



# **TURKISH CAPITAL MARKETS 2015 ANNUAL REVIEW**

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Finar Kurumsal

**PRINTHOUSE**

Print Center

**PRINT**

İstanbul, May 2016

TCMA Publication No.79

ISBN 978-975-6483-56-5

[www.tsrb.org.tr](http://www.tsrb.org.tr)

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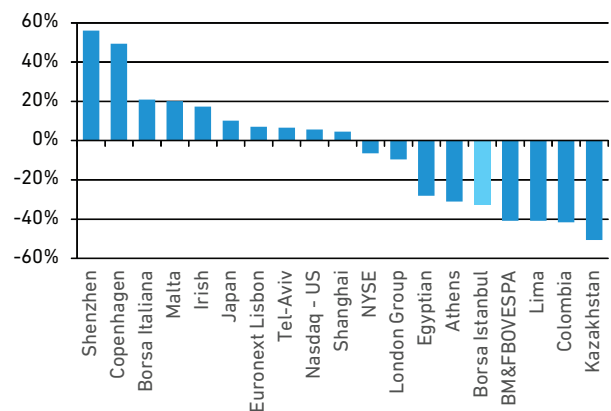
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# MARKET RETURNS

In 2015, the stock exchanges of emerging markets posted mostly negative returns while advanced economies suffered losses except for the US. Shenzhen and NASDAQ OMX Copenhagen witnessed the highest increase in US\$ terms, 56% and 50% respectively. These were followed by a more moderate rise (20% - 10%) in Italian, Malta and Irish exchanges. NYSE and London Stock Exchange posted a 5% decrease. BIST-100 declined by 16% in TL terms. However with the depreciation of the Turkish Lira the losses reach 33% in US\$ terms. Thus, BIST-100 was among the bottom 5 performing exchanges in 2015.

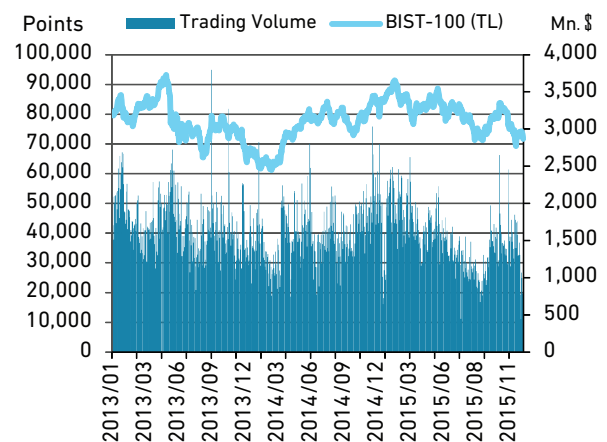
**Selected Market Returns (US\$ Based-2015/12)**



Source: World Federation of Exchanges

Borsa Istanbul Index (BIST-100) increased in the first months of 2015 due to low oil prices and increased global liquidity. Expectations on FED raising interest rates in the second half of 2015 helped the BIST-100 index; however, due to political ambiguity before the general elections in June 2015 stock exchange exhibited a downward trend. Overall, Borsa Istanbul recorded a decrease of 33% in US\$ terms. The average daily trading volume decreased by 5% to US\$ 1.4 billion in 2015.

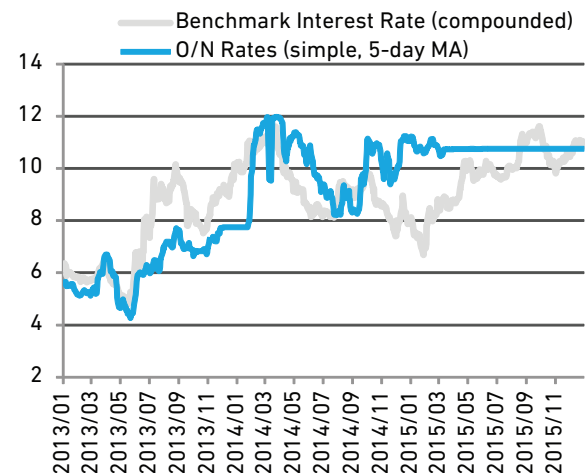
**BIST-100 Index and Trading Volume**



Source: Borsa İstanbul

O/N rates remained around 10.75% in 2015, near the upper band of the interest rate corridor, with the Central Bank's tight monetary policy. Scarce liquidity conditions and domestic ambiguity before general elections resulted in a rise in benchmark interest rates to 11% from 8% at the end of 2014.

**Benchmark and O/N Interest Rates**



Source: Bloomberg, Borsa İstanbul

# EQUITY MARKET

In Turkey, only brokerage firms are allowed to trade equities. In 2015, equity trading volume decreased by 5% to US\$ 761 billion. In TL terms, there was a 17% increase.

79 brokerage firms traded in the equity market. First 10 brokerage firms generated 54% of the total volume, while the share of top 20 firms reached 75%.

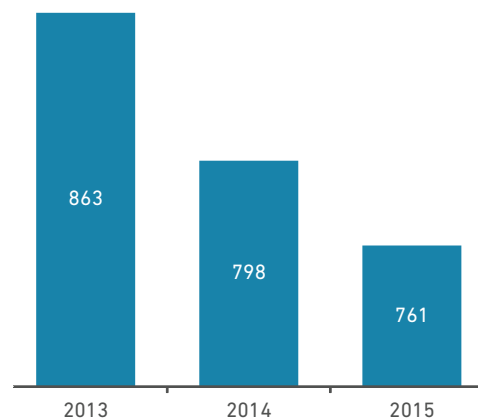
In 2015, domestic individuals continued to drive the market liquidity with a 60% share. Volume share of domestic corporations declined by 1 percentage point to 16%, while domestic institutional investors' share remained at 3%.

Foreign investors' share in the total equity trading volume increased slightly to 22% in 2015 from 20% in 2014. Foreign corporations, which mainly refer to foreign banks and brokerage firms, created 19% of the trading volume whereas foreign institutional investors, which hold 39% of the free float, have only 3% share in total turnover.

The breakdown of the trading volume by department, indicates the channels through which trading is done. Domestic sales refer to the headquarters of the brokerage firms. Branches are owned by the brokerage firms. Bank branches show the order flow from banks. Mutual funds are included in the institutional investors group in the previous investor breakdown section, and proprietary trading is included in corporations.

Similar to 2014 internet is still the major channel with a share of 25% in total equity trading volume. Internet is followed by international sales which increased its share by 1 point up to 22%. Domestic sales generated 17% of the total turnover, with a 2 percentage point decline compared to the previous year. The share of branches, representative offices and bank branches remained at 30%.

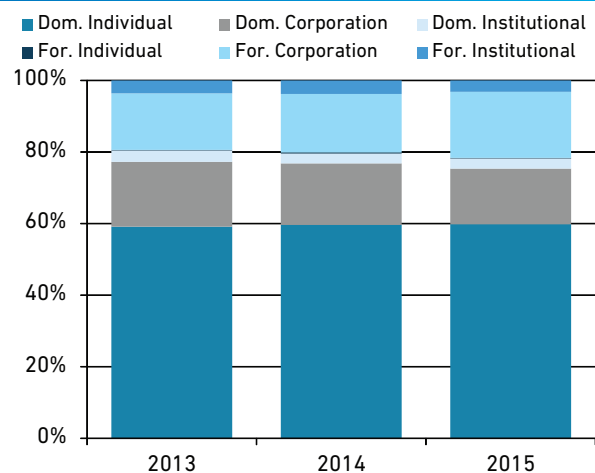
**Equity Trading Volume (\*bn. \$)**



Source: Borsa İstanbul

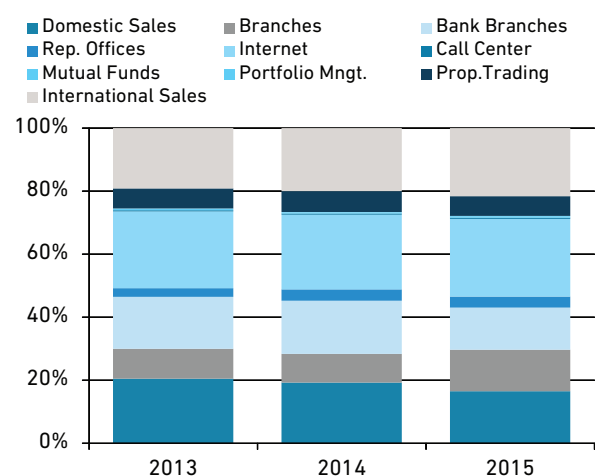
\*Sum of sell & buy transactions

**Investor Breakdown of Equity Trading Volume**



Source: Turkish Capital Markets Association

**Department Breakdown of Equity Trading Volume**



Source: Turkish Capital Markets Association

# BONDS & BILLS MARKET

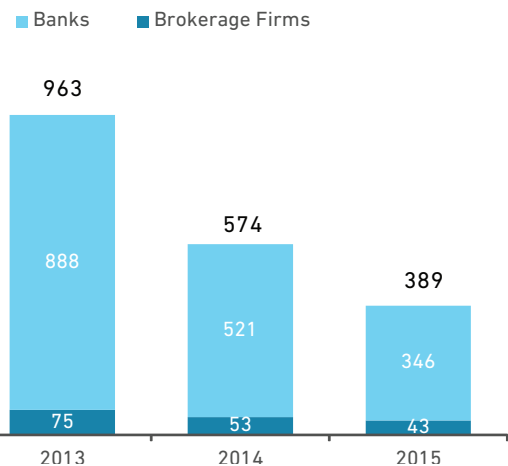
In the fixed income market, both brokerage firms and banks are authorized to trade. Figures in this section represent the sum of public and corporate bonds and bills, traded at Borsa Istanbul and OTC markets. Although the corporate bond market revived recently, trading volume of corporate bonds represent 6% of the total. The figures on the chart show the trading volume of financial intermediaries. It excludes the transactions by the Central Bank and Takasbank. In 2015, bond trading volume of intermediaries decreased significantly by 32% to US\$ 389 billion compared to 2014. There was a 16% decline in TL terms. 57 brokerage firms and 41 banks traded bonds and bills in 2015. Brokerage firms have only 10% share in this market. Top ten brokerage firms generated 90% of total brokerage firms' bonds and bills trading volume.

The breakdown of trading volume, in terms of departments and investor categories, includes the brokerage firms' figures only.

Almost all of bonds and bills trading volume of brokerage firms were generated by domestic investors. The share of domestic institutional investors, which represent mutual funds, investment trusts and pension funds, has been increasing in the last years to reach 81% in 2015. Domestic corporations, mainly reflecting the proprietary trading of brokerage firms, created 17% of bonds trading volume. The share of foreign investors' bonds and bills trading has decreased slightly to 1% in 2015. Foreign investors, who also hold 22% of outstanding government bonds as of end-2015, prefer using banks rather than brokerage firms for trading in fixed income market.

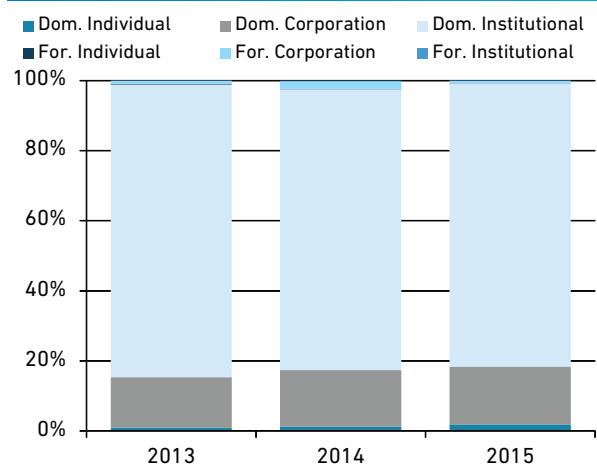
In 2015, domestic sales department generated 71% of the trading volume in the fixed income trading volume of brokerage firms. The share of proprietary trading increased by 1 percentage point to 13%. Discretionary portfolio management clients and mutual funds that are managed by brokerage firms generated 6% of the trading volume.

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



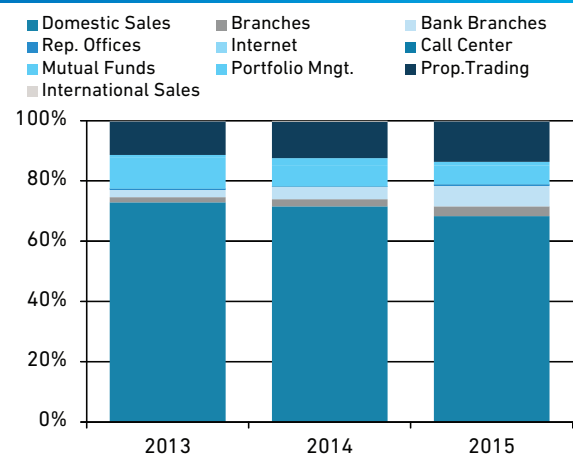
Source: Borsa Istanbul

**Investor Breakdown of Bonds & Bills Trading Volume**



Source: Turkish Capital Markets Association

**Department Breakdown of Bonds&Bills Trading Volume**



Source: Turkish Capital Markets Association

# REPO MARKET

While total repo trading volume increased by 12% in TL terms, in US\$ terms it decreased by 10% to US\$ 6 trillion in 2015. These transactions also include OTC transactions. OTC market's share represents 6% of total volume.

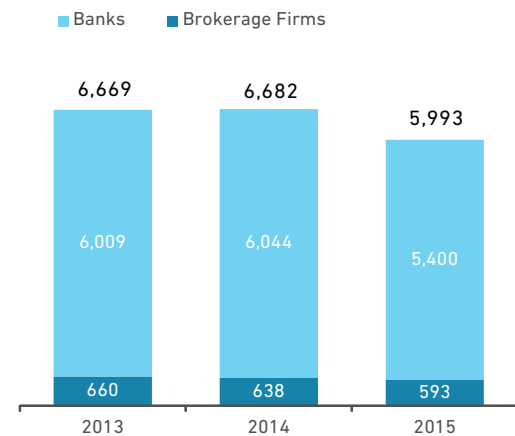
41 brokerage firms and 37 banks traded in the repo market in 2015. Similar to bonds and bills market, banks dominate the repo market as well. The repo trading volume of brokerage firms decreased by 7% to US\$ 593 million in 2015.

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

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

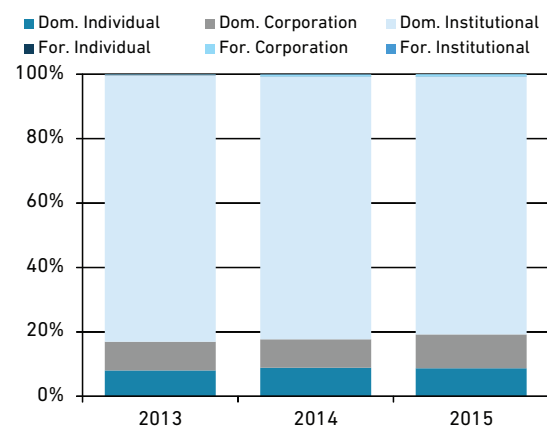
A considerable amount of repo trading of brokerage firms was done through domestic sales department holding a share of 72%, while the share of mutual funds decreased by 5 percentage points to 10% compared to 2014, due to new regulation which requires that the mutual funds are managed exclusively by asset management companies. Proprietary trading still represents 7% of brokerage firms' total repo transactions.

**Repo Volume (bn. \$)**



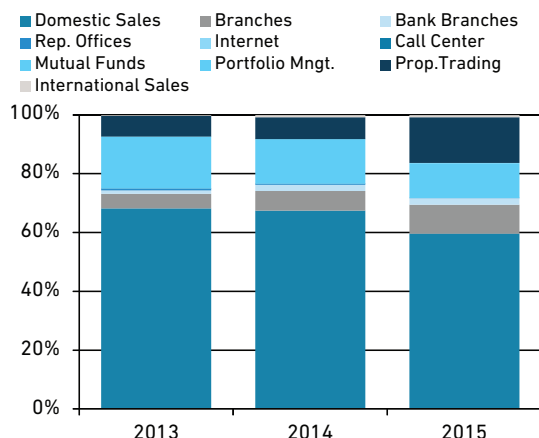
Source: Borsa İstanbul

**Investor Breakdown of Repo Volume**



Source: Turkish Capital Markets Association

**Department Breakdown of Repo Volume**



Source: Turkish Capital Markets Association

# FUTURES MARKET

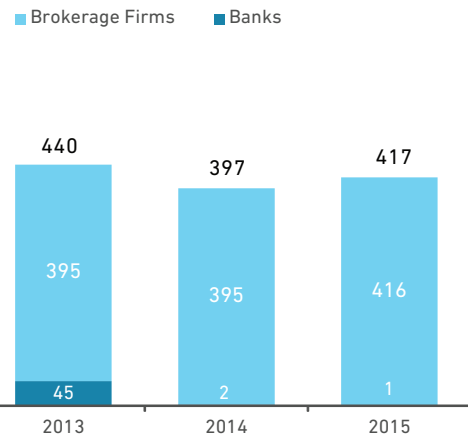
Since the merger of the Turkish Derivatives Exchange (TurkDex) and Borsa Istanbul on August 5, 2013, all futures and options contracts in Turkey are traded at the Borsa Istanbul Futures and Options Market (VIOP). On VIOP, brokerage firms and banks are authorized to trade.

In 2015, the trading volume generated by 72 and 4 banks brokerage firms on Borsa Istanbul Futures Market increased slightly to US\$ 417 billion. The equity-index futures contracts represented 81% of the total volume. Contrary to the fixed income market, brokerage firms dominate the market by generating almost the entire trading volume. It is worth mentioning that banks are not permitted to trade equity-based contracts.

The breakdown of the futures trading volume includes brokerage firms only. As in the equity market, trading volume is driven by domestic individuals who generated 62% of the total trading volume. Domestic corporations' (mainly the proprietary trading of brokerage firms) market share decreased by 3 percentage points to 5%. Domestic institutional investors have a share of 5%. Foreign investors' share in the trading volume kept rising to an all-time high of 28% in 2015.

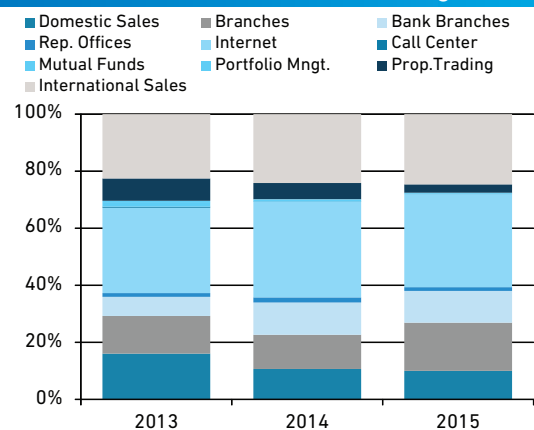
With 33% share the Internet continued to be the most preferred channel for investors trading futures contracts in 2015. Brokerage firms' branches, representative offices and bank branches constituted 29% of futures transactions in 2015. While the share of the branch network rose by 5 percentage points, the share of domestic sales department declined by 1 percentage points to 10%. Proprietary trading of brokerage firms' represent only 3% of the trading volume, compared with 6% in 2014.

**Futures Trading Volume (bn. \$)**



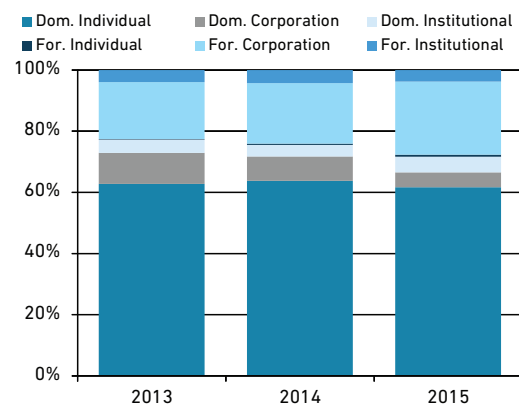
Source: Borsa İstanbul

**Investor Breakdown of Futures Trading Volume**



Source: Turkish Capital Markets Association

**Department Breakdown of Futures Trading Volume**



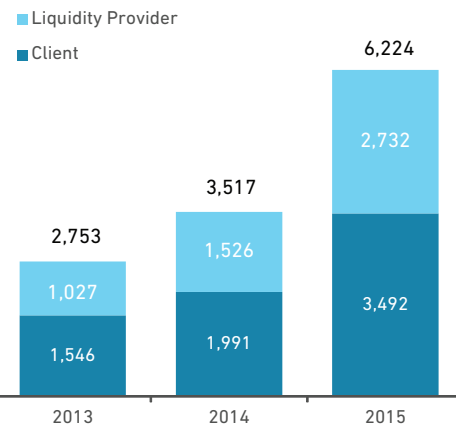
Source: Turkish Capital Markets Association



# FOREX MARKET

Only brokerage firms are allowed to offer leveraged forex transactions. After it became regulated in August 2011 forex market showed a remarkable growth. The trading volume in the forex market reached US\$ 6 trillion in 2015. US\$ 3.5 trillion of the total volume comprises of the transactions with the customers, and US\$ 2.7 trillion comprises of the transactions with the liquidity providers.

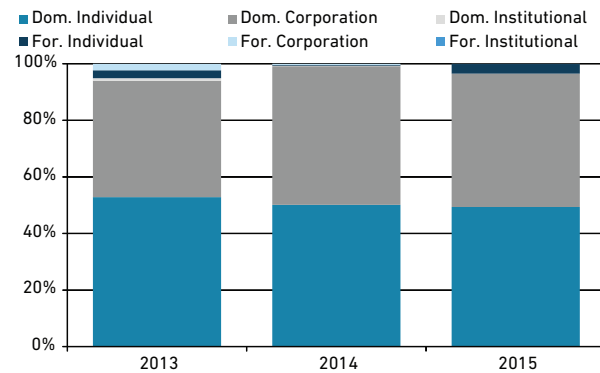
**Forex Trading Volume (bn. \$)**



Source: Turkish Capital Markets Association

In 2015, domestic retail investors (49%) continued to dominate the market. The high share of the domestic corporations (%47) reflects mainly brokerage firms' hedging operations.

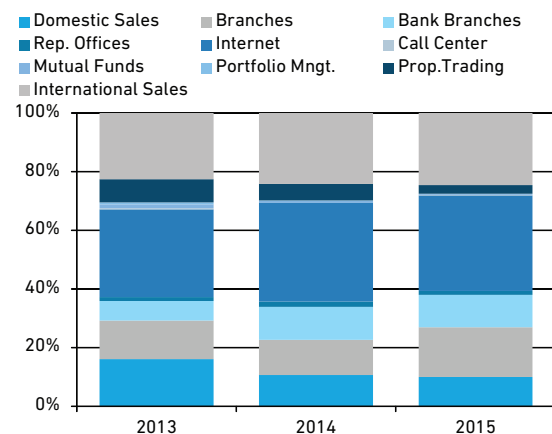
**Investor Breakdown of Forex Trading Volume**



Source: Turkish Capital Markets Association

Internet is the most preferable channel for forex trading, holding a share of 39% in 2015. Internet channel is followed by domestic sales, which generated 17% of the trading volume. Proprietary trading mainly representing the hedging operations mentioned above generated 44% of the total turnover.

**Department Breakdown of Forex Trading Volume**

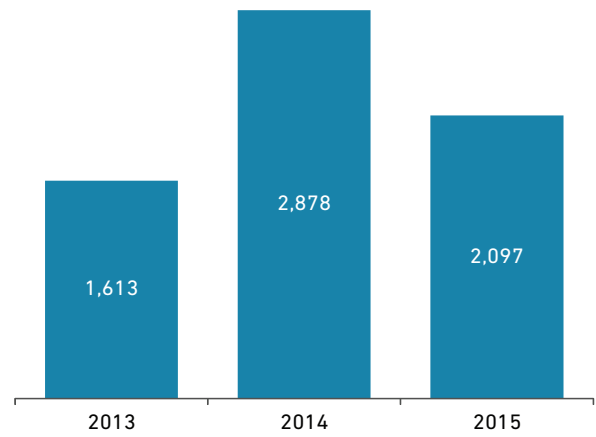


Source: Turkish Capital Markets Association

# LENDING, BORROWING & MARGIN TRADING

Takasbank operates the Securities Lending and Borrowing Market. A striking jump was observed in lending and borrowing of securities in 2014. Compared to the rise in 2014, the volume of these transactions decreased to US\$ 2 billion in 2015.

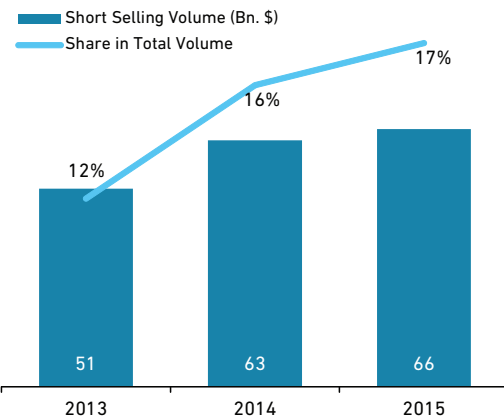
**Securities Lending & Borrowing (mn. \$)**



Source: Takasbank

In February 2013, the uptick rule was abolished by CMB which boosted volume of short selling to US\$ 51 billion from US\$ 19 billion in 2012. The volume for 2015 has reached US\$ 66 billion. The share of short selling in total equity trading volume increased to 17% in 2015 from 16% in 2014.

**Short Selling**

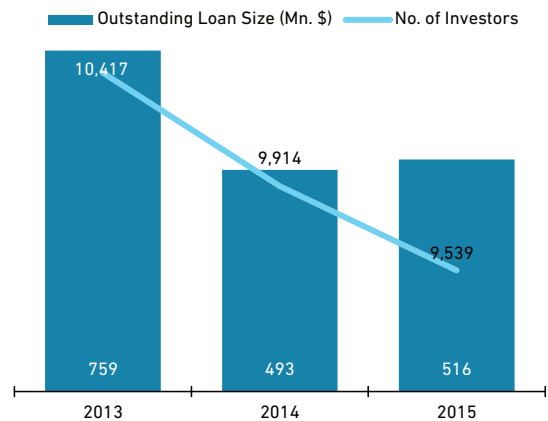


Source: Borsa İstanbul

In 2015, the total loan size in margin trading increased by 5% year-over-year to US\$ 516 million. There was a 31% increase in TL terms.

51 brokerage firms have margin-trading customers as of end-2015, while there were 59 brokerage firms in 2014. 9,539 investors borrowed for their equity transactions as of 2015. Average loan size per investor increased by 9% and reached to US\$ 54,000.

**Margin Trading**



Source: Turkish Capital Markets Association

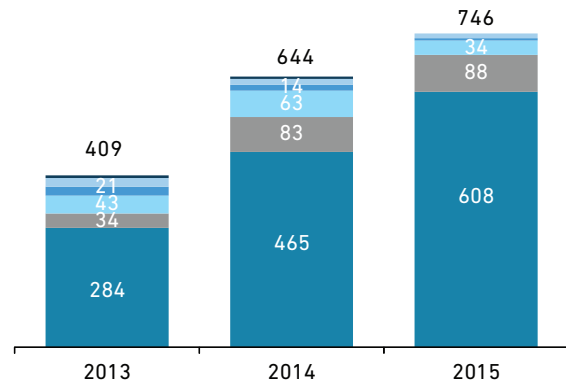
# CORPORATE FINANCE

Corporate finance services are provided by brokerage firms, as well as consultancy companies. This section covers only the corporate finance activities of brokerage firms. 31 brokerage firms were active in this market in 2015.

During that period, the number of finalized transactions increased to 746 from 644 with the boom in the corporate bond issuances (608). Only 11 M&A projects were finalized by brokerage firms.

## Corporate Finance Activities of Brokerage Firms

■ Privatization ■ M&A ■ IPO&SP0-Equities  
■ Other Consultancy ■ Corporate Actions ■ Bond Issuance



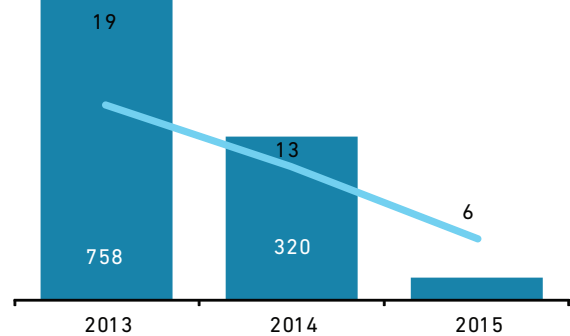
Source: Turkish Capital Markets Association

There is a downward trend in numbers and volume of initial public offerings. While in 2013, 19 IPOs took place with a size of US\$ 758 million, only 6 IPOs took place in 2015 with a size of US\$ 45 billion.

4 IPOs were offered in the former Second National Market and the Emerging Companies Market which are designed mostly for small and medium size enterprises. Remaining two IPOs were realized by private equity investment trusts.

## Initial Public Offerings

■ IPO Volume (Mn. \$)  
— No. of IPOs

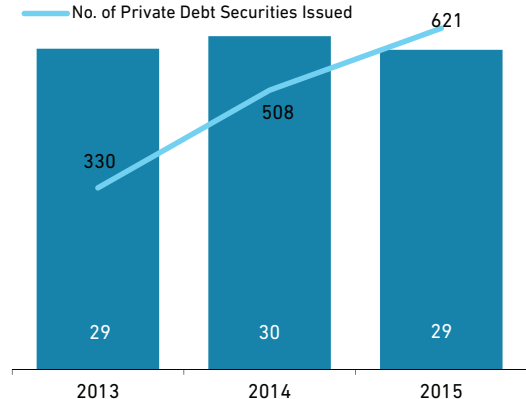


Source: Borsa İstanbul

Following the revisions in relevant regulations to revive the market, coupled with a downward trend in interest rates, the corporate bond market almost exploded since 2010. In 2015, 621 bonds were issued with a size of US\$ 29 billion. Major issuers were banks as in the previous years, with a share of 78% of the total size. The share of non-bank financial companies increased to 19% in 2015 from 15% and the share of real sector increased to 4% from 3%.

## Corporate Bond Issues

■ Size of Private Debt Securities Issued (bn. \$)  
— No. of Private Debt Securities Issued



Source: Borsa İstanbul

# ASSET MANAGEMENT

With new regulation only 17 brokerage firms were offering asset management services in 2015. The number of investors decreased to 2,649 and 23 of them are institutional investors. Assets under management decreased to US\$ 434 million. Out of this total size, institutional investors' portfolio is US\$ 106 million. Decreases in these numbers are due to new regulation that states only asset management companies are allowed to manage mutual funds.

Asset Management at Brokerage Firms			
	2013	2014	2015
<b>No. of Investors</b>	<b>2,753</b>	<b>2,923</b>	<b>2,649</b>
Institutional Investors	104	101	23
Discretionary	2,649	2,822	2,626
<b>AUM (mn. \$)</b>	<b>2,049</b>	<b>2,310</b>	<b>434</b>
Institutional Investors	1,472	1,648	106
Discretionary	577	662	328

Source: Turkish Capital Markets Association

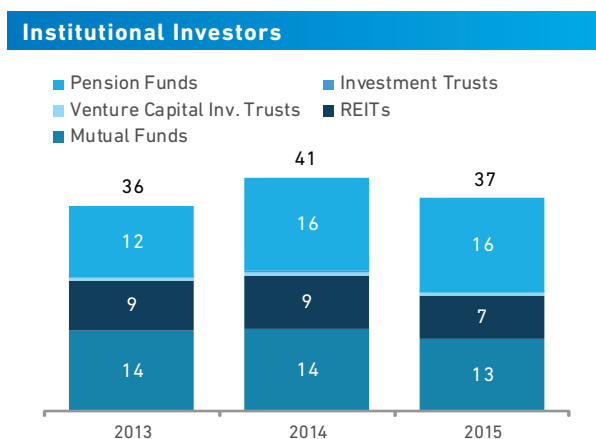
A total of 41 asset management companies are actively providing asset management services in the Turkish Capital Markets as of December 2015. There are altogether 646 funds, 396 of which are mutual and 250 are pension funds. In 2015, the number of pension funds is up by 8, parallel to the growth in the assets with the help of the state subsidies in support of private retirement schemes. Additionally, there are 2,215 investors, both individuals and corporations, that receive private wealth management services from asset management firms.

Asset Management at Asset Management Co.			
	2013	2014	2015
<b>No. of Investors</b>	<b>2,283</b>	<b>2,422</b>	<b>2,861</b>
Mutual Funds	360	354	396
Pension Funds	233	242	250
Discretionary	1,690	1,826	2,215
<b>AUM (mn. \$)</b>	<b>30,330</b>	<b>35,153</b>	<b>34,604</b>
Mutual Funds	14,148	15,126	13,923
Pension Funds	12,509	16,251	16,457
Discretionary	3,673	3,776	4,225

Source: Turkish Capital Markets Association

Total AUM of asset management companies amount to US\$ 35 billion. 40% are in mutual funds whereas 48% are in pension funds. Only 12% of the holdings come under the category of discretionary asset management.

The total assets under management of institutional investors stand at US\$ 37 billion as of 2015, down from US\$ 41 billion at 2014 year-end. The decrease is due to the Turkish Lira's depreciation versus the US dollar during this period. AUM of pension funds together with mutual funds make up roughly 79% of all institutional investors' AUM. Assets of pension funds stood at US\$ 16 billion whereas the size of mutual funds decreased slightly over the same period. Another important institutional investor class is the REITs with US\$ 7 billion under management.

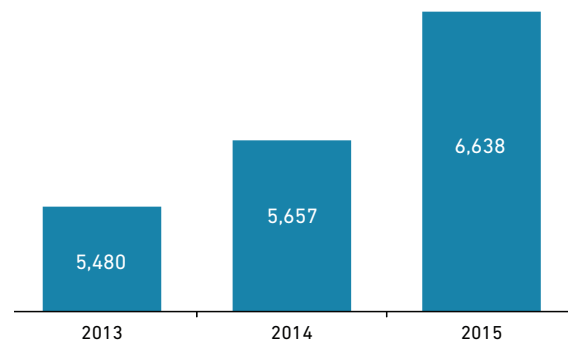


Source: Capital Markets Board, Borsa İstanbul

# EMPLOYEES & BRANCH NETWORK

The total number of employees in brokerage firms increased to 6,638 in 2015 from 5,657 in 2014. The average number of employees per brokerage firm is increased to 77 for the current period from 72 in 2014. The main reason behind this increase is increased employment opportunities offered by brokerage firms specialised in forex trading in domestic sales posts for new graduates. Roughly %81 of the employees have at least a bachelor's degree. As of end-2015 42% of employees are female.

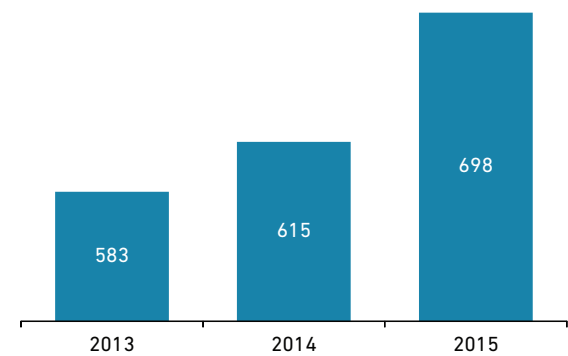
**Number of Brokerage Firms' Employees**



Source: Turkish Capital Markets Association

The number of personnel in asset management companies increased to 698 as of 2015, up from 615 in 2014. The average number of employees per asset management company stands at 15. Roughly 92% of the employees have at least a bachelor's degree. As of 2015, the female employees constitute 38% of the workforce employed at the asset management firms.

**No. of Asset Management Companies' Employees**

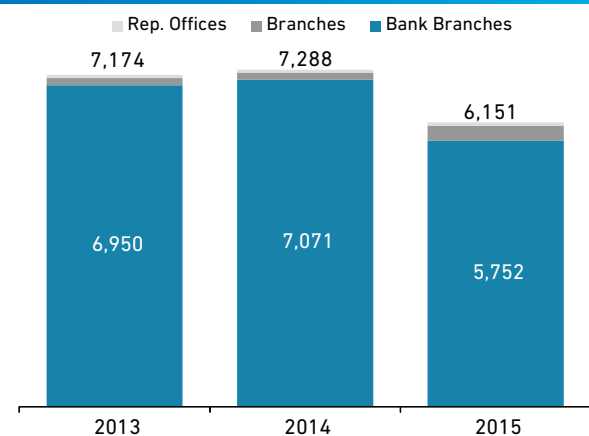


Source: Turkish Capital Markets Association

Other than headquarters, brokerage firms use their bank branches, own branches and representative offices in order to service their customers. Branches and representative offices are owned and staffed by brokerage firms. Bank branches are used as sales agents, based on agreements between banks and brokerage firms. In 2015, 47 brokerage firms have at least one of the three types of branches.

The number of representative offices is 76 in 2015. Some brokerage firms rather than renew their agency agreement with the related banks, preferred to open their own branches, thus the number of branches increased and reached to 323. In contrast, the number of bank branches is down to 5,752 in 2015 from 7,071 in 2014.

**Branch Network of Brokerage Firms**



Source: Turkish Capital Markets Association

# FINANCIALS OF BROKERAGE FIRMS

Stand-alone financial statements, prepared according to the International Financial Reporting Standards (IFRS) were collected from 74 brokerage firms in 2015. In 2015, brokerage firms' total assets decreased by 19% to US\$ 5.2 billion from US\$ 6.5 billion in 2014. The deterioration in the value of the Turkish lira negatively affected the sector's total assets as there is a 2% increase in TL terms. The bulk of assets continue to be quite liquid as 93% of the total assets is composed of current assets. Cash and cash equivalents are the key item with a share of 51% of total assets. Trade receivables related to settlement dues correspond to 31% of total assets.

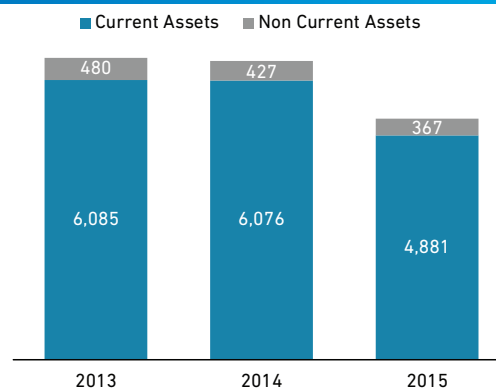
The short-term liabilities that represent 73% of total liabilities, are mainly related to overnight borrowings and settlement dues. 2 brokerage firms account for 84% of the overnight borrowings of the brokerage industry. Financial table details of these brokerage firms suggest that, they borrow short term from the money markets and invest mainly in deposits.

Shareholders' equity of the industry decreased by 13% to US\$ 1.4 billion, equalling to 26% of total liabilities. On the other in TL terms there is a 10% increase in TL terms, mainly due to the new regulation regarding minimum capital requirements. For details regarding capital requirements, please see the 'Handbook of Turkish Capital Markets 2016' published by TCMA.

In 2015, brokerage firms' total revenues increased by only 1% to US\$ 736 million from US\$ 725. The increase in TL terms stands at 26%. On the other hand, operating expenses increased by 5% to US\$ 625 million. Due to the higher operating expenses, the net operating profits of the industry decreased by 13% to US\$ 111 million.

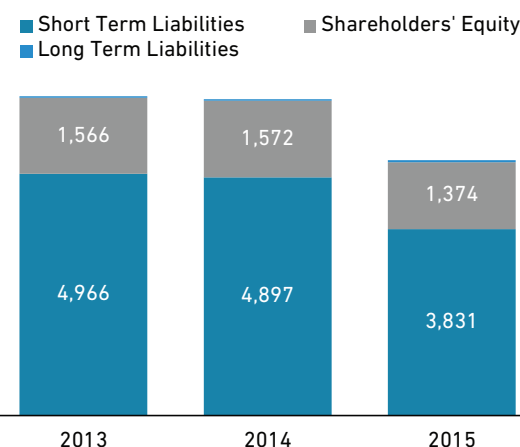
Brokerage firms generated a revenue of US\$ 14 million from liquidation of their financial assets. On the other hand, net financial income of the industry that was US\$ 72 million in 2014, decreased to US\$ 67 million in 2015. Overall, sector's net profit decreased by 6% to US\$ 159 million.

## Total Assets of Brokerage Firms (mn. \$)



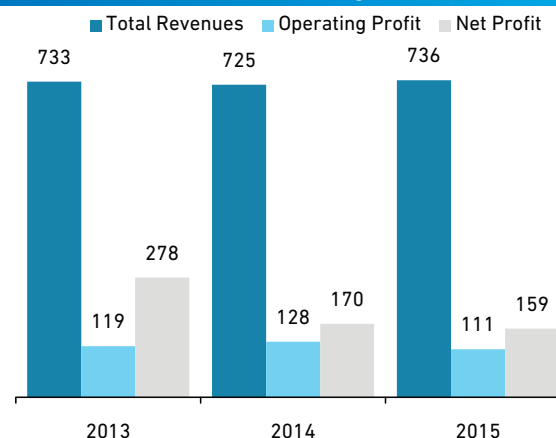
Source: Turkish Capital Markets Association

## Total Liabilities of Brokerage Firms (mn. \$)



Source: Turkish Capital Markets Association

## Income Statement of Brokerage Firms (mn. \$)



Source: Turkish Capital Markets Association

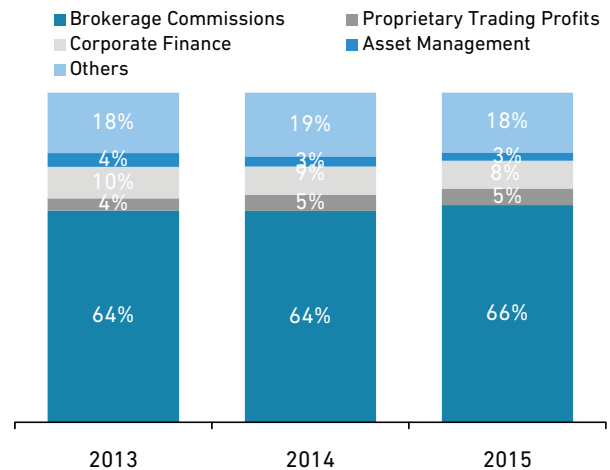
# FINANCIALS OF BROKERAGE FIRMS

Brokerage firms generate revenues from brokerage commissions, proprietary trading, corporate finance, asset management and other operations. Brokerage commissions continue to be the leading revenue source of the industry. In 2015, two thirds of total revenues came from brokerage charges. Brokerage commissions are followed by corporate finance revenues which amount to US\$ 63 million in 2015. These revenues represent 8% of total revenues. 31 brokerage firms gained revenues from corporate finance activities in 2015. Proprietary trading profits which increased by 3% to US\$ 37 million in 2015 represent 5% of the total revenues. Profits from derivatives trading constitute 62% of the proprietary trading profits. Revenues from asset management services constitute 3% of the total revenues of brokerage firms. "Other revenues" which constitute one fifth of total revenues mainly refer to interest income received from customers, including margin trading and short selling.

The share of leveraged FX trading revenues in total brokerage revenues increased to 45% in 2015, becoming the major source of brokerage revenues with US\$ 220 million. The share of equities in total brokerage revenues continued to decline in 2015 and generated 41% of total brokerage revenues. Equity trading volume decreased by 5%, while commissions on equity trading decreased by 12% to US\$ 199 million. The effective commission rate on equity transactions (calculated by the net amount left to the brokerage firm, this is not the rate charged from the client) declined to 0.028% as compared to 0.031% in 2014. Brokerage firms generated 12% (US\$ 58 million) of their brokerage revenues from derivatives trading. The effective commission rate for derivative transactions is 0.014%, down from 0.016% in 2014.

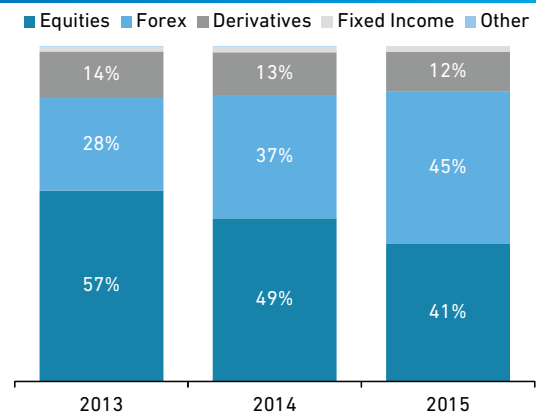
The revenues from corporate finance activities increased by only 1% to US\$ 63 million in 2015, while there is a 25% increase in TL terms. Public offerings, an area where only brokerage firms are allowed to operate, is the main source of corporate finance revenues. While corporate bond issues continued to increase, total amount of public offerings of shares contracted compared to 2014. As a result, public offering revenues declined by 25% to US\$ 34 million. Merger and acquisition services are provided by consultancy companies as well. Although only 3 brokerage firms provided these services in 2015, the M&A revenues increased more than twice to US\$ 14 million thanks to the operations of one brokerage firm. Other corporate finance activities which are mainly valuation and advisory services generated US\$ 13 million revenues in 2015.

## Breakdown of Brokerage Firms' Revenues



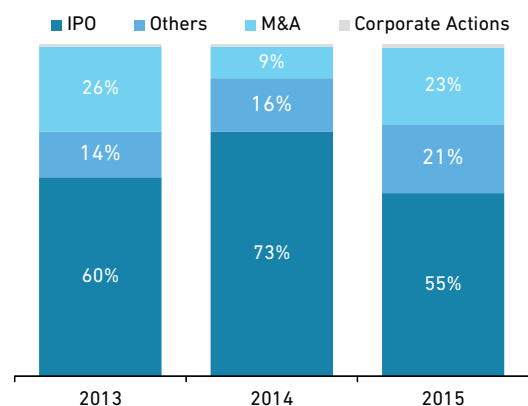
Source: Turkish Capital Markets Association

## Breakdown of Brokerage Commissions



Source: Turkish Capital Markets Association

## Breakdown of Corporate Finance Revenues



Source: Turkish Capital Markets Association

# FINANCIALS OF BROKERAGE FIRMS

In 2015, operating expenses of the brokerage industry increased by 2% to US\$ 631 million (There was a 27% increase in TL terms). 49% of the expenses correspond to employee compensation (including social security payments, health insurance and alike). The average monthly cost of an employee dropped by 12% to US\$ 4,230 in 2015, from US\$ 4,807 in 2014. In TL terms, there is a 10% increase in line with inflation.

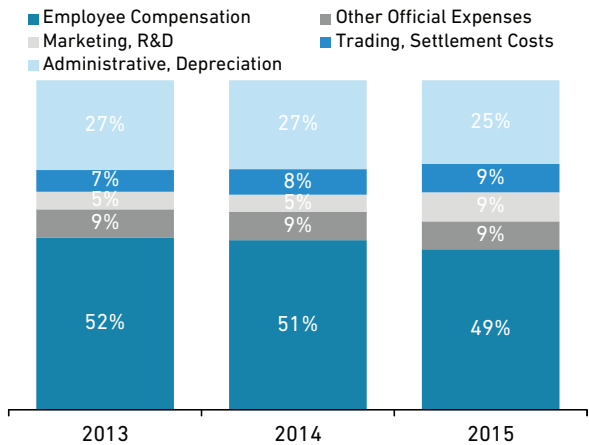
Trading and settlement costs surged by 14% to US\$ 55 million in 2015. The share of marketing, research and development expenses increased from 5% to 9% due to the high advertising costs of brokerage firms performing leveraged FX transactions. Administrative (office rents, infrastructures etc) and depreciation expenses, represent 25% of total expenses.

The brokerage firms' aggregate net profits decreased by 6% to US\$ 159 million in 2015 due to the depreciation of TL against US\$. In TL terms, there is a 16% increase in profits along with the higher revenues from leveraged FX trading.

52 brokerage firms recorded a profit of US\$ 187 million, while 22 brokerage firms posted aggregate losses of US\$ 28 million. The most profitable brokerage firm's profit was US\$ 22 million whereas the highest loss incurred by a brokerage firm was US\$ 6 million.

Despite the increase in shareholders' equity (in TL terms), return on equity (ROE) of the industry increased to 11.2% in 2015 thanks to the higher revenues. A similar trend was observed in the earnings per share, which increased to TL 0.19 in 2015, from TL 0.18 in 2014.

## Breakdown of Operating Expenses



Source: Turkish Capital Markets Association

## Breakdown of Brokerage Firms' Profits

	2014	2015	Change
No. of Profit Makers	56	52	-7%
No. of Loss Makers	29	22	-24%
Total Profit (Mn. \$)	183	187	2%
Total Loss (Mn. \$)	-13	-28	116%
<b>Net Profit/Losses</b>	<b>170.0</b>	<b>159.0</b>	<b>-6%</b>

Source: Turkish Capital Markets Association

## Brokerage Firms' Profitability

	2014	2015	Change
Return on Equity	10.7%	11.2%	4.2%
Earnings Per Share (TL)	0.18	0.19	4.4%

Source: Turkish Capital Markets Association



# FINANCIALS OF ASSET MANAGEMENT COMPANIES

Financial statements were collected from 46 asset management companies in 2015.

The deterioration in the value of the Turkish lira versus the US\$ negatively influenced the balance sheet of the portfolio management firms in 2015, so the industry experienced a decrease of 2% to US\$ 174 million in total assets although total assets were up by 24% in TL terms.

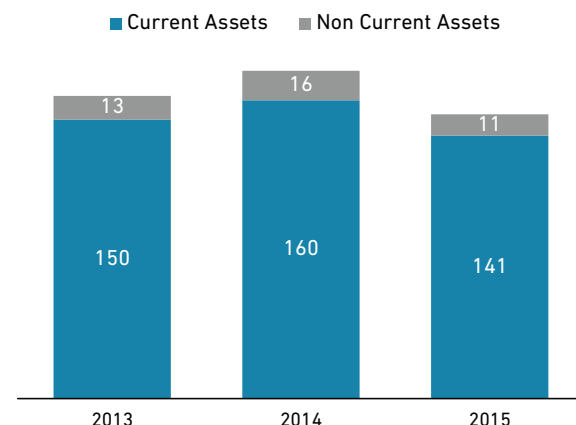
The majority of the assets remain liquid with 93% of the assets being in the current assets. Cash and cash equivalents continue to be the dominant asset class making up 62% of the total assets in 2015. Financial assets are yet another important asset class, making up 19% of the total.

90% of the assets of asset management firms are financed by equity. Asset management companies continue to enjoy strong balance sheets albeit at the expense of ROE. Equity stands at US\$ 156 million in 2015 while liabilities amount to US\$ 17 million across the industry.

Although equity increased from 364 million in 2014 to 455 million by 25% in 2015 in TL terms, the decline in the value of Turkish lira resulted in no change in equity in USD terms across the industry.

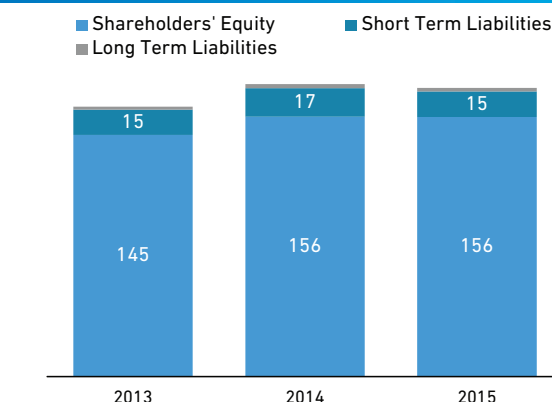
Total revenues rose by 3% from US\$ 105 million to US\$ 108 million in 2015. Operating costs increased only marginally from 2014 to US\$ 80 million. The operating profits rose by 9% to US\$ 32 million whereas net income rose by 5% to US\$ 33 million. It is important to note that the Turkish lira's depreciation vis-a-vis the US Dollar during this period significantly depressed these figures.

## Total Assets of Asset Management Co. (mn. \$)



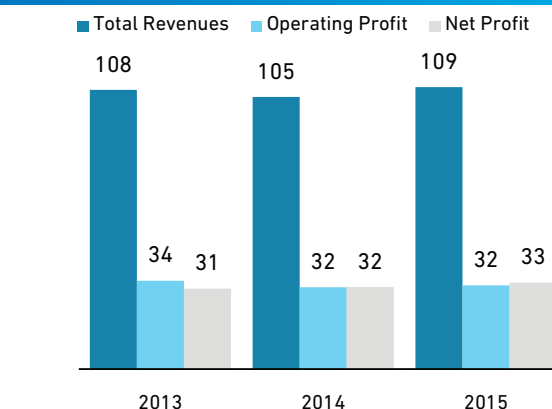
Source: Turkish Capital Markets Association

## Total Liabilities of Asset Management Co. (mn. \$)



Source: Turkish Capital Markets Association

## Income Statement of Asset Management Co. (mn. \$)



Source: Turkish Capital Markets Association

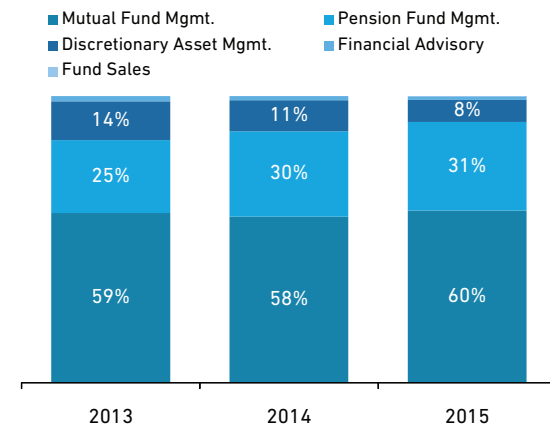
# FINANCIALS OF ASSET MANAGEMENT COMPANIES

Total revenues from asset management services increased by 2% from 2014 to 2015. The surge in the revenues is mainly attributable to the 6% rise in the mutual fund management revenues and 7% increase in the pension fund management revenues. During this period, revenues generated from discretionary asset management services declined by 28%. Although the size of pension funds is greater than that of mutual funds (US\$ 16 billion vs US\$ 14 billion) as of 2015, the revenues generated through mutual funds management is roughly double of pension funds management (US\$ 65 million vs US\$ 33 million), which indicates higher management fees for mutual funds as opposed to pension funds.

The total expenses of the portfolio management companies were in the neighbourhood of US\$ 79 million in 2015, slightly higher than last year's figure. Personnel expenses constitute a significant portion of the operating expenses, making up 60% of all operating expenses.

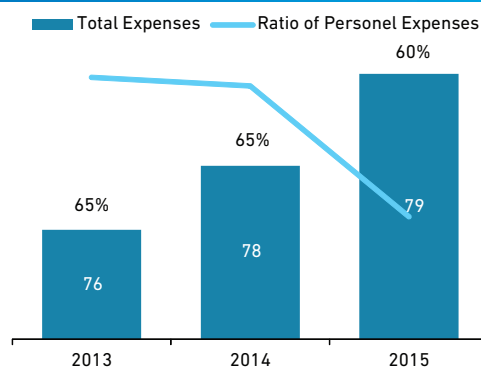
Of the 46 portfolio management companies, 19 registered profits in 2015. 19 companies generated US\$ 39 million in profits whereas 27 companies produced losses of US\$ 6 million resulting in a total net profit of US\$ 33 million across the sector. The ROE of the companies increased to 23% in 2015, from 22% in 2014.

## Breakdown of Asset Management Companies' Revenues



Source: Turkish Capital Markets Association

## Operating Expenses of Asset Management Co. (mn. \$)



Source: Turkish Capital Markets Association

## Breakdown of Asset Management Firms' Profits

	2014	2015	Change
No. of Profit Makers	24	19	-20.8%
No. of Loss Makers	16	27	68.8%
Total Profit (Mn. \$)	39	39	1.5%
Total Loss (Mn. \$)	-7	-6	-13.9%
<b>Net Profit/Losses</b>	<b>32</b>	<b>33</b>	<b>5.0%</b>
ROE	22%	23%	-
EPS	0.34	0.32	-3.9%

Source: Turkish Capital Markets Association

# INVESTORS

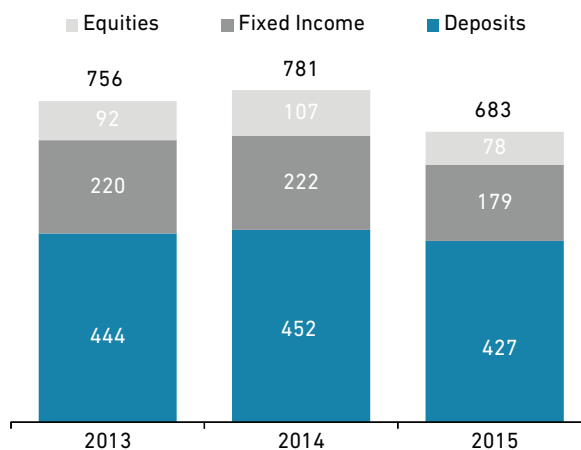
In 2015, total savings in Turkey decreased by 13% to US\$ 683 billion from US\$ 781 billion in 2014. Although the total savings increased by 10% in Turkish lira terms, the deterioration of the Turkish lira versus the US Dollar depressed the total savings. Bank deposits continued to constitute a major component of the total savings. Investors hold US\$ 427 billion in bank deposits as of 2015. While the Turkish lira depreciated, FX denominated deposits rose by 10% in US\$ terms, which contributed to the increase in the share of deposits to 75% from 71%. Investments in equities decreased by 27% to US\$ 78 billion and their share in total savings decreased to 14% from 17%. Investments in fixed income securities decreased to US\$ 179 billion, their share in total savings decreasing by 4 percentage point to 31%. Domestic investors hold US\$ 571 billion of the total savings and 70% of this portfolio is kept as bank deposits. Foreign investors, however, hold US\$ 113 billion of the total savings and 43% of this portfolio comprises of equities. Share of fixed income securities in foreign investors' portfolio decreased by 4 percentage points to 32% in 2015.

The number of investors with equity holdings is 1.05 million as of end December 2015. Roughly 16,000 domestic retail investors liquidated their equity portfolios in 2015.

In 2015, total equity portfolio decreased to US\$ 78 billion, which represents ¼ of the total market capitalization, from US\$ 107 billion in December 2014. Foreign institutional investors' share in the overall equity portfolio fell to 39% in 2015 from 45% in 2014, while the share of foreign corporations, which include banks and brokerage firms, rose to 23% from 19%. Overall, foreign investors' total share decreased to 62% from 64% in 2014.

Domestic investors' share in equity holdings is 38% in 2015. Domestic individual investors who drive the equity market liquidity hold 19% of total equities.

**Breakdown of Total Savings (bn. \$)**



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

**Number of Equity Investors**

(thou.)	2013	2014	2015
<b>Domestic Investors</b>	<b>1,100.9</b>	<b>1,065.5</b>	<b>1,049.6</b>
Individuals	1,095	1,060	1,044.0
Corporations	5.1	5.2	5.0
Institutionals	0.6	0.7	0.7
<b>Foreign Investors</b>	<b>9.6</b>	<b>9.9</b>	<b>9.7</b>
Individuals	6.0	6.2	6.2
Corporations	1.3	1.4	1.5
Institutionals	2.3	2.3	2.1
<b>Total</b>	<b>1,110.4</b>	<b>1,075.4</b>	<b>1,059.3</b>

Source: Central Registry Agency

**Equity Ownership**

(mn. \$)	2013	2014	2015
<b>Domestic Investors</b>	<b>34,282</b>	<b>38,549</b>	<b>29,167</b>
Individuals	17,344	18,711	14,964
Corporations	12,647	14,817	9,663
Institutionals	4,290	5,021	4,540
<b>Foreign Investors</b>	<b>56,719</b>	<b>68,435</b>	<b>48,390</b>
Individuals	235	226	241
Corporations	15,646	20,259	17,817
Institutionals	40,838	47,950	30,332
<b>Total</b>	<b>91,001</b>	<b>106,984</b>	<b>77,557</b>

Source: Central Registry Agency

# INVESTORS

The number of corporate bond investors declined both in 2014 and 2015. In 2015, there was a slight decrease in the number of investors to 137,000, 132,000 of which are domestic individuals.

Number of Corporate Bond Investors			
	2013	2014	2015
<b>Domestic Investors</b>	<b>164,886</b>	<b>136,441</b>	<b>135,690</b>
Individuals	159,613	132,132	131,798
Corporations	4,304	3,601	3,197
Institutionals	969	708	695
<b>Foreign Investors</b>	<b>1,672</b>	<b>1,384</b>	<b>1,066</b>
Individuals	1,614	1,330	1,034
Corporations	38	36	24
Institutionals	20	18	8
<b>Total</b>	<b>166,558</b>	<b>137,825</b>	<b>136,756</b>

Source: Central Registry Agency

The size of corporate bond investments rose significantly in recent years. While this increase slowed down in 2015 in Turkish lira terms to 4%, in US\$ terms, the portfolio size decreased by 17% to US\$ 16 billion as a result of the depreciation of the Turkish lira.

Domestic institutional investors own 53% of the entirety of issued corporate bonds, followed by domestic individuals who hold 29% of the bond portfolio. Foreign investors' share in corporate bond holdings is only 2% as of end 2015.

Corporate Bond Ownership (mn. \$)			
	2013	2014	2015
<b>Domestic Investors</b>	<b>16,228</b>	<b>18,756</b>	<b>15,711</b>
Individuals	5,632	6,072	4,726
Corporations	3,492	3,562	2,478
Institutionals	7,105	9,122	8,506
<b>Foreign Investors</b>	<b>711</b>	<b>504</b>	<b>330</b>
Individuals	72	76	45
Corporations	465	338	225
Institutionals	175	90	59
<b>Total</b>	<b>16,940</b>	<b>19,259</b>	<b>16,040</b>

Source: Central Registry Agency

Investment in the government bonds decreased by 19% to US\$ 159 billion in 2015, while it was stagnant in TL terms. Domestic banks hold 45% of the government bonds (US\$ 72 billion), followed by other domestic financial institutions (brokerage firms, institutional investors etc.) holding 33% of the bond portfolio.

Foreign ownership in government bonds decreased by 4 percentage points to 22% in 2015. Banks have the largest share among foreign investors, holding 13% (US\$ 20 billion) of the total portfolio. Non-bank financial institutions rank second among the foreign bond investors, holding 9% of the government bond portfolio.

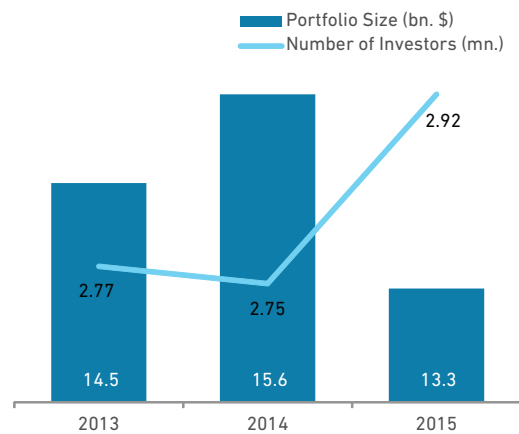
Government Bond Ownership (mn. \$)			
	2013	2014	2015
<b>Domestic Investors</b>	<b>146,308</b>	<b>146,205</b>	<b>124,895</b>
Individuals	1,354	843	515
Corporations	1,150	1,019	434
Banks	90,140	85,145	72,113
Oth. Financial Insti.	53,662	59,198	51,832
<b>Foreign Investors</b>	<b>51,831</b>	<b>51,450</b>	<b>34,327</b>
Individuals	41	34	26
Corporations	33	117	30
Banks	31,027	29,918	19,918
Oth. Financial Insti.	20,730	21,381	14,354
<b>Total</b>	<b>198,139</b>	<b>197,656</b>	<b>159,222</b>

Source: Central Bank of the Republic of Turkey

# INVESTORS

As of 2015, the number of mutual fund investors is 2.9 million, which is almost 3 times higher than equity investors. The number of mutual fund investors increased by more than 150,000 in 2015. Total size of mutual funds decreased by 14% to US\$ 13.3 billion, while there is an increase of 7% in TL terms. 79% of this portfolio belongs to money market and fixed income funds.

## Mutual Fund Investors

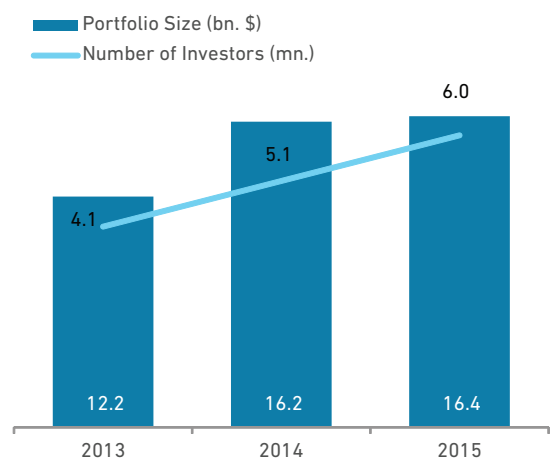


Source: Central Registry Agency

Pension funds market has shown a significant development since 2013, due to regulatory changes that provides a 25% direct state contribution to private pension funds, as part of a policy aiming to boost domestic savings. The number of pension fund investors increased by 19% to reach 6 million individuals by the end of 2015.

In 2015, while the number of investors rose by 1,000,000, the total portfolio size including the government contributions increased by 2% (a 28% increase in TL terms) to US\$ 16.4 billion.

## Pension Fund Investors



Source: Pension Monitoring Center

ISBN 978-975-6483-56-5

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