FINANCIAL SERVICES IN TURKEY

May 2018
Summary
Banking and Financial Intermediary
Capital Markets
Insurance
Turkey’s Competitive Landscape
**Resilient and attractive**

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 the industry has attracted $51 billion during the past 15 years.

**Strong Banking System**

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 51 banks in Turkey (33 deposit banks, 13 development and investment banks, 5 participation banks). Out of 51 banks, 21 hold significant foreign capital (30% of total assets are held by foreign investors).

** Unsaturated Insurance Sector**

The Turkish insurance market is still underpenetrated (1.5% 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.

**Favorable Investment Climate**

A key driver of the Turkish financial sector has been its robust economy with a bright future. Over the past 15 years, Turkish economy has been growing with an average annual real GDP growth rate of 5.7 per cent and the growth momentum is expected to continue. 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 expanding financial activities.

**Istanbul Financial Center**

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.
Turkey’s financial markets have been in a constant state of evolution.

**Milestones of Turkish Financial Services**

**1982-2000**
- Capital Market Law
- Istanbul Stock Exchange (ISE) Market opens
- Banking Regulation And Supervision Agency (BRSA) founded
- Consolidation of the Market from 100 Banks to 49 Banks
- Takasbank is Authorized by CMB as the National Numbering Agency of Turkey
- Start of internet banking services

**2001-2006**
- Personal Pension Savings and Investment System Law
- Banking Act, Law No. 5411
- Regulation on Measurement and Evaluation of Capital Adequacy of Banks

**2007-2012**
- Mortgage Law, Official Gazette No. 26454
- Implementation of Basel II standards in Turkey
- Record profitability of the banking sector in Turkey
- Law No. 6361 regarding Financial Leasing, Factoring and Financial Institutions
- Establishment of Insurance Information and Monitoring Center - TRAMER, SAGMER, HATMER, HAYMER
- All local or foreign insurance, reinsurance, and pension companies operating in Turkey are members of the Insurance Association of Turkey
- New Capital Market Law No. 6362

**2013-...**
- Restructuring of Istanbul Stock Exchange and Establishment of Borsa Istanbul A.Ş.
- Implementation of Basel III standards in Turkey
- State-owned banks opened up participation banks
- New regulatory framework for Payment and Electronic Money Institutions
- Electronic Fund Trading Platform of Turkey (TEFAS) began to operate

Source: BRSA, CMB
## Structure of Financial Services

A functioning institutional setting with a strong legal framework...

### SECTORS

- **BANKING**
  - Banking Regulation and Supervision Agency (BRSA)
- **CAPITAL MARKETS**
  - Capital Markets Board (CMB)
- **INSURANCE**
  - Undersecretariat of Treasury

### REGULATORS

- **BANKING**
  - Banking Regulation and Supervision Agency (BRSA)
- **CAPITAL MARKETS**
  - Capital Markets Board (CMB)
- **INSURANCE**
  - Undersecretariat of Treasury

### INDUSTRY REPRESENTATIVES & ENABLERS

- **BANKING**
  - Banks’ Association of Turkey
  - Participation Banks’ Association of Turkey
  - Association of Financial Institutions
- **CAPITAL MARKETS**
  - Turkish Capital Markets Association (TCMA)
  - Borsa Istanbul (BIST)
- **INSURANCE**
  - Insurance Association of Turkey

### PLAYERS

- **BANKING**
  - Banks
  - Participation Banks
  - Savings Deposit Insurance Fund
  - Leasing Companies
  - Factoring Companies
  - Consumer Finance Companies
  - NPL Management Companies
- **CAPITAL MARKETS**
  - Banks
  - Brokerage Firms
  - Asset Management Firms
  - Investment Trusts
  - Central Registry Agency
  - Settlement and Custody Bank
  - Capital Markets Licensing and Training Agency
  - Investor Compensation Center
  - Public and Listed Companies
  - Rating, Appraisal, Audit Firms
- **INSURANCE**
  - Insurance Companies
  - Private Pension Companies
  - Private Pension Funds

Source: TCMA
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

**FDI Flows into Turkish Financial Sector, 2002-2017**

- Banking: 78.0%
- Insurance: 15.4%
- Other: 6.6%

<table>
<thead>
<tr>
<th>Activities of Holding Companies and Other Activities Auxiliary to Financial Services</th>
<th>CAGR 2008-2017</th>
<th>Share 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td>18</td>
<td>67</td>
</tr>
<tr>
<td>Central Bank</td>
<td>15</td>
<td>8</td>
</tr>
<tr>
<td>Insurance &amp; Pension</td>
<td>19</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td>17</td>
<td>22</td>
</tr>
</tbody>
</table>

Other includes: BIST capitalization, securities, consumer finance, real estate investments, investment trusts, asset management and venture capital investment trust assets.

*Source: CBRT, BRSA, TCMA, IAT, CBRT, AFI, BIST
USD/TL as of 29.12.2017: 63.78
*Activities of Holding Companies and Other Activities Auxiliary to Financial Services
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There are 51 banks in Turkey with a total asset size of 3.3 trillion TL.

**TOTAL BANKING ASSETS**

₺3.3 TRILLION

**TOP 5 BANKS BY ASSET SIZE, 2017**

- Ziraat Bankası: ₺408 BILLION
- Türkiye İş Bankası: ₺346 BILLION
- GarantiBank: ₺311 BILLION
- AKBANK: ₺293 BILLION
- HalkBank: ₺280 BILLION

**Number of Banks, 2017**

- Deposit Banks: 33
- Participation Banks: 5
- Development & Investment Banks: 13
- Total: 51

**Ownership by Asset Size, 2017**

- Locally-owned: 36%
- Foreign-owned: 28%
- State-owned: 36%

Source: BRSA, USD/TL as of 29.12.2017: ₺3.78
Despite double-digit growth in the asset size, Turkish banking sector still has significant potential for growth relative to its economy.
While growing at full speed, the banking industry has also diversified its assets and liabilities.

**Asset Composition**
- Loans: 32% → 65%
- Securities: 40% → 12%
- Cash + Banks: 15% → 15%
- Other Assets: 12% → 8%

**Liability Composition**
- Deposits: 62% → 53%
- Other Liabilities: 11% → 16%
- Shareholder’s Equity: 15% → 11%
- Securities Issued: 11% → 5%
- Banks: 15% → 15%

**Asset Growth (Billion TL)**
- 2004: 306 Billion TL
- 2017: 3,258 Billion TL
- CAGR: 20%

**Source:** BRSA, USD/TL: ₺3.78 as of 29.12.2017
Participation banks have been outperforming the overall banking industry in Turkey, but still have significant potential for growth.

- 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 five participation banks operating in Turkey.

- The total asset size of participation banks was more than 160 billion by the end of 2017, growing at an impressive CAGR of 23.5% since 2007. The share of participation banks in banking sector assets increased from 3.3% in 2007 to 4.9% in 2017.

Source: Participation Banks Association of Turkey (TKBB), USD/TL as of 29.12.2017: ₺3.78
Loans and deposits have been rapidly increasing.

### Loans (TL Billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Consumer Loans &amp; Credit Cards</th>
<th>SME Loans</th>
<th>Commercial &amp; Corporate Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>526</td>
<td>173</td>
<td>228</td>
</tr>
<tr>
<td>2011</td>
<td>683</td>
<td>224</td>
<td>296</td>
</tr>
<tr>
<td>2012</td>
<td>795</td>
<td>266</td>
<td>329</td>
</tr>
<tr>
<td>2013</td>
<td>1,047</td>
<td>332</td>
<td>444</td>
</tr>
<tr>
<td>2014</td>
<td>1,241</td>
<td>356</td>
<td>551</td>
</tr>
<tr>
<td>2015</td>
<td>1,485</td>
<td>389</td>
<td>711</td>
</tr>
<tr>
<td>2016</td>
<td>1,734</td>
<td>422</td>
<td>893</td>
</tr>
<tr>
<td>2017</td>
<td>2,098</td>
<td>488</td>
<td>1,097</td>
</tr>
</tbody>
</table>

### Breakdown of Loans (2017)

- **Manufacturing**: 15.1%
- **Wholesale & Retail Trade**: 17.9%
- **Personal Loans (Other)**: 9.5%
- **Personal Loans (Housing)**: 9.2%
- **Construction**: 6.7%
- **Electric, Gas, Water Resources**: 8.6%

### Deposits (Billion TL)

<table>
<thead>
<tr>
<th>Year</th>
<th>Presious Metals</th>
<th>FX</th>
<th>TL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>617</td>
<td>181</td>
<td>434</td>
</tr>
<tr>
<td>2011</td>
<td>695</td>
<td>221</td>
<td>460</td>
</tr>
<tr>
<td>2012</td>
<td>772</td>
<td>233</td>
<td>520</td>
</tr>
<tr>
<td>2013</td>
<td>946</td>
<td>331</td>
<td>561</td>
</tr>
<tr>
<td>2014</td>
<td>1,053</td>
<td>375</td>
<td>661</td>
</tr>
<tr>
<td>2015</td>
<td>1,245</td>
<td>519</td>
<td>715</td>
</tr>
<tr>
<td>2016</td>
<td>1,431</td>
<td>845</td>
<td>893</td>
</tr>
<tr>
<td>2017</td>
<td>1,711</td>
<td>732</td>
<td>954</td>
</tr>
</tbody>
</table>

### Depositors (2017)

- **Natural Persons**: 59.0%
- **Public Institutions**: 5.0%
- **Corporate**: 36.0%

### Deposits by Maturity (2017)

- **1 to 3 Months**: 53.1%
- **3 to 6 Months**: 3.7%
- **6 to 12 Months**: 4.1%
- **1 year +**: 4.1%
- **Checking Account**: 21.2%

Source: BRSA, USD/TL as of 29.12.2017: 83.78
Successful risk management has also enhanced stability and efficiency of the banking industry with sound financial indicators.

**Non-Performing Loans / Total Gross Loans (NPL Ratio)**

- 2004: 6.0%
- 2005: 5.3%
- 2006: 4.2%
- 2007: 3.6%
- 2008: 2.9%
- 2009: 2.9%
- 2010: 2.9%
- 2011: 2.9%
- 2012: 2.9%
- 2013: 2.9%
- 2014: 2.9%
- 2015: 2.9%
- 2016: 2.9%
- 2017: 2.9%

**Capital Adequacy Ratio, 2017**

- Germany: 19.3%
- Romania: 19.0%
- Brazil: 18.0%
- Turkey: 16.9%
- Hungary: 16.4%
- Switzerland: 16.1%
- Italy: 15.3%
- India: 12.8%
- Russia: 11.8%

**NPL Ratio, 2017**

- Italy: 16.4%
- Russia: 10.2%
- India: 10.0%
- Romania: 8.0%
- Hungary: 4.2%
- Brazil: 3.6%
- Turkey: 2.9%
- Germany: 1.7%
- Switzerland: 0.7%

Source: BRSA, IMF
Banking sector has sustained double-digit growth rates in profit.

**Income Statement (Billion TL)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Interest Income</th>
<th>Total Interest Expenses</th>
<th>NET INTEREST INCOME/ EXPENSE</th>
<th>Special Provisions for Non performing Loans</th>
<th>NET INTEREST INCOME/ EXPENSE AFTER PROVISIONS</th>
<th>Total Non-Interest Income</th>
<th>Total Non-Interest Expenses</th>
<th>TOTAL NON-INTEREST INCOME/EXPENSE</th>
<th>PROFIT/LOSS BEFORE TAX</th>
<th>Provision for Taxes</th>
<th>NET INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>70.6</td>
<td>44.5</td>
<td>26.0</td>
<td>3.0</td>
<td>23.1</td>
<td>16.0</td>
<td>22.2</td>
<td>3.8</td>
<td>18.2</td>
<td>3.3</td>
<td>14.9</td>
</tr>
<tr>
<td>2006</td>
<td>103.4</td>
<td>46.5</td>
<td>56.9</td>
<td>3.0</td>
<td>53.9</td>
<td>77.8</td>
<td>67.6</td>
<td>10.2</td>
<td>67.6</td>
<td>9.7</td>
<td>59.9</td>
</tr>
<tr>
<td>2005</td>
<td>134.1</td>
<td>103.4</td>
<td>30.7</td>
<td>19.8</td>
<td>11.9</td>
<td>55.7</td>
<td>46.5</td>
<td>9.2</td>
<td>47.3</td>
<td>9.7</td>
<td>37.5</td>
</tr>
<tr>
<td>2004</td>
<td>194.7</td>
<td>103.4</td>
<td>91.3</td>
<td>21.5</td>
<td>69.9</td>
<td>55.7</td>
<td>46.5</td>
<td>9.2</td>
<td>47.3</td>
<td>9.7</td>
<td>37.5</td>
</tr>
<tr>
<td>2003</td>
<td>247.5</td>
<td>194.7</td>
<td>113.4</td>
<td>21.5</td>
<td>93.6</td>
<td>55.7</td>
<td>46.5</td>
<td>9.2</td>
<td>47.3</td>
<td>9.7</td>
<td>37.5</td>
</tr>
<tr>
<td>2002</td>
<td>70.6</td>
<td>44.5</td>
<td>26.0</td>
<td>3.0</td>
<td>23.1</td>
<td>16.0</td>
<td>22.2</td>
<td>3.8</td>
<td>18.2</td>
<td>3.3</td>
<td>14.9</td>
</tr>
</tbody>
</table>

Source: BRSA USD/TL as of 29.12.2017; $3.78; *Net interest income / average total assets
Financial leasing transactions has been growing with double-digit numbers.

### Financial Leasing

#### Financial Leasing Transactions (Billion TL)

<table>
<thead>
<tr>
<th>Year</th>
<th>Transactions (Billion TL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>8.4</td>
</tr>
<tr>
<td>2012</td>
<td>9.6</td>
</tr>
<tr>
<td>2013</td>
<td>13.9</td>
</tr>
<tr>
<td>2014</td>
<td>17.1</td>
</tr>
<tr>
<td>2015</td>
<td>17.3</td>
</tr>
<tr>
<td>2016</td>
<td>18.6</td>
</tr>
<tr>
<td>2017</td>
<td>22.6</td>
</tr>
</tbody>
</table>

CAGR: 18%

#### Leasing in Numbers

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies</td>
<td>25</td>
</tr>
<tr>
<td>Employees</td>
<td>1,453</td>
</tr>
<tr>
<td>Clients</td>
<td>57,605</td>
</tr>
<tr>
<td>Branches</td>
<td>139</td>
</tr>
</tbody>
</table>

#### Sectoral Distribution (2017)

- Heavy Equipment and Construction Machinery: 27%
- Real Estate: 21%
- Other Machinery and Equipments: 20%
- Textile Machinery: 7%
- Metal Processing Machinery: 7%
- Other Sectors: 18%

#### Financial Leasing Revenues (Billion TL)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues (Billion TL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>1.1</td>
</tr>
<tr>
<td>2012</td>
<td>1.4</td>
</tr>
<tr>
<td>2013</td>
<td>1.7</td>
</tr>
<tr>
<td>2014</td>
<td>2.2</td>
</tr>
<tr>
<td>2015</td>
<td>2.7</td>
</tr>
<tr>
<td>2016</td>
<td>3.1</td>
</tr>
<tr>
<td>2017</td>
<td>3.7</td>
</tr>
</tbody>
</table>

#### Financial Leasing Net Profit/Loss (Million TL)

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit/Loss (Million TL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>521</td>
</tr>
<tr>
<td>2012</td>
<td>443</td>
</tr>
<tr>
<td>2013</td>
<td>451</td>
</tr>
<tr>
<td>2014</td>
<td>526</td>
</tr>
<tr>
<td>2015</td>
<td>809</td>
</tr>
<tr>
<td>2016</td>
<td>922</td>
</tr>
<tr>
<td>2017</td>
<td>952</td>
</tr>
</tbody>
</table>

Source: Association of Financial Institutions (AFI), Average USD/TL in 2017: 3.65
Factoring turnover has more than doubled over the past six years.

**Factoring in Numbers**

<table>
<thead>
<tr>
<th>Year</th>
<th>Companies</th>
<th>Employees</th>
<th>Clients</th>
<th>Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>61</td>
<td>4,778</td>
<td>109,658</td>
<td>388</td>
</tr>
</tbody>
</table>

**Factoring Turnover (Billion TL)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>70.8</td>
</tr>
<tr>
<td>2012</td>
<td>77.3</td>
</tr>
<tr>
<td>2013</td>
<td>93.8</td>
</tr>
<tr>
<td>2014</td>
<td>116.0</td>
</tr>
<tr>
<td>2015</td>
<td>119.7</td>
</tr>
<tr>
<td>2016</td>
<td>122.8</td>
</tr>
<tr>
<td>2017</td>
<td>145.0</td>
</tr>
</tbody>
</table>

**CAGR 13%**

**Factoring Receivables (Billion TL)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Receivables</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>14.2</td>
</tr>
<tr>
<td>2012</td>
<td>16.3</td>
</tr>
<tr>
<td>2013</td>
<td>20.1</td>
</tr>
<tr>
<td>2014</td>
<td>24.7</td>
</tr>
<tr>
<td>2015</td>
<td>24.9</td>
</tr>
<tr>
<td>2016</td>
<td>31.1</td>
</tr>
<tr>
<td>2017</td>
<td>41.6</td>
</tr>
</tbody>
</table>

**Factoring Operating Revenues and Net Profit (Million TL)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>606</td>
<td>606</td>
</tr>
<tr>
<td>2012</td>
<td>759</td>
<td>759</td>
</tr>
<tr>
<td>2013</td>
<td>612</td>
<td>612</td>
</tr>
<tr>
<td>2014</td>
<td>772</td>
<td>772</td>
</tr>
<tr>
<td>2015</td>
<td>505</td>
<td>505</td>
</tr>
<tr>
<td>2016</td>
<td>848</td>
<td>848</td>
</tr>
<tr>
<td>2017</td>
<td>1,153</td>
<td>1,153</td>
</tr>
</tbody>
</table>

**Sectoral Distribution (2017)**

- Wholesale & Retail Trade: 15.5%
- Construction: 11.6%
- Textile Manufacturing: 8.5%
- Motor Vehicles Manufacturing: 8.2%
- Mining: 7.0%
- Other Sectors: 49.2%

Consumer financing has been growing with an impressive performance."

**Consumer Financing Assets (Billion TL)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>8.9</td>
<td>11.6</td>
<td>16.0</td>
<td>20.3</td>
<td>27.2</td>
<td>32.8</td>
<td>39.1</td>
</tr>
</tbody>
</table>

CAGR 28%

**Consumer Financing Receivables**

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>8.4</td>
<td>10.7</td>
<td>14.5</td>
<td>18.1</td>
<td>23.8</td>
<td>27.8</td>
<td>34.3</td>
</tr>
</tbody>
</table>

**Consumer Financing Operating Revenues & Net Profit (Million TL)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>135</td>
<td>840</td>
<td>1,233</td>
<td>1,456</td>
<td>1,817</td>
<td>2,404</td>
<td>3,372</td>
</tr>
<tr>
<td>Revenues</td>
<td>203</td>
<td>244</td>
<td>291</td>
<td>438</td>
<td>452</td>
<td>800</td>
<td>840</td>
</tr>
</tbody>
</table>

Source: BRS, AFI, Average USD/TL in 2017: 3.65, end-2017: 3.78
Agenda

Summary
Banking and Financial Intermediary
Capital Markets
Insurance
Turkey’s Competitive Landscape
Capital Markets

Turkish capital markets have been undergoing a profound transformation.

- New IFRS regulation was adopted
- Public Disclosure Platform was introduced
- First Islamic Bond was issued
- New Capital Markets Law passed
- ISE demutualized and transformed to Borsa Istanbul
- Borsa Istanbul merged with Istanbul Gold Exchange and Derivatives Exchange
- Electronic Fund Distribution Platform of Turkey (TEFAS) began to operate

---

**Capital Markets Board (CMB)**

- Equity Market
  - Public Companies
- Debt Market
  - Listed Companies
- Funds (TEFAS)
- Public Offering
  - of Equities
  - of Corporate Debt

---

**TCMA**
- Banks
- Brokerage Firms
- Portfolio Management Companies
- Investment Trusts

**BIST**
- Takasbank
- Central Registration Agency
- Licensing and Training Agency
- Rating Companies and Independent Audit Companies

**Institutions**

**Products**

**Infrastructure Providers**
Turkish capital markets promise more growth...

- **411 Companies Traded at BIST**
  - 2017
- **$227 Billion Market Capitalization of BIST**
  - 2017
- **1+ Million Equity Investors**
  - 2017

- **Market Capitalization as % of GDP 2017**
  - Bursa Malaysia: 143.8%
  - Korea Exchange: 115.2%
  - National Stock Exchange of India: 90.1%
  - BME Spanish Exchanges: 67.6%
  - Indonesia Stock Exchange: 51.3%
  - B3 SA Brasil Bolsa Balcao: 46.5%
  - Moscow Exchange: 40.8%
  - Bolsa de Valores de Colombia: 39.3%
  - Bolsa Mexicana de Valores: 36.3%
  - Borsa Istanbul: 28.0%

- **Institutional Investors Portfolio 2017**
  - Pension Funds: 47.1%
  - Mutual Funds: 35.1%
  - Investment Trusts: 0.2%
  - Venture Capital Companies: 1.5%
  - Real Estate Investment Trusts: 16.0%

- **$45 Billion Investors Portfolio**

- **$18 Billion Corporate Bonds Market**
  - 2017

- **$2.3 Trillion Forex Trading Volume**
  - 2017

Source: TCMA
Agenda

Summary
Banking and Financial Intermediary
Capital Markets
Insurance
Turkey’s Competitive Landscape
Despite robust growth, Turkey still has an unsaturated insurance industry...

**GROSS PREMIUMS WRITTEN**
- **₺47 BILLION**
- 2017

**PREMIUM GROWTH 2012-2017**
- **19% CAGR**

**TOTAL ASSETS**
- **₺152 BILLION**
- Including reinsurance 2017

**INSURANCE PENETRATION**
(Gross Direct Premiums as % of GDP, 2016)

- OECD: 9.0%
- Italy: 8.0%
- Spain: 5.5%
- Chile: 5.0%
- Brazil: 3.3%
- India: 3.1%
- Poland: 2.9%
- Argentina: 2.6%
- Mexico: 2.2%
- Indonesia: 1.8%
- Turkey: 1.3%
- Russia: 1.4%

**NON-LIFE INSURANCE MARKET SHARE**
- **45%**
- Held by 5 insurers
- Top 5 Market Leaders, 2017

**LIFE INSURANCE MARKET SHARE**
- **54%**
- Held by 5 insurers
- Top 5 Market Leaders, 2017

**AUTHORIZED INSURERS**
- **61**
- 2017

Source: Insurance Association of Turkey, OECD
## Turkish Insurance Industry

The Turkish insurance industry is characterized by various compulsory insurance products:

<table>
<thead>
<tr>
<th><strong>COMPULSORY INSURANCE PRODUCTS</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Motor third party liability for bodily injury and property damage.</strong></td>
<td>Professional liability cover for tour operators.</td>
</tr>
<tr>
<td><strong>Earthquake insurance on private dwellings.</strong></td>
<td>Medical malpractice insurance for doctors and dentists.</td>
</tr>
<tr>
<td><strong>Third party liability for bodily injury and medical expenses for passengers on intercity and international transport.</strong></td>
<td>Professional indemnity insurance for independent auditors.</td>
</tr>
<tr>
<td><strong>Third party liability for passengers on vessels registered to carry 12 or more passengers.</strong></td>
<td>Sea pollution liability for companies situated near the shoreline.</td>
</tr>
<tr>
<td><strong>Personal accident cover for intercity coach passengers.</strong></td>
<td>Public liability insurance for private security guards.</td>
</tr>
<tr>
<td><strong>Personal accident cover for miners.</strong></td>
<td>Third party legal liability and passenger liability for aircraft.</td>
</tr>
<tr>
<td><strong>Professional indemnity insurance for companies providing professional services to banks.</strong></td>
<td>Insurance of goods that are subject to finance leasing.</td>
</tr>
<tr>
<td><strong>Liability of companies engaged in the production, storage, and handling of LPG cylinders.</strong></td>
<td>Professional indemnity insurance for electronic signature certificate providers.</td>
</tr>
<tr>
<td><strong>Liability insurance for companies engaged in the production, storage, transport, and sale of combustible, explosive or flammable materials.</strong></td>
<td></td>
</tr>
</tbody>
</table>
Agenda

Summary
Banking and Financial Intermediary
Capital Markets
Insurance

Turkey’s Competitive Landscape
Robust Economy

Track record growth and bright future with proven resilience.

13TH LARGEST ECONOMY

Average Annual GDP Growth (%), 2003-2017

Turkey  Poland  Romania  Czechia  Hungary

5.7  3.9  3.8  2.8  1.8

Ranking of Economies by GDP at PPP

<table>
<thead>
<tr>
<th>Year</th>
<th>USA</th>
<th>China</th>
<th>Poland</th>
<th>Turkey</th>
<th>Greece</th>
<th>Italy</th>
<th>Spain</th>
<th>France</th>
<th>Germany</th>
<th>Japan</th>
<th>Russia</th>
<th>India</th>
<th>Japan</th>
<th>Brazil</th>
<th>UK</th>
<th>Brazil</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>1</td>
<td>1</td>
<td>15</td>
<td>12</td>
<td>18</td>
<td>14</td>
<td>13</td>
<td>11</td>
<td>9</td>
<td>10</td>
<td>6</td>
<td>3</td>
<td>4</td>
<td>8</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>2017</td>
<td>1</td>
<td>1</td>
<td>15</td>
<td>12</td>
<td>18</td>
<td>14</td>
<td>13</td>
<td>11</td>
<td>9</td>
<td>10</td>
<td>6</td>
<td>3</td>
<td>4</td>
<td>8</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>2021</td>
<td>1</td>
<td>1</td>
<td>15</td>
<td>12</td>
<td>18</td>
<td>14</td>
<td>13</td>
<td>11</td>
<td>9</td>
<td>10</td>
<td>6</td>
<td>3</td>
<td>4</td>
<td>8</td>
<td>9</td>
<td>7</td>
</tr>
</tbody>
</table>

Real GDP Growth (Index: 2002=100)

2017 Real GDP Growth in G20

- **Turkey** 7.4%
- China 6.8%
- Indonesia 6.4%
- Korea 3.8%
- Canada 3.0%
- Argentina 2.9%
- EU 2.4%
- Australia 2.3%
- US 2.3%
- Germany 2.2%
- Mexico 2.0%
- France 1.8%
- UK 1.8%
- Japan 1.7%
- Russia 1.5%
- Italy 1.5%
- S. Africa 1.3%
- Brazil 1.0%
- S. Arabia 0.8%

Fastest growing economy in G20

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 ($ Billion)**

- Financial Account
- Income
- Trade in Goods & Services

<table>
<thead>
<tr>
<th>Year</th>
<th>Financial Account</th>
<th>Income</th>
<th>Trade in Goods &amp; Services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>284</td>
<td></td>
<td></td>
<td>284</td>
</tr>
<tr>
<td>2017</td>
<td>1,273</td>
<td></td>
<td></td>
<td>1,273</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Reserve assets</th>
<th>Other investment</th>
<th>Portfolio investment</th>
<th>Direct investment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>62</td>
<td></td>
<td></td>
<td></td>
<td>62</td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td>228</td>
<td></td>
<td></td>
<td>228</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Other investment</th>
<th>Portfolio investment</th>
<th>Direct investment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>148</td>
<td></td>
<td></td>
<td>148</td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td>682</td>
<td></td>
<td>682</td>
</tr>
</tbody>
</table>

Source: CBRT, transactions cover gross inflows and outflows
Robust Economy
Driven by a diversified structure, Turkish economy has more than tripled over the past 15 years.

Turkish economy has more than tripled over the past 15 years and is promising more growth in future.

Turkish Economy (GDP at current prices, $Billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP at current prices, $Billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>236</td>
</tr>
<tr>
<td>2017</td>
<td>851</td>
</tr>
</tbody>
</table>

..driven by a robust domestic market and entrepreneurial private sector which has spurred investments and exports.

Contribution to GDP Growth 2002-2017 (%)

<table>
<thead>
<tr>
<th>Component</th>
<th>Contribution 2002-2017 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Consumption</td>
<td>74</td>
</tr>
<tr>
<td>Investment Expenditures</td>
<td>31</td>
</tr>
<tr>
<td>Exports</td>
<td>22</td>
</tr>
<tr>
<td>Stocks</td>
<td>-2</td>
</tr>
<tr>
<td>Imports</td>
<td>-25</td>
</tr>
</tbody>
</table>

Source: TurkStat
Turkey’s economic growth has paved the way for the emergence of a sizeable middle-class with an increasing purchasing power...
Favorable Demographics

Half of population under age 31..

**Working Age Population (15-64) (Index: 2014=100)**

**Total Dependency Ratio (%) (Age 0-14 & 64)/Age 15-64)

Source: Turkstat, Eurostat, UN, 2016
Despite increasing income, Turkey still lags behind in financial inclusion as compared to peer and advanced economies, giving room for growth in financial services.

### Percentage of Adults with a Bank Account

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>99%</td>
</tr>
<tr>
<td>UK</td>
<td>96%</td>
</tr>
<tr>
<td>Korea</td>
<td>95%</td>
</tr>
<tr>
<td>France</td>
<td>94%</td>
</tr>
<tr>
<td>USA</td>
<td>93%</td>
</tr>
<tr>
<td>Poland</td>
<td>87%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>85%</td>
</tr>
<tr>
<td>China</td>
<td>84%</td>
</tr>
<tr>
<td>India</td>
<td>80%</td>
</tr>
<tr>
<td>Russia</td>
<td>76%</td>
</tr>
<tr>
<td>Hungary</td>
<td>75%</td>
</tr>
<tr>
<td>Chile</td>
<td>74%</td>
</tr>
<tr>
<td>Brazil</td>
<td>70%</td>
</tr>
<tr>
<td>Turkey</td>
<td>69%</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

Source: World Bank Global Findex 2017
Turkey’s labor markets support the financial sector’s human resources need with a cost-competitive labor base.

**271K**

**People employed in the Turkish financial and insurance sector**

2017

<table>
<thead>
<tr>
<th>Country</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxembourg</td>
<td>64.7</td>
</tr>
<tr>
<td>France</td>
<td>56.3</td>
</tr>
<tr>
<td>Germany</td>
<td>51.7</td>
</tr>
<tr>
<td>Italy</td>
<td>49.7</td>
</tr>
<tr>
<td>UK</td>
<td>45.9</td>
</tr>
<tr>
<td>Ireland</td>
<td>43.8</td>
</tr>
<tr>
<td>Spain</td>
<td>38.5</td>
</tr>
<tr>
<td>Turkey</td>
<td>19.1</td>
</tr>
</tbody>
</table>

**Labor Cost per hour in Financial & Insurance Sector 2016 (EUR)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Cost (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxembourg</td>
<td>64.7</td>
</tr>
<tr>
<td>France</td>
<td>56.3</td>
</tr>
<tr>
<td>Germany</td>
<td>51.7</td>
</tr>
<tr>
<td>Italy</td>
<td>49.7</td>
</tr>
<tr>
<td>UK</td>
<td>45.9</td>
</tr>
<tr>
<td>Ireland</td>
<td>43.8</td>
</tr>
<tr>
<td>Spain</td>
<td>38.5</td>
</tr>
<tr>
<td>Turkey</td>
<td>19.1</td>
</tr>
</tbody>
</table>

**Availability of Finance Skills, 2017**

0=Unavailable, 10=Available

<table>
<thead>
<tr>
<th>Country</th>
<th>Availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>5.9</td>
</tr>
<tr>
<td>Spain</td>
<td>6.0</td>
</tr>
<tr>
<td>Turkey</td>
<td>6.5</td>
</tr>
<tr>
<td>Austria</td>
<td>7.1</td>
</tr>
<tr>
<td>UK</td>
<td>7.3</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>7.5</td>
</tr>
<tr>
<td>Ireland</td>
<td>7.8</td>
</tr>
</tbody>
</table>

**Availability of IT Skills, 2017**

0=Unavailable, 10=Available

<table>
<thead>
<tr>
<th>Country</th>
<th>Availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>6.0</td>
</tr>
<tr>
<td>Spain</td>
<td>6.7</td>
</tr>
<tr>
<td>Turkey</td>
<td>6.9</td>
</tr>
<tr>
<td>Austria</td>
<td>7.0</td>
</tr>
<tr>
<td>UK</td>
<td>7.2</td>
</tr>
<tr>
<td>Ireland</td>
<td>7.5</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>7.6</td>
</tr>
</tbody>
</table>

Source: Turkstat, IMD World Competitiveness Yearbook Executive Opinion Survey based on an index from 0 to 10; Eurostat
Tech Infrastructure

Turkish financial industry is also supported by university & industry collaboration through a finance-focused technology development zone.

About

• 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

Source: http://finansteknopark.com.tr/
Strategic Location to manufacture, export and manage...

PROXIMITY TO MAJOR MARKETS
1.5 billion people and $24T GDP in Europe, MENA and Central Asia at 4 hour flight-distance

CONNECTIVITY
Turkish Airlines connects you to 246 destinations in 120 countries

MANUFACTURING & EXPORT HUB FOR MULTINATIONALS

AS WELL AS MANAGEMENT HUB FOR MULTINATIONALS

Source: IMF and World Bank

**PROXIMITY TO MAJOR MARKETS**
1.5 billion people and $24T GDP in Europe, MENA and Central Asia at 4 hour flight-distance

**CONNECTIVITY**
Turkish Airlines connects you to 246 destinations in 120 countries

**MANUFACTURING & EXPORT HUB FOR MULTINATIONALS**

**AS WELL AS MANAGEMENT HUB FOR MULTINATIONALS**

- **Toyata** Exporting 85% of its production
- **Ford** Exporting 77% of its production
- **Nestle** Production base for MENA
- **Hugo Boss** Largest production facility worldwide

- **B/S/H/** 89 countries
- **GE Healthcare** 80 countries
- **thyssenkrupp** 72 countries
- **Intel** 67 countries
- **Verifone** 60 countries
- **GSK** 30 countries
Istanbul Financial Center

Turkey is determined to bolster its capital markets and position, Istanbul, as an international financial center.

**Thriving Local Economy at Global Scale**

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP (current prices, $Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Istanbul</td>
<td>260</td>
</tr>
<tr>
<td>Finland</td>
<td>253</td>
</tr>
<tr>
<td>Egypt</td>
<td>237</td>
</tr>
<tr>
<td>Portugal</td>
<td>218</td>
</tr>
<tr>
<td>Czechia</td>
<td>213</td>
</tr>
<tr>
<td>Romania</td>
<td>211</td>
</tr>
<tr>
<td>Greece</td>
<td>200</td>
</tr>
</tbody>
</table>

- New Capital Markets Law
- New Commercial Code
- Istanbul Arbitration Center
- Unifying All Exchanges (Stock, Derivative, Gold, etc.) under BIST
- New investment fund structures, capital-raising products and listing procedures

**Strategic Location**

- Connectivity
- Regional HQs for MNEs

**Skilled Labor Force**

- 6.6 million labor force; ~2 million with higher education
- One of the largest concentrations of universities in the world with 58 universities
- 87K employed in financial and insurance services
- 113K employed in information and communication

Source: Turkstat, Eurostat, Higher Education Council, IMF
Useful Links

- Capital Markets Board of Turkey: [http://www.cmb.gov.tr/](http://www.cmb.gov.tr/)
- Turkish Capital Markets Association: [http://www.tspb.org.tr/](http://www.tspb.org.tr/)
- Banks Association of Turkey: [http://www.tbb.org.tr/](http://www.tbb.org.tr/)
- Turkish Investor Relations Society: [http://www.tuyid.org/](http://www.tuyid.org/)
- Association of Real Estate and Real Estate Investment Companies: [http://www.gyoder.org.tr/](http://www.gyoder.org.tr/)
THANK YOU