

## ENERGY

Turkey is one of the fastest growing energy markets in the world. Embarked on an energy strategy targeting comprehensive liberalization and the establishment of competitive markets and an investor-friendly environment, Turkey attaches great importance to the establishment of an energy sector which functions in a more efficient and rational way, promoting the competitiveness of the national economy.

Developing the use of indigenous resources, further diversification in energy supplies, improving energy efficiency along the energy chain and ensuring sustainable economical and environmental growth of the energy sector are among the major pillars of the Turkish energy policy.

Most recently, in 2009 Turkey endorsed a comprehensive strategy for its electricity sector towards the development of a well-functioning electricity sector. This strategy draws a road map of essential elements for ensuring security of supply and enhancing competitiveness in Turkey's evolving electricity market. Turkey aims at fully utilizing its indigenous hard coal and lignite reserves, hydro and other renewable resources such as wind and solar energy to meet the rapidly growing electricity demand in a sustainable manner. Integration of nuclear energy into the Turkish energy mix will also be one of the main tools in responding to the growing electricity demand while avoiding



increasing dependence on imported fuels.

Turkey is geographically located in close proximity to 72% of the world's proven gas and oil reserves, in particular those in the Middle East, the Caspian basin and Central Asia. In this context, Turkey forms a natural energy bridge between the source countries and consumer markets and stands as a key country in ensuring energy security through diversification of supply sources and routes. Major oil and natural gas pipeline projects, some realized and others under construction, which will inevitably contribute to the energy supply security of the region, are enhancing the role of Turkey in the Eurasia energy axis.

As the first stage of incorporating Turkey's energy network with that of the EU, the Turkey-Greece Interconnector was realized in 2007. The Nabucco Project is well advancing based on the support delivered by the participant countries, companies and the EU.

On the oil side, the Ceyhan Terminal on the southern coast of Turkey is anticipated to become a major energy hub and the largest oil outlet terminal in the Eastern Mediterranean, as it has already been designed to receive crude oil from Kirkuk, Bakû and Samsun. One of the many advantages of the Ceyhan Terminal is the existence of an established and state-of-the-art infrastructure. The Ceyhan Terminal stands as a promising location for enhancing security and competitiveness in regional and global oil supplies.



# SERVICES

## CONTRACTING

From 1972 throughout 2009, Turkish contractors undertook more than 5000 projects in 81 countries, with a combined value of more than 155 billion USD. Turkish contractors' competitive advantage in current markets, that is partly built on a comparative national advantage due to cultural and linguistic similarities, plays an important role in this success story. Turkish contractors focus on markets where they can achieve competitive advantage primarily by their national comparative advantage and specialise in projects where they can achieve a low cost advantage due to the low cost of labour. Low mobility costs due to Turkey's unique geographic location also decrease the overall cost of labour.

Being early entrants with low costs, Turkish contractors were able to increase their workload and gain enough experience while their competitors were on the learning curve. Although the low cost advantage is easy to imitate, experience and strong client relations can act as a different advantage, one which takes time for the competitors to reach the same point.

Also, it is apparent that the risk-taking abilities of Turkish contractors is crucial in building a good image in risky environments and successfully completed projects reinforces the strength of Turkish contractors in dealing with risks.

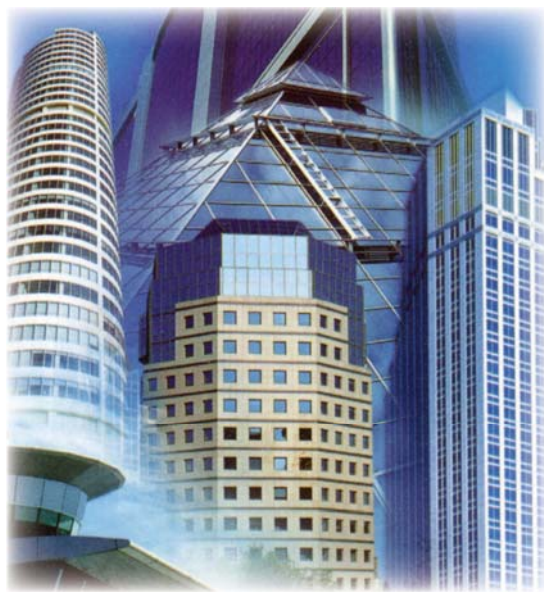
Rapid construction is a very important factor for



most of the developing countries with high inflation rates, and Turkish contractors are accustomed to offer services in similar conditions in the domestic market.

The availability of experienced staff who are experts in risk-management in uncertain environments also constitutes one of the basic strengths of Turkish contractors in global markets. Hiring qualified personnel in these projects turned out to be one of the most significant risk mitigation strategies of Turkish contractors and added to the success of their global operations.

As a result of these advantages, there is a significant change in the pattern of Turkish overseas contractor portfolios. Turkish contractors are now exploring the significant needs of the products and services of the countries in which they are operating or intending to operate. They are catering to those needs with whole package offers consisting of basic or process



engineering, feasibility studies, equipment selection and extension of credit.

Today Turkish construction and engineering firms are able to design, erect, build and operate almost all kinds of civil and industrial projects, such as dams, hydroelectric power plants, industrial plants, large scale petroleum and natural gas pipelines, thermal power plants, fertilizer plants, petrochemical complexes and refineries, motorways, tunnels, airports, large housing projects, high-rise buildings, hotels and touristic resorts.

The work of Turkish contractors abroad has come to be accepted world-wide and the quality of the construction; their relative low cost and speed have impressed both the employer institutions

and the ultimate users extensively. Today, foreign capital from the EU, USA, Japan, China and Australia prefers to cooperate with Turkish businessmen when investing in the Central Asian Republics, the Commonwealth of Independent States and the Middle East. This preference can be readily attributed to the expertise and strength of Turkish contracting firms and their ability to use high technology.

According to the "Engineering News-Record", an American based engineering magazine that provides news, analyses, data and opinion for the construction industry worldwide, 31 Turkish contractor firms were among the top 225 international contractor firms in 2009 and they rose to second place in the world, following China.

**Distribution of projects carried out by Turkish contractors (1972-2009)**

Region/Country	Number of Projects	Value (\$)	Percentage (%)
CIS	2646	68,470,436,510	44.0
Middle East	973	34,470,135,581	22.2
Africa	649	33,341,156,502	21.4
Europe	336	11,435,490,696	7.7
Asia	328	4,543,338,616	3.3
Americas	35	915,549,908	0.9
Others	62	491,746,852	0.5
<b>Total</b>	<b>5026</b>	<b>155,667,854,665</b>	<b>100</b>

Within the eight-year period between 2002 and 2009, the annual volume of business undertaken abroad increased from 1.7 billion USD in 2002; to

23.6 billion USD in 2008. In 2009, because of the effects of the global crisis, this figure decreased to 18.6 billion USD.

**Breakdown of construction works carried out in 2009**

Region/Country	Number of Projects	Value (\$)	Percentage (%)
Africa	76	6,802,013,668	36.7
Middle East	80	6,051,031,096	32.6
CIS	120	4,118,503,864	22.2
Europe	17	1,090,580,598	5.9
Asia	20	378,447,027	2.0
Other	3	111,347,239	0.6
<b>Total</b>	<b>316</b>	<b>18,551,923,552</b>	<b>100</b>

Turkish contractors undertook 316 projects in abroad in 2009. Libya (24.8%), Turkmenistan (16.1%), Algeria (15.4%), Qatar (8.8%), Iraq (8.1%), and the Russian Federation (6.9%) were the main

markets for Turkish contractors in 2009. Last year, the main fields of activity for Turkish contractors abroad were transportation (35.4%), building construction (31.5%), energy plants (11.6%) and water works (7%).



## TRANSPORTATION

Turkey, standing at the crossroads of major trade routes between Europe and Asia and the cradle for a succession of major world civilizations dating back 8,000 years, has many transit roads between East and West passing through its lands.

Turkey has the most sophisticated infrastructure in the region. One of the prerequisites for economic development is efficient transport and Turkey has attached importance to this factor for many years. During the last decade, significant efforts were made to renew and develop the transport and communication systems and, as a result, significant improvements were achieved.

Investments to improve the highway system resulted in highways dominating cargo and passenger transport. As a result of developments and improvements in the highway network, the relative importance of highways has increased. The highway length has reached 64,349 kilometres of which 2,130 are motorways. 90% of passenger transport and 91% of the transport of goods (except pipelines) is realized by road transport. The number of coaches in domestic transportation reached at 20,435, whereas this number is 1,953 for international transportation.

The railways are state-owned and operated. The length of railways is 11,405 km of which 2,679 are currently electrified. Investment in this sector has been aimed at improving standards so that rail transport can become a competitive alternative to road and air transport. With the projects which are underway at present, and with those to be pursued in the coming years (2009-2014), the length of

electrified main-lines will increase from 2,679 km to 3,067 km. In terms of its rolling stock fleet, Turkish State Railways (TCDD) has 439 diesel mainline, 111 diesel shunting, 64 electric locomotives, 83 electric railcars, 52 diesel railcars, 17,607 freight cars and 990 passenger coaches. The total number of passengers of this sector reached 80 million and 21 million tonnes of cargo was transported in 2009.

Turkey, a country surrounded by sea on three sides, places great emphasis on port development and sea transport, Turkey has 8,333 kilometres of coastline, 13 principal purpose wharves, some 115 special purpose wharves and quays. The state-owned ports of Samsun, Haydarpaşa (İstanbul), Derince, Bandırma-İzmir and İskenderun are currently operated by the Turkish State Railways, but government is planning to privatize them in the future. The operating right of Mersin Port was granted for 36 years in 2007.

The number of tourists visiting Turkey by cruise tourism increased by 346% in the year 2009 compared to 2002. The cruise industry today offers a market of USD 25 billion.

The goal of Turkey is to become a centre for transit cargoes in the territory. Turkey's strategic position has become more apparent after the construction of pipelines such as the Baku-Tiflis-Ceyhan, and projects like the South East Anatolia Project (GAP). Privatized and modernized ports will also add strength to its position.

While the number of shipyards in Turkey was





37 in 2002, it had grown to 65 by March 2010. The project capacity of shipyards was 550.000 DWT in 2002, this capacity increased by 6 and reached to 3.41 million DWT in 2010. New shipyard projects increased after 2003 and still 60 of them are still currently in progress. With the completion of these new shipyard projects, the total capacity will further increase to 7.5 million DWT by 2013.

With the finalisation of projected dry-dock investments, the number of dry-docks will increase to 29. The number of floating-docks has already reached to 17 up from its previous number of 11.

In the four-year period (1998-2002) the number of ships delivered was 142 and in the period 2003-2008, it increased to 554. The number of ships delivered in 2009 was 127.

The value of exports in the marine sector was \$1.2 billion in the period 1998-2002 and this value rose to \$8.1 billion in the period of 2003-2009, a six-fold increase.

Turkey ranked fifth place in the world new ship building orders' chart in terms of the numbers of ships ordered. Similarly, Turkey ranked fifth in yacht orders in 2008.

To predict future trends and new technologies around the world, a master plan for Turkish shipyards has been prepared and it presents the rules of thumb to investors and the industry.

The major international airports in Turkey are;

İstanbul (Atatürk), İstanbul (Sabiha Gökçen) Ankara (Esenboğa), Antalya, İzmir (Adnan Menderes), Dalaman, Adana, Trabzon, Milas-Bodrum, Erzurum, Gaziantep, Isparta (Süleyman Demirel) and Nevşehir-Kapadokya Airport.

In addition to these, airports located in Kars, Van-Ferit Melen, Çanakkale, Sivas, Balıkesir-Körfez, Malatya, Şanlıurfa-GAP, Bursa-Yenişehir, Denizli-Çardak, Tekirdağ-Çorlu, Konya, Uşak, Kayseri, Diyarbakır, Hatay, Antalya-Gazipaşa, Zonguldak-Çaycuma, Amasya-Merzifon, Elazığ, Muş and Eskişehir Anadolu Üniversitesi are also open to international flights. A total of 45 airports of different sizes are open to civil air traffic. In addition, all airports are being repaired and renovated. There are also nine military airports which are open to civil air traffic and five special purpose airports operated by flight schools, universities, and the Turkish Aeronautical Association.

The number of international airlines operating in Turkey is increasing each year. In 2009, international passenger air traffic was 44,281,549 and total passenger air traffic was 85,508,508 in all of Turkey's airports.

Atatürk Airport International Terminal, which has a capacity of 20 million pax/year, was built utilizing the Build-Operate-Transfer (BOT) Model and after the operation period, was rented for operation by a private company for a period of 15.5 years starting in July 2005. The same private company has also been operating Atatürk Airport domestic terminal.

Antalya Airport's first international terminal unit since 1988 and the second international terminal since 17 April 2005 have been operated on the BOT Model by a private company. These terminals have a capacity of 10 million passengers. In 2007 the first international terminal was rented to be operated for 17 years. In addition, the second terminal was rented in the same year for 15 years starting from 23 September 2009.

Furthermore, Esenboğa Airport domestic and international terminals have a capacity of 10 million pax/year, and Adnan Menderes Airport international terminal has a capacity of 5 million pax/year. All were built using the BOT Model.

Finally, Bodrum-Milas New International Terminal has been tendered on the BOT Model and it is scheduled to be opened in 2011.

## INFORMATION AND COMMUNICATION TECHNOLOGIES

The rapid development of the information and communication technologies (ICT) has enormously affected all countries of the world. Like many of them, Turkey recognizes ICT as a sector as well as the driving force of economic and social change.

ICT triggers development and affects all aspects of daily life. At the same time it forces countries to find new ways that are beyond traditional definitions and approaches in order to survive in a rapidly changing world.

Turkey's Information and Communication Technologies (ICT) market is anticipated to reach US\$ 26 billion at the end of 2010 with a growth rate of 6.5% compared to 2009. It is worth mentioning that the Turkish ICT market has experienced double-digit growth over the past years. The market is dominated primarily by the telecommunication sector, constituting approximately 75% of the total; the entire IT market constitutes the other 25%.

The Turkish IT hardware industry constitutes nearly 40% of the IT market. PC sales in Turkey showed a steady increase between 2002-2009 and reached 2 million units in 2009. Vestel (which aims to have an important share in the notebook sector in the European marketplace), Beko Elektronik, Casper, and Escort are the major players of the Turkish IT hardware market. There has been slight decrease in notebook sales in 2009 in Turkey and nearly 1 million notebooks were sold in 2009. According to a survey on ICT usage in enterprises carried out in

2009, 90.7% of enterprises use PCs and 88.8% of enterprises have access to the Internet.

The Turkish software industry is a dynamic and fast developing one. The software industry had achieved significant capabilities, benefiting from the availability of a well-educated and energetic pool of computer and software engineers who receive a high-quality education in the universities as well as the well-developed creative skills of self-taught computer enthusiasts. As a result, the industry has the potential to boom and significantly contribute to the national information infrastructure.

There are approximately 20 large companies competing for the software market in Turkey. The product lines of these companies range from packaged programs to customized software development for specific needs.

## TELECOMMUNICATION

Turkey is an attractive market for the development of telecommunications with its young population and its network infrastructure covering the whole country. Reform of the communications market started in accordance with the Telecommunications Law in 2000. The law established an independent regulator, "The Information and Communication Technologies Authority" and predetermined full market liberalisation starting from January 2004.

Since then, the market has developed rapidly as a result of increases in the disposable income level and government support for the liberalization and privatization of the telecommunications sector. The number of players in the market has tended to increase continuously. As of May 2010, there exist 389 operators in the electronic communications market.

From the beginning of the liberalization process in 2004 to 2009, the total sales revenues of the fixed and mobile operators, which constitute the most important part in total electronic communications sector revenues, increased continuously.

Similarly, the amount of investment has also tended to increase. Following an increasing trend in the last six years, total investments in the electronic



communications market in 2009 witnessed a considerable growth due to the effect of the authorization of 3G services. In a very short period of time, the number of subscribers benefiting from 3G services increased rapidly and reached 8.7 million.

Mobile communications is the most competitive sub-sector of the Turkish telecommunications market. By March 2010, the total number of mobile subscribers in Turkey was 61.5 million with a penetration rate of 86%. There are currently three licensed mobile operators, namely, Turkcell, Vodafone and Avea (owned by Türk Telekom) and their market shares in terms of subscribers are 56%, 25% and 19% respectively.

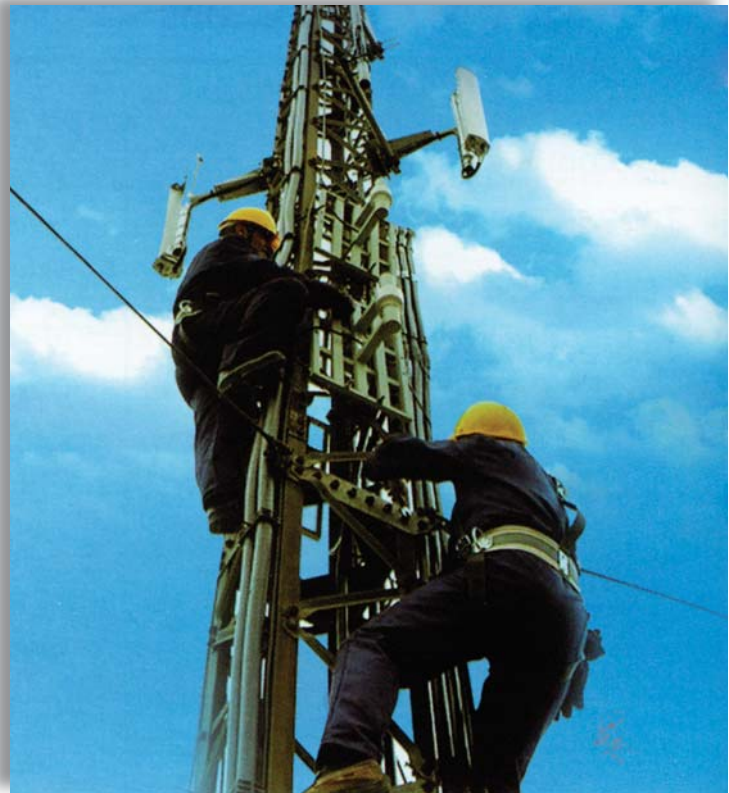
Besides the developments in the mobile sector, the broadband sector made important progress as well. The total number of internet subscribers reached 7.4 million by March 2010. As the most common method of broadband subscription, the number of ADSL subscribers reached 6.4 million. On the other hand, with the authorization of 3G services in July 2009, the number of mobile broadband subscribers reached 640,000 by March 2010.

The fixed-line market has shown a slightly decreasing trend particularly due to the penetration of mobile phones. By March 2010, the number of fixed telephony subscribers decreased to 16.4 million with a penetration rate of 23.1%. Considering the fact that the average household rate in Turkey is around 4.4, it can still be concluded that fixed line services reach a significant proportion of Turkish citizens.



Türk Telekom, which was wholly state-owned until it was privatized in 2005, is the leading provider of fixed-line services in Turkey. It offers PSTN, internet access, data and other fixed-line communications and value-added services to wholesale and retail customers in Turkey through its extensive fixed-line telecommunications network, which covers almost 100% of the population. Türk Telekom also provides mobile communications services through its mobile arm Avea.

The satellite communication services and the services provided over the cable TV network previously conducted by Turk Telekom have been separated from Türk Telekom and transferred to Turksat A.S. in 2004. Turksat A.S., having the satellite



positioning, administration and operation rights over a large geographical area extending from Europe to Asia, provides services not only for Turkey, but also for people all over the world. Managing and operating three satellites (Turksat 1C, Turksat 2A, Turksat 3A), Turksat carries out sound, data, internet, TV and radio transmitting services over these satellites. Turksat also provides remote sensing and geographic information system services to public and private sector enterprises.

The significance of the electronic communications sector in the economy is increasing day by day. Since its growth does not come to a standstill even in a crisis environment, this sector has become an important tool to enhance the development level of countries. The demand and interest of consumers for the services provided in the electronic communications sector is continuously increasing. This increasing demand makes operators use more innovative and more efficient technologies.

Fast, inexpensive and high quality service provision to all citizens, a liberalised electronic communications sector, a strong telecommunications market and fair competition will continue to be the main principles of the Turkish electronic communications sector.

## MEDIA

According to official figures, there are over 6,708 periodicals published in Turkey. This includes 117 daily newspapers published nationwide, plus 2,304 local and 58 regional papers. The number of magazines and bulletins is 3,186 and 1,043 respectively. Furthermore, there are 22 national, 15 regional and 210 local television channels (excepting the 11 TRT channels), and 35 national, 98 regional and 928 local radio stations broadcasting in Turkey.

Thanks to advances in printing technology, the quality of domestic magazine publication has been rising. The same developments have also boosted magazine and newspaper circulation. The



readership of magazines targeted towards women, men, young people and children have all been growing. Furthermore, the circulation of periodicals focusing on tourism, cars, computer science, home decor, electronics, etc. is also on the rise. Humour magazines are also very popular among Turks and have a key share of the Turkish press.

Greek, Armenian and Jewish newspapers, such as Agos, Apoyevmatini, IHO, Jamanak, Nor Marmara, and Sholom, are published by these İstanbul-based minorities and distributed in areas where they live. Foreign newspapers and magazines also reach a significant cross-section of the readership and are widely available in most metropolitan areas. Turkey also has two home-grown English-language newspapers.

The Directorate General of Press and Information (DGPI), founded on 7 June 1920 by the founder of the Turkish Republic Mustafa Kemal Atatürk, is affiliated with the Prime Minister's Office. The directorate's basic duties are to help determine policies to promote the state and related strategies to be implemented by the government; to provide timely and accurate information to both the public and officials, and to maintain the flow of information necessary for this; to promote Turkey's image





abroad; to coordinate and support the press; and to facilitate the work of domestic and foreign media organizations.

In addition to its headquarters in Ankara, which has three basic service units (News Services, Press and Publication Services and Information Services), the DGPI has provincial directorates in Istanbul, Izmir, Trabzon, Adana, Antalya, Diyarbakır, and Erzurum. It also has 22 offices abroad in Almaty, Ashgabat, Athens, Baku, Beirut, Bern, Berlin, Brussels, Cairo, Islamabad, London, Moscow, New York, Nicosia, Paris, Riyadh, Rome, Tehran, Tashkent, Tokyo, Vienna and Washington. ([www.byegm.gov.tr](http://www.byegm.gov.tr))

## TOURISM

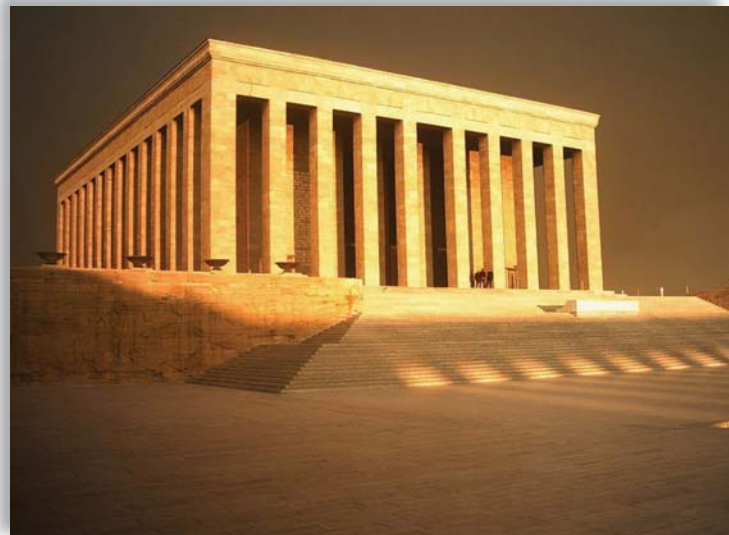
Situated at the junction of the Asian, European and African continents, Turkey is the heir to many natural and cultural treasures. In terms of both accessibility and as a crossroad through which many civilizations have passed over the millennia, Turkey's unique land ranks among those with the highest tourism potential in the world.

Anatolia was the cradle of many civilizations and played a prominent role during various periods of human history. Traces of civilization in Anatolia date back to 8000 BC. In other words, civilization started to blossom 10,000 years ago in Anatolia. In addition to this, the variety of peoples who have lived in this land gives a unique diversity to Turkey's archaeological and cultural assets. The Hattis,

Hittites, Sumerians, Urartians, Lycians, Lydians, Phrygians, Ionians, Romans, Byzantines, Seljuks and the Ottomans were the masters of the civilizations that came before the Republic of Turkey. The Turkish people who migrated to the fertile lands of Anatolia a thousand years ago, brought their own culture dating from prehistory with them, but also preserved the works of earlier cultures which they found.

In addition to its rich historical and cultural inheritance, Turkey displays great wealth and variety in its natural assets. It is a country where four seasons occur on the same day, a country with a fascinating and often exquisitely beautiful geological structure and a country that experiences widely differing climates across its various regions. Turkey has multi-faceted environments with its vast steppe, its expansive forests, its lakes and wetlands.

Turkey is literally an open-air museum containing works of art created over 10,000 years, ranging from the Stone Age to some of the greatest civilizations the world has ever seen. Pergamum, Aphrodisias, Sardis, Troy and Gordion, redolent with distant legend and history are the ancient cities. Two of the seven ancient wonders of the world, the Mausoleum in Halicarnassus and the Temple of Artemis in Ephesus were in this wonderful country. The landscape in Turkey resembles a magnificent but threadbare Turkish carpet, hundreds of years old, displaying patterns which have evolved to perfection over the long centuries.





The natural environment in Turkey is a human influenced landscape inseparable from its culture. Nevertheless, to the outsider, many parts of Turkey give a new meaning to the term tranquillity, because even in the most inaccessible or isolated parts (such as the high mountain tops or the secret places in the valleys) the visitor is left with the feeling that sometime in history this place, now wild and untended, was the home to civilizations with settled villages and city life for 9000 years.

There are areas of beauty coupled with historical interest such as İstanbul, Cappadocia, Çanakkale, Mount Ağrı and Pamukkale.

Today, among Turkey's cities the three largest, İstanbul, Ankara and İzmir have become major urban centres by the forces of history as well as design and infrastructure. Following the foundation of the Turkish Republic after World War I, İstanbul and İzmir became centers of social and business life while Ankara became the new capital. These three cities contain the country's most respected universities, conservatories, theatres and concert halls. Jewish and Christian communities and immigrants from different parts of the Ottoman Empire add diversity to the cities, contributing to the human mosaic so characteristic of Anatolia.

With over 8000 kilometres of Black Sea, Mediterranean and Aegean coasts, Turkey offers wide scenic variety from its gorgeous coastline and its fertile agricultural regions to its great mountains. Besides beach holidays, there is scope for cultural and religious tourism, golf, mountaineering, hunting, mineral collecting, health tourism, etc. Turkey is a yachtsman's paradise and yacht tourism has become particularly popular in the last few years. To support and encourage it, numerous facilities have been built and expanded. Yachters will find world-class amenities when they sail Turkish waters.

Turkey offers extraordinary diversity in terms of sight, scenery and activities. It is not a country with a single culture and a single life style.

Turkey only incorporated policies relating to holiday-making and tourism in its economic planning in the early 1960s, establishing the first official tourism organization in 1963. Turkish tourism was in its infancy in the 1960s, when the phenomenon and dimensions of tourism were not yet fully grasped. This was the time when tourism everywhere in the world was newly gathering momentum.

In the 1970's the state turned its attention to tourism, drawing up tourism development projects, regional plans and initiating infrastructure projects for the sector. In 1983, to encourage Turkish and foreign investment companies to participate more effectively in the development of Turkey's tourism sector, policies were amended by the Government.

The main principles of Turkish Tourism Policy







are as follows:

1. To create an efficient tourism sector with high international competitiveness;
2. To meet the needs of foreign and domestic tourists and the resident population, to develop social tourism facilities, to extend the economic benefits of tourism to the people;
3. To ensure the continuity of natural and cultural assets.

Under these aforementioned principles:

- Since the beginning of the planned economy in 1963, energy has been devoted to the completion of the technical infrastructure on the one hand, and care has been taken to increase the numbers of good-quality beds and tourism personnel through various incentives on the other hand.
- With the awareness that the natural and cultural assets of the environment are the driving forces behind tourism, the priority is to protect these assets and to ensure their continuity.
- The concept of Modern Tourism is adopted; where success is measured not just by tourism income but by environmentally-friendly approaches, such as sustainable tourism and soft tourism and many environmental projects are conducted under this concept (such as the Blue Flag Campaign, the Anti-Mosquito Project, the Project for Monitoring our Coast from the Air against Pollution Originating from the Sea).

- Eco-Tourism Promotion Projects are launched in order to diversify Turkish Tourism, to make it more colourful and also to create a holiday destination that attracts local and foreign tourists for many types of activities during the 12 months of the year. These goals are realized through newly developed projects and ongoing activities that lead to tourism diversification.
- "Rafting" on the Çoruh River, "Trekking" in the Toros Mountains, the "Steam Train" between Ankara-Zonguldak, the "Snow Festival" in Erzurum's Palandöken Mountain, "Bird Watching" in Bandırma, Manyas and the "İzmir Bird Paradise", "Cave Travel" in Konya and its vicinity, the "River World Championship" on the Çoruh River, the





"Black Sea Green Tour" and "Religious Tourism" are the activities realized within this concept.

- "Types of Tourism Investments by Priority" are being specified in order to direct incentives which make a significant contribution to the development of those types of tourism investments which Turkey needs. In this way, it is assured that such investments are supported by more attractive incentives and conditions in the context of our overall incentives system.
- The Government supports the investments of experienced foreign companies to provide the establishment of high standard tourism facilities. Foreign enterprises which choose to invest in the tourism sector in Turkey are regulated according to the Foreign Direct Investment Law numbered 4875.

In the course of these efforts, Turkey has become one of the most famous tourism countries in the Mediterranean basin. There has in fact been significant development in Turkish tourism since 1994 and a steady rise in both the number of tourist facilities and bed capacity. In 2008, existing bed capacity in Turkey increased in investment-licensed facilities to 258,287, and in operation-licensed facilities to 567,470, totalling 825,757.

The number of foreign tourists was 26.3 million in 2008 and tourism revenues accounted for USD



22 billion. When compared on the basis of tourism revenues, Turkey ranked 9th among the top ten tourism destinations in the world in 2008. In 2009, the number of foreign tourists reached 27.1 million, an increase of 2.81% over the previous year and tourism revenues were USD 21.2 billion.

The five major markets for the Turkish tourism sector are Germany, the Russian Federation, the United Kingdom, Bulgaria and Iran. Visitors from these countries constituted 45.02% of the total number of





## Number of Tourists and Tourism Revenues

Years	Number of Tourists (x 1 000)	Change (%)	Tourism Revenues (USD Million)	Change (%)
1990	5389	20.86	3,225	26.15
1991	5518	2.39	2,654	-17.71
1992	7076	28.24	3,639	37.11
1993	6501	-8.13	3,959	8.79
1994	6671	2.61	4,321	9.14
1995	7727	15.83	4,957	14.72
1996	8614	11.48	5,962	20.28
1997	9689	12.48	8,089	35.67
1998	9753	0.66	7,809	-3.46
1999	7487	-23.23	5,203	-33.37
2000	10,428	39.28	7,636	46.76
2001	11,619	11.42	10,067	31.83
2002	13,256	14.09	11,901	18.22
2003	14,030	5.84	13,203	10.94
2004	17,517	24.86	15,888	20.33
2005	21,125	20.60	18,154	14.26
2006	16,819	-6.18	16,850	-7.18
2007	23,340	17.77	18,487	9.7
2008	26,336	12.83	21,950	18.7
2009	27,077	2.81	21,249	-3.2

Source: Ministry of Culture and Tourism



## THE BANKING SECTOR

The Turkish financial system consists of the banking sector and other areas such as insurance, leasing, factoring, and stock brokerage. Most of the activities taking place in both the money and capital markets are carried out by banks and their investment companies. Banks operate in accordance with international rules and practices and offer a wide variety of services at their numerous branches.

Important steps for strengthening the regulatory and supervisory institutions have been taken with the aim of reinforcing the market mechanism since the economic program launched in 2001 following the financial crisis. These efforts aim to strengthen the regulatory and supervisory framework, ensure efficiency and competitiveness in the banking sector, and facilitate sound banking practices.

An independent agency (The Banking Regulation and Supervision Agency-BRSA) was formed to increase the effectiveness of banking supervision and control in 2000. Structural problems and weaknesses which became even more evident after the November 2000 and February 2001 crises made it clear that an extensive restructuring program was no longer postponable. Within this framework, the Banking Regulation and Supervision Agency prepared the "Banking Sector Restructuring Program" and announced it to the public in May 2001. The restructuring program was based on the following main pillars: (1) Restructuring of state banks (2) Prompt resolution of SDIF banks (3) Strengthening of private banks and (4) Strengthening the regulatory and supervisory framework.

In parallel with the financial and operational restructuring of the banking sector, the necessary legislation and institutional arrangements were adopted. Within this framework the Banking Act which was enacted on 1 November 2005 and other banking regulations have been considerably harmonized with international best practices. Prudential regulations were concentrated on the following areas: capital adequacy, risk management, loan exposures, loan loss provisioning, compliance with international accounting standards, independent auditing and cooperation with foreign supervisory authorities.

In addition to these developments the favourable domestic and international economic situation allowed the banking sector in Turkey to record positive performance in 2002-2008.

However, the banking sector was affected by the recent global crisis that hit the international financial markets and banking systems of developed countries at the end of 2008. The negative effects of the crisis in the banking sector remained limited in comparison with many other countries' banking sectors. The reasons behind this were a high capital adequacy ratio, high asset quality, low currency and liquidity risks thanks to successful risk management and effective public supervision, and good management of the interest, counterparty and maturity risks. The measures taken by the Central Bank and BRSA against the increase in global financial risks helped the banking sector to maintain healthy functioning. There was no change in the deposit guarantee scheme in Turkey and no need for public support. Growing equity, sound asset composition, high level of liquidity, decreasing interest rates and effective risk management affected performance and profitability of banks positively.

Turkey has an active and open system consisting of state-owned banks and private banks as of March 2010. Excluding the Central Bank of Turkey, the number of banks operating in Turkey is 45, of which 32 are deposit banks and 13 are development and investment banks.

Turkish banks had 55 branches and 13 representative offices abroad by the end of 2009; 34 of the foreign branches were located in the Turkish Republic of Northern Cyprus, 2 in the USA, 9 in Bahrain, 2 in England, 1 in Luxembourg, 2 in Malta, 2 in Greece, 1 in Iraq, 1 in Georgia and 1 in Bulgaria.

Following the liberalisation movements of the 1980s, a continuous modification and diversification process took place in the entire economy and it was widely reflected by the reforms made in the financial system. Some of these reforms were the establishment of the Interbank Money Market, the introduction of new tools for the regulation of liquidity, and legal arrangements to promote the development of the capital market. These reforms enabled banks to offer new services by



using new instruments in addition to their ordinary banking activities. Turkish banks began increasingly operating in international markets, dealing with instruments like swaps and forward agreements.

The banking system has shown a rapid technological transformation in the past decade. In order to increase the speed, quality and efficiency of banking services, banks have concentrated on computerisation and automation projects. While computers were used only for back office services in the beginning of the 1980s, they were being used later as on-line real time systems. 1990 saw the beginning of electronic banking in Turkey. Turkish banks have invested heavily in computer processing and data transmission systems. Several banks have countrywide electronic networks and a number of them offer direct access terminals to their major customers. The number of banks that provide electronic and/or internet-banking services increases each day, enabling more customers make their transactions themselves.

Most of Turkish banks -including the Central Bank- were members of SWIFT (the Society for Worldwide Interbank Financial Telecommunication). Turkey joined SWIFT in March 1989 and now has a regional processor in Istanbul.

In 1992, an electronic funds transfer system was installed for direct crediting in the banking system. Coordinated by the Banks Association of Turkey and the Central Bank, the Turkish Interbank Clearing System (TIC) was launched in April 1992. With the addition of new functions on 24 April 2000, the second generation has been commissioned with significant modifications in the system software and hardware. The rapid growth of consumer banking was a defining feature of Turkish banking in the early 1990s. Banks have put increasing emphasis on service quality because individual and retail banking are becoming the most rapidly developing sectors of their business. It also reflects the heightened competition among Turkish banks as they seek to develop high quality services aimed to satisfy client needs better.

The introduction of credit cards to Turkey dates back to the late 1960s, but Turkish banks started issuing credit cards in August 1988. As of December



2009, cumulative credit cards reached 44.4 million in Turkey.

According to data of the BRSA, the cumulative amount of consumer credit (excluding credit cards) reached USD 62.8 billion as of December 2009. The purchase of automobiles, consumer durables and housing finance constitute a high percentage of total consumer loans in general. Banks are also extending consumer loans for financing individuals' education, holidays and health expenses.

Another development includes the rapid spread of Automated Teller Machines (ATMs) and Point of Sale (POS) terminals. As of 2009, their totals reached 23,800 for ATMs and 1.7 million for POS machines. Moreover, 65 million bank cards have been issued, reflecting the widespread acceptance gained by these products.

During the mid-1980s, the Central Bank organized new markets which not only facilitated the efficient flow of funds within the banking

system, but also helped to acquire a powerful tool to monitor the overall reserve levels of the system. Upon the introduction of new markets, banks were able to strengthen their ability to control the liquidity and maturity<sup>1</sup> structures of their assets and liabilities. The first attempt to sell Government securities through periodic auctions started in 1985. Following this, the Interbank Money Market for Turkish Lira was established in March 1986, Open Market Operations were started in February 1987, and Foreign Exchange and Foreign Banknote Markets were established in April 1989. During 1995

the Gold Exchange began to operate in İstanbul taking the place of the Central Bank's Gold Market.

The financial structure of the banking system was further strengthened following the restructuring process. The banking sector was supported by the contributions of the above mentioned markets and the improved economic performance had positive implications on the balance sheet and attitudes of the banking sector. In an environment of different financial alternatives, banks had the possibility of distributing clients' portfolio risks to broader investment areas.

#### Branches (B) and Representative Offices (R) of Turkish Banks Abroad

Country	City	Banks	Address	Phone	Fax
Bulgaria	Sofia	T.C.Ziraat Bankası (B)	19 Sveta Nedelia Square 1000 Sofia Bulgaria	359-2-9806661	359-2-9802113
Georgia	Tbilisi	T.C.Ziraat Bankası (B)	Uznadze 117 David Agmashenebeli Avenue No 148 0164 Tbilisi Georgia	995-32-943704	995-32-943834
Germany	Berlin	Tekstil Bankası (R)	Bastian Str. 3. 13357 Berlin Deutschland	49-30-46601609	49-30-46601619
	Dortmund	Türkiye Halk Bankası (R)*	Schützen Str. 22 44147 Dortmund Deutschland	49-231-820062	49-231-820095
	Düsseldorf	Türkiye Garanti Bankası (R)	Heinrich-Heine Allee 1 40213 Düsseldorf Deutschland	49-211- 86222301	49-211- 86222350
	Köln	Türkiye Halk Bankası (R)*	Bahnhofsvorplatz 1 50667 Köln Deutschland	49-221-136545- 55	49-221-125246
		Şekerbank (R)	Komödien Str. 9 50677 Köln Deutschland	49-221-735573	49-221-731682
	Mannheim	Türkiye Halk Bankası (R)*	G 2, 7 (Marktplatz) 68159 Mannheim Deutschland	49-621-102625	49-621-102469
Greece	Athens	T.C.Ziraat Bankası Şubesi	Ermou 2 5th Floor 10563 Athens Greece	30-210-3223038	30-210-3221796
	Komotini	T.C.Ziraat Bankası Şubesi	Platia Irinis 17 & Papaflesa 1 T.K. 69100 Komotini Greece	30-253-1085930	30-253-1085927

Iran	Tehran	T.C.Ziraat Bankası (R)	Africa Blvd. Anahita Tower 184 Suit 604 6th Floor, Tehran Iran	98-21-88783417/18	98-21-88783526
		Türkiye Halk Bankası (R)	Ave.Ghaem Magham Farahani Building 130 No:14 3rd Floor P.O Box 11378 Tehran Iran	98-21-88304715	98-21-88301000
Iraq	Baghdad	T.C.Ziraat Bankası (B)	Weziriyeh Area 301St. District No 19 Baghdad Iraq	964-790-4181390	-
Kingdom of Bahrain	Manama	Denizbank (B)	Al Jasrah Tower 6 th Floor Office No 62/63 P.O.Box 10357 Diplomatic Area Manama Kingdom of Bahrain	973-17-541137	973-17-541139
		Finans Bank (B)	Unitag House 5th Floor P.O.Box 2435 Manama Kingdom of Bahrain	973-17-211322	973-17-211339
		Fortis Bank (B)	City Gardens 10th Floor P.O. Box 20303 Manama Kingdom of Bahrain	973-17-533666	973-17-540115
		ING Bank (B)	Unitag House, 8th Floor Government Avenue, Manama Kingdom of Bahrain	973-17-215300	973-17-217900
		Türk Ekonomi Bankası (B)	Al Jasrah Tower 9 th Floor, Diplomatic Area Manama Kingdom of Bahrain	973-17-540070	973-17-540071
		Türkiye Halk Bankası (B)	Kingdom of Bahrain Development Bank Building 6th Fl. Diplomatic Area, P.O.Box 11378 Manama Kingdom of Bahrain	973-17-537711	973-17-535463
		Türkiye İş Bankası (B)	Al Jasrah Tower 8th Floor, Diplomatic Area P.O. Box 10205 Manama Kingdom of Bahrain	973-17-549222	973-17-549218
		Türkiye Sınai Kalkınma Bankası (B)	Al Roassis Tower 10th Floor, Diplomatic Area P.O. Box 10215 Manama Kingdom of Bahrain	973-17-531530	973-17-531853
		Türkiye Vakıflar Bankası (B)	Al Rossais Tower Rd:1704 Block 317, Building 283, 10th Floor, Off. No.102-103, P.O.Box 10242 Diplomatic Area Manama Kingdom of Bahrain	973-17-538662	973-17-514496
		Yapı ve Kredi Bankası (B)	Kingdom of Bahrain Development Bank Building 2nd Floor P.O.Box. 10615 Diplomatic Area Manama Kingdom of Bahrain	973-17-541055	973-17-541056
Luxembourg		Türkiye Garanti Bankası (B)	7 Thomas Edison L-1445 Str. Luxembourg	352-2233211	352-223321222



Malta	Portomaso	Akbank (B)	Portomaso Business Tower Level 6 Portomaso PTM 01 St.Julians Portomaso Malta	356-21-383500	356-21-383666
	Sliema	Türkiye Garanti Bankası (B)	36/4-5 Strand Towers 36 The Strand Sliema Malta	356-23288000	356-23288160
Pakistan	Karachi	T.C.Ziraat Bankası (R)	Ground Floor Bahria Complex-1 M.T.Khan Road Karachi Pakistan	92-21-5610448	92-21-5610538
People Republic of China	Shanghai	Türkiye Garanti Bankası (R)	Pudong Ave. Marine Tower No 1, Room 1304 200120 Shanghai, People Republic of China	86-21-50470883	86-21-50470885
		Türkiye İş Bankası (R)	4407 Jin Mao Tower 88 Century Boulevard 200121, Pudong New Area, Shanghai People Republic of China	86-21-50470882	86-21-50470885
Russian Federation	Moscow	Türkiye Garanti Bankası (R)	Capital Plaza Business Centre 4 4th Lesnoy per. 8th Floor Moscow 125047 Russian Federation	7095-9612521	7095-9612503
T.R.N.C.	Famagusto	HSBC Bank (B)	İsmet İnönü Bulvarı No 122 Salamis Yolu Sakarya Famagusto T.R.N.C.	392-3655830	392-3655839
		ING Bank (B)	İsmet İnönü Bulv. No 88/A Famagusto T.R.N.C.	392- 3652916	392- 3652874
		ING Bank (B)	KTBK 28.Mknz.PTümeni Aile Kantini Bölgesi Paşaköy Famagusto T.R.N.C.	392- 2368558	392- 2368291
		Türk Ekonomi Bankası (B)	İsmet İnönü Bulvarı No 43 Sakarya Famagusto T.R.N.C.	392- 3655920	392- 3655931
		T.C.Ziraat Bankası (B)	Paşaköy Bürosu İnönü Cad. No 42 Paşaköy Tüm. Kom. 3 Nolu Nizamiye Yanı Paşaköy Famagusto T.R.N.C.	392-2368800	392-2368799
		T.C.Ziraat Bankası (B)	İsmet İnönü Bulvarı Salamis Yolu üzeri Karakol Mah. No 118 Famagusto T.R.N.C.	392-2365691	392-3655699
		Türkiye Garanti Bankası (B)	İsmet İnönü Bulv. No 28 Famagusto T.R.N.C.	392-3654780	392-3654785
		Türkiye Halk Bankası (B)	Larnaka Yolu, 15 Ağustos Bul. No 24 Famagusto T.R.N.C.	392-3669583	392-3669589
		Türkiye İş Bankası (B)	Doğu Akdeniz Üniversitesi İsmet İnönü Bulvarı No 56 Famagusto T.R.N.C.	392-3653866	392-3653859

		Türkiye İş Bankası (B)	Namık Kemal Meydanı No.18 Famagusto T.R.N.C.	392-3665318	392-3664988
	Kyrenia	HSBC Bank (B)	Ziya Rızkı Cad. No 222 Merkez Kyrenia T.R.N.C.	392-8159988	392-8159979
		ING Bank (B)	Ziya Rızkı Cad. No 167Kyrenia T.R.N.C.	392-8154353	392-8157371
		Türk Ekonomi Bankası (B)	Bedrettin Demirel Cad. No.12/12B Kyrenia T.R.N.C.	392- 8158510	392- 8154814
		T.C.Ziraat Bankası (B)	Atatürk Cad. Kordonboyu Phelecia Court Sitesi No 37 Kyrenia T.R.N.C.	392- 8152210	392-8152584
		Türkiye Garanti Bankası (B)	Atatürk Cad. No 10. Ordu Pazarı Yanı Kyrenia T.R.N.C.	392-8150114	392-8150113
		Türkiye İş Bankası (B)	Bedrettin Demirel Cad. No.29 Kyrenia T.R.N.C.	392-8161203	392-8161207
		Türkiye İş Bankası (B)	Ziya Rızkı Cad. No 119 Kyrenia T.R.N.C.	392-8153313	392-8151090
	Morphou	ING Bank (B)	Piyale Paşa Mah. Alemdar Sok. No 1/B Morphou T.R.N.C.	392-7147020	392-7147024
		T.C.Ziraat Bankası (B)	Ecevit Cad. No 231 Morphou T.R.N.C.	392-7142148	392-7142763
		Türkiye İş Bankası (B)	Ecevit Cad. No 24/B Morphou T.R.N.C.	392-7146860	392-7146859
		Türkiye İş Bankası (B)	Orta Doğu Teknik Üniversitesi, Kuzey Kıbrıs Kampüsü, Kalkanlı Morphou T.R.N.C.	392-6611951	392-6611954
	Nicosia	HSBC Bank (B)	Yenişehir Atatürk Cad. No 19 Nicosia T.R.N.C.	392-2270300	392-2270303
		HSBC Bank (B)	İsmet İnönü Sok. No 11/A Yenikent Nicosia T.R.N.C.	392-2241040	392-2241045
		ING Bank (B)	Girne Cad. Atatürk Meydanı No 7/A Nicosia T.R.N.C.	392-2285510	392-2286815

		Türk Ekonomi Bankası (B)	Mehmet Akif Cad. No 86 Köşklüçiftlik Nicosia T.R.N.C.	392- 2292040	392- 2290762
		T.C.Ziraat Bankası (B)	Girne Kapısı Cad. İbrahimpaşa Sok. No. 105 Nicosia T.R.N.C.	392-2283050	392-2282401
		Türkiye Garanti Bankası (B)	Arap Ahmet Mah. Osmanpaşa Cad. No 12 Nicosia T.R.N.C.	392-2290980	392-2290981
		Türkiye Halk Bankası (B)	Köşklü Çiftlik Mah. Osmanpaşa Cad. Ümit Apt. No 1 Nicosia T.R.N.C.	392-2288045	392-2282900
		Türkiye İş Bankası (B)	Girne Cad. No.9 Nicosia T.R.N.C.	392-2283133	392-2278315
		Türkiye İş Bankası (B)	Kemal Aşık Cad. No 56/A Küçükaymaklı Nicosia T.R.N.C.	392-2270415	392-2277602
		Türkiye İş Bankası (B)	Uluslararası Kıbrıs Üniversitesi Haspolat Kampusu Haspolat Nicosia T.R.N.C.	392-6711111	392-6711137
U.S.A.	New York	T.C.Ziraat Bankası (B)	122 East 42nd Str. Suite 310 N.Y.10017 U.S.A.	1-212-5575612	1-212-4908076
		Türkiye Vakıflar Bankası (B)	680 Fifth Avenue 23rd Floor N.Y.10019 U.S.A.	1-212-6219400	1-212-7078745
United Kingdom	London	T.C.Ziraat Bankası (B)	Basildon House 7-11 Moorgate London EC2R 6 DB England	44-20-76004985	44-20-76004987
		Türkiye Garanti Bankası (R)	Fifth Floor 192 Sloane Street London SW1X 9QX England	44-20-77612500	44-20-72459239
		Türkiye İş Bankası (B)	London Branch 8 Princes Street London EC2R 8HL England	44-20-76067151	44-20-77262566

\* These representative offices are called as Financial Services Branch.



## **TURKISH CAPITAL MARKETS**

In Turkey, financial markets have undergone a considerable degree of positive and promising change in the past two decades. Significant steps have been taken in the Turkish capital markets, parallel to the developments in the international arena, and the Capital Markets Board (CMB) has had a substantial role in the developments that have taken place.

The present legal framework of the capital markets in Turkey is based on the Capital Market Law (CML) enacted in 1981, amended in 1992, 1999, 2007 and 2008. Together with the capital market law, which mainly sets the framework for primary markets, there is also the Decree-by Law No. 91, enacted in 1983, which constitutes the regulatory base for secondary markets.

Established as an independent regulator in 1982, the CMB has both regulatory and supervisory responsibilities and also has the mission of ensuring fairness, efficiency and honesty in Turkish capital markets, and improving their international competitiveness. With this aim, the CMB has taken measures for fostering the development of securities markets, and for enabling efficient allocation of financial resources in the country while ensuring investor protection. To this end the CMB adheres to the principles of the International Organization for Securities Commissions (IOSCO) and the standards of the European Union in its entire regulatory framework.

With these developments and a thorough, successful restructuring program in the financial sector, financial markets in Turkey have reached a stage where the sector is now a strong and attractive target for foreign investors.

Until the amendment of the CML in 1992, the issuing of corporate sector securities was subject to the approval of the CMB. With the new provisions introduced by the amendment to the Law, the previous merit system has been changed to disclosure, and now the CMB decides only on the

registration of the securities to be issued.

The CMB has exerted great efforts to integrate the Turkish Capital Markets into global financial markets and to boost both domestic and foreign investors' confidence in the Turkish capital markets by adopting international standards.

In the last two years, a number of regulatory steps have been taken for the proliferation of capital market instruments in the Turkish market and to encourage and promote capital market activities of market participants.

One of the important steps within this framework has been the introduction of equity warrants in the Turkish market. Moreover, basket or index warrants, which are issued by intermediary institutions and used by large institutional investors, have also been made accessible to all investors through secondary market trading. Another newly introduced instrument has been a second type of covered bond, with a cover pool of financial assets other than mortgages. Additionally, a legal base has been introduced for infrastructure funds. Regulatory steps for encouraging corporate debt securities, which after a long period of stagnancy have been picking up since 2006, have also been taken in the recent past.

With the aim of promoting capital market activities, market entry and exit procedures for intermediaries have been simplified.

Another regulatory change has been related to the stock buyback activities of corporations, which are in essence not permitted within the Turkish legal framework. With the new capital market regulations, stock buybacks have been made possible for publicly traded brokerage houses and investment trusts.

After the dematerialization of equities traded at the ISE and participation certificates of mutual funds became effective in 2005, corporate bonds and papers were also dematerialized in 2006 and 2007, respectively. With the most recent regulatory step on dematerialization, government debentures securities are also to be dematerialized at the Central Registry and their records will be kept in customer accounts.

In order to encourage corporations to issue securities, CMB registration fees have been reduced. Another major change regarding public corporations took place in the area of disclosure requirements. For public corporations whose shares are not traded on the Exchange, disclosure requirements have been simplified.

New regulations in the collective investment area have also been made. Umbrella funds have been introduced into the system, steps have been taken to enable SME's to find financing through mutual funds and distribution channels of mutual fund participation certificates have been widened.

Venture capital investment trusts have been allowed to invest in venture capital investment

funds established in Turkey, and, moreover, they have been allowed to enter into new partnerships with foreign based corporations related to their provision of consultancy and portfolio management services.

## Indicators of Turkish Capital Markets

At present, Turkish capital markets have the ability to compete at the international level in terms of instruments, institutions and legal infrastructure and have the privilege to be listed among the major financial markets in the world. Some indicators relating to Turkish capital markets are shown in the following table:

		2006	2007	2008	2009
<b>I.</b>	<b>NO. OF COMPANIES REGISTERED WITH CMB <sup>(1)</sup></b>	<b>605</b>	<b>593</b>	<b>570</b>	<b>548</b>
	ISE Companies <sup>(2)</sup>	329	332	323	322
	Number of non listed registered companies	276	261	247	226
<b>II.</b>	<b>ISE MARKET CAPITALIZATION</b>				
	Total market capitalization of ISE companies (Million TL)	230,038	336,089	182,025	350,761
	(Million \$)	163,775	288,761	119,698	235,996
	Market capitalization of ISE companies - publicly held part <sup>(3)</sup> (Million TL)	75,569	112,468	61,581	124,320
	(Million \$)	53,504	95,954	40,495	83,644
<b>III.</b>	<b>NUMBER OF INVESTORS (ACCOUNTS), <sup>(4)</sup></b>				
	3.1. Number of investors with positive equities balance at ISE	927,100	940,047	989,853	1,000,261
	3.2. Number of accounts with positive equities balance at ISE	1,021,446	1,060,569	1,128,503	1,137,790
	3.3. Number of Customer Accounts at TurkDEX <sup>(5)</sup>	11,231	25,160		
	3.4. Investors Concealment Balance (% of Total)				
	3.4.1. Foreign (%)	65.3	72.4	67.5	67.3
	3.4.2. Domestic (%)	34.7	27.6	32.5	32.7
	3.5. Number of open accounts in mutual funds	2,470,909	2,998,454	2,938,904	2,998,648
	3.6. Number of pension funds participants	1,133,844	1,556,342	1,859,883	2,141,287
<b>IV.</b>	<b>NUMBER OF INTERMEDIARY INSTITUTIONS</b>	<b>140</b>	<b>145</b>	<b>145</b>	<b>144</b>
	4.1. Intermediaries	100	104	104	103
	4.2. Banks	40	41	41	41

<b>V.</b>	<b>NUMBER OF LICENSES GRANTED THROUGH LICENSING EXAMINATIONS</b>	<b>4,544</b>	<b>4,365</b>	<b>2714</b>	<b>2928</b>
<b>VI.</b>	<b>MUTUAL FUNDS</b>				
	6.1. Number of funds	289	297	340	316
	6.2. Portfolio value (Million TL)	22,012	26,381	23,979	29,608
	(Million \$)	15,577	22,508	15,768	19,921
	6.3. Number of Pension funds	102	104	121	130
	6.4. Portfolio value of Pension funds (Million TL)	2,821	4,559	6,042	9,105
	(Million \$)	1,984	3,890	3,973	6,126
	6.5. Number of Foreign Mutual funds	60	60	80	77
	6.6. Portfolio value of Foreign Mutual funds (Million TL)	74	90	54	58
	(Million \$)	52	77	35	39
<b>VII.</b>	<b>INVESTMENT TRUSTS</b>				
	7.1. Number of Investment Trusts	30	33	34	33
	7.2. Net assets value of Investment Trusts (Million TL)	540	689	553	712
	(Million \$)	382	591	364	479
	7.3. Number of Real Estate Investment Trusts	11	13	14	14
	7.4. Portfolio value of Real Estate Investment Trusts (Million TL)	2,481	3,886	4,269	4,740
	(Million \$)	1,756	3,315	2,808	3,172
	7.5. Number of Venture Capital Investment Trusts	2	2	2	2
	7.6. Portfolio value of Venture Capital Investment Trusts (Million TL)	127	174	141	153
	(Million \$)	90	149	93	103
<b>VIII.</b>	<b>PORTFOLIO MANAGEMENT COMPANIES <sup>(6)</sup></b>				
	8.1. Number of Portfolio Management Companies	19	19	23	23
	8.2. Portfolio size management by portfolio management comp. (Million TL)	25,964	31,190	30,738	39,952
	(Million \$)	18,259	26,651	20,213	26,694
<b>IX.</b>	<b>NUMBER OF INDEPENDENT AUDITING COMPANIES</b>	<b>94</b>	<b>96</b>	<b>97</b>	<b>95</b>
<b>X.</b>	<b>NUMBER OF REAL ESTATE APPRAISAL FIRMS</b>	<b>13</b>	<b>26</b>	<b>50</b>	<b>63</b>
<b>XI.</b>	<b>NUMBER OF RATING FIRMS</b>	<b>7</b>	<b>8</b>	<b>8</b>	<b>9</b>

## FOOTNOTES:

(1) This number includes investment trusts and listed companies.

(2) This number does not include Exchange-traded funds.

(3) The rates of initial public offerings for the years 2004, 2005, 2006 and 2007 are calculated as 27.5%, 31%, 32.85% and 33.48%, respectively.

(4) Sources: www.mkk.com.tr, www.vob.org.tr

(5) TurkDEX began its operations in February 2005.

(6) Denotes companies which have portfolio management licences.

Sources: CMB, ISE, Istanbul Gold Exchange, TurkDEX, Central Registry Agency, ISE Settlement and Custody Bank Inc.



## İSTANBUL STOCK EXCHANGE

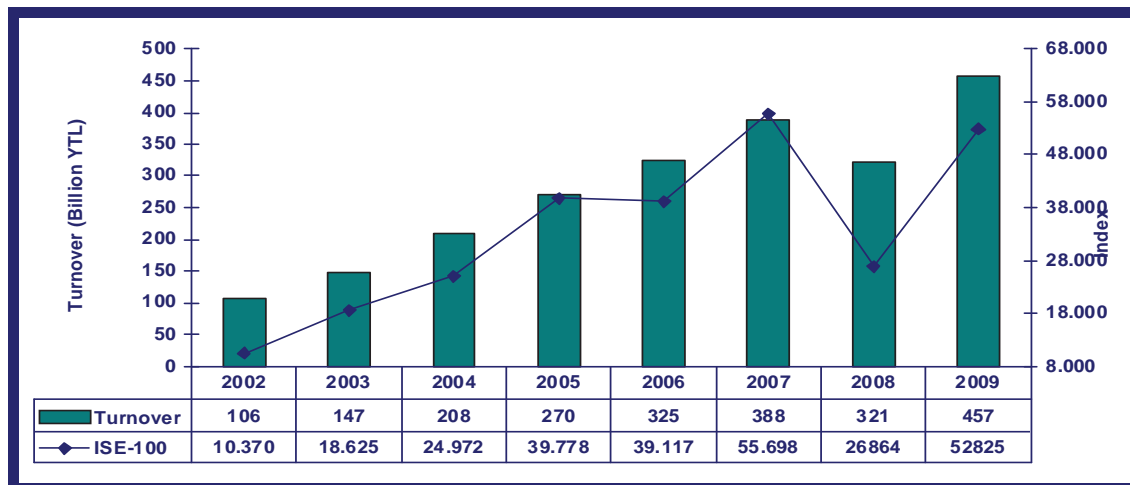
The origins of organized securities markets in Turkey date back to the second half of 19th century. The first securities market was established during the period of the Ottoman Empire in 1866 following the Crimean War under the name of the “Dersaadet Tahvilat Borsası (Istanbul Bond Exchange)” which was regarded as an opportunity by many European investors who expected high returns on the shattered Ottoman economy. Following the foundation of the Republic, the “Securities and Foreign Exchange Law No. 1447”, launched in 1929 provided a basis for an organized Stock Exchange under the name of the “Istanbul Securities and Foreign Exchange Bourse”.

This new stock exchange grew in a short period of time and contributed considerably to the financing of enterprises throughout the country. However, both the 1929 crisis and the outbreak of the Second World War severely hampered the

Turkish business environment, which was still in its infancy, and overshadowed the success of the stock exchange. The following years, which witnessed a period of rapidly growing industry, also recorded an increasing number of companies that offered their shares to the public. These shares faced strong demand mainly from individual investors.

In the first half of 1980's, the Turkish securities markets underwent serious developments in terms of setting up both the legal and institutional framework suitable for sound capital movements. The CML was launched in 1981, and the Decree by Law No.91 establishing the basic principles concerning the foundation and operations of securities exchanges was launched in October 1983. Then in 1984 the Regulation Concerning the Foundation and Operations of Securities Exchanges was published in the Official Gazette. Following the adoption of related regulations launched in the

**ISE-100 Index and Turnover**



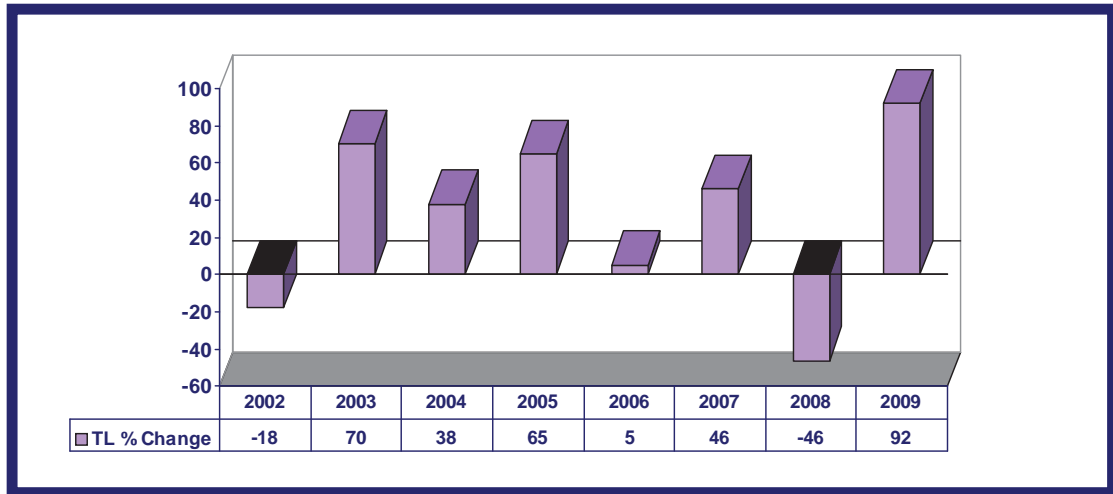
subsequent period, in December 1985 the ISE was officially established and began its operations on 3 January 1986.

In a general pattern of cyclical fluctuations, market indices both in terms of the Turkish Lira and US Dollar followed a downward trend from April 2000 to the end of 2002 and then increased substantially from the beginning of 2003. This upwards movement continued until 2007 and due to the global crisis,

followed a downward trend in 2008, which then picked up in the following year. In the diagram given above, the growth trend of the ISE-100 Index and turnover can be seen more clearly.

Market capitalization of ISE companies has followed an uneven course since 2003, as can be seen from the diagram below. After a minor yearly rise of 5% in 2006, the total market capitalization of ISE companies in TL terms increased by 46% in 2007

## Percentage Change in Market Capitalization



(USD 290 billion) when compared to the amount in 2006 (USD 164 billion). Following a drop of 46% in 2008 (USD 120 billion), the market cap in 2009 rose by a 92% (USD 236 billion) on a yearly basis.

## EQUITIES TRADED BY FOREIGN INVESTORS

Foreign investors have always been very influential in trading in the Turkish equities market. The portion of equities owned by foreign investors

has been steadily increasing in the last decade, with only a couple of exceptions. Due to the global crisis, in 2008 this ratio fell considerably but picked up and rose to an even higher percentage again in 2009.

Foreign investors' purchases also lagged behind their sales in 2008 resulting a net outflow of funds, which again changed course in 2009, and resulted in a net purchase figure for that year.

Figures for foreign investors' custody accounts and trading are given in the table below.

## Foreign Investors Custody Accounts and Trading

Year	Amount in Custody (Milion \$)	Custody Ratio (*), (%)	Purchases (Million \$)	Sales (Million \$)	Net Purchases (Sales) (Million \$)
2002	3,450	45.5	5,963	5,993	-30
2003	8,654	46.0	9,173	8,163	1,010
2004	16,141	57.0	19,397	17,971	1,446
2005	33,782	66.3	42,594	38,508	4,086
2006	34,897	65.3	44,830	43,687	1,143
2007	69,887	72.4	74,338	69,804	4,534
2008	27,297	67.5	69,568	72,555	-2,987
2009	56,246	77.8	46,246	43,991	2,255

(\*) Calculated according to the market capitalization of the publicly held part of the ISE companies.

Sources: Takasbank, CRA, ISE

## COLLECTIVE INVESTMENT SCHEMES

### Mutual Funds

Two different types of mutual funds, Type A and Type B, exist in Turkish capital markets. Type A mutual funds are required to invest at least 25% of their assets in equities that are issued by Turkish companies, whereas mutual funds that have no such obligation are classified as Type B. These two main groups of funds are subdivided into 16 categories based on the financial instruments in the fund portfolio. These categories are Bills and Bonds,

Equity, Sector, Affiliate Companies, Private, Foreign Securities, Gold, Precious Metals, Variable, Balanced/Mixed, Liquid, Index, Exchange traded, Funds of Funds, Capital Guaranteed, Capital Protected Funds and Group Funds.

As of December 2009, 96.5% of the mutual funds in Turkey are Type B Mutual Funds, whereas 3.5% are Type A Mutual Funds.

As can be seen from the table below, the total value of mutual funds' portfolios increased considerably from the year 2006 to 2007 and after shrinking substantially in 2008, recovered from the crisis period quickly and grew significantly in 2009.

**Mutual Funds**

Year	Type A			Type B			Total		
	No. of Funds	Total value (000 TL)	No. of Investors	No. of Funds	Total value (000 TL)	No. of Investors	No. of Funds	Total value (000 TL)	No. of Investors
2006	126	831,518	133,503	163	21,180,058	2,337,406	289	22,011,576	2,470,909
2007	129	919,383	165,311	168	25,461,778	2,833,143	297	26,381,161	2,998,454
2008	126	596,212	199,536	209	23,376,136	2,761,368	340	23,978,526	2,938,904
2009	114	1,049,802	191,565	202	28,558,475	2,807,083	316	29,608,277	2,998,648

### Foreign Mutual Funds

As of the end of 2009 the number of foreign mutual funds whose participation certificates are registered with the Board totalled 77. The total value

of participation certificates in circulation in Turkey is USD 39 million. The portfolio values of foreign mutual funds between the years 2002 and 2009 are given in the table below.

**Portfolio Value of Foreign Mutual Funds**

Year	Number	Portfolio Value	
		Million TL	Million \$
2002	40	29	18
2003	47	28	20
2004	47	27	20
2005	53	34	25
2006	60	74	52
2007	60	90	77
2008	80	54	35
2009	77	58	39

**Source: CMB**



## Pension Funds

The Individual Retirement Savings and Investment System was put into place in 2003. As of the end of 2009, the number of retirement mutual

funds offered to public was 130. The total value of these funds is TL 9.105 billion. Some detailed information related to pension funds is given in the table below.

### Pension Funds

HS % : Equities				KB % : Govt. Debt Securities						
ÖT % : Corporate Bonds				TR % : Rev. Repo						
YMK % : Foreign Securities				BPP % : Exchange Money Market						
ALL PENSION FUNDS										
Year	No. of Funds	Total Value (000 TL)	No. of Investors	HS (%)	KB (%)	ÖT (%)	TR (%)	BPP (%)	YMK (%)	Other (%)
2003	68	42,779	-	11.18	69.46	0.00	13.76	0.82	4.20	0.57
2004	81	296,125	1,040,217	13.32	72.44	0.00	9.07	3.33	1.84	0.00
2005	96	1,219,049	2,025,705	11.12	80.41	0.00	5.35	0.91	0.76	1.45
2006	102	2,821,385	2,807,557	8.59	73.03	0.00	14.43	2.50	0.69	0.75
2007	104	4,558,886	4,384,501	11.60	68.87	0.00	13.66	0.42	0.51	4.93
2008	121	6,041,612	4,973,552	7.68	69.74	0.00	15.68	0.01	0.53	6.36
2009	130	9,105,097	5,369,431	10.01	68.68	0.00	15.26	0.42	0.32	5.31
Source: CMB										

## Investment Trusts

Three types of investment trusts operate in Turkey: Type A and Type B Investment Trusts, Real Estate Investment Trusts and Venture Capital Investment Trusts.

- **Type A and Type B Investment Trusts:** The number of investment trusts increased from 22 to 33 between 2002 and 2009. The increase in net

asset value is more remarkable. The net asset value of investment trusts increased from USD 85 million to USD 591 million between 2002 and 2007, which indicates a 595% increase at its peak level. After dropping to USD 364 million in 2008, their total net asset value picked up again and rose to USD 479 million in 2009. The net asset value of Type A and Type B Investment Trusts is given in the table below.

### Net Asset Value of Investment Trusts

Year	Number	Portfolio Value	
		000 TL	Million \$
2002	22	138,926	85
2003	22	224,000	160
2004	23	314,433	234
2005	26	488,000	364
2006	30	539,906	382
2007	33	688,549	591
2008	34	553,000	364
2009	33	712,000	479
<b>Source: CMB</b>			

- **Real Estate Investment Trusts:** The portfolio value of real estate investment trusts increased sharply from 2002 to 2007. The portfolio value of real estate investment trusts increased from USD 661 million to USD 2 471 million between 2002 and 2007, which demonstrates a 274% increase. Some detailed information related to portfolio distribution of real

estate investment trusts is given in the table below.

- **Venture Capital Investment Trusts:** As of the end of 2009, two companies were operating in Turkey as venture capital investment trusts. The total net portfolio value of these venture capital investment trusts is TL 153 million.

**Portfolio Distribution of Real Estate Investment Trusts**

Year	Number	Portfolio Distribution				Porfolio Value
		GM (%)	GMP (%)	KB (%)	Other (%)	000 TL
2002	9	72.80	23.08	2.37	1.76	1,081,125
2003	9	72.16	20.09	5.35	2.40	1,179,000
2004	9	90.63	0.00	0.00	9.37	1,383,000
2005	10	84.86	0.00	0.00	14.71	2,209,000
2006	11	93.79	0.21	6.01	0.00	2,480,857
2007	13	82.18	0.14	17.54	0.00	3,886,043
2008	14	86.75	3.43	4.30	5.51	4,269,388
2009	14	69,54	17,44	4,39	8,63	4,346,030
GM: Real Estate Source: CMB		GMP: Real Estate Projects		KB: Government Debt Securities		

## Portfolio Management Companies

As of the end of 2009, there were 23 portfolio management companies in Turkey. The total value of portfolios managed by these companies is TL 39 952 million. In terms of USD, the portfolio value reached USD 26 694 million in 2009 up from USD 20 213 million in 2008.

## Turkish Derivatives Exchange

The Turkish Derivatives Exchange (Turkdex) was established in accordance with Article 40(2) of the CML, by the decision of the Council of Ministers number 2001/3025 published in the Official Gazette number 24558 on 10 September 2001, upon the suggestion of the related minister, based on the decision of the CMB number 9/1101 on 17 August 2001.

The exchange was established for the purpose of: forming and developing the markets in which futures and options contracts, and the capital market

instruments comprised of all types of derivative instruments are traded; ensuring the functioning of these markets under conditions of free competition with security and stability, within the framework of the principles of honesty and transparency and organized in the form of joint stock corporations in parallel with world developments. The exchange became a legal entity on 4 July 2002 when its Articles of Association were registered with the Turkish Trade Registry. The principles of trading, membership, settlement and operation are stated in the Regulation for Futures and Options Exchanges, published in the Official Gazette number 25415 on 27 March 2004.

Authorization for starting its operations was given to the Exchange on 5 March 2004. The membership entrance fee, membership deposit, exchange fee, brokerage commission and the basic content of designed future contracts were approved by the CMB on 30 November 2004.

Accordingly, it was decided that futures contracts

based on Aegean Standard 1 Base Quality Cotton, Anatolian Red Hard Base Quality Wheat, Turkish Lira/ US Dollar parity, Turkish Lira/ Euro parity, treasury bonds having 91 and 365-day terms, ISE 30 and ISE 100 Indexes would be traded on the Exchange and settled by the ISE Settlement and Custody Bank

Inc. Following the necessary works conducted by CMB with the Exchange, the Exchange had become operational as of 4 February 2005.

Some figures on trading in the derivatives exchange over the last two years are given in the following table.

**Derivatives Exchange Trading**

Type of Future Contract	Number of Contracts Traded	Trading Volume (000 TL)	Number of Open Positions
<b>2008</b>			
Equity Index	40,334,968	188,231,237	123,014
Interest Rate	420	3,274	0
Currency	14,110,292	19,628,771	86,152
Commodity	27,155	99,318	216
<b>Total</b>	<b>54,472,835</b>	<b>207,962,600</b>	<b>209,382</b>
<b>2009</b>			
Equity Index	65,399,748	310,940,738	141,241
Interest Rate	564	4,805	0
Currency	13,912,680	22,633,451	47,154
Commodity	118,351	593,864	581
<b>Total</b>	<b>79,431,343</b>	<b>334,172,858</b>	<b>188,976</b>
<b>Source: TURKDEX</b>			

## Central Registry Inc. and Investors Protection Fund

With Article 10/A of the CML (as an amendment of Law No: 4487 of 15 December 1999) the Central Registry Institution (CRI), a private legal entity, was prescribed to keep the records of capital markets instruments and the related rights in dematerialized form. According to the Regulation on the Principles for Establishment, Operation and Supervision of the Central Registry Institution, which was promulgated on June 21, 2001 by a decision of the Council of Ministers, the CRI was established as a joint-stock corporation. Upon establishment, its Articles of Association were published in the Turkish Trade Registry Gazette on 26 September 2001. Its shareholders are Takasbank, ISE, TSPAKB and IGE.

Within the framework of the CML and related regulations, CRI is empowered to keep the records,

with respect to issuers, intermediaries and owners, of capital markets instruments and the related rights in dematerialized form, to monitor the consistency of these records and to represent and manage the Investors Protection Fund. Until the end of 2002, various projects for establishing the technical and legal infrastructure were carried out. The Communiqué on the Principles of Holding Records for Dematerialized Securities became effective on 22 December 2002 in order to determine the main features of the dematerialized system.

Within the context of dematerializing stocks and mutual fund participation certificates, in order for the members to make preparations and inform the customers about the transition to a dematerialized system, the principles with respect to membership were approved by the CMB on 22 July 2004 and parallel to this, some amendments were made in the



above mentioned Regulation and the Communiqué for the CRI.

Article 46/A of the CML (as an amendment by Law No:4487 of 15 December 1999), prescribed the establishment of an Investors Protection Fund with the objective of meeting the liquidation expenses and carrying out the functions provided for in Article 46/B in accordance with the principles envisaged in the CML, with respect to intermediary firms for which a gradual liquidation or bankruptcy decision is made by the CMB and reserving the provisions of the Bank Law with respect to those banks in the scope of paragraph (a) of Article 50 of the CML whose operations are stopped by the decision of the relevant authority, to compensate the cash payment and stock delivery obligations for their customers arising from stock transactions due to capital market operations and transactions in which they engaged. The Investors Protection Fund became operational with the establishment of the CRI, which is envisaged by the CML to represent and manage the Fund.

As the initial assets of the Investors Protection Fund, YTL 10 million was granted by the ISE in 2001. The usual sources of the Fund are annual dues

to be deposited by the intermediary institutions, administrative pecuniary fines imposed by the CMB, the ISE and TSPAKB, temporary dues for which the amount is to be determined by the CMB and also the yield of the Fund assets invested. The Fund's assets are invested in government bonds, T-Bills, deposits or reverse repo.

The cash payments arising from stock transactions for their customers due to capital market operations and transactions of intermediary institutions for which a gradual liquidation or bankruptcy decision is taken, are made by the Fund within a limited amount, determined by the CML and increased by revaluation rate each year.

### Istanbul Gold Exchange

The İstanbul Gold Exchange (IGE), established on 26 July 1995, currently involves two markets, namely the Precious Metals Market and the Precious Metals Lending Market.

The trading volume in terms of TL/gr transactions in the IGE Precious Metals Market was USD 6.8 billion in 2009. The trading amounts and volumes with respect to gold trading are given in the table given below.

**Istanbul Gold Exchange - Gold Trading**

Year	TRADING AMOUNT (kg)			TRADING VOLUME	
	TL / gr.	\$ / ounce	Total	Million TL	Million \$
2002	47,837	95,149	142,986	749	942
2003	77,643	155,016	232,659	1,320	1,782
2004	58,839	221,425	280,264	1,068	2,909
2005	19,907	306,145	326,052	369	4,344
2006	7,875	224,421	232,296	227	4,409
2007	36,131	292,251	328,382	1,015	6,507
2008	4,568	332,462	337,029	165	9,300
2009	5,130	221,465	226,629	257	6,184

**Source: IGE**

## The ISE Settlement and Custody Bank Inc.

ISE Settlement and Custody Bank Inc., namely Takasbank, is one of the most crucial institutions of the Turkish financial markets. It is an investment bank providing clearing, settlement and/or custody<sup>1</sup> services for the ISE markets (Stock Market, Bond and Bills Market), Futures and Options Exchange and for the portfolio assets of mutual funds and investment trusts. In addition to these services, Takasbank provides the ISE members with a range of banking services such as credit services for cash within the Takasbank Money Market (TMM) and credit services for securities, including Securities Purchasing Loans (SPL) and Securities Lending/Borrowing Facility (SLBO).

## The Association of Capital Market Intermediary Institutions of Turkey

The Association of Capital Market Intermediary Institutions of Turkey (TSPAKB) is a self-regulatory organization, established in 2001 in accordance with the 1999 amendments in the Capital Market Law.

The aim of the Association is to ensure the functions given by the law and status of the profession by developing the capital market and

intermediary activities, making the members of the association work in cooperation and with the care and discipline required by the capital market, protecting the economic benefits of the members, preventing unfair competition, and illuminating the members on professional issues. In addition the association takes any necessary actions related to these areas and conducts research to provide for the development of the capital markets and intermediation activities, creates professional rules for association members, makes regulations in subjects released by the law or determined by the CMB, carries out, supervises, and cooperates with member institutions in related matters in order to impose disciplinary punishments as foreseen in the associations' status, and educates members by monitoring professional developments, administrative and legal regulations.

## Intermediary Institutions

In the Turkish capital markets, as of the end of 2009 there were 144 intermediary institutions, 103 of which were brokerage houses and 41 banks, operating. Some data about the ISE trade volumes of intermediary institutions are given in the table below.

**ISE Trading Volumes of Intermediary Institutions (Billion \$)**

	2006	2007	2008	2009
<b>In Stock Market</b>				
Brokerage Houses	459	602	514	624
<b>In Bonds and Bills Market</b>				
Brokerage Houses	744	867	947	764
Banks	3,344	4,039	4,385	3,667
Central Bank	546	300	288	499
<b>Total in Bonds and Bills Market</b>	<b>4,634</b>	<b>5,206</b>	<b>5,620</b>	<b>4,930</b>
<b>Source:</b> TSPAKB (The Association of Capital Market Intermediary Institutions of Turkey)				

<sup>1</sup> For the stocks traded in ISE, a dematerialized system became operational within the CRI as of 28 November 2005 and the records of stocks held in fungible custody at Takasbank before are now held in dematerialized form at the CRI.