Ş.
- In 2015, the company’s asset under management totaled TL 11.8 billion.

## AvivaSA Emeklilik ve Hayat
- AvivaSA was established in 2007 with approximately 50% percent of its shares divided between Sabancı Holding and Aviva.
- Aviva is a global insurance company headquartered in Britain with over 50 million customers.
- AvivaSA had TL 10.2 billion asset under management in 2015.

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**Source:** TSB and Company websites

**Investment Support and Promotion Agency of Turkey**
Financial leasing assets grew at a CAGR of 15% between 2007 and 2015.

- Turkey’s leasing transaction volume reached USD 8.5 billion in 2014, which is a 50% increase from the previous year. Despite the huge year-over-year growth Turkey’s leasing sector is still underpenetrated but significant upside potential as leasing asset size grows.
- The total asset size grew at an impressive CAGR of 15% from 2007 to 2015 to more than TL 40 billion.
- Furthermore, participation banks in Turkey can also conduct financial leasing operations on tangible items.

Source: FKB
USD/TRY as of 31/12/2015: 2.92
Real estate had the highest share in financial leasing with 28% in 2015.

- The Turkish government promotes financial leasing operations. As of December 2011, it reduced the VAT applied for leasing operations to 1% for lessees that have investment incentive documents. The items that can be leased include steam boilers, steam turbines, concrete pumps and centrifuges among other items. In light of this support, financial leasing receivables steadily increased.
- Financial leasing receivables increased at CAGR of 15.0% between 2008 and 2015 exceeding TL 36 billion in 2015.
- Leasing of construction equipment had the highest share in terms of investment amount with 28%, followed by construction equipment with 21%.
Leasing Sector Operational Figures

<table>
<thead>
<tr>
<th>Leasing Sector Operational Figures</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Branches</td>
<td>16</td>
<td>17</td>
<td>18</td>
<td>32</td>
<td>29</td>
<td>28</td>
</tr>
<tr>
<td>Number of Agencies</td>
<td>69</td>
<td>72</td>
<td>75</td>
<td>117</td>
<td>138</td>
<td>143</td>
</tr>
<tr>
<td>Number of Personnel</td>
<td>1,286</td>
<td>1,217</td>
<td>1,258</td>
<td>1,361</td>
<td>1,458</td>
<td>1,504</td>
</tr>
<tr>
<td>Number of Clients</td>
<td>50,428</td>
<td>43,294</td>
<td>45,089</td>
<td>46,752</td>
<td>52,041</td>
<td>56,396</td>
</tr>
<tr>
<td>Number of Contracts</td>
<td>10,186</td>
<td>14,648</td>
<td>17,787</td>
<td>19,790</td>
<td>20,302</td>
<td>23,124</td>
</tr>
</tbody>
</table>

Source: FKB

- The leasing sector in Turkey makes up a significant part of the non-banking sector with 23,124 contracts in 2015.
- In 2015, the number of skilled personnel in the leasing sector was 1,504 and the total number of clients was 56,391.
- With 143 different agencies all across Turkey, leasing companies provide necessary services to their clients.
The leasing sector is a promising one with 26% growth in revenues in 2015 compared to 2014.

- Revenues in the leasing sector in Turkey have been increasing since 2009.
- As of 2015, leasing revenues were TL 2,744 million, which corresponds to a 26% increase compared to the previous year and 240% increase compared to 2009.
- Net profit increased from TL 526 million to TL 809 million in 2015.

Source: FKB, BRSA  USD/TRY average for 2015: 2.72
# Leasing Sector: Selected Players

## BNP PARIBAS Leasing Solutions
- BNP Paribas Leasing Solutions, a global leader in financial services, signed a cooperation agreement with TEB Leasing in 2005.
- In 2009, BNP acquired Fortis Leasing.
- TEB Leasing and Fortis Leasing then merged under the umbrella of BNP Paribas Finansal Kiralama A.Ş. in 2011.
- BNP leases medical and data processing equipment, energy facilities, transport vehicles, construction machinery and real estate. Its total assets in 2015 was TL 2.3 million.

## SIEMENS AG Leasing
- Siemens Finansal Kiralama A.Ş. was established in 1997 by Siemens AG Leasing, which has offices in more than 20 countries.
- Siemens leases printing machines, textile, tourism and office equipment, transport vehicles, computers and software, cranes and construction machinery, power stations and communication and security systems.

## GARANTI Leasing
- Garanti Leasing was founded in 1990.
- It uses Garanti Bank branches as a distribution channel. In 2007, Garanti Leasing founded Garanti Fleet.
- Garanti Leasing aims to become the first Turkish leasing company to open offices overseas.
- Business premises, real estate, medical and office equipment, construction, textile and manufacturing machinery can be leased from Garanti Leasing.
- Garanti Leasing’s total assets in 2015 amounted to TL 4.8 million.

## YATIRIM Leasing
- Yatırım Leasing was founded in 1993. It joined TETAŞ Group in 2004. The company offers its clients investment services in different sizes and terms and consultancy to promote leasing activities in Turkey.
- Yatırım Leasing provides financing for capital such as medical and construction equipment, press and packaging, appliances for metals and textile sectors.
- The company’s total assets were TL 107.586 million in 2015.

Source: Company Websites

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Investment Support and Promotion Agency of Turkey
The assets in the factoring sector in Turkey have been increasing significantly, reaching TL 26.7 billion in 2015.

- In Turkey, factoring was introduced in 1988 to support manufacturers’ export activities. One of the major advantages of factoring is its ability to provide companies with immediate cash flow for their accounts receivable.
- Turkish factoring sector has been growing with a CAGR of 23% between 2008 and 2015, reaching TL 26.7 billion by the end of 2015.
- Receivables in the sector grew by 75% compared to 2011.

Source: CBRT, USD/TRY as of 31/12/2015: 2.92
Factoring revenues increased by 12% in 2015 demonstrating a vast potential in the sector.

- The revenue and net profit of the factoring sector have been increasing since 2009.
- Compared to 2009, factoring revenues increased 170% reaching TL 3,665 million in 2015.
- The net profits in factoring reached TL 387 million in 2015.

Source: BRSA

USD/TRY average for 2015: 2.72
The total numbers of clients and contracts have been increasing in the factoring sector demonstrating its high service potential.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Companies</td>
<td>78</td>
<td>76</td>
<td>75</td>
<td>78</td>
<td>76</td>
<td>76</td>
<td>66</td>
</tr>
<tr>
<td>Number of Agencies &amp; Branches</td>
<td>142</td>
<td>203</td>
<td>243</td>
<td>247</td>
<td>319</td>
<td>366</td>
<td>379</td>
</tr>
<tr>
<td>Number of Personnel</td>
<td>2,959</td>
<td>3,557</td>
<td>3,819</td>
<td>4,186</td>
<td>4,650</td>
<td>4,980</td>
<td>4,804</td>
</tr>
<tr>
<td>Number of Clients</td>
<td>40,997</td>
<td>57,094</td>
<td>66,468</td>
<td>67,054</td>
<td>--</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Contracts</td>
<td>65,952</td>
<td>89,516</td>
<td>91,029</td>
<td>84,769</td>
<td>87,624</td>
<td>93,327</td>
<td>95,416</td>
</tr>
</tbody>
</table>

Source: BRSA

- The table above provides some of the most crucial operational figures of the factoring sector. The sector continued its growth between 2009 and 2015 in almost every operational activity.
- For example, the number of branches and agencies in the factoring sector increased from 142 in 2009 to 379 in 2015. This also resulted in the increase of highly skilled personnel in this field reaching a total of 4,804, which is a 62% increase compared to 2009.
## Factoring Sector: Selected Players

**Garanti Factoring**
- Garanti Factoring was established in 1990 in order to provide factoring services to industrial and commercial companies.
- Garanti Factoring open edits shares to the public in 1993 and is traded on Borsa Istanbul.
- The company currently has 21 branches in 14 cities of Turkey.
- The total assets of the company were TL 2,971 million in 2015.

**YapıKredi Factoring**
- YapıKredi Factoring was established in 1999.
- The company provides services to commercial companies and more than 90% of its customer base is small and medium size enterprises.
- YapıKredi Factoring is an active member of both the Factoring Association and Factors Chain International (FCI).
- In 2015, the total assets of YapıKredi Factoring were TL 2,287 million.

**TEB Factoring**
- TEB Factoring was established in Turkey in 1997.
- The company provides factoring services domestically and internationally.
- Since 1998, TEB Factoring is a member of the Factors Chain International.
- The total assets of TEB Factoring in 2015 amounted to TL 1,240 million.

Source: Company Websites

Investment Support and Promotion Agency of Turkey
Turkish consumer financing sector has been constantly growing since 2009.

- One of the main advantages of consumer financing companies is their ability to provide fast and efficient loans for their customers. Most consumer financing companies in Turkey are focused on specific financing fields such as car loans or mortgages, which allow them to serve their customers faster and with a variety of choices targeted to them.

- Also, it is important to note that with the amendment of Law No. 6361 regarding "Leasing, Factoring and Financing Company Law," new benefits were introduced in the consumer financing sector in 2012.

- According to the law, financing companies now have the title of credit institutions and are now allowed to provide cash loan up to 5% of their total assets.

- As of 2015, total assets for the consumer financing sector was TL 27.2 billion increasing by 34% compared to the previous year.

- Non-performing loans (NPLs) ratio in the sector has been relatively low, revolving around 3%.

### Consumer Financing Sector Assets, 2009-2015

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Assets (TL Billion)</th>
<th>% Growth (RHS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>2.9</td>
<td>-10%</td>
</tr>
<tr>
<td>2010</td>
<td>3.2</td>
<td>0%</td>
</tr>
<tr>
<td>2011</td>
<td>3.5</td>
<td>10%</td>
</tr>
<tr>
<td>2012</td>
<td>3.7</td>
<td>20%</td>
</tr>
<tr>
<td>2013</td>
<td>3.9</td>
<td>30%</td>
</tr>
<tr>
<td>2014</td>
<td>4.2</td>
<td>40%</td>
</tr>
<tr>
<td>2015</td>
<td>4.7</td>
<td>50%</td>
</tr>
</tbody>
</table>

### Consumer Financing Sector Selected Financial Indicators, 2011-2015 (TL Billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Receivables</th>
<th>NPLs (%)</th>
<th>Reserves</th>
<th>Banks</th>
<th>Credit</th>
<th>SE Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>8.4</td>
<td>2.9%</td>
<td>0.1</td>
<td>0.2</td>
<td>7.1</td>
<td>0.6</td>
</tr>
<tr>
<td>2012</td>
<td>10.7</td>
<td>2.8%</td>
<td>0.1</td>
<td>0.1</td>
<td>9.0</td>
<td>0.9</td>
</tr>
<tr>
<td>2013</td>
<td>14.5</td>
<td>2.7%</td>
<td>0.2</td>
<td>0.2</td>
<td>0.9</td>
<td>1.2</td>
</tr>
<tr>
<td>2014</td>
<td>18.1</td>
<td>2.7%</td>
<td>0.2</td>
<td>0.2</td>
<td>0.7</td>
<td>1.4</td>
</tr>
<tr>
<td>2015</td>
<td>23.8</td>
<td>3.0%</td>
<td>0.3</td>
<td>0.3</td>
<td>0.8</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Source: BRSA, TCMB

Source: BRSA, CBRT

USD/TRY as of 31/12/2015: 2.92
### Major Players in Consumer Financing

<table>
<thead>
<tr>
<th>Name</th>
<th>Web Page</th>
<th>What They Do</th>
</tr>
</thead>
<tbody>
<tr>
<td>Şeker Finans</td>
<td><a href="https://sekerfinans.com.tr">https://sekerfinans.com.tr</a></td>
<td>Şeker Finans started its operations in 2008 under the name Istanbul Finans and then merged with Şekerbank in 2010. It offers mortgage and renovation work loans.</td>
</tr>
<tr>
<td>PSA Finance</td>
<td><a href="http://psafinansman.com/">http://psafinansman.com/</a></td>
<td>PSA Finance was created in 2010. It is a subsidiary of the French firm, PSA Financial Holding. Its total capital is TL 20 billion.</td>
</tr>
<tr>
<td>Eximbank</td>
<td><a href="http://www.eximbank.gov.tr">http://www.eximbank.gov.tr</a></td>
<td>In 2015, it provided USD 21.7 billion loans, USD 13.7 billion insurance. Its total financial support accounted for 20.4% of Turkey’s exports. As of 2015, it has total assets worth of TL 44.4 billion.</td>
</tr>
<tr>
<td>Koçfinans</td>
<td><a href="http://www.kocfinans.com.tr">http://www.kocfinans.com.tr</a></td>
<td>Koçfinans offers its customers car, mortgage and education loans. Since its founding in 1995, the company has provided credit for more than 3.7 million customers, approximately USD 7.5 billion worth of loans.</td>
</tr>
<tr>
<td>Koç Fiat Kredi</td>
<td><a href="https://www.kocfiatkredi.com.tr">https://www.kocfiatkredi.com.tr</a></td>
<td>Koç Fiat Kredi was founded in 2000 by Koç Holding and Fiat and was later bought by Tofaş Türk Otomobil Fabrikaları A.Ş. It is a captive finance company serving 4 brands. In 2015, the company made loans worth of TL 1,689 million.</td>
</tr>
<tr>
<td>Orfin</td>
<td><a href="http://www.orfin.com.tr">http://www.orfin.com.tr</a></td>
<td>Orfin has been operating since 2011 and has a financial portfolio of products worth EUR 22.5 billion worldwide. In Turkey, the company has TL 93 million shareholders equity and offers its services for the sales of the Renault and Dacia brands.</td>
</tr>
<tr>
<td>TEB Cetelem</td>
<td><a href="http://www.tebcetelem.com.tr">http://www.tebcetelem.com.tr</a></td>
<td>TEB Cetelem was the product of the partnership between TEB Financial Investments A.Ş and BNP Paribas Personal Finance, which has been active in Turkey since 1995.</td>
</tr>
<tr>
<td>Tari Kredi</td>
<td><a href="http://tarimkredi.org.tr">http://tarimkredi.org.tr</a></td>
<td>Since 1863 the cooperative has given general purpose loans for agricultural producers including loans for pesticides, fertilizers, animal husbandry, oil, and irrigation up to TL 50,000, which is to be repaid in 1 - 4 years with interest rates varying between 8 or 10%.</td>
</tr>
<tr>
<td>Mercedes-Benz</td>
<td><a href="http://www.mercedes-benz-finansalhizmetler.com/">http://www.mercedes-benz-finansalhizmetler.com/</a></td>
<td>Mercedes Benz Finansman was founded in 2008 to lead the brand’s operations in Turkey. As of 2013, it had total assets worth TL 4,529 million.</td>
</tr>
</tbody>
</table>
B. Turkish Capital Markets

i. Borsa Istanbul

ii. Brokerage Firms
Case Study: BIST, a fully integrated Exchange

SHAREHOLDERS

- Turkish Treasury 49,0%
- BIST 24,6%
- EBRD 10,0%
- Nasdaq OMX 7,0%
- Turkish Capital Markets Assoc. 1,3%
- Others 8,1%

MARKET DATA & INDICES

- 160k users of market data products
- 374 index types (equity indices, debt securities indices, sustainability index etc.)

LISTINGS

- 428 listed companies
- USD 189 Bn Market Capitalization
- Domestic and foreign IPOs/SPOs
- Debt securities (e.g., corporate bonds, sukuk)

TRADING

- Equity
  - stocks, rights coupons, ETFs, warrants and certificates
  - Over 1 million equity investor pool with +370 billion USD trading volume in 2015
- Debt Securities
  - Government bonds, corporate bonds, Eurobonds, sukuk, repo transactions
  - 3.7 trillion USD traded value in 2015
- Derivatives
  - options on equity, index, currency and futures on equity, index, precious metals, commodity, power, foreign indices, ETFs etc.
  - +400 Bn USD traded value in 2015
- Precious Metals and Stones
  - gold, silver, palladium, platinum
  - 10 Bn USD traded value in 2015

MARKET DATA & INDICES

- Horizontal Integration
  - Borsa İstanbul brings together all the exchanges operating in the Turkish capital markets under a single roof.
  - Transparent
  - Efficient
  - Reliable
  - Accessible markets
Borsa İstanbul is on its road to be a world-exchange technology which linkes with other markets. This vision will add value to the drive of making Istanbul an international financial center.

HORIZONTAL INTEGRATION

VERTICAL INTEGRATION

CLEARING & SETTLEMENT

- Takasbank (Istanbul Settlement and Custody Bank)
- CCP of Turkish Capital Markets
- Borsa İstanbul’s share in Takasbank: 62.25%

REGISTRY

- Central Registry Agency (MKK)
Borsa İstanbul’s share in MKK: 30.1 % (total share: 70.5%)
Takasbank’s share in MKK: 64.9%
Borsa Istanbul has liquidity of 200%, which exceeds emerging market exchanges.

- BIST is the Turkish stock exchange located in Istanbul. There are 428 companies that are quoted on Borsa Istanbul. The exchange aims to have 1,000 companies listed from a minimum of 10 different countries by 2023. Thus strengthening its position and ensuring its competitiveness on the global arena.

- BIST had a market value of USD 189 billion and a annual trading volume of more than USD 370 billion as of December 2015.

- BIST has a higher market value and trading volume from other major peer exchanges in the region. However, compared to developed markets there is considerable growth potential.

- BIST’s liquidity was higher with a 200% trading volume to market value ratio.
Borsa Istanbul: An attractive place for fund raising

**Number of Public Offerings**
- 2008-2011: 52
- 2012-2015: 64

**Total Value of Public Offerings (USD Billion)**
- 2008-2011: 5.4
- 2012-2015: 5.6

**Number of Corporate Debt Issuances**
- 2010: 16
- 2011: 58
- 2012: 235
- 2013: 330
- 2014: 517
- 2015: 558

**Total Value of Corporate Debt Issuances**
- 2010: 1.3
- 2011: 11.1
- 2012: 23.5
- 2013: 29
- 2014: 30.3
- 2015: 26.1
In Turkey, only brokerage firms are allowed to trade equities.

**Brokerage Firms Fact Sheet**

- As of 2015, there are 75 brokerage firms performing in the equity market.
- 78% of the total share of the trading volume in the equity market was generated by domestic individuals, corporations and institutional investors. Foreign corporations and institutional investors each contributed 18% and 4%, respectively.
- In the derivatives exchange market, 65 brokerage firms were operating as of 2015. The total trading volume of intermediaries was + USD 400 billion in 2015. 71% of the trades were made by domestic investors and 29% by foreign investors.
C. Turkey’s Competitive Landscape

i. Turkey’s Macroeconomic Outlook

ii. Favorable Demographics

iii. Skilled and Cost-Competitive Labor Force

iv. Investment Environment & Stakeholders

v. Geostrategic Location
Turkey’s sizeable and diversified economy has achieved remarkable growth with a bright future, thus further triggering financial activity.

**17th largest economy in the world (GDP, PPP)**

**2002-2015 Annual GDP Growth, %**

Turkey: 4.7
Poland: 3.9
Romania: 3.4
Czech R.: 2.6
Hungary: 1.6

**Major Contributors to Real GDP Growth for 2002-2015**

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption</td>
<td>78%</td>
</tr>
<tr>
<td>Investment</td>
<td>31%</td>
</tr>
<tr>
<td>Export</td>
<td>29%</td>
</tr>
<tr>
<td>Stocks</td>
<td>-3%</td>
</tr>
<tr>
<td>Import</td>
<td>-35%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Production</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>27%</td>
</tr>
<tr>
<td>Others</td>
<td>27%</td>
</tr>
<tr>
<td>Financial Services</td>
<td>20%</td>
</tr>
<tr>
<td>Transport, Storage &amp; Communication</td>
<td>13%</td>
</tr>
<tr>
<td>Wholesale &amp; Retail trade</td>
<td>13%</td>
</tr>
</tbody>
</table>

**Turkish Economy (GDP at PPP, $Billion)**

- 2002: 681
- 2015: 1.589
- 2021: 2.176

**Forecast**

- Next 6 years:
  - 2015: 1.589
  - 2021: 2.176

**Source:** IMF World Economic Outlook, April 2016, TurkStat
As Turkish economy has developed, it has integrated with the global economy and financial markets with increasing cross-border capital flows.

---

**International Transactions Volume of Turkey (USD Billion)**

- Financial Account
- Income & Expenditure
- Trade in Goods & Services

Source: CBRT

---

**International Investment Position of Turkey (USD Billion)**

**Assets**
- Reserve assets
- Other investment
- Portfolio investment
- Direct investment

**Liabilities**
- Other investment
- Portfolio investment
- Direct investment

Source: CBRT
Turkey’s economic growth has resulted in income growth and a growing robust middle class with increasing purchasing power.

**Doubling Income per capita (PPP)**

- **2002**: $10.325
- **2015**: $20.438

**The Rise of Middle Class in Turkey**

- **2001**
  - High Income: 0.6 million
  - Upper-Middle Income: 3.9 million
  - Middle Income: 13.4 million
  - Low Income: 43.6 million
  - Poor: 2.6 million

- **2011**
  - High Income: 1.4 million
  - Upper-Middle Income: 10.6 million
  - Middle Income: 25.8 million
  - Low Income: 33.9 million
  - Poor: 1.4 million

Source: IMF, Pew Research; The poor live on $2 or less daily, low income on $2.01-10, middle income on $10.01-20, upper-middle income on $20.01-50, and high income on more than $50; figures expressed in 2011 purchasing power parities (PPP) in 2011 prices.
Despite increasing income, Turkey still lags behind in financial inclusion as compared to peer economies, giving room for growth in financial services.

<table>
<thead>
<tr>
<th>Account at a financial institution (% of population aged 15+)</th>
<th>Saved at a financial institution in the past year (% of population aged 15+)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey 56,7</td>
<td>Turkey 9,1</td>
</tr>
<tr>
<td>Average of Upper Middle Income Countries 70,5</td>
<td>Average of Upper Middle Income Countries 32,2</td>
</tr>
</tbody>
</table>

In order to address financial gaps, Turkey launched a national Financial Inclusion Strategy in 2014.

Financial Inclusion Strategy

- Access to Financial Products and Services
- Financial Education
- Financial Consumer Protection

Turkey has a quite favorable demographic structure with a bright prospect which will further support economic activity in Turkey.
Turkey’s labor markets support the financial sector’s human resources need with a cost-competitive labor base.

- **Number of People employed in the Turkish Financial and Insurance Sector (thousand)**
  - 2009: 273
  - 2015: 296

- **Labor Cost per hour in Financial & Insurance Sector, 2015 (EUR)**
  - Luxembourg: 63.8
  - France: 55.1
  - UK: 52.5
  - Germany: 50.9
  - Italy: 49.4
  - Ireland: 44.0
  - Spain: 38.5
  - Turkey: 16.9

- **Availability of Finance Skills, 2015**
  - Italy: 5.7
  - Spain: 6.0
  - Austria: 6.1
  - Turkey: 6.2
  - UK: 7.3
  - Ireland: 7.4
  - Luxembourg: 7.6

- **Availability of IT Skills, 2015**
  - Italy: 6.0
  - Austria: 6.8
  - Spain: 7.1
  - Turkey: 7.5
  - Ireland: 7.5
  - UK: 7.6
  - Luxembourg: 7.8

*Source: Eurostat, Turkstat, IMD*
Turkey’s regulatory environment is highly friendly to foreign direct investment in financial sector.

**Turkish Foreign Direct Investment Law**

- National Treatment
- No ownership restriction
- International Arbitration
- Guarantee of Transfers
- Purchase of Real Estate
- Employment of Expats

**FDI Regulatory Restrictiveness* in Financial Services, 2015**

*Index:*

0=Open to FDI; 1=Closed to FDI

Source: OECD

*The FDI Index measures the restrictiveness of a country’s FDI rules by looking at four main types of restrictions on FDI:
1. Foreign equity limitations;
2. Screening or approval mechanisms;
3. Restrictions on the employment of foreigners as key personnel;
4. Operational restrictions, e.g. restrictions on branching and on capital repatriation or on land ownership*
Istanbul Finance Technopark

About

• Turkey’s first thematic technopark
  • Produce technological and financial information
  • Make innovation in products
  • Commercialize technological and financial information
  • Create investment opportunities in technology intensive areas through ensuring the cooperation of research companies and organizations with the finance and manufacturing sectors

Target Groups

• Companies Operating in the Banking and Finance Sectors
• SMEs that produce hardware and software for the financial sector
• Start-up Companies operating in the financial, money and capital markets and software, information technology and technology sectors

Shareholders

Turkish financial industry is also supported by university & industry collaboration through a finance-oriented technology development zone.
Turkey is committed to transform Istanbul into an international financial center.

### Istanbul Financial Center

**Key Features**

- Istanbul Financial Center will house the head offices of the Turkey’s financial market governing bodies, state-owned and private banks, and related businesses. It will cover 4.2 million square meters of office, residential, retail, conference, hotel and park space.

- The government is working to improve the Turkish tax system, legal and fiscal environment, political and economic stability and regulatory framework in order to attract financial investments.

- According to the Global Financial Centers Index (GFCI) published in September 2015, İstanbul is a broad and deep and established transnational financial center (same category as Geneva, Shangai and Tokyo)

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“İstanbul satisfies the majority of the criteria of a financial center”

Tom Shave, Deloitte Senior Manager

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“Istanbul is converging with top financial centers..”

**Global Financial Center Index Scores**

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York (2)</td>
<td>774</td>
<td>790</td>
</tr>
<tr>
<td>London (1)</td>
<td>653</td>
<td>788</td>
</tr>
<tr>
<td>Istanbul (72)</td>
<td>442</td>
<td>796</td>
</tr>
<tr>
<td>Istanbul (47)</td>
<td>653</td>
<td>788</td>
</tr>
<tr>
<td>New York (2)</td>
<td>774</td>
<td>790</td>
</tr>
<tr>
<td>London (1)</td>
<td>653</td>
<td>788</td>
</tr>
</tbody>
</table>

Source: GFCI (Rank)

“Besides regional proximity to our clients, İstanbul provides appropriate infrastructure, convenient airport links, and a good quality of life for our staff.”

Dimitris Tsitsiragos, Vice-President, IFC
Turkey’s financial sector is also strengthened through efficient supervisory and regulatory institutions.

**Major Financial Sector Stakeholders**

<table>
<thead>
<tr>
<th>Name</th>
<th>Web Page</th>
<th>What They Do</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Bank of the Republic of Turkey</td>
<td><a href="http://www.tcmb.gov.tr">www.tcmb.gov.tr</a></td>
<td>Its purpose is to create efficiency in all the financial sectors of the economy, especially money, credit and capital markets as well as determining and implementing policy contributing to financial stability, managing foreign exchange and gold reserves, printing money and overseeing payment systems.</td>
</tr>
<tr>
<td>Banking Regulation and Supervision Agency</td>
<td><a href="http://www.bddk.org.tr">www.bddk.org.tr</a></td>
<td>Ensures confidence, stability and competitiveness in financial markets to ensure effective operation of the credit system, protects the rights and interests of investors and takes necessary measures to make institutions subject their supervision steady and secure.</td>
</tr>
<tr>
<td>The Banking Association of Turkey</td>
<td><a href="http://www.tbb.org.tr">www.tbb.org.tr</a></td>
<td>Contributes to the development of banking sector and its competitiveness, prevents unfair competition and aims to make Istanbul an international financial center in the world.</td>
</tr>
<tr>
<td>The Insurance Association of Turkey</td>
<td><a href="http://www.tsb.org.tr">www.tsb.org.tr</a></td>
<td>Specializes in the development of the insurance, reinsurance and private pension sectors, TSB provides advice to public authorities, monitors developments, conducts research, eliminates unfair competition of its members and produces a code of ethics for practices.</td>
</tr>
<tr>
<td>Pension Monitoring Center</td>
<td><a href="http://www.egm.org.tr">www.egm.org.tr</a></td>
<td>Since 2007, EGM monitors the pension system on a daily basis, collects data and implements licensing exams.</td>
</tr>
<tr>
<td>Capital Markets Board of Turkey</td>
<td><a href="http://www.spk.gov.tr">www.spk.gov.tr</a></td>
<td>Regulatory and supervisory authority in charge of the securities market, which makes detailed regulations for organizing the market and developing capital market instruments and institutions.</td>
</tr>
<tr>
<td>Borsa Istanbul</td>
<td><a href="http://www.borsaistanbul.com">www.borsaistanbul.com</a></td>
<td>Borsa Istanbul A.Ş. was founded in 2012. It trades capital market instruments, foreign currencies, precious metals and gems and other contracts and documents.</td>
</tr>
</tbody>
</table>
Istanbul’s strategic location and its connectivity with the rest of the world has already enabled it to be a regional hub for global companies.

Follow and cover markets in 16 times zones from New York to Tokyo...

 Turkish Airlines connects Turkey to 236 destinations in 113 countries (197 from Istanbul)

Global companies are managing dozens of countries from Istanbul:
- 90 countries
- 79 countries
- 67 countries
- 52 countries

Source: Turkish Airlines, as of 30.03.2016
Given Turkey’s strategic location, a significant economic activity is taking place around Turkey.

Access to Multiple Markets

**EUROPE**
- GDP: $18.3 trillion
- Import of Financial Services: $120 billion
- Insurance: $45 billion
- Population: 676 million

**RUSSIA**
- GDP – $1.3 trillion
- Import of Financial Services: $2.4 billion
- Insurance: $1.7 billion
- Population: 146 million

**MENA**
- GDP: $3.5 trillion
- Import of Financial Services: $5.9 billion
- Insurance: $13 billion
- Population: 712 million

**CENTRAL ASIA & CAUCASUS**
- GDP: $0.4 trillion
- Import of Financial Services: $200 million
- Insurance: $400 million
- Population: 85 million

1.6 Billion People;
$24 Trillion GDP;
around $200 billion trade in Financial & Insurance Services at a 4-hour flight distance from Turkey.
For comments on the report and additional information please contact:

info@invest.gov.tr
www.invest.gov.tr

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