Allocation of Financial Wealth in Turkey

by
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Abstract

The development, functioning, and structure of the Turkish financial system, as well as its pattern of integration into the world financial markets have been conditioned by the growing public sector borrowing requirement and the lack of price stability in Turkey during the 1987-2006 period. This paper analyzes the financial wealth allocation and the characteristics of the financial system in Turkey in this macroeconomic environment. The main finding of the paper is that the lack of attractive investment opportunities in capital markets, limited development of non-bank financial institutions, and the crowding-out effect of the excessive government borrowing contributed to the mobilization of formal savings mainly towards the bank deposits with a significant degree of dollarization, and sovereign debt securities in Turkey. The mutual funds and private pension plans, which play limited roles in the Turkish financial system, have also predominantly invested in public debt instruments. When the characteristics of the investor profiles in the Istanbul Stock Exchange are analyzed, the foreign institutional investors have a predominant share in the total equity portfolio. As a result, movements of the stock market index are mainly driven by stock transactions realized on behalf of the foreign investors. On the other hand, the share of domestic institutional investors in the stock market is very limited in comparison to the other world stock markets. The domestic investors are mainly composed of individuals with small portfolio holdings. These findings clearly reveal that the stock ownership is not the preferred way of allocating financial wealth by the domestic investors in Turkey.

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I. Introduction

The financial sector development is a critical pillar in achieving sustained economic growth. A large body of evidence provided by Levine (2003) and Beck, Levine and Loayza (1999) shows that the financial intermediaries can exert positive impact on the overall GDP growth. In theory, deep and liquid financial markets with diverse products and services enhance access to finance for firms and individuals. A well-regulated and a stable financial sector can reduce the macroeconomic volatility by providing risk sharing opportunities. An improvement in the general system-wide access to finance increases the amount of money that is intermediated through the financial sector, and the extent to which capital is allocated to the private sector enterprises on the basis of market signals. This, in return, facilitates the allocation of funds to the long-term investments based on the appropriate risk and return characteristics. Finally, a well-functioning financial system can potentially improve the resource allocation and overall productivity in the economy through gathering and evaluating information on investment projects, and monitoring and disciplining the borrowers' performance (see Levine, 1997).

The development, functioning and structure of the financial system are highly connected with the macroeconomic stability of the economy. When the volatility of the monetary, fiscal, and exchange rate policies increases, there is less incentive for the financial institutions to allocate funds to firms, and for the savers to participate in the financial markets. Furthermore the liquidity, depth and diversity of the financial system significantly decline.

The Turkish economy has started to liberalize its financial system and capital account regime in the early 1980s. However the transformation of the financial system, as well as its pattern of integration into the world financial markets have been conditioned by the growing public sector borrowing requirement and the lack of price stability in Turkey. This paper analyzes the patterns of financial wealth allocation and the characteristics of financial markets in Turkey during the 1987-2006 period.

Section II of the paper describes the important macroeconomic developments that affected the structure of the Turkish financial system. The banking system predominantly functioned as a finance house for the increasing government borrowing needs during the 1990s and ceased to perform the traditional role of intermediation between the firms and households. The high interest rates offered by the government debt securities completely crowded out the private investment in the real sector. In addition, capital account liberalization increased the vulnerability of the Turkish economy to boom-bust cycles driven by international capital flows and to financial crises triggered by the sudden reversals in short-term capital flows. With the implementation of the IMF-based disinflation program, the inflation and the nominal interest rates on government debt securities substantially declined in Turkey since 2001. Coupled with the resumed economic growth, these developments have gradually increased the incentives for the financial sector to invest in real economy in Turkey.

Section III of the paper looks at the patterns in allocation of financial wealth in this macroeconomic environment. The analysis shows that more than 65 percent of the financial investment by domestic investors is allocated to bank deposits. In particular, financial liberalization and deregulation in Turkey in an environment of chronically high inflation and growing public sector borrowing requirement resulted in the dollarization of bank deposits and increase in outstanding government debt securities that crowded out the private corporate bonds market. Gold is an important financial asset where informal savings in the Turkish economy are invested.

Section IV of the paper looks at the financial wealth allocation and portfolio choices in non-bank financial institutions in Turkey. The first part of the section provides a comparative analysis of the stock market characteristics in Turkey and other emerging markets with respect to market capitalization, value traded, turnover and concentration. Furthermore the return and volatility of the Istanbul Stock Exchange are analyzed with reference to the major social, economic, political and legal events shaping the 1987-2006 period. The next parts of Section IV specifically look at the stock market penetration patterns, preference for stock holdings as financial wealth, and analysis of investor profiles in the Istanbul Stock Exchange on the basis of portfolio sizes, nationality, age, gender and location. The results show that Istanbul Stock Exchange is characterized by the dominance of foreign institutional investors in the total equity portfolio. On the other hand, share of domestic institutional investors is very limited in international standards. Domestic investors are mainly composed of individuals with small portfolio investments. The final analysis looks at the financial wealth allocation in institutional investment schemes provided by the mutual funds and private pension plans, which are at their early stages of development in Turkey. Consistent with the crowding-out in the economy, the mutual funds and pension plans have predominantly invested in public debt instruments and repo transactions. Final section concludes.

II. Macroeconomic Developments in Turkey

Beginning with January 1980, the Turkish economy has started to liberalize its financial system and capital account regime. However, the liberalization in the 1980s coincided with the period when the Turkish economy started to experience a drastic deterioration in the government's fiscal balance. As a consequence, the development, structure and functioning of the financial system in Turkey, and its pattern of integration into the world financial markets have been conditioned by the growing public sector borrowing requirement and the lack of price stability in the last two decades.

As Boratav, Korkut and Yeldan (2006) show under the financially repressed conditions of the 1970s and early 1980s, the deficit financing through the central bank advances i.e. monetization and transfer expenditures from the government budget to the state economic enterprises rapidly increased. After the removal of interest ceilings following the financial system reforms in the 1980s, the government preferred to borrow through issues of debt instruments.

As Table 1 displays, the domestic debt stock as a percentage of GDP increased from 18 percent in 1986 to 58 percent by 2001. The rise in the domestic debt gave way to a spiral of rapid build-up in interest payments. Figure 1 shows that the share of interest payments on domestic debt in consolidated government budget increased from less than 5 percent in the early 1980s to 46 percent in 2001.[1] The deterioration of the fiscal position of the government, and the financing of the deficit through debt instruments led to an overall increase in the inflation and interest rates as displayed by Figure 2. The average interest rate on treasury bonds reached over 100 percent in the late 1990s.

High rates of inflation strongly interfered with the ability of the financial sector to allocate resources effectively in Turkey. Recent theories by Huybens and Smith (1998 and 1999) emphasizing the importance of the informational asymmetries in the credit markets show that increase in the rate of inflation drives down the real rate of return on assets in general, which exacerbates the credit market frictions and credit rationing. In return, the reduction in the capital formation negatively influences the long-run growth.[2] In addition to the effects in the credit markets, high and variable inflation also leads to asset and liability dollarization in the financial system (see Ize and Yeyati, 1998).

The liberalization of the capital account in August 1989 and the full convertibility of the Turkish Lira made it also possible for the government to finance its public sector borrowing requirement. Turkish Lira yields on government debt securities and other Turkish Lira denominated assets were very attractive due to the high risk premium associated with inflation and devaluation risk. Given the small size of the domestic financial system and the insufficiency of funds that the government could borrow with a cost that would not completely crowd out the private sector, Turkish banks borrowed short-term capital from abroad and invested in high yield government securities. As Table 2 indicates, net capital inflows directed to portfolio debt investment and bank loans as a percentage of GDP have been mainly positive during the 1987-2006 period. The capital account liberalization served the government by enabling banks to engage in extremely profitable short-term borrowing from abroad so as to finance the public sector borrowing requirement. Thus the short-term capital flows became "the long arm of fiscal policy overcoming the credit restraints and money constraints of the monetary authority" (see Cizre-Sakallıoğlu and Yeldan, 2000).

The Turkish financial sector ceased to perform the traditional role of intermediation between the firms and households. Rather, it functioned as a finance house for ever increasing government borrowing needs especially during the 1990s. Consistent with the findings of Hauner (2006) for 73 middle-income economies, continuously large public sector borrowing had adverse consequences on the functioning of

[1] The public sector borrowing requirements to GDP ratios averaged 4.5 percent during 1981-1988, but rose 10.2 percent in 1991, and averaged 9.4 percent over 1990-1999. In 2000, public sector borrowing requirement to GDP ratio reached to 15.1 percent (see Boratav, Korkut and Yeldan, 2006).

[2] Using data on inflation, banking sector activity, equity market size, equity market liquidity, and the rates of return on stocks for 100 countries over the 1960–1995 period, Boyd, Levine and Smith (2001) find that higher inflation implies lower long-run levels of real activity and slower long-run growth rates because financial intermediaries allocate capital less effectively. Furthermore stock market liquidity and trading volume are smaller while stock return variability increases.

the Turkish banking sector and securities markets. The dominance of government debt securities interrupted the financial deepening as well as the development of the corporate debt markets. When public sector absorbed a large share of the available credit in the banking sector, banks in Turkey engaged in very limited amount of credit allocation to the private sector. The crowding-out effect increased when banks became reluctant to lend to the borrowers, who cannot pay the required premium over the interest rates charged for the public sector debt.

The capital account liberalization in 1989 has made the Turkish economy more prone to financial cycles. The high interest rates attracting short-term capital deterred the private investment and made the financial assets connected with the government debt securities more attractive compared to real sector investment. Arbitrage-seeking inflows and outflows of capital contributed to the rising external and domestic instability. At the same time, the growth performance of the economy has become dependent on the foreign capital flows. Typically, excessive bank lending created a boom-bust cycle where the initial increase in the growth rate of real GDP, private investment and consumption was accompanied by a real appreciation of the Turkish Lira, an increase in imports and a deterioration of the current account balance leading to financial crises (see Çimenoğlu and Yentürk, 2005).

The Turkish economy experienced three main financial crises in 1994, 1998 and 2001 triggered by the sudden and huge reversals in the short-term capital flows. The first crisis, which took place in January 1994, started when the Central Bank of Turkey implemented policies that artificially lowered the interest rates on government debt while attempting to defend the exchange rate by selling foreign currency reserves. The imminent risk of devaluation and the downgrading of Turkey's foreign debt rating by Moody's and Standard and Poors triggered a sharp decline in foreign bank loans and a panic sale of portfolio equities and debt securities by the domestic and foreign institutional investors. In response, an austerity program with the IMF was announced in April of 1994, and Lira was devalued. The economy went into a recession with the GDP per capita declining by 7.6 percent.

The Asian financial crisis and the Russian default in 1998 had a serious impact on the Turkish economy. The loss of confidence in emerging markets resulted in a massive shift of funds by the international portfolio managers. As Table 2 displays, the outflow in portfolio equities and debt securities reached to over 3 percent of GNP. The crisis affected the fiscal deficit through high real interest rates, and significantly increased the cost of debt financing. In the following year, the earthquake in İzmit industrial center further deteriorated the recovery prospects in the economy. The GDP per capita declined by 3 and 12 percent in 1998 and 1999 respectively.

The last economic crisis took place when Turkey was implementing the 1999 IMF-sponsored disinflation program. However, one year after introducing the program, a financial crisis was triggered by the liquidity problems in the banking sector. The initial crisis was contained by an IMF package. However a public quarrel between the president and the prime minister over corruption investigation followed by cabinet resignations triggered the second liquidity crisis in February 2001. Turkey's stabilization program based on crawling peg exchange rate regime ended with the devaluation of Lira. Turkish economy entered into a severe recession in 2001 with the GDP per capita declining by 9.6 percent.

Since 2001, a new disinflation program was initiated in order to bring the inflation down to single digits and to reduce the public debt burden to achieve steady GDP growth path. The newly elected government implemented a fiscal and monetary stabilization program, and a broad range of financial and public sector structural reforms with the assistance of the IMF (see Boratav, Korkut and Yeldan, 2006). As can be seen in Figure 2, the inflation and the nominal interest rates for deposits and treasury bonds have declined substantially. The average inflation rate in consumer prices has fallen from 78 percent in the 1990s to 9.83 percent in 2006. Coupled with the resumed economic growth in Turkey, these developments have gradually reduced the crowding-out effect, and increased the incentives for the private banks to invest in real sector and other financial products and services. Since 2003, there is a clear upward trend in the availability of the banking sector credit to the private sector.[3] The most important driver of this rapid credit growth was the decline in public sector borrowing requirement and the interest rates on government debt securities. Availability of global liquidity also provided the needed supply of credit to the banking sector. As can be seen in Table 2, capital flows to Turkey have accelerated with the improvement in the economy.

Given these economic developments during the 1987-2006 period and the important role played by the fiscal policies in shaping the development, functioning and structure of the Turkish financial system, the following sections of the paper examine in detail the allocation of financial wealth and the main characteristics of the financial markets in Turkey.

III. Allocation of Financial Wealth in Turkey

Despite the macroeconomic and political instability, the Turkish financial system has deepened following the financial liberalization and deregulation over the last 20 years. As displayed by Table 3-a and Table 3-b, the total assets of the Turkish financial institutions increased from 23 billion U.S. dollars (30 percent of GDP) in 1986 to 404 billion U.S. dollars (100 percent of GDP) by the end of 2006.

The most important financial asset continued to be the bank deposits. Total bank deposits increased from 17 billion U.S. dollars (23 percent of GDP) in 1986 to 195 billion U.S. dollars (47 percent of GDP) in 2006. As Table 3-c shows, 77 percent of the financial assets were allocated to the bank deposits in 1986 and this share has declined to 48 percent in 2006 with the diversification of the investment choices. Consistent with the chronic and high inflationary environment, the most prominent

[3] Between 2003 and 2006, average annual growth of per capita bank credit to private sector was 34 percent. Since 2002, consumer credit loans precipitously increased from 6 percent of the total credit to 26 percent in 2006. Consumer loans and individual credit cards combined increased from less than 20 percent from 1993 until the 2001 crisis to roughly 40 percent of total credit by the end of 2006. These developments led to consumption and investment boom in Turkey since 2003.

change was observed in the increase of the foreign currency denominated deposits that reached 30 percent of the total financial assets in the 1990s. By 2006, the share of foreign currency denominated deposits declined to 18 percent of the total financial assets and reached the same share as the Turkish Lira denominated deposits.

Starting from the 1980s, financing of public deficit resulted in an increasing stock of domestic as well as foreign debt in Turkey. The outstanding public securities, which were 3 billion U.S. dollars (4 percent of GDP) at the end of 1986, reached 178 billion U.S. dollars (44 percent of GDP) by the end of 2006. As a consequence of the government's borrowing requirement, the growth of the private equity and corporate debt markets were negatively affected. The corporate bonds have vanished from the private securities market. The issuance of common stocks remained the only financial instrument available for the private sector. Although the share of common stocks reached 14 percent of the total financial assets until 1991, the growth in outstanding private securities was outpaced by the increase in public securities. The outstanding common stock reached 29 billion U.S. dollars in 2006 and constituted 7 percent of GDP.

In summary, while the growth of the size of the financial system has been quite significant, a large part of the growth was simply due to the resource transfer from the general public to the government. In an environment of macroeconomic instability and chronic inflation, the financial liberalization and deregulation in Turkey resulted in the dollarization of bank deposits and crowding-out of private investment as a consequence of the increase in outstanding government debt securities.

In Table 4, a detailed analysis of the portfolio choices of the domestic investors shows that of the 281.5 billion U.S. dollars worth of financial assets in 2006, 25 percent is allocated to foreign currency deposits (71.7 billion U.S. dollars), and 43 percent to Turkish Lira deposits (120.8 billion U.S. dollars) in the banking system. The share of Turkish Lira deposits have increased by 10 percent since 2003 with the overall macroeconomic stability and the decline in the inflation rate. On the other hand, the Turkish Lira denominated government bonds and treasury bills constitute 13 percent (38 billion U.S. dollars) of the portfolio of domestic investors in 2006. The share has declined from 19 percent in 2003. Investment through institutional investors constitutes only a limited portion of the portfolio allocation by domestic investors. The share of mutual fund investment has declined from 8.5 percent in 2003 to around 5.5 percent (15.6 billion U.S. dollars) in 2006, but the pension plan investment has increased to 0.71 percent. Finally, investment in common stocks reached 6.6 percent (18.6 billion U.S. dollars) of the domestic investors' portfolio allocation. In conclusion, more than 65 percent of the domestic financial investment is allocated to bank deposits.

When the portfolio choices of the foreign investors in Turkey are examined, of the 65.5 billion U.S. dollars invested in 2006, 53 percent (35 billion U.S. dollars) is allocated to common stocks and 40 percent (26 billion U.S. dollars) to government bonds and treasury bills. The common stock portfolio of foreign investors is two times the size of the common stock portfolio by domestic investors.

While the lack of attractive capital market investment opportunities, and crowding-out effect of excessive government borrowing have all contributed to the mobilization of formal savings into the bank deposits and sovereign debt securities, macroeconomic uncertainty, chronically high and volatile inflation have driven a significant portion of the informal savings into inflation hedges and tax shelters such as real estate, gold, mattress money particularly in the form of foreign currency, and overseas bank accounts. While the total amount of these informal savings cannot be estimated with accuracy, several studies indicate that as a percentage of GDP, they are as high as the formal savings (see World Bank, 2003).

One of the potentially largest sources of wealth that remains outside the formal financial system is the stock of gold in Turkey. The Turkish households hold a substantial amount of gold as part of their financial assets or in the form of personal jewelry due to its traditional importance. Table 5 shows that the estimated gold stock in the economy increased from 56.5 billion U.S. dollars in 2001 to over 120 billion U.S. dollars in 2006. In fact, the importance of informal gold holdings has been recognized by the government with the establishment of the Istanbul Gold Exchange in 1995, which has the explicit objective of mobilizing the informal gold stock into the formal financial system.

IV. Non-Bank Financial Institutions

Well-functioning non-bank financial institutions such as stock markets, mutual funds, and private pension plans perform different but complementary roles to the banking system in providing resources for a variety of financing needs by individuals, businesses and the public sector (see World Bank, 2003). The growth of non-bank financial institutions diversifies the venues, through which financial savings can be channeled and thereby helps mobilizing the long-term funds necessary for the development of equity and corporate debt markets. In addition, they provide a stable and competitive source of funding to corporations, and can enhance the efficient use of capital for generating output and growth. A stable macroeconomic environment can facilitate the development of financial intermediation by non-bank financial institutions. In Turkey, due to long standing macroeconomic imbalances and the associated dominance of government debt markets, the stock market and institutional investors have remained relatively underdeveloped.

The following sections of the paper analyze in detail the characteristics and the investor profile of the Turkish stock market as well as the role of the institutional investors such as mutual funds and private pension plans in allocating financial wealth in Turkey.

IV. 1 Characteristics of the Stock Market in Turkey and Other Emerging Markets

The Istanbul Stock Exchange has commenced its stock trading in January of 1986. The market capitalization of the stock exchange has fluctuated over the years with the conditions of the economy, but continued to increase over the 1986-2006 period. Table 6 shows the market capitalization to GDP ratios in Turkey and the selected emerging market economies in Latin America and East Asia. It can be seen that market value of shares in the Istanbul Stock Exchange has reached 40 percent of the GDP in 2006 in comparison to 1.24 percent in 1986, when the Istanbul Stock Exchange started its operation. After expanding in the 1990s, stock market capitalization reached its peak of 61 percent in 1999 and significantly declined following the economic crisis in 2001.[4]

In comparison to other emerging markets, the evolution of the importance of private stock market in the Turkish economy follows a similar path to the Latin American economies except Chile. Private stock markets are highly developed in Chile where the market capitalization to GDP ratio exceeds 100 percent. The evolution of the Turkish stock market capitalization as a share of GDP is below the levels of many emerging market economies in East Asia. The market capitalization as a share of GDP approaches 94 percent in Korea, 90 percent in India, 67 percent in Thailand and 158 percent in Malaysia in 2006. Turkey, Indonesia and the Philippines have comparable stock market sizes.

Table 7 shows the value traded to GDP ratios in Turkey and the selected emerging markets. The share of market value of traded stocks in GDP increased from 0.02 percent in 1986 to 56 percent in 2006. The transaction volume to GDP ratio has reached its peak of 89 percent in 2000.

In comparison to the emerging markets, the value traded to GDP ratio is clearly above the Latin American markets. The share of traded value of equities in Chile and Brazil is only about 20 percent and 24 percent of their GDP in 2006 respectively. On the other hand, the Istanbul Stock Exchange is at the same level as India, Malaysia and Thailand. In particular, traded value of shares in Korea dramatically increased since 1998 and approached 150 percent of GDP in 2006.

The turnover ratio indicates the ratio of traded value of stocks to market capitalization. It is an indicator of the liquidity of the market, but also shows whether or not short-term investments dominate in the stock market. The turnover ratio in the Istanbul Stock Market has reached 145 in 2006 approaching the turnover ratios in Korean and Indian stock markets. On the other hand, liquidity of the stock market in Turkey exceeds the Latin American and most East Asian markets.

The number of listed companies has reached 314 in 2006 in comparison to 40 in the year of commencement in 1986. Table 10 shows the market concentration of ten largest companies in comparison to the total domestic market capitalization and value traded in Istanbul Stock Exchange, Nasdaq, NYSE

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[4] On the average, the free float in the Turkish market is estimated to be 20-30 percent of the total outstanding equity. As a matter of fact, some of the largest companies in Turkey have a much lower free float (2–10 percent), with several state-owned enterprises being exempted from the 5 percent minimum free float requirement set by the Istanbul Stock Exchange. Therefore these factors give an upward bias to the market capitalization figures (see World Bank, 2003).

and other emerging market exchanges. The figures show that Indian, Korean and Malaysian stock exchanges has the lowest market concentration in capitalization among the emerging markets but are clearly below the levels of concentration in NYSE and Nasdaq. The Istanbul Stock Exchange on the other hand, has similar levels of concentration with Chile and Thailand. The Latin American markets are clearly the most concentrated in terms of market capitalization. For example, ten largest companies account for 78 percent and 76 percent of the market capitalization in Argentina and Mexico respectively.

In terms of value traded, Indian, Korean and Malaysian exchanges have lower concentration than NYSE and Nasdaq. 43 percent of trading value is accounted by ten companies in Istanbul Stock Exchange. This ratio is higher in all other emerging markets.

Table 11 shows the financial intermediation to the private sector provided by the banking sector credit, stock market capitalization and bond market capitalization. The size of domestic credit to private sector (21 percent) is slightly below the size of market capitalization (24 percent) in Turkey. At the same time, the private bond market virtually does not exist. These figures can be explained by the fact that banking sector credit allocation to the private sector has been interrupted by the crowding-out effect of the public sector borrowing requirement. Argentina, Mexico, Colombia and Venezuela have similar sizes of domestic credit to GDP ratios and they are below the other emerging market economies. Korea, Malaysia, Thailand and Chile have the largest sizes of private bond markets and credit to the private sector among the emerging markets.

Figure 3 displays the monthly index values of the Istanbul Stock Exchange since the commencement of the stock trading in January of 1986 and the percentage monthly returns. Table 12-a shows the local currency based and the U.S. dollars based values of the IMKB-100 index at the end of each year and the annual percentage returns. The table shows that Lira based (U.S. dollars based) index increased from 1.71 (131) in 1986 to 39,117 (1620) in 2006. Figure 3 and Table 12-a show that the Istanbul Stock Exchange index has experienced positive returns in the majority of the months since 1986. Abnormally high and low returns in the IMKB-100 index indicate the excessive volatility of the stock market. Table 12-b shows the dates corresponding to the highest and the lowest monthly returns in each year and the percentage standard deviation of monthly returns. There is a clear indication that historical pattern of high return volatility declined since 2003 after the improvement in the macroeconomic conditions following the disinflation program.

The appendix lists the chronology of major legal, economic, political and financial events in Turkey related to the Istanbul Stock Exchange and indicates the important events occurred during the months corresponding to the highest and the lowest monthly returns in each year. The performance of the Istanbul Stock Exchange is affected by the economic conditions and developments in the domestic politics as well as international relations of the country. In particular, following the financial crisis and the associated capital outflow in 1994, 1998 and 2001, the Turkish stock market has been negatively affected.

IV.2 Analysis of Investor Profiles in the Istanbul Stock Exchange

The analysis of investor profiles in the Istanbul Stock Exchange started in 2002 with the cooperation of the Association of Capital Market Intermediary Institutions of Turkey (TSPAKB) and the Clearing and Settlement Center of Istanbul Stock Exchange (Takasbank). After the establishment of the Central Registry Agency (MKK) in November 2005, the dematerialization of securities held by individual and corporate investors enabled more detailed analysis of various categories of stock investors in terms of portfolio sizes, nationality, demographic characteristics and geographical distribution.

Table 13 shows the breakdown of identified and active accounts with a positive balance of equity investment held under the custody of the Takasbank and the Central Registry Agency. "Foreign" refers to investors with foreign citizenship and "domestic" refers to investors with Turkish citizenship regardless of actual residence. The investors are divided into several categories. The "fund" category refers to mutual funds and private pension plans, "corporate" refers to investment trusts, banks, financial intermediaries and corporations, "individual" refers to individuals and "other" refers to charities, associations and cooperatives.

Table 13 displays that the total number of identified and active accounts have continuously declined from 1.14 million in April, 2002 to over 1.02 million at the end of December, 2006. On the other hand, the portfolio size of active accounts has grown from 10.6 billion U.S. dollars to 53 billion U.S. dollars.

When investor categories are examined in detail, it can be seen that the number of active accounts held by foreign funds have continuously increased. The portfolio size of foreign funds increased from 2.3 billion U.S. dollars in 2002 to 14.6 billion U.S. dollars by the end of 2006. As a result, foreign fund investors constitute 27 percent of the total portfolio size of active accounts, and 22 percent of total number of stocks at the end of 2006. Similarly foreign corporate investors also increased the number of active accounts over time. Portfolio size of foreign corporate investors reached 19.9 billion U.S. dollars in 2006 and constitutes 37 percent of the total portfolio size of active accounts and 29 percent of total number of stocks. Foreign institutional investors in total account for 65 percent of the total portfolio size of active accounts in 2006.

Domestic investment funds, on the other hand, have a portfolio size of 567 million U.S. dollars in 2006, which constitutes less than 1.5 percent of the total portfolio. Domestic corporate investors have continuously increased their portfolio sizes from 687 million U.S. dollars in 2002 to 5.8 billion U.S. dollars in 2006 accounting for around 11 percent of the total portfolio size.

Active accounts held by domestic individual investors declined from 1.32 million units in 2002 to slightly over 1 million in 2006. Although the total portfolio size continued to rise from 4.5 billion U.S.

dollars in 2002 to more than 11 billion U.S. dollars in 2006, the share of domestic individual investors in total portfolio size of active accounts rapidly declined from 43 percent in 2002 to 21 percent in 2006.

In comparison, the international evidence provided by the World Federation of Exchanges on stock market investors in the emerging markets shows that the share of individual investors in total value traded in Brazil's Bovespa has been over 20 percent during the 2001-2006 period. On the other hand, share of institutional investors increased from 16 percent in 2001 to over 27 percent in 2006. International investors account for 25 percent of the total value traded in 2001 and their share increased to 36 percent in 2006. On the other hand, for the Korean Stock Exchange, institutional investors i.e. investment trust companies and commercial banks, account for more than 16 percent of the market capitalization while corporations account for 19 percent, individuals account for close to 20 percent and foreigners account for 40 percent in 2003. Finally, for the Thailand Stock Exchange, the domestic individual investors account for 23 percent and domestic institutional investors account for 37 percent of the market capitalization in 2003. The foreign institutional investors account for 27 percent of the market capitalization.

When the investor profiles of the London Stock Exchange are examined, the foreign investors constitute 33 percent of the market capitalization in 2004. The share of domestic individual investors and households accounts for 14 percent of the market capitalization in 2004 while domestic institutional investors such as pension and insurance funds account for 33 of the market capitalization in 2004 (see Federation of European Stock Exchanges, 2007).

In summary, comparative analysis with the world stock markets shows that the investor profile in the Istanbul Stock Exchange is characterized by the dominance of the foreign institutional investors in the total equity portfolio. On the other hand, the share of domestic institutional investors is very limited in international standards. Domestic investors are mainly composed of individual stock owners.

Figure 4 displays the total number of domestic and foreign active and identified investors. Total number of individual investors has been declining from 1.03 million in 2002 to 880 thousand in 2005, but slightly increased to 923 thousand in 2006. These figures indicate that individual stock investors correspond to less than 4 percent of the civilian labor force. Due to high volatility in returns, investing in stock market has been an unattractive option for domestic investors in comparison to the Turkish Lira and foreign currency deposits, government debt, and overnight repos. The study by the World Bank (2003) indicates that a portfolio of 100 percent investment in the stocks of the Istanbul Stock Exchange was the least efficient portfolio during the 1990s. Consistent with this study, Figure 4 indicates that the penetration of stock ownership is very limited in the Turkish economy. In comparison, the stock investors correspond to 16 percent of the economically active population in Korea in 2004.

Table 14-a and Table 14-b display the breakdown of investor categories by the portfolio size in 2006. Among the total number of 927 thousand investors, 921 thousand of them are domestic investors. On the other hand, of the 53 billion U.S. dollars worth of total portfolio, 34.6 billion U.S. dollars (65

percent) is held by foreign investors and 18.6 billion U.S. dollars (35 percent) is held by domestic investors. The foreign investors are mainly composed of the investment funds and corporate investors and therefore 99 percent of their portfolio is concentrated on sizes greater than 1.000.000 New Turkish Lira. Roughly 12 percent of the total portfolio size is held by the domestic institutional investors.

The domestic individual investors constitute 21 percent of the total portfolio size of the market by holding 11.13 billion U.S. dollars worth of portfolio. More than 80 percent of the total domestic individual investors (767.1 thousand) are small investors holding portfolio sizes of less than 10.000 New Turkish Lira. The share of their portfolio constitutes only 6 percent of the total investment by the domestic individuals. 12 percent of the domestic individuals have portfolio sizes less than 50.000 New Turkish Lira constituting 15 percent of the total investment by domestic individuals. On the other hand, 1417 domestic individuals are large investors holding 38 percent of total portfolio held by the domestic individual investors.

Table 15-a and 15-b look at the breakdown of individual investors in detail. Of the 919 thousand domestic individual investors with a portfolio size of 11 billion U.S. dollars, 50 percent of the investors are between the ages 40-59 and 38 percent of the investors are between the ages 20-39.

Distribution of domestic investors by provinces in Table 16 indicates that 32 percent of the total investors come from Istanbul and their share in total portfolio size is 66 percent. Ankara and İzmir combined constitute 22 percent of the total investors and their portfolio share is 15 percent. About 33 percent of the individual investors come from Istanbul and they constitute 56 percent of total individual portfolio. Ankara and İzmir combined constitute 22 percent of the total individual investors, and their portfolio share is 17 percent. The number of individual investors in Istanbul, Ankara and İzmir combined is 502 thousand, which is greater than 417 thousand in the rest of the country.

IV.3 Foreign Portfolio Investment in the Istanbul Stock Exchange

More than 30 sizable stock exchanges in the emerging market economies implemented significant financial liberalization reforms during the mid-1980s and early 1990s (see Bekaert, Harvey, and Lundblad, 2003). The reduction or elimination of the rules limiting investments by private pension plans and other institutional investors from the developed economies has produced a large pool of capital that is available for investment in the portfolio securities of the emerging markets.

Turkey has eliminated all restrictions on foreign portfolio investment in securities traded on the Istanbul Stock Exchange with the Issuance of Decree 32 in August of 1989. The foreign institutional and individual investors are allowed to purchase or sell any type of registered securities and repatriate the capital and profits without any restrictions. As a consequence, over time the importance of foreign portfolio investments in the Istanbul Stock Exchange has continuously increased.

Table 17 shows that market value of the foreigner's portfolio in Istanbul Stock Exchange increased from 6 billion U.S. dollars in 1997 to 35 billion U.S. dollars in 2006 while the annual volume of transactions by foreigners increased 10 times from 8.9 billion U.S. dollars to 88 billion U.S. dollars during the same period. The average portfolio size of the foreign investors remained relatively stable until 2003 and increased precipitously from 5 billion U.S. dollars in 2003 to 34 billion U.S. dollars in 2006. Table 18 shows that foreign investors are particularly active in investing in the Istanbul Stock Exchange during the years when large volumes of public offerings through privatization of state enterprises are made.[5]

Investment in the Istanbul Stock Exchange has provided significant returns for the foreign investors during the 1997-2006 period. Table 17 shows that there has been a net capital inflow into the Istanbul Stock Exchange except for the crisis year of 2000. In particular since 2003, after the implementation of the IMF-based disinflation program and improvement in the macroeconomic and political stability, foreigners have become net purchasers of equities. When the changes in the value of stock market units held by foreigners are examined in Table 17, the cumulative gain in the market value of the foreigner's portfolio reached 19.1 billion U.S. dollars. 7.5 billion U.S. dollars loss during the crisis period of 2000 and 5 billion U.S. dollars loss in the aftermath have been offset by 21 billion U.S. dollars gain in the portfolio value since 2003 with combined effect of the increase in stock prices and appreciation of the Turkish Lira.

One important characteristics of the Istanbul Stock Exchange is that IMKB-100 index is strongly driven by the portfolio equity investments of foreign investors. It can be argued that the movements of the stock market index is mainly a reflection of capital flows into the economy and functions as a leading indicator of the boom-bust periods. Furthermore, international economic conditions such as major developments in other emerging market economies are transmitted to the Turkish economy through the portfolio equity investment in the stock market.

Figure 5 displays the monthly market value of the stock units i.e. equity portfolio held by the foreign banks, brokerage houses or individuals under the custody of the Clearing and Settlement Center of the Istanbul Stock Exchange and IMKB-100 index since December, 1995. Similarly, Figure 6 shows the value of the monthly stock transactions, i.e. total purchases and sales in secondary markets realized on behalf and account of foreign investors and IMKB-100 index since January, 1997. Both figures clearly indicate a one-to-one relationship between the performance of the Istanbul Stock Exchange and the stock transactions realized by the foreign investors.

[5] In year 1998, when public shares of İş Bankası was offered in SPO, foreign share increased to 75 percent of the total capital raised. Similarly, during SPO of Tüpraş, which is a state owned refinery, foreigners constituted 70 percent and 46 percent of capital raised in IPO and SPOs respectively in year 2000. In 2005, 73 percent of Vakıf Bank IPO was sold to foreigners and their share rose up to 74 percent and 84 percent in IPO and SPOs respectively. During the Turkish Airlines SPO in 2006, foreign investors constituted 52 percent and 42 percent of the capital raised by IPO and SPOs respectively.

Figure 7 displays the share of the foreign investors in total market value of stock units held under the custody of the Clearing and Settlement Center of the Istanbul Stock Exchange. It can be clearly seen that foreigner's share in total market value of stock units increased from 39 percent in 1997 to 65 percent 2006. The increase particularly accelerated since the end of 2002. In other words, domestic investors share in total portfolio value have fallen below 50 percent.

Figure 7 also shows that the annual share of foreign purchases in total value traded in secondary markets remained relatively stable during the 1997-2003 period and increased from 7 percent in 1997 to 20 percent in 2006. Another way of interpreting these results in Figure 7 is that domestic investors are responsible for the overwhelming share of stock transactions realized in the secondary markets while they hold less than 50 percent of the total portfolio value. In other words, domestic investors prefer to trade their stock holdings more frequently in comparison to the foreign investors. Table 17 in fact shows that the average portfolio holding period by the foreign investors is around 9 months, which is clearly longer than the holding period by the domestic investors.

Finally, Figure 8 looks at the association between foreign net purchases and the monthly returns in the Istanbul Stock Exchange. The figure shows that of the total 120 months during the January 1997-December 2006 period, the Istanbul Stock Exchange had positive returns when the foreign investors realized net purchases for 52 months, and had negative returns when foreign portfolio investors realized net sales for 30 months. The scatter plot clearly verifies the positive association between the behavior of the net purchases by the foreign investors and the percentage monthly stock returns. On the other hand, net sales with positive stock market returns and net purchases with negative returns indicate the possibility of profit realization by the foreigners.

IV.4 Domestic Institutional Investors

A. Mutual Funds

The mutual funds and private pension plans constitute another type of non-bank financial institutions. The mutual funds are important collective investment schemes, through which individuals can allocate their savings into various capital market instruments. In particular, the growth of the mutual funds widens the range of savings channels in addition to the bank deposits.

The first mutual fund in Turkey was established in 1987. Two different types of mutual funds exist in the Turkish capital markets. Type A mutual funds are required to invest at least 25 percent of their assets in equities that are issued by the Turkish companies, whereas mutual funds that have no such obligation are classified as Type B. Type A and Type B mutual funds were not separated until 1994.

The mutual fund industry in Turkey is very small and highly fragmented, with a few players accounting for the majority of the assets under management. Number of mutual funds operating in the Turkish capital markets increased to 289 by the end of 2006, of which 126 are Type A mutual funds.

As Table 19 displays, net asset value of the Type A mutual funds increased from 81 million U.S. dollars in 1994 (0.06 percent of GDP) to 652 million U.S. dollars (0.15 percent of GDP) in 2006. The number of open accounts has increased from 62.4 thousand in 2001 to over 133 thousand in 2006. The share of common stocks in the portfolio composition has increased from 34 percent in 1994 to 65 percent in 2006, while the share of public debt instruments has declined from 66 percent to 17 percent. The reverse repo share also declined over time. Investment in foreign securities and corporate bonds are negligible.

The net asset value of the Type B mutual funds increased from 52 million U.S. dollars (0.06 percent of GDP) in 1987 to 15 billion U.S. dollars (4 percent of GDP) in 2006. The total number of open accounts under the Type B mutual funds reached 2.3 million by 2006. These figures indicate that Turkish investors clearly prefer the Type B mutual funds. Portfolio composition of the Type B mutual funds is dominated by repo and public debt instruments. The investment in corporate bonds in the portfolio completely disappeared since the early 1990s. The stock investments constitute only 0.03 percent of the Type B portfolio in 2006. Except for the years 1993, 1997, and 1999 where the stock investments exceeded more than 10 percent of the mutual funds portfolio, common stocks constitute only about 2.5 percent of the portfolio value of all mutual fund investments. Consistent with the crowding-out in the economy, mutual funds have predominantly invested in the public debt instruments and repo transactions.

As displayed in Table 20, in comparison to the other emerging market economies, the role of mutual funds in the Turkish economy is very limited. Total net assets of the mutual funds in Brazilian (Korean) economy have increased from 96 (149) billion U.S. dollars in 2002 to 418 (251) billion U.S. dollars in 2006, representing 19 percent (27 percent) and 39 percent (28 percent) of GDP respectively. Similarly, Mexico and India have larger total net assets of mutual funds, but the share in the economy is similar to Turkey.

B. Private Pension Plans

To enhance the income security available to the retiring workers and to reduce the strain on the public pension system, the Turkish government as part of its social security system reform has recently developed a private pension scheme. The features of this scheme are laid down in Law No. 4632 on the Private Pension Savings and Investment System, which came into effect as of October 7, 2001 (see World Bank, 2003).

The purpose of this law is the regulation and supervision of a new individual pension system that is complementary to the public social security. The system is based on the voluntary participation and the fully funded defined contribution principle, and provides the participants with the ease of portability in the event of their transfer from one employer to another. The expectation is that accumulated assets in the retirement accounts of the individuals will be managed and invested in the private sector by the private portfolio management companies.

As Table 21-a displays, the private pension plans in Turkey started in September, 2003. Net asset value rapidly increased from 31 million U.S. dollars in 2003 to 2 billion U.S. dollars in 2006. Roughly 8 percent of the pension plan portfolio is invested in the common stocks, 73 percent in the public debt instruments and 14 percent in the repo transactions. The number of open accounts increased from 36 thousand in 2003 to 2.8 million in 2006 representing over one million individuals participating in the system. As can be seen in Table 21-b, the share of participants in private pension plans reached 4 percent of the civilian labor force in 2006. The majority of the investors are in the 25-44 years of age.

In developed countries, the private pension plans play a very important role as institutional investors. In the United States, for example, it is estimated that over 40 percent of the outstanding shares of the corporations listed on the New York Stock Exchange are held by the pension plans. Given the fact that a properly regulated private pension system is still at its early stages, there is a great capacity for the pension plans industry to grow as a key institutional investor in Turkey.

In summary, despite the fact that the role of institutional investors in the Turkish economy is limited, total number of open accounts held by mutual funds and private pension plans has exceeded 5 million and total net asset value reached about 18 billion U.S. dollars by 2006, of which predominant share is invested in public debt instruments. Only 592 million U.S. dollars worth of net assets are held as common stocks in 2006 indicating limited degree of indirect stock ownership in Turkey.

V. Conclusion

Beginning with January 1980, the Turkish economy has started to liberalize its financial system and capital account regime. However the liberalization in the 1980s coincided with the period when Turkey started to experience drastic deterioration of the government fiscal balances. As a consequence, the financial system development and integration into the world financial markets have been constrained by the growing public sector borrowing requirement and the lack of price stability in the last two decades. The capital account liberalization enabled the Turkish banking system to function as a finance house for the increasing government borrowing needs by channeling the short-term funds borrowed from the international capital markets during the 1990s. The Turkish financial sector in return ceased to perform the traditional role of intermediation between the firms and households. The high interest rates offered by the government debt securities completely crowded out the private investment in the real sector.

Arbitrage-seeking inflows and outflows of capital determined the boom-bust cycles in the Turkish economy in the 1990s. The real GDP, private investment and consumption growth became dependent on the excessive bank lending, which was accompanied by the real appreciation of the domestic currency, increase in imports and the deterioration of current account balance followed by recurrent financial crises. Since the financial liberalization in 1989, Turkish economy has experienced three main financial crises in 1994, 1998 and 2001, which are triggered by the sudden and huge reversals in short-term capital flows.

With the implementation of a broad range of fiscal and monetary stabilization, and financial and public sector structural reforms under the auspices of the IMF-based disinflation program since 2001, the inflation and the nominal interest rates on government debt securities substantially declined in Turkey. The average inflation rate in consumer prices has fallen from 78 percent in the 1990s to 9.83 percent in 2006. Coupled with the resumed economic growth, these developments have gradually reduced the crowding-out effect, and increased the incentives for the private banks to invest in real sector and other financial products and services in Turkey. Since 2003, there is a clear upward trend in the availability of the banking sector credit to the private sector.

Given these economic developments during the 1987-2006 period and the important role played by the fiscal policies in shaping the development, functioning and structure of the Turkish financial system, this paper examines in detail the allocation of financial wealth and the main characteristics of the financial markets in Turkey.

The Turkish financial system has deepened following the financial liberalization and deregulation over the last 20 years. Nevertheless the most important form of financial asset still continued to be the bank deposits. Consistent with the chronic and high inflationary environment, the most prominent change was observed in the increase of the foreign currency denominated deposits that reached 18 percent of the total financial assets in 2006.

Starting from the 1980s, the increasing public deficits and their mode of financing resulted in the growing stock of outstanding public securities including government bonds and treasury bills. The lack of attractive capital market investment opportunities, limited development of non-bank financial institutions, and the crowding-out effect of excessive government borrowing have contributed to the mobilization of formal savings mainly to the bank deposits and sovereign debt securities while informal savings have been driven to real estate and gold.

The paper also looks at the characteristics and the financial wealth allocation in non-bank financial institutions in Turkey such as the stock market and the institutional investors.

In comparison to the other emerging markets, the characteristics of the Istanbul Stock Exchange in terms of the market capitalization, value traded, turnover, and concentration resemble mainly the Latin American stock markets. The IMKB-100 index has been historically very volatile and this volatility has been mainly driven by the fact that the Istanbul Stock Exchange is very sensitive to economic conditions as well as development in the political and international relations of the country. When the investor profiles in the Istanbul Stock Exchange on the basis of portfolio sizes, nationality, age, gender and location are analyzed, the results show that the Istanbul Stock Exchange is characterized by the dominance of the foreign institutional investors in the total equity portfolio. On the other hand, the share of domestic institutional investors is very limited in comparison to the other world stock markets. The domestic investors are mainly composed of individuals with small portfolio investments. These findings clearly reveal that the stock ownership in Turkey is very limited and the stock market is one of the least preferred investment choices by the domestic investors.

One important characteristics of the Istanbul Stock Exchange is that the IMKB-100 index is strongly driven by the foreign portfolio equity investments due to the increase in the share of the foreign investors in total market value. The share of domestic investors has fallen to 35 percent in 2006. As a consequence, movements of the stock market index are mainly driven by the stock transactions realized on behalf of the foreign investors. The stock market index captures the influence of capital inflows to the Turkish economy. Furthermore, the international economic conditions such as major developments in other emerging market economies are transmitted to the Turkish economy through the portfolio equity investment in the stock market.

Financial wealth allocation and portfolio choices by the institutional investment schemes such as mutual funds and private pension plans are also analyzed in the paper. In comparison to the other emerging market economies, the role of institutional investors in the Turkish economy is very limited. In 2006, roughly 6 percent of the financial assets of the domestic investors are allocated to mutual funds and private pension plans. Consistent with the crowding-out in the economy, mutual funds and pension plans have predominantly invested in public debt instruments and repo transactions. Only 592 million U.S. dollars worth of net assets are held as common stocks by the institutional investors in 2006 indicating the limited degree of indirect stock ownership in Turkey. The lack of diversification in financial instruments and limited exposure of the institutional investors to equity and corporate debt markets show that the Turkish non-bank financial institutions have remained relatively underdeveloped.

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Table 1: Domestic and Foreign Debt Outstanding

	Foreign Debt Stock (million USD)	Foreign Debt Stock (as a percentage of GDP)	Domestic Debt Stock (million USD)	Domestic Debt Stock (as a percentage of GDP)
1986	32,206	42.60	13,909	18.40
1987	40,326	46.39	16,908	19.45
1988	40,722	45.20	15,696	17.42
1989	41,751	39.01	18,142	16.95
1990	49,035	32.55	19,534	12.97
1991	50,489	33.49	19,241	12.76
1992	55,592	34.99	22,702	14.29
1993	67,356	37.54	24,716	13.78
1994	65,601	50.57	20,806	16.04
1995	73,278	43.28	22,292	13.17
1996	79,222	43.76	29,292	16.18
1997	84,236	44.53	30,688	16.22
1998	96,411	48.29	37,135	18.60
1999	102,979	56.02	42,437	23.09
2000	118,691	59.56	54,216	27.21
2001	113,591	78.21	84,857	58.42
2002	129,701	70.53	91,691	49.86
2003	144,301	60.03	139,262	57.94
2004	160,839	53.14	167,262	55.26
2005	169,000	46.51	182,265	50.16
2006	207,735	51.58	177,956	44.19

Source: State Planning Organization (DPT). GDP series are from WDI.

Table 2: Capital Inflows to Turkey

	Net Portfolio Equity Investment		Net Portfolio Debt Investment		Net Foreign Bank Loans		Per Capita GDP Growth
	million USD	% of GNP	million USD	% of GNP	million USD	% of GNP	%
1987	-25	-0.03	307	0.36	572	0.66	n.a.
1988	-6	-0.01	1,184	1.32	-1,190	-1.33	0.51
1989	-42	-0.04	1,428	1.33	-130	-0.12	4.68
1990	-45	-0.03	592	0.39	1,510	1.00	6.09
1991	56	0.04	567	0.38	-2,199	-1.48	-5.75
1992	300	0.19	2,111	1.33	-374	-0.24	0.46
1993	431	0.24	3,486	1.95	1,265	0.71	6.64
1994	994	0.77	164	0.13	-4,612	-3.57	-7.57
1995	120	0.07	117	0.07	1,692	1.00	5.6
1996	198	0.11	372	0.21	4,494	2.50	2.67
1997	-42	-0.02	1,676	0.89	1,256	0.66	3.34
1998	-539	-0.27	-6,172	-3.05	2,253	1.11	-2.86
1999	382	0.21	3,047	1.66	816	0.44	-11.84
2000	456	0.23	566	0.28	2,162	1.09	2.78
2001	-115	-0.08	-4,400	-3.11	-9,411	-6.65	-9.57
2002	-58	-0.03	-535	-0.30	-1,373	-0.76	7.2
2003	872	0.36	1,593	0.66	3,194	1.32	5.79
2004	1,402	0.47	6,621	2.21	1,240	0.41	8.76
2005	5,649	1.56	7,788	2.15	10,375	2.87	3.38
2006	1,897	0.47	5,476	1.37	690	0.17	6.43

Source: The net inflows of portfolio investment in equities, portfolio investment in debt securities and foreign bank loans are obtained from International Financial Statistics. GNP and GDP are obtained from Turkish State Statistics Office. Consumer Price Index (with 2000 base year) deflating the GDP series and population figures are obtained from the OECD Main Economic Indicators and the OECD Analytical Database respectively.

Table 3-a: Financial Asset Allocation (million U.S. dollars)

	Financial Assets	Banking Sector			Private Sector Securities			Public Sector Securities				
	TOTAL	Foreign Currency Deposits	Turkish Lira Savings Deposits	Other Turkish Lira Deposits	Common Stocks	Corporate Bonds	Other	Government Bond	Treasury Bill	Revenue Sharing Certificates	Foreign Currency Indexed Bonds	Privatisation Bond
1986	22,789	2,187	7,575	7,681	1,053	174	14	1,999	1,088	489	529	0
1987	27,476	3,995	6,767	9,376	1,585	428	62	2,364	1,889	619	393	0
1988	24,972	4,139	6,955	7,145	1,728	298	71	2,692	1,402	323	221	0
1989	34,873	5,682	9,870	9,135	2,910	336	240	4,700	1,530	296	173	0
1990	43,390	6,728	11,109	11,372	4,945	475	93	6,423	1,868	273	102	0
1991	46,172	9,553	11,292	9,631	6,366	322	200	4,863	3,598	20	328	0
1992	54,176	11,178	10,607	9,533	5,743	195	1,155	10,097	4,938	0	729	0
1993	55,694	11,897	8,514	8,854	4,931	115	2,703	13,122	4,460	0	1,099	0
1994	47,720	14,082	8,492	6,177	2,843	37	527	6,060	7,919	530	1,054	0
1995	60,663	17,820	11,208	7,102	3,666	39	1,135	8,382	10,340	203	358	409
1996	81,097	24,442	16,110	9,939	3,951	25	130	11,629	14,212	41	127	491
1997	87,527	26,832	15,587	10,800	4,441	19	88	17,440	11,599	0	0	720
1998	109,286	30,616	20,546	14,353	6,031	18	23	18,457	18,678	0	0	564
1999	124,445	34,106	24,701	15,465	7,023	5	0	36,444	5,993	0	0	709
2000	148,374	37,724	26,628	19,014	10,222	2	0	51,153	3,063	0	0	568
2001	165,579	41,956	19,010	11,915	7,305	1	0	70,973	13,913	0	0	508
2002	181,592	45,698	21,171	14,316	8,062	0	0	69,042	22,649	0	0	654
2003	260,830	51,179	32,455	23,874	12,901	0	0	121,056	18,206	0	0	1,159
2004	324,332	58,936	46,260	30,923	18,766	0	0	144,707	22,556	0	0	2,185
2005	377,379	59,546	65,075	43,756	23,765	0	0	168,998	13,267	0	0	2,972
2006	404,767	73,899	77,950	43,239	28,962	85	9	171,167	6,789	0	0	2,668

Table 3-b: Size of Financial Assets in the Economy (as a percentage of GDP)

	Financial Assets	Banking Sector			Private Sector Securities			Public Sector Securities				
	TOTAL	Foreign Currency Deposits	Turkish Lira Savings Deposits	Other Turkish Lira Deposits	Common Stocks	Corporate Bonds	Other	Government Bond	Treasury Bill	Revenue Sharing Certificates	Foreign Currency Indexed Bonds	Privatisation Bond
1986	30.15	2.89	10.02	10.16	1.39	0.23	0.02	2.64	1.44	0.65	0.70	0.00
1987	31.61	4.60	7.78	10.79	1.82	0.49	0.07	2.72	2.17	0.71	0.45	0.00
1988	27.72	4.59	7.72	7.93	1.92	0.33	0.08	2.99	1.56	0.36	0.24	0.00
1989	32.58	5.31	9.22	8.54	2.72	0.31	0.22	4.39	1.43	0.28	0.16	0.00
1990	28.80	4.47	7.37	7.55	3.28	0.32	0.06	4.26	1.24	0.18	0.07	0.00
1991	30.63	6.34	7.49	6.39	4.22	0.21	0.13	3.23	2.39	0.01	0.22	0.00
1992	34.10	7.04	6.68	6.00	3.61	0.12	0.73	6.35	3.11	0.00	0.46	0.00
1993	31.04	6.63	4.75	4.94	2.75	0.06	1.51	7.31	2.49	0.00	0.61	0.00
1994	36.78	10.85	6.55	4.76	2.19	0.03	0.41	4.67	6.10	0.41	0.81	0.00
1995	35.83	10.52	6.62	4.19	2.16	0.02	0.67	4.95	6.11	0.12	0.21	0.24
1996	44.79	13.50	8.90	5.49	2.18	0.01	0.07	6.42	7.85	0.02	0.07	0.27
1997	46.27	14.18	8.24	5.71	2.35	0.01	0.05	9.22	6.13	0.00	0.00	0.38
1998	54.74	15.34	10.29	7.19	3.02	0.01	0.01	9.25	9.36	0.00	0.00	0.28
1999	67.70	18.55	13.44	8.41	3.82	0.00	0.00	19.83	3.26	0.00	0.00	0.39
2000	74.46	18.93	13.36	9.54	5.13	0.00	0.00	25.67	1.54	0.00	0.00	0.29
2001	114.00	28.89	13.09	8.20	5.03	0.00	0.00	48.86	9.58	0.00	0.00	0.35
2002	98.75	24.85	11.51	7.79	4.38	0.00	0.00	37.55	12.32	0.00	0.00	0.36
2003	108.51	21.29	13.50	9.93	5.37	0.00	0.00	50.36	7.57	0.00	0.00	0.48
2004	107.15	19.47	15.28	10.22	6.20	0.00	0.00	47.81	7.45	0.00	0.00	0.72
2005	103.86	16.39	17.91	12.04	6.54	0.00	0.00	46.51	3.65	0.00	0.00	0.82
2006	100.51	18.35	19.36	10.74	7.19	0.02	0.00	42.50	1.69	0.00	0.00	0.66

Table 3-c: Percentage Distribution of Financial Assets

	Financial Assets	Banking Sector			Private Sector Securities			Public Sector Securities				
	TOTAL	Foreign Currency Deposits	Turkish Lira Savings Deposits	Other Turkish Lira Deposits	Common Stocks	Corporate Bonds	Other	Government Bond	Treasury Bill	Revenue Sharing Certificates	Foreign Currency Indexed Bonds	Privatisation Bond
1986	100.00	9.60	33.24	33.71	4.62	0.76	0.06	8.77	4.77	2.15	2.32	0.00
1987	100.00	14.54	24.63	34.12	5.77	1.56	0.22	8.60	6.87	2.25	1.43	0.00
1988	100.00	16.57	27.85	28.61	6.92	1.19	0.29	10.78	5.61	1.29	0.88	0.00
1989	100.00	16.29	28.30	26.20	8.35	0.96	0.69	13.48	4.39	0.85	0.50	0.00
1990	100.00	15.51	25.60	26.21	11.40	1.10	0.21	14.80	4.31	0.63	0.24	0.00
1991	100.00	20.69	24.46	20.86	13.79	0.70	0.43	10.53	7.79	0.04	0.71	0.00
1992	100.00	20.63	19.58	17.60	10.60	0.36	2.13	18.64	9.11	0.00	1.35	0.00
1993	100.00	21.36	15.29	15.90	8.85	0.21	4.85	23.56	8.01	0.00	1.97	0.00
1994	100.00	29.51	17.79	12.94	5.96	0.08	1.10	12.70	16.59	1.11	2.21	0.00
1995	100.00	29.38	18.48	11.71	6.04	0.06	1.87	13.82	17.05	0.34	0.59	0.68
1996	100.00	30.14	19.86	12.26	4.87	0.03	0.16	14.34	17.52	0.05	0.16	0.61
1997	100.00	30.66	17.81	12.34	5.07	0.02	0.10	19.93	13.25	0.00	0.00	0.82
1998	100.00	28.01	18.80	13.13	5.52	0.02	0.02	16.89	17.09	0.00	0.00	0.52
1999	100.00	27.41	19.85	12.43	5.64	0.00	0.00	29.29	4.82	0.00	0.00	0.57
2000	100.00	25.42	17.95	12.81	6.89	0.00	0.00	34.48	2.06	0.00	0.00	0.38
2001	100.00	25.34	11.48	7.20	4.41	0.00	0.00	42.86	8.40	0.00	0.00	0.31
2002	100.00	25.17	11.66	7.88	4.44	0.00	0.00	38.02	12.47	0.00	0.00	0.36
2003	100.00	19.62	12.44	9.15	4.95	0.00	0.00	46.41	6.98	0.00	0.00	0.44
2004	100.00	18.17	14.26	9.53	5.79	0.00	0.00	44.62	6.95	0.00	0.00	0.67
2005	100.00	15.78	17.24	11.59	6.30	0.00	0.00	44.78	3.52	0.00	0.00	0.79
2006	100.00	18.26	19.26	10.68	7.16	0.02	0.00	42.29	1.68	0.00	0.00	0.66

Source: Private and public securities are from Capital Markets Board of Turkey (SPK) Annual Report 2006; SPK Monthly Statistical Bulletin July 2007, and SPK Developments in Turkish Capital Markets Report 2007/I. Banking deposits are from Central Bank of Turkey and State Planning Organization Main Economic Indicators. Other Turkish Lira Deposits are composed of deposits of commercial, official and other institutions and savings certificates. Other private securities include commercial paper, asset backed securities, bank bills and bank guaranteed bills, profit and loss sharing certificates, and real estate certificates. Turkish Lira values are converted into U.S. dollars using purchase rate as of last day for each year. GDP in U.S. dollars is from World Development Indicators.

Table 4: Investment Portfolio Choices of Domestic and Foreign Investors (million U.S. dollars)

Domestic Investors																							
	TOTAL (million USD)	TOTAL (%)	Foreign Exchange Bank Deposits	(%)	Turkish Lira Bank Deposits	(%)	Repo	(%)	Government Bonds and Treasury Bills (Turkish Lira)	(%)	Government Bonds and Treasury Bills (Foreign Currency)	(%)	Eurobond	(%)	Mutual Funds	(%)	Special Finance Houses Participation Accounts	(%)	Common Stocks	(%)	Pension Funds	(%)
2003	168,022	100	49,384	29.39	54,216	32.27	2,206	1.31	32,125	19.12	1,637	0.97	3,114	1.85	14,227	8.47	2,891	1.72	8,191	4.87	31	0.02
2004	218,617	100	56,683	25.93	76,924	35.19	1,230	0.56	42,191	19.30	1,921	0.88	4,100	1.88	18,213	8.33	4,496	2.06	12,638	5.78	221	0.10
2005	257,531	100	56,917	22.10	108,109	41.98	1,106	0.43	39,839	15.47	1,316	0.51	3,979	1.55	21,872	8.49	6,343	2.46	17,141	6.66	908	0.35
2006	281,535	100	71,756	25.49	120,851	42.93	1,558	0.55	38,205	13.57	1,246	0.44	3,830	1.36	15,577	5.53	7,934	2.82	18,581	6.60	1,997	0.71

Foreign Investors										
	TOTAL (million USD)	TOTAL (%)	Common Stocks (Equities)	(%)	Government Bonds and Treasury Bills	(%)	Eurobond	(%)	Bank Deposits	(%)
2003	17,166	100	8,954	52.16	3,895	22.69	1,293	7.53	3,024	17.62
2004	33,542	100	16,141	48.12	12,570	37.48	1,135	3.38	3,696	11.02
2005	58,220	100	33,782	58.02	20,370	34.99	634	1.09	3,434	5.90
2006	65,544	100	34,897	53.24	26,019	39.70	555	0.85	4,073	6.21

Source: State Planning Organization (DPT) Developments in Financial Markets, January 2005, December 2006. Mutual funds data is from the Capital Markets Board of Turkey and data for common stocks holdings of domestic investors is from the Central Registry Agency (MKK) and Takasbank. New Turkish Lira values are converted using the Central Bank U.S. dollar purchase rate as of last day of December for each year. Government Bonds and Treasury Bills represent the market value of public securities held under the custody of banks on behalf of domestic investors. Common Stocks also include the market value of equities held in the portfolios of banks and financial institutions.

Table 5: Estimated Gold Stock

Estimated Gold Stock	2001	2002	2003	2004	2005	2006
Million New Turkish Lira	81,317	104,679	109,429	114,555	131,682	170,383
Billion USD	56.5	64	78.4	85.5	98.1	120.6

Source: Association of Capital Market Intermediary Institutions of Turkey (TSPAKB) Capital Markets Factsheet

Table 6: Market Capitalization as Percentage of GDP

		LATIN AMERICA						EAST ASIA					
	TURKEY	ARGENTINA	BRAZIL	CHILE	COLOMBIA	MEXICO	VENEZUELA	INDIA	INDONESIA	KOREA	MALAYSIA	PHILIPPINES	THAILAND
1986	1.24	1.43	15.70	22.92	2.35	4.60	2.56	5.58	0.10	12.51	53.34	6.72	6.68
1987	3.71	1.37	5.75	25.55	3.45	5.97	5.02	6.24	0.09	23.50	57.58	8.88	10.85
1988	1.26	1.60	9.73	27.80	2.92	7.53	3.11	8.12	0.28	50.27	66.11	11.30	14.29
1989	6.34	5.51	9.59	33.77	2.87	10.11	3.49	9.35	2.22	61.16	102.56	28.10	35.50
1990	12.66	2.31	3.54	43.24	3.52	12.46	17.78	12.17	7.06	41.93	110.42	13.38	28.00
1991	10.42	9.76	10.50	76.83	9.79	31.22	21.68	17.89	5.32	31.27	119.32	22.45	36.46
1992	6.25	8.14	11.59	66.66	11.54	38.24	13.00	26.67	8.65	32.57	158.92	26.04	52.27
1993	20.90	18.57	22.69	93.56	16.56	49.77	13.78	35.77	20.86	38.50	329.37	74.17	104.40
1994	16.65	14.32	34.65	123.64	17.17	30.88	7.27	39.53	26.71	45.29	267.55	86.63	90.97
1995	12.27	14.64	19.20	103.52	19.34	31.63	4.88	35.81	32.94	35.19	250.73	79.41	84.28
1996	16.58	16.42	25.84	87.03	17.64	32.00	14.73	31.81	40.03	24.89	304.58	97.35	54.94
1997	32.29	20.23	29.32	87.00	18.31	39.00	16.99	31.36	13.49	8.92	93.45	38.08	15.60
1998	16.85	15.16	19.07	65.34	13.56	21.78	8.31	25.42	23.16	35.07	136.55	54.19	31.20
1999	61.32	29.59	38.84	93.47	13.43	32.01	7.63	40.98	45.78	88.83	183.76	55.34	47.71
2000	34.96	58.43	35.09	80.31	11.41	21.53	6.94	32.17	16.26	29.05	129.47	34.19	24.03
2001	32.46	71.64	33.72	82.12	16.12	20.30	5.06	23.08	14.34	45.66	136.37	29.80	31.46
2002	18.47	101.37	24.47	70.74	11.89	15.89	4.26	25.79	15.33	45.64	130.17	24.15	35.60
2003	28.45	30.04	42.46	116.63	17.96	19.17	4.57	46.37	23.28	54.20	161.91	29.59	83.46
2004	32.48	30.32	49.77	122.14	25.72	25.16	5.44	55.74	28.52	62.99	160.40	33.39	71.52
2005	44.46	33.56	53.79	114.75	37.43	31.15	3.46	68.64	28.38	90.74	138.59	40.82	70.10
2006	40.33	37.25	66.58	119.69	41.38	41.51	4.54	90.36	38.11	94.05	158.02	58.48	67.67

Source: Market capitalization in U.S. dollars is obtained from Standard and Poor's Emerging Markets Database and IFC-Standard and Poor's Global Stock Markets Factbook (various years); annual GDP in current U.S. dollars is from World Development Indicators.

Table 7: Value Traded as Percentage of GDP

		LATIN AMERICA						EAST ASIA					
	TURKEY	ARGENTINA	BRAZIL	CHILE	COLOMBIA	MEXICO	VENEZUELA	INDIA	INDONESIA	KOREA	MALAYSIA	PHILIPPINES	THAILAND
1986	0.02	0.28	10.78	1.68	0.14	2.97	0.09	4.43	0.002	9.78	4.18	1.88	2.63
1987	0.13	0.23	3.27	2.40	0.22	11.09	0.33	2.47	0.004	17.80	11.90	4.59	9.17
1988	0.11	0.47	5.44	2.47	0.16	3.13	0.38	4.21	0.005	42.24	7.44	2.31	9.08
1989	0.75	2.50	3.62	3.05	0.19	2.80	0.22	5.95	0.53	52.62	17.73	5.66	18.62
1990	3.88	0.60	1.21	2.48	0.18	4.65	4.75	6.92	3.49	28.79	24.69	2.74	26.82
1991	5.68	2.54	3.28	5.22	0.49	10.09	6.26	8.67	2.28	27.73	21.69	3.32	30.63
1992	5.15	6.85	5.26	4.56	1.13	12.26	4.50	8.48	2.81	35.19	36.74	5.86	64.65
1993	12.95	4.37	13.10	5.86	1.31	15.49	3.22	7.95	5.80	58.46	229.71	12.48	69.54
1994	16.72	4.42	20.05	9.54	2.68	19.67	1.66	8.49	6.67	67.56	169.79	21.77	55.48
1995	30.35	1.78	10.30	15.52	1.36	11.99	0.68	6.18	7.13	35.81	86.48	19.87	33.95
1996	20.34	1.61	13.35	11.17	1.40	12.93	1.87	24.95	14.14	31.79	172.10	30.80	24.42
1997	29.62	8.78	23.24	8.97	1.74	13.05	4.45	38.64	19.90	33.32	153.03	24.76	16.04
1998	34.29	5.29	17.38	5.57	1.55	8.11	1.68	35.82	11.12	42.14	41.41	15.53	19.33
1999	44.21	2.74	14.87	9.42	0.82	7.49	0.79	61.90	14.22	185.41	61.29	26.05	34.01
2000	89.93	2.10	15.72	8.09	0.47	7.80	0.59	110.78	8.67	208.67	64.77	10.80	18.95
2001	53.66	1.56	11.79	6.16	0.43	6.44	0.32	52.12	6.02	146.08	23.60	4.42	30.94
2002	38.43	1.33	9.53	4.64	0.34	4.27	0.11	38.81	6.67	144.84	29.03	4.04	37.79
2003	41.44	3.79	10.94	8.84	0.51	3.68	0.18	47.32	6.29	112.26	48.21	3.31	68.22
2004	48.71	4.99	14.10	12.09	1.49	6.27	0.40	54.48	10.73	93.89	50.55	4.23	68.14
2005	55.39	8.97	17.48	15.87	5.18	6.87	0.17	55.00	14.60	152.00	38.14	7.07	50.67
2006	56.54	2.12	23.83	19.72	8.34	9.54	0.37	70.45	13.40	150.91	44.69	9.62	45.13

Source: Value traded in U.S. dollars is obtained from Standard and Poor's Emerging Markets Database and IFC-Standard and Poor's Global Stock Markets Factbook (various years); Annual GDP in current U.S. dollars is from World Development Indicators.

Table 8: Turnover Ratio

		LATIN AMERICA						EAST ASIA					
	TURKEY	ARGENTINA	BRAZIL	CHILE	COLOMBIA	MEXICO	VENEZUELA	INDIA	INDONESIA	KOREA	MALAYSIA	PHILIPPINES	THAILAND
1986	2.46	16.08	74.41	9.58	7.60	67.96	4.15	77.02	1.37	103.40	7.75	42.52	47.82
1987	5.07	14.73	41.53	10.65	7.67	179.29	8.07	43.90	4.23	107.44	22.61	61.28	111.71
1988	5.46	28.95	37.84	10.14	5.27	51.70	10.93	59.17	2.54	128.06	12.55	24.38	78.57
1989	18.96	24.52	17.88	9.92	6.49	33.35	5.43	68.81	42.68	101.49	21.84	29.07	78.47
1990	42.45	33.63	23.60	6.31	5.63	44.05	43.02	65.88	75.78	61.27	24.63	13.55	92.62
1991	52.90	45.34	22.03	8.79	7.06	47.89	33.10	56.78	40.12	82.25	20.16	18.85	102.16
1992	68.23	83.86	31.51	6.74	11.28	37.44	27.85	36.96	41.22	114.84	27.31	24.85	153.64
1993	80.88	33.04	32.58	7.40	9.84	36.78	23.65	27.46	40.55	172.18	94.27	25.07	91.52
1994	94.16	28.13	83.40	9.48	18.90	44.50	18.23	24.23	29.44	174.15	60.13	29.81	60.94
1995	225.98	12.31	47.85	15.31	7.80	32.98	9.76	17.08	25.27	97.76	35.86	26.15	41.38
1996	133.30	10.62	61.07	12.02	8.06	42.54	19.64	76.66	40.75	110.35	65.09	36.50	36.74
1997	113.49	49.50	85.81	10.48	10.17	39.68	31.04	122.27	64.21	167.27	72.61	34.76	39.22
1998	154.88	30.24	70.95	7.25	9.56	28.55	14.23	128.96	59.40	173.81	30.89	31.14	71.22
1999	102.76	12.04	52.97	11.39	5.81	29.04	10.18	192.55	46.97	327.91	39.76	46.49	90.63
2000	206.19	4.77	43.48	9.36	3.85	32.28	8.90	308.24	32.92	362.50	44.59	15.84	53.20
2001	161.53	2.33	34.50	7.49	3.17	31.55	5.49	191.40	39.28	358.50	17.53	6.76	109.32
2002	170.12	1.52	32.00	6.03	2.39	23.85	2.46	164.97	47.57	338.40	22.65	7.56	114.60
2003	192.39	6.24	32.43	10.25	3.44	20.75	3.55	138.54	34.42	235.70	34.31	8.51	117.80
2004	182.32	17.83	34.85	12.14	7.68	29.36	9.03	115.47	43.32	174.01	33.42	14.03	95.80
2005	153.90	29.69	37.19	15.53	17.81	25.69	4.58	93.55	54.82	210.79	26.85	20.38	75.19
2006	145.09	6.47	42.03	18.71	22.91	27.68	9.11	94.41	43.48	169.83	32.04	20.87	69.58

Source: Standard and Poor's Emerging Markets Database and IFC-Standard and Poor's Global Stock Markets Factbook (various years).

Table 9: Number of Listed Companies

		LATIN AMERICA						EAST ASIA					
	TURKEY	ARGENTINA	BRAZIL	CHILE	COLOMBIA	MEXICO	VENEZUELA	INDIA	INDONESIA	KOREA	MALAYSIA	PHILIPPINES	THAILAND
1986	40	217	592	231	99	155	108	1912	24	355	223	130	98
1987	50	206	590	209	96	190	110	2106	24	389	232	138	125
1988	50	186	589	205	86	203	47	2238	24	502	238	141	141
1989	50	178	592	213	82	203	74	2407	57	626	251	144	175
1990	110	179	581	215	80	199	76	2435	125	669	282	153	214
1991	134	174	570	221	83	209	87	2556	141	686	321	161	276
1992	145	175	565	245	80	195	91	2781	155	688	369	170	305
1993	152	180	550	263	89	190	93	3263	174	693	410	180	347
1994	176	156	544	279	113	206	90	4413	216	699	478	189	389
1995	205	149	543	284	190	185	90	5398	238	721	529	205	416
1996	229	147	551	283	189	193	87	5999	253	760	621	216	454
1997	257	136	536	295	189	198	91	5843	282	1135	708	221	431
1998	277	130	527	287	163	194	94	5860	288	1079	736	221	418
1999	285	129	478	285	145	188	87	5863	277	1178	757	226	392
2000	315	127	459	258	126	179	85	5937	290	1308	795	230	381
2001	310	111	428	249	123	168	63	5795	316	1409	809	232	452
2002	288	83	399	254	114	166	59	5650	331	1518	865	235	400
2003	284	107	367	240	114	159	54	5644	333	1563	897	234	419
2004	296	104	357	239	114	152	59	4730	331	1573	962	233	465
2005	302	101	381	245	114	151	50	4763	335	1620	1021	235	468
2006	314	103	392	244	114	131	53	4796	344	1694	1027	238	476

Source: Standard and Poor's Emerging Markets Database and IFC-Standard and Poor's Global Stock Markets Factbook (various years).

Table 10: Market Concentration: Ten Largest Companies in Comparison to Total Domestic Market Capitalization and Value Traded (in percent)

2006	Market Capitalization	Value Traded
Nasdaq	29.50	32.60
NYSE	16.10	5.90
Istanbul SE, Turkey	48.70	43.20
Buenos Aires SE, Argentina	77.80	76.80
Sao Paulo SE, Brazil	52.20	39.20
Santiago SE, Chile	48.30	46.10
Colombia SE, Colombia	67.40	64.70
Mexico SE, Mexico	76.90	70.70
Bombay SE, India	32.20	19.60
Jakarta SE, Indonesia	53.50	54.70
Korea Exchange, Korea	36.30	20.90
Bursa Malaysia, Malaysia	36.10	25.10
Philippine SE, Philippines	56.50	52.60
Thailand SE, Thailand	44.20	30.40

Source: World Federation of Exchanges Annual Report and Statistics 2006

Table 11: Financial Intermediation to the Private Sector

Average 1995-2005	Domestic Credit to Private Sector / GDP (%)	Stock Market Capitalization / GDP (%)	Private Bond Market Capitalization / GDP (%)
United States	154.76	114.02	90.92
Turkey	21.11	24.84	0.51
Argentina	17.89	29.66	4.50
Brazil	47.27	28.41	9.40
Chile	67.28	89.19	15.95
Colombia	30.04	16.34	0.47
Mexico	22.48	28.26	2.81
Venezuela	15.66	9.74	0.00
India	27.73	34.33	0.73
Indonesia	38.91	21.88	1.46
Korea	79.02	44.42	39.58
Malaysia	155.36	175.72	38.54
Philippines	38.73	46.19	0.16
Thailand	114.96	53.88	10.75

Sources: Domestic Credit to GDP ratio is from World Development Indicators. Stock Market Capitalization to GDP ratio is taken from IFC-Standard and Poor's Emerging Market Factsbook. Private Bond Market Capitalization to GDP ratios are obtained from Financial Structure Dataset by Beck, Demirgüç-Kunt and Levine (2007). The shares as a percentage of GDP are averaged over the 1995-2005 period.

Table 12-a: IMKB-100 Index and Annual Returns

	IMKB-100			
	YTL Based		USD Based	
	(Jan. 1986=1)	Annual Return (%)	(Jan. 1986=100)	Annual Return (%)
1986	1.71	70.86	131.53	31.53
1987	6.73	293.89	384.57	192.38
1988	3.74	-44.44	119.82	-68.84
1989	22.18	493.07	560.57	367.84
1990	32.56	46.81	642.63	14.64
1991	43.69	34.20	501.50	-21.96
1992	40.04	-8.35	272.61	-45.64
1993	206.83	416.53	833.28	205.67
1994	272.57	31.79	413.27	-50.40
1995	400.25	46.84	382.62	-7.42
1996	975.89	143.82	534.01	39.57
1997	3451.00	253.63	982.00	83.89
1998	2597.91	-24.72	484.01	-50.71
1999	15208.78	485.42	1654.17	241.77
2000	9437.21	-37.95	817.49	-50.58
2001	13782.76	46.05	557.52	-31.80
2002	10369.92	-24.76	368.26	-33.95
2003	18625.02	79.61	778.43	111.38
2004	24971.68	34.08	1075.12	38.11
2005	39777.70	59.29	1726.23	60.56
2006	39117.46	-1.66	1620.59	-6.12

Table 12-b: Turkish Lira Based IMKB-100 Index Maximum and Minimum Monthly Returns

	Maximum Return (%)		Minimum Return (%)		Standard Deviation of Monthly Returns (%)
1986	Feb-86	19.87	Mar-86	-3.44	6.93
1987	Jul-87	126.77	Dec-87	-24.43	40.18
1988	Jan-88	27.45	Feb-88	-15.94	12.69
1989	Sep-89	68.41	Jul-89	-11.87	23.41
1990	Jan-90	64.19	Nov-90	-28.74	23.49
1991	Nov-91	47.75	Apr-91	-21.37	20.23
1992	Jun-92	33.66	Feb-92	-25.61	14.88
1993	Feb-93	35.15	Jul-93	-6.50	15.01
1994	Jun-94	34.02	Feb-94	-25.37	14.80
1995	Mar-95	36.79	Nov-95	-15.57	14.75
1996	Jan-96	23.65	Jul-96	-10.11	10.67
1997	Jan-97	64.47	Apr-97	-11.53	19.78
1998	Apr-98	28.70	Aug-98	-39.03	16.97
1999	Dec-99	79.78	Aug-99	-13.56	26.10
2000	Apr-00	20.64	Nov-00	-35.39	15.77
2001	Apr-01	54.15	Sep-01	-22.81	22.35
2002	Nov-02	29.74	Dec-02	-22.03	14.42
2003	Dec-03	27.42	Mar-03	-18.14	13.36
2004	Dec-04	11.05	Apr-04	-10.74	7.20
2005	Nov-05	19.16	Mar-05	-10.00	8.11
2006	Jan-06	12.10	May-06	-13.10	7.59

Notes: Table displays the end of December values for each year.
Source: Istanbul Stock Exchange (IMKB)

Table 13: Breakdown of Identified and Active Accounts Held under the Custody of Clearing and Settlement Center and Central Registry Agency of Istanbul Stock Exchange

Investor Category		Number of Active Accounts	Share in Total Number of Stocks in Active Accounts (%)	Portfolio Size of Active Accounts (million USD)	Share in Total Portfolio Size of Active Accounts (%)
Foreign/Fund	5-Apr-02	71	16.55	2,350	22.18
	31-Jan-03	205	11.54	1,382	16.55
	2-Jan-04	400	17.49	3,954	22.79
	3-Jan-05	514	19.42	7,006	24.72
	31-Dec-05	877	25.23	16,625	31.69
	31-Dec-06	1,061	22.02	14,584	27.39
Foreign/Other	5-Apr-02	8	0.55	59	0.56
	31-Jan-03	7	0.37	32	0.39
	2-Jan-04	8	0.18	26	0.15
	3-Jan-05	10	0.14	38	0.13
	31-Dec-05	10	0.10	51	0.10
	31-Dec-06	17	0.05	23	0.04
Foreign/Corporate	5-Apr-02	418	18.69	2,637	24.89
	31-Jan-03	398	17.32	2,160	25.88
	2-Jan-04	763	19.95	4,854	27.97
	3-Jan-05	841	21.09	8,397	29.63
	31-Dec-05	1,195	26.13	17,201	32.79
	31-Dec-06	1,358	29.33	19,894	37.37
Foreign/Individual	5-Apr-02	4,099	0.60	49	0.46
	31-Jan-03	4,042	0.65	51	0.61
	2-Jan-04	3,837	0.57	85	0.49
	3-Jan-05	3,733	0.56	108	0.38
	31-Dec-05	3,558	0.39	135	0.26
	31-Dec-06	3,844	0.35	132	0.25
Domestic/Fund	5-Apr-02	126	0.97	133	1.25
	31-Jan-03	132	1.00	110	1.31
	2-Jan-04	135	1.28	282	1.63
	3-Jan-05	140	1.01	328	1.16
	31-Dec-05	193	1.20	653	1.24
	31-Dec-06	208	1.09	567	1.06
Domestic/Other	5-Apr-02	188	1.57	127	1.20
	31-Jan-03	185	1.81	105	1.26
	2-Jan-04	184	2.06	218	1.26
	3-Jan-05	187	3.03	1,021	3.60
	31-Dec-05	43601*	2.57	1,713	3.26
	31-Dec-06	233	1.90	1,101	2.07
Domestic/Corporate	5-Apr-02	2,496	10.75	687	6.48
	31-Jan-03	2,559	11.23	730	8.75
	2-Jan-04	2,513	9.20	1,277	7.36
	3-Jan-05	2,541	10.72	2,200	7.76
	31-Dec-05	2,419	10.32	4,529	8.63
	31-Dec-06	2,757	12.33	5,808	10.91
Domestic/Individual	5-Apr-02	1,131,633	50.33	4,555	42.99
	31-Jan-03	1,097,200	56.07	3,778	45.26
	2-Jan-04	1,025,069	49.26	6,656	38.36
	3-Jan-05	1,001,190	44.03	9,239	32.61
	31-Dec-05	955,184	34.49	11,757	22.41
	31-Dec-06	1,011,968	32.93	11,132	20.91
Total Identified Active Accounts	5-Apr-02	1,139,039	100.00	10,597	100.00
	31-Jan-03	1,104,728	100.00	8,348	100.00
	2-Jan-04	1,032,909	100.00	17,352	100.00
	3-Jan-05	1,009,156	100.00	28,336	100.00
	31-Dec-05	1,006,993	100.00	52,465	100.00
	31-Dec-06	1,021,446	100.00	53,241	100.00

Notes: * Unidentified accounts are included in this number
Source: Central Registry Agency (MKK) and Association of Capital Market Intermediary Institutions of Turkey (TSPAKB)

Table 14-a: Breakdown of Investors by Category, Portfolio Size, and Nationality

Number of Total Investors Categorised by Portfolio Sizes December 31, 2006							
		Total		Domestic		Foreign	
Investor Category	Portfolio Size New Turkish Lira	Number of Investors	Portfolio Size million New Turkish Lira (million USD)	Number of Investors	Portfolio Size million New Turkish Lira (million USD)	Number of Investors	Portfolio Size million New Turkish Lira (million USD)
Total Identified Active Investors	0,01-10.000	771,646	1,017 720	768,462	1,013 717	3,184	5 3
	10.001-50.000	111,003	2,455 1,737	110,409	2,441 1,727	594	14 10
	50.001-100.000	20,922	1,461 1,034	20,745	1,448 1,025	177	13 9
	100.001-500.000	17,930	3,612 2,556	17,570	3,523 2,493	360	89 63
	500.001-1.000.000	2,304	1,604 1,135	2,122	1,469 1,040	182	135 95
	>1.000.001	3,295	65,086 46,059	1,791	16,401 11,606	1,504	48,685 34,453
	Total	927,100	75,235 53,241	921,099	26,295 18,608	6,001	48,940 34,633
Investment Fund	0,01-10.000	78	0.04 0.03	29	0.02 0.01	49	0.02 0.02
	10.001-50.000	22	1 0.46	12	0.38 0.27	10	0.27 0.19
	50.001-100.000	25	2 1	7	1 0.41	18	1 1
	100.001-500.000	146	40 28	36	10 7	110	29 21
	500.001-1.000.000	112	85 60	25	19 13	87	66 47
	>1.000.001	811	21,282 15,061	97	771 546	714	20,511 14,515
	Total	1,194	21,409 15,151	206	801 567	988	20,608 14,584
Corporate	0,01-10.000	1,368	1 1	1,205	1 1	163	0.13 0.09
	10.001-50.000	224	6 4	182	4 3	42	1 1
	50.001-100.000	108	8 5	78	6 4	30	2 1
	100.001-500.000	263	71 50	155	40 29	108	31 22
	500.001-1.000.000	147	106 75	72	52 37	75	54 38
	>1.000.001	996	36,128 25,566	234	8,104 5,735	762	28,024 19,831
	Total	3,106	36,320 25,702	1,926	8,208 5,808	1,180	28,112 19,894
Other Institutions	0,01-10.000	68	0.10 0.07	63	0.10 0.07	5	0.001 0.001
	10.001-50.000	33	1 1	31	1 1	2	0.04 0.03
	50.001-100.000	13	1 1	12	1 1	1	0.09 0.06
	100.001-500.000	24	5 4	22	5 4	2	0.48 0.34
	500.001-1.000.000	13	10 7	9	7 5	4	3 2
	>1.000.001	46	1,571 1,112	43	1,542 1,091	3	29 21
	Total	197	1,588 1,124	180	1,555 1,101	17	33 23
Individual	0,01-10.000	770,132	1,016 719	767,165	1,011 716	2,967	5 3
	10.001-50.000	110,724	2,448 1,732	110,184	2,435 1,723	540	12 9
	50.001-100.000	20,776	1,450 1,026	20,648	1,441 1,020	128	9 7
	100.001-500.000	17,497	3,496 2,474	17,357	3,468 2,454	140	28 20
	500.001-1.000.000	2,032	1,403 993	2,016	1,392 985	16	11 8
	>1.000.001	1,442	6,105 4,320	1,417	5,984 4,235	25	121 86
	Total	922,603	15,918 11,264	918,787	15,731 11,132	3,816	187 132

Source: Association of Capital Market Intermediary Institutions of Turkey (TSPAKB)

Table 14-b: Percentage Distribution of Investors by Category, Portfolio Size, and Nationality

Percentage Distribution of Total Investors Categorised by Portfolio Sizes December 31, 2006							
		Total		Domestic		Foreign	
Investor Category	Portfolio Size (NTL)	Number of Investors	Portfolio Size (%)	Number of Investors	Portfolio Size (%)	Number of Investors	Portfolio Size (%)
Total Identified Active Investors	0,01-10.000	83.23	1.35	83.43	3.85	53.06	0.01
	10.001-50.000	11.97	3.26	11.99	9.28	9.90	0.03
	50.001-100.000	2.26	1.94	2.25	5.51	2.95	0.03
	100.001-500.000	1.93	4.80	1.91	13.40	6.00	0.18
	500.001-1.000.000	0.25	2.13	0.23	5.59	3.03	0.28
	>1.000.001	0.36	86.51	0.19	62.37	25.06	99.48
		100.00	100.00	100.00	100.00	100.00	100.00
	Total	100.00	100.00	99.35	34.95	0.65	65.05
Investment Fund	0,01-10.000	6.53	0.0002	14.08	0.003	4.96	0.0001
	10.001-50.000	1.84	0.003	5.83	0.05	1.01	0.001
	50.001-100.000	2.09	0.01	3.40	0.07	1.82	0.01
	100.001-500.000	12.23	0.18	17.48	1.26	11.13	0.14
	500.001-1.000.000	9.38	0.40	12.14	2.34	8.81	0.32
	>1.000.001	67.92	99.41	47.09	96.27	72.27	99.53
		100.00	100.00	100.00	100.00	100.00	100.00
	Total	0.13	28.46	0.02	1.06	0.11	27.39
Corporate	0,01-10.000	44.04	0.004	62.56	0.01	13.81	0.00
	10.001-50.000	7.21	0.02	9.45	0.05	3.56	0.00
	50.001-100.000	3.48	0.02	4.05	0.07	2.54	0.01
	100.001-500.000	8.47	0.20	8.05	0.49	9.15	0.11
	500.001-1.000.000	4.73	0.29	3.74	0.63	6.36	0.19
	>1.000.001	32.07	99.47	12.15	98.74	64.58	99.69
		100.00	100.00	100.00	100.00	100.00	100.00
	Total	0.34	48.28	0.21	10.91	0.13	37.37
Other Institutions	0,01-10.000	34.52	0.01	35.00	0.01	29.41	0.004
	10.001-50.000	16.75	0.05	17.22	0.05	11.76	0.12
	50.001-100.000	6.60	0.06	6.67	0.06	5.88	0.28
	100.001-500.000	12.18	0.34	12.22	0.32	11.76	1.44
	500.001-1.000.000	6.60	0.65	5.00	0.45	23.53	10.26
	>1.000.001	23.35	98.89	23.89	99.12	17.65	87.90
		100.00	100.00	100.00	100.00	100.00	100.00
	Total	0.02	2.11	0.02	2.07	0.002	0.04
Individual	0,01-10.000	83.47	6.38	83.50	6.43	77.75	2.47
	10.001-50.000	12.00	15.38	11.99	15.48	14.15	6.60
	50.001-100.000	2.25	9.11	2.25	9.16	3.35	4.95
	100.001-500.000	1.90	21.96	1.89	22.04	3.67	15.09
	500.001-1.000.000	0.22	8.81	0.22	8.85	0.42	6.05
	>1.000.001	0.16	38.35	0.15	38.04	0.66	64.85
		100.00	100.00	100.00	100.00	100.00	100.00
	Total	99.51	21.16	99.10	20.91	0.41	0.25

Table 15-a: Breakdown of Individual Investors and Portfolio Sizes by Age Groups in 2006

Breakdown of Individual Investors and Portfolio Sizes by Age Groups											
		Total Domestic Investors		0-19 Years of Age		20-39 Years of Age		40-59 Years of Age		60 years and over	
				Domestic		Domestic		Domestic		Domestic	
		Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
		669,710	249,077	2,275	1,531	259,876	85,910	334,059	127,232	73,500	34,404
	Portfolio Size (NTL)	Number of Investors	Total Size million NTL (million USD)	Number of Investors	Total Size million NTL (million USD)	Number of Investors	Total Size million NTL (million USD)	Number of Investors	Total Size million NTL (million USD)	Number of Investors	Total Size million NTL (million USD)
Domestic	0,01-10.000	767,165	1,011	3,242	4	302,824	366	378,059	512	83,040	129
			716		3		259		362		91
	10.001-50.000	110,184	2,435	389	8	33,376	710	60,038	1,345	16,381	372
			1,723		6		502		952		263
	50.001-100.000	20,648	1,441	83	6	5,096	355	11,749	819	3,720	262
			1,020		4		251		580		185
	100.001-500.000	17,357	3,468	79	15	3,855	754	9,647	1,913	3,776	786
			2,454		11		533		1,354		556
	500.001-1.000.000	2,016	1,392	5	4	390	270	1,081	741	540	377
			985		3		191		524		267
	>1.000.001	1,417	5,984	8	69	245	625	717	2,844	447	2,445
			4,235		49		442		2,013		1,731
		918,787	15,731	3,806	107	345,786	3,080	461,291	8,175	107,904	4,370
			11,132		75		2,179		5,785		3,093
		Total Foreign Investors		0-19 Years of Age		20-39 Years of Age		40-59 Years of Age		60 years and over	
				Foreign		Foreign		Foreign		Foreign	
		Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
		2,678	1,138	19	5	906	364	1,298	577	455	192
	Portfolio Size (NTL)	Number of Investors	Total Size million NTL (million USD)	Number of Investors	Total Size million NTL (million USD)	Number of Investors	Total Size million NTL (million USD)	Number of Investors	Total Size million NTL (million USD)	Number of Investors	Total Size million NTL (million USD)
Foreign	0,01-10.000	2,967	5	17	0.04	1,051	1	1,429	2	470	1
			3		0.03		1		2		1
	10.001-50.000	540	12	5	0.09	144	3	280	6	111	3
			9		0.06		2		4		2
	50.001-100.000	128	9	2	0.13	35	2	74	5	17	1
			7		0.09		2		4		1
	100.001-500.000	140	28			34	6	69	14	37	8
			20				4		10		6
	500.001-1.000.000	16	11			3	2	7	4	6	4
			8				2		3		3
	>1.000.001	25	121			3	6	16	98	6	17
			86				4		69		12
		3,816	187	24	0.26	1,270	21	1,875	130	647	35
			132		0.18		15		92		24
	Total Individual Investors	922,603	15,918	3,830	107	347,056	3,101	463,166	8,305	108,551	4,405

Source: Association of Capital Market Intermediary Institutions of Turkey (TSPAKB)

Table 15-b: Percentage Breakdown of Individual Investors and Portfolio Sizes by Age Groups in 2006

Percentage Breakdown of Individual Investors and Portfolio Sizes by Age Groups											
Domestic		Total Domestic Investors		0-19 Years of Age		20-39 Years of Age		40-59 Years of Age		60 years and over	
				Domestic		Domestic		Domestic		Domestic	
		Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
		72.89	27.11	0.25	0.17	28.28	9.35	36.36	13.85	8.00	3.74
	Portfolio Size (NTL)	Number of Investors	Total Size (%)	Number of Investors	Total Size (%)	Number of Investors	Total Size (%)	Number of Investors	Total Size (%)	Number of Investors	Total Size (%)
	0,01-10.000	83.50	6.43	85.18	3.72	87.58	11.89	81.96	6.26	76.96	2.95
	10.001-50.000	11.99	15.48	10.22	7.92	9.65	23.05	13.02	16.45	15.18	8.51
	50.001-100.000	2.25	9.16	2.18	5.28	1.47	11.51	2.55	10.02	3.45	5.99
	100.001-500.000	1.89	22.04	2.08	14.18	1.11	24.48	2.09	23.40	3.50	17.98
	500.001-1.000.000	0.22	8.85	0.13	3.89	0.11	8.76	0.23	9.06	0.50	8.62
	>1.000.001	0.15	38.04	0.21	65.01	0.07	20.30	0.16	34.79	0.41	55.96
		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
		99.59	98.83	0.41	0.68	37.64	19.58	50.21	51.96	11.74	27.78
Foreign		Total Foreign Investors		0-19 Years of Age		20-39 Years of Age		40-59 Years of Age		60 years and over	
				Foreign		Foreign		Foreign		Foreign	
		Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
		70.18	29.82	0.50	0.13	23.74	9.54	34.01	15.12	11.92	5.03
	Portfolio Size (NTL)	Number of Investors	Total Size (%)	Number of Investors	Total Size (%)	Number of Investors	Total Size (%)	Number of Investors	Total Size (%)	Number of Investors	Total Size (%)
	0,01-10.000	77.75	2.47	70.83	17.22	82.76	6.41	76.21	1.86	72.64	2.22
	10.001-50.000	14.15	6.60	20.83	33.36	11.34	15.52	14.93	4.79	17.16	7.70
	50.001-100.000	3.35	4.95	8.33	49.42	2.76	11.48	3.95	4.14	2.63	3.63
	100.001-500.000	3.67	15.09	0.00	0.00	2.68	27.34	3.68	10.90	5.72	23.41
	500.001-1.000.000	0.42	6.05	0.00	0.00	0.24	11.37	0.37	3.39	0.93	12.82
	>1.000.001	0.66	64.85	0.00	0.00	0.24	27.88	0.85	74.92	0.93	50.23
		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
		0.41	1.17	0.63	0.14	33.28	11.47	49.14	69.87	16.95	18.53
	Total Individual Investors	100.00	100.00	0.42	0.67	37.62	19.48	50.20	52.17	11.77	27.67

Table 16: Distribution of Domestic Investors by Provinces in 2006

Province	Number of Total Investors	Share of Total Investors (%)	Total Portfolio Size (million NTL)	Share of Total Portfolio Size (%)	Total Individual Investors	Share of Total Individual Investors (%)	Total Individual Portfolio Size (million NTL)	Share of Total Individual Portfolio Size (%)
İSTANBUL	302,491	32.84	17,373	66.07	301,192	32.78	8,855	56.29
ANKARA	108,727	11.80	2,317	8.81	108,482	11.81	1,384	8.80
İZMİR	92,166	10.01	1,537	5.84	92,008	10.01	1,407	8.94
ADANA	23,321	2.53	890	3.39	23,283	2.53	302	1.92
BURSA	35,114	3.81	523	1.99	35,062	3.82	469	2.98
ANTALYA	25,386	2.76	274	1.04	25,356	2.76	265	1.69
HATAY	8,219	0.89	231	0.88	8,208	0.89	99	0.63
KOCAELİ	18,721	2.03	190	0.72	18,696	2.03	189	1.20
BALIKESİR	19,740	2.14	178	0.68	19,717	2.15	171	1.09
MERSİN	16,058	1.74	164	0.62	16,041	1.75	164	1.04
KONYA	10,776	1.17	155	0.59	10,760	1.17	108	0.69
KARABÜK	13,462	1.46	153	0.58	13,438	1.46	134	0.85
KAYSERİ	7,409	0.80	149	0.57	7,403	0.81	145	0.92
DENİZLİ	13,671	1.48	138	0.53	13,646	1.49	136	0.86
AYDIN	13,288	1.44	125	0.47	13,270	1.44	124	0.79
MANİSA	15,649	1.70	122	0.46	15,629	1.70	103	0.66
MUĞLA	13,089	1.42	109	0.42	13,075	1.42	109	0.69
GAZİANTEP	5,986	0.65	103	0.39	5,966	0.65	75	0.48
ZONGULDAK	9,585	1.04	99	0.38	9,565	1.04	97	0.62
TEKİRDAĞ	7,097	0.77	85	0.32	7,090	0.77	64	0.41
OTHER 61 PROVINCES	161,144	17.5	1,378.1	5.2	160,900.0	17.5	1,328.1	8.4
Total	921,099	100.00	26,295	100.00	918,787	100.00	15,731	100.00

Source: Association of Capital Market Intermediary Institutions of Turkey (TSPAKB)

Table 17: Investment by Foreign Banks, Brokerage Houses or Individuals in Istanbul Stock Exchange

	Market Value of Stock Units (end of December) million USD	Average of Market Value of Stock Units million USD	Transaction Volume in Secondary Markets (total purchases and sales) million USD	Net Purchases in Secondary Markets million USD	Purchases in IPO and SPO million USD	Net Capital Inflow or Outflow million USD	Change in Market Value of Portfolio million USD	Turnover Rate	Average Holding Period (Days)
1997	6,018	4,837	8,909	-304	524	220	2,713	1.84	396
1998	3,700	4,932	11,645	-426	984	558	-2,876	2.36	309
1999	15,358	6,927	17,837	1,031	9	1,040	10,618	2.57	284
2000	7,404	11,440	33,365	-3,133	2,715	-418	-7,536	2.92	250
2001	5,635	4,849	12,135	509	10	519	-2,288	2.50	292
2002	3,450	4,265	12,856	-14	66	52	-2,237	3.01	242
2003	8,954	5,069	17,325	1,010	82	1,092	4,412	3.42	214
2004	16,141	10,603	37,361	1,430	951	2,381	4,806	3.52	207
2005	33,782	22,446	80,998	4,083	1,445	5,528	12,113	3.61	202
2006	34,897	33,772	88,426	1,131	588	1,719	-604	2.62	279

Notes: Purchases in IPO and SPO refer to foreigners' investment in initial and secondary public offerings. The shares of foreign purchases within the total IPO and SPO offered in each year are obtained from TSPAKB Capital Market Reports. These shares are multiplied by total IPO and SPO volume obtained from public offerings data of IMKB. Net capital inflow or outflow by foreigners refers to sum of net purchases in secondary markets and purchases in IPO and SPO. Change in market value of the portfolio is calculated by summing the net capital inflow or outflow and end of year market value of the portfolio in previous year and subtracting this sum from the current year's portfolio value at the end of the year. Turnover is calculated by dividing the total purchases and sales of foreigners during the year by the average market value of stock units (portfolio value) held by foreign investors. It indicates the number of times the portfolio changes during the year. Average holding period corresponds to the days divided by the half of turnover rate.

Source: Author's calculation from Istanbul Stock Exchange (IMKB), Central Registry Agency (MKK), Clearing and Settlement Center (Takasbank), Association of Capital Market Intermediary Institutions of Turkey (TSPAKB) Investor Profile and Analysis, Turkey Capital Markets Reports (2001-2006) and (TSPAKB) Sermaye Piyasası'nda Gündem, September 2007.

Table 18: Distribution of Domestic and Foreign Capital Raised by IPOs and SPOs

	IPO			SPO		
	million USD	Domestic (%)	Foreign (%)	million USD	Domestic (%)	Foreign (%)
1997	420	30	70	229	0	100
1998	383	25	75	928	25	75
1999	91	90	10	139	100	0
2000	2,806	30	70	1,632	54	46
2001	0.24	90	10	10	0	100
2002	56	62	38	179	75	25
2003	11	100	0	89	8	92
2004	483	62	38	826	7	93
2005	1,744	26	74	177	13	87
2006	931	48	52	253	59	41

Source: Initial and secondary public offerings data is obtained from Istanbul Stock Exchange (IMKB). Share of domestic and foreign investors in IPO and SPOs obtained from TSPAKB Turkey Capital Markets Reports (2001-2006).

Table 19: Historical Consolidated Portfolio Structure of Mutual Funds
Type A Mutual Funds

	A Type Equity Mutual Funds					Portfolio Composition of A Type Mutual Funds						
	Number of Funds	Net Asset Value (million New Turkish Lira)	Net Asset Value (million USD)	Net Asset Value of Type A Mutual Funds (as % of GDP)	Number of Open Accounts	Stocks (%)	Public Debt Instruments (%)	Corporate Bonds (%)	Reverse Repo (%)	IMKB Money Market (%)	Foreign Securities (%)	Other (%)
1987												
1988												
1989												
1990												
1991												
1992												
1993												
1994*		3	81	0.06		33.68	65.73	0.59	0.00	0.00	0.00	0.00
1995		4	73	0.04		36.20	63.69	0.11	0.00	0.00	0.00	0.00
1996		18	167	0.09		32.36	67.63	0.00	0.00	0.00	0.00	0.01
1997		69	339	0.18		39.08	17.20	0.00	43.54	0.00	0.00	0.19
1998		72	230	0.12		39.56	15.65	0.00	44.54	0.00	0.20	0.06
1999		283	525	0.29		55.40	13.74	0.00	30.84	0.00	0.00	0.02
2000		520	775	0.39		45.73	11.33	0.00	42.70	0.00	0.15	0.10
2001	162	569	395	0.27	62,469	61.77	15.78	0.00	22.44	0.00	0.01	0.00
2002	134	435	266	0.14	71,322	54.46	13.11	0.00	32.37	0.00	0.07	0.00
2003	133	744	533	0.22	105,816	63.95	17.57	0.00	18.36	0.00	0.12	0.00
2004	123	780	581	0.19	105,275	67.78	20.44	0.00	10.87	0.51	0.39	0.00
2005	126	1,034	770	0.21	142,794	70.44	15.83	0.00	12.29	0.88	0.54	0.02
2006	126	832	588	0.15	133,503	64.76	17.88	0.00	15.53	0.85	0.70	0.28

Type B Mutual Funds

	B Type Fixed Income Mutual Funds					Portfolio Composition of B Type Mutual Funds						
	Number of Funds	Net Asset Value (million New Turkish Lira)	Net Asset Value (million USD)	Net Asset Value of Type B Mutual Funds (as % of GDP)	Number of Open Accounts	Stocks (%)	Public Debt Instruments (%)	Corporate Bonds (%)	Reverse Repo (%)	IMKB Money Market (%)	Foreign Securities (%)	Other (%)
1987		0.05	52	0.06		0.46	24.57	57.72		0.00	0.00	17.25
1988		0.14	75	0.08		0.17	8.68	69.89		0.00	0.00	21.26
1989		0.44	191	0.18		1.98	29.06	63.07		0.00	0.00	5.90
1990		2	518	0.34		2.14	73.75	20.82		0.00	0.00	3.29
1991		2	321	0.21		2.51	70.12	22.35		0.00	0.00	5.02
1992		3	349	0.22		1.34	85.17	8.51		0.00	2.56	2.42
1993		15	1,050	0.59		18.04	73.97	4.68		0.00	2.98	0.33
1994*		25	645	0.50		1.47	91.86	0.19		0.00	2.68	3.80
1995		27	435	0.26		0.36	95.66	0.02		0.00	3.81	0.15
1996		100	935	0.52		0.95	97.23	0.08		0.00	1.68	0.06
1997		121	589	0.31		1.34	27.66	0.00	63.79	0.00	4.65	2.56
1998		275	880	0.44		0.33	40.14	0.00	59.09	0.00	0.32	0.13
1999		936	1,733	0.94		0.88	29.72	0.00	68.92	0.00	0.21	0.28
2000		1,417	2,110	1.06		0.17	13.24	0.00	86.36	0.00	0.20	0.04
2001	115	4,187	2,909	2.00	729,088	0.05	35.27	0.00	64.50	0.00	0.12	0.06
2002	108	8,912	5,452	2.97	1,094,925	0.03	51.04	0.00	48.81	0.00	0.10	0.02
2003	126	19,114	13,694	5.70	2,133,162	0.04	68.90	0.00	30.97	0.00	0.09	0.00
2004	130	23,663	17,632	5.83	2,527,187	0.06	68.71	0.00	28.32	2.91	0.00	0.00
2005	149	28,340	21,102	5.81	2,816,779	0.05	72.26	0.00	26.53	1.15	0.01	0.00
2006	163	21,180	14,988	3.72	2,337,406	0.26	39.07	0.00	59.18	1.41	0.06	0.01

All Mutual Funds

	All Mutual Funds					Portfolio Composition of All Mutual Funds						
	Number of Funds	Net Asset Value (million New Turkish Lira)	Net Asset Value (million USD)	Net Asset Value of All Mutual Funds (as % of GDP)	Number of Open Accounts	Stocks (%)	Public Debt Instruments (%)	Corporate Bonds (%)	Reverse Repo (%)	IMKB Money Market (%)	Foreign Securities (%)	Other (%)
1987		0.05	52	0.06		0.46	24.57	57.72	0.00	0.00	0.00	17.25
1988		0.14	75	0.08		0.17	8.68	69.89	0.00	0.00	0.00	21.26
1989		0.44	191	0.18		1.98	29.06	63.07	0.00	0.00	0.00	5.90
1990		2	518	0.34		2.14	73.75	20.82	0.00	0.00	0.00	3.29
1991		2	321	0.21		2.51	70.12	22.35	0.00	0.00	0.00	5.02
1992		3	349	0.22		1.34	85.17	8.51	0.00	0.00	2.56	2.42
1993		15	1,050	0.59		18.04	73.97	4.68	0.00	0.00	2.98	0.33
1994*		28	726	0.56		5.06	88.95	0.23	0.00	0.00	2.38	3.38
1995		31	509	0.30		5.54	91.04	0.03	0.00	0.00	3.26	0.13
1996		118	1,102	0.61		5.71	92.74	0.07	0.00	0.00	1.43	0.05
1997		190	929	0.49		15.12	23.84	0.00	56.39	0.00	2.95	1.69
1998		347	1,110	0.56		8.45	35.07	0.00	56.08	0.00	0.29	0.11
1999		1,219	2,258	1.23		13.55	26.01	0.00	60.07	0.00	0.16	0.22
2000		1,938	2,884	1.45		12.40	12.72	0.00	74.63	0.00	0.18	0.06
2001	277	4,756	3,304	2.27	791,557	7.43	32.94	0.00	59.47	0.00	0.11	0.05
2002	242	9,347	5,718	3.11	1,166,247	2.56	49.28	0.00	48.04	0.00	0.10	0.02
2003	259	19,858	14,227	5.92	2,238,978	2.43	66.98	0.00	30.50	0.00	0.09	0.00
2004	253	24,444	18,213	6.02	2,632,462	2.22	67.17	0.00	27.77	2.83	0.02	0.00
2005	275	29,374	21,872	6.02	2,959,573	2.52	70.27	0.00	26.03	1.14	0.03	0.00
2006	289	22,012	15,577	3.87	2,470,909	2.70	38.27	0.00	57.53	1.39	0.09	0.02

Notes: Type A and Type B Mutual Funds were reported separately after 1994. The Type A Mutual Funds are required to invest at least 25 percent of their assets in securities issued by Turkish companies. Number of Open Accounts refers to each of the funds an investor has invested in. Net Assets=Portfolio Value + Liquid Assets + Accounts Receivable-Accounts Payable.
Source: Capital Markets Board of Turkey (SPK) Annual Reports 2004 and 2006; Capital Markets Board of Turkey (SPK) Monthly Statistical Bulletin, July 2007; Association of Capital Market Intermediary Institutions of Turkey (TSPAKB) Turkey Capital Markets Report, 2001-2006. New Turkish Lira values are converted into U.S. dollars using purchase rate of Central Bank as of last day of December for each year. Annual GDP in U.S. dollars is obtained from World Development Indicators.

Table 20: Total Net Assets of Mutual Funds in Emerging Markets

million USD	1999	2000	2001	2002	2003	2004	2005	2006
U.S.A	6,846,339	6,964,634	6,974,913	6,390,358	7,414,401	8,106,939	8,904,824	10,413,617
Turkey	2,258	2,884	3,304	5,718	14,227	18,213	21,872	15,577
Argentina	6,990	7,425	3,751	1,021	1,916	2,355	3,626	6,153
Brazil	117,758	148,538	148,189	96,729	171,596	220,586	302,927	418,771
Chile	4,091	4,597	5,090	6,705	8,552	12,588	13,969	17,700
Mexico	19,468	18,488	31,723	30,759	31,953	35,157	47,253	62,614
India	13,065	13,507	15,284	20,364	29,800	32,846	40,546	58,219
Korea	167,177	110,613	119,439	149,544	121,663	177,417	198,994	251,930
Philippines	117	108	211	474	792	952	1,449	1,544
% of GDP								
U.S.A	74.29	71.32	69.22	61.34	67.91	69.41	71.72	78.88
Turkey	1.23	1.45	2.27	3.11	5.92	6.02	6.02	3.87
Argentina	2.47	2.61	1.40	1.00	1.48	1.54	1.98	2.87
Brazil	20.07	23.05	26.83	19.12	31.06	33.23	34.33	39.21
Chile	5.60	6.11	7.42	9.97	11.56	13.13	11.75	12.14
Mexico	4.05	3.18	5.10	4.74	5.00	5.14	6.16	7.46
India	2.90	2.94	3.20	4.01	4.95	4.72	5.03	6.42
Korea	37.53	21.62	24.79	27.34	20.01	26.07	25.14	28.37
Philippines	0.15	0.14	0.30	0.62	0.99	1.10	1.47	1.32

Source: Investment Company Institute for total net asset values of mutual funds in emerging markets; Capital Markets Board of Turkey (SPK) for total net asset values of mutual funds in Turkey; World Development Indicators for annual GDP series in U.S. dollars.

Table 21-a: Historical Consolidated Portfolio Structure of Pension Plans

	All Pension Plans						Portfolio Composition of Pension Plans						
	Number of Funds	Net Asset Value (million New Turkish Lira)	Net Asset Value (million USD)	Net Asset Value of Pension Plans (as % of GDP)	Number of Open Accounts	Number of Pension Plans Participants	Stocks (%)	Public Debt Instruments (%)	Corporate Bonds (%)	Reverse Repo (%)	Money Market Instruments (%)	Foreign Securities (%)	Other (%)
2003	68	43	31	0.01	36,180	15,245	11.18	69.46	0.00	13.76	0.82	4.20	0.57
2004	81	296	221	0.07	1,040,217	314,010	13.32	72.44	0.00	9.07	3.33	1.84	0.00
2005	96	1,219	908	0.25	2,025,705	666,142	11.12	80.41	0.00	5.35	0.91	0.76	1.45
2006	102	2,821	1,997	0.50	2,807,557	1,062,279	8.59	73.03	0.00	14.43	2.50	0.69	0.75

Source: Capital Markets Board of Turkey (SPK), Developments in Turkish Capital Markets, Report 2007/I and Monthly Statistical Bulletin, July 2007. Annual GDP series in U.S. dollars are obtained from World Development Indicators.
Net Assets=Portfolio Value + Liquid Assets + Accounts Receivable-Accounts Payable.

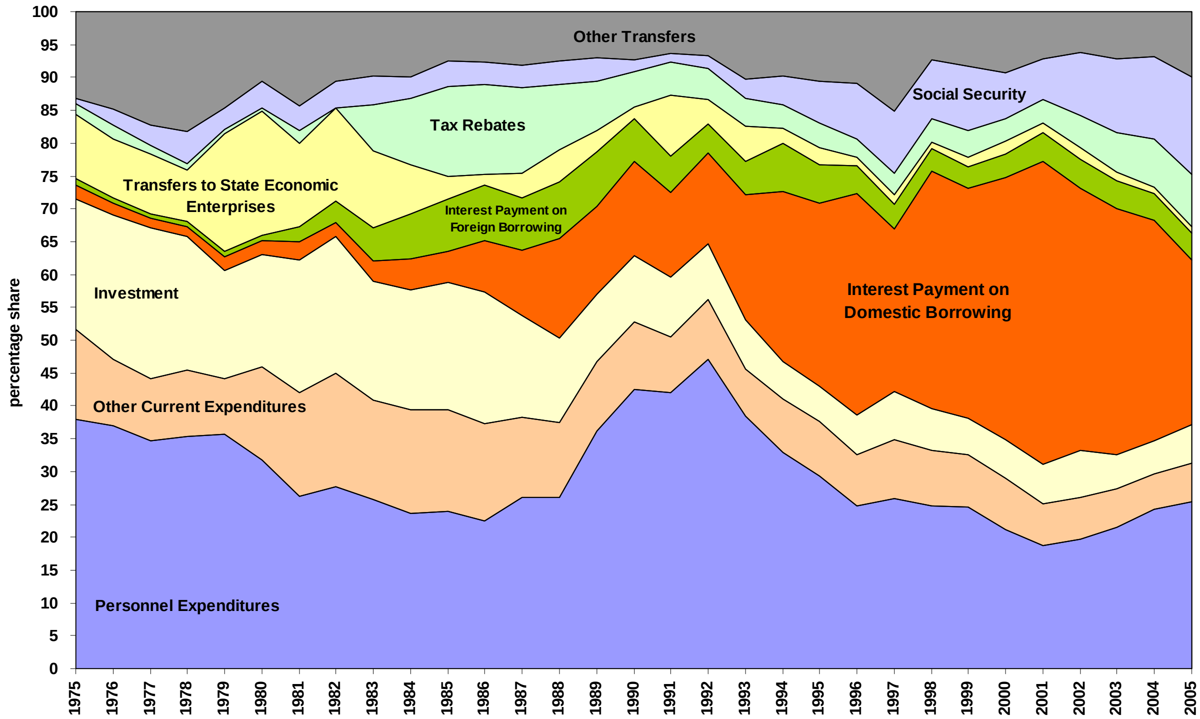
Table 21-b: Distribution of Pension Plan Participants by Age Categories

Years of Age	2003	(%)	2004	(%)	2005	(%)	2006	(%)
Below 25	827	5.42	27,302	8.69	54,480	8.18	78,778	7.43
25-34	5,342	35.04	131,907	42.01	273,557	41.07	422,562	39.85
35-44	4,998	32.78	106,110	33.79	222,494	33.40	356,447	33.62
45-55	3,723	24.42	44,558	14.19	103,172	15.49	176,018	16.60
56 and over	355	2.33	4,133	1.32	12,439	1.87	26,468	2.50
Total Pension Plan Investors	15,245	100	314,010	100	666,142	100	1,060,273	100
Share in Civilian Labor Force (%)	0.06		1.29		2.71		4.28	

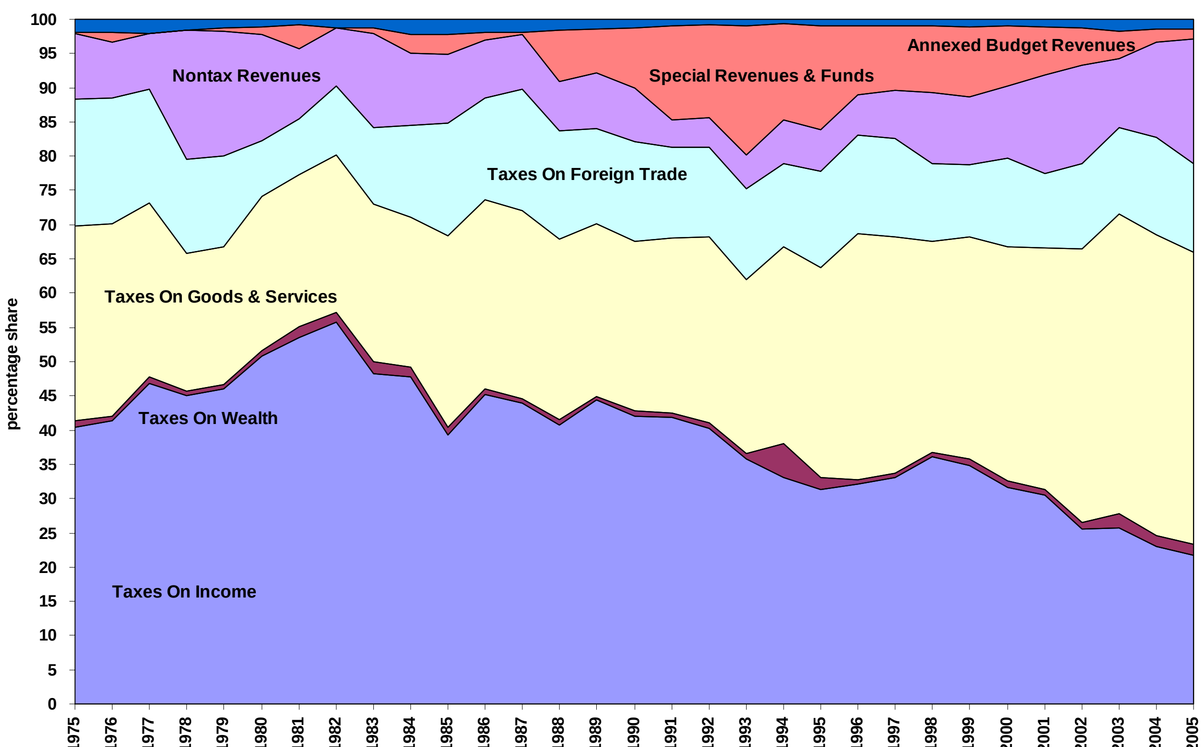
Source: Association of Capital Market Intermediary Institutions of Turkey (TSPAKB) Report on Capital Markets in Turkey, 2003-2006;
State Planning Organization (DPT) Labor Force Statistics

Figure 1: Percentage Distribution of Consolidated Government Budget (1975-2005)

Expenditures

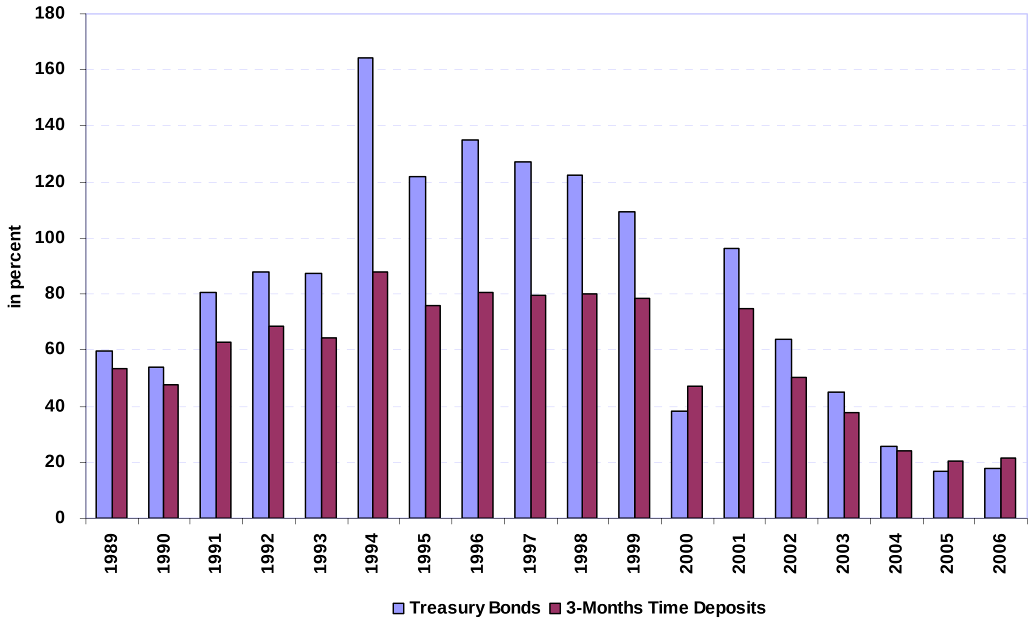


Revenues



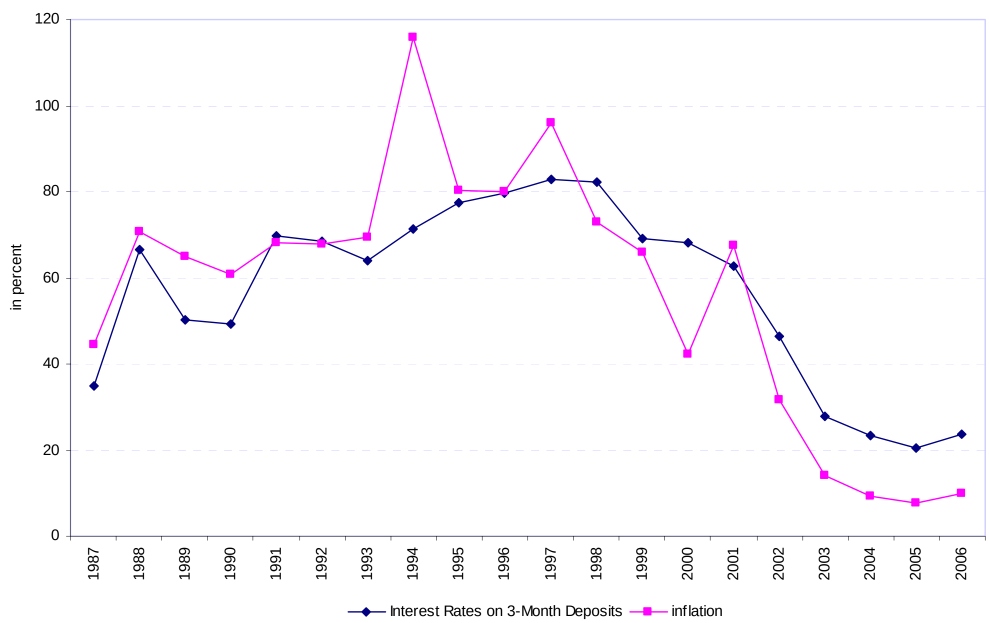
Source: State Planning Organization.

Figure 2-a: Average Annual Interest Rates



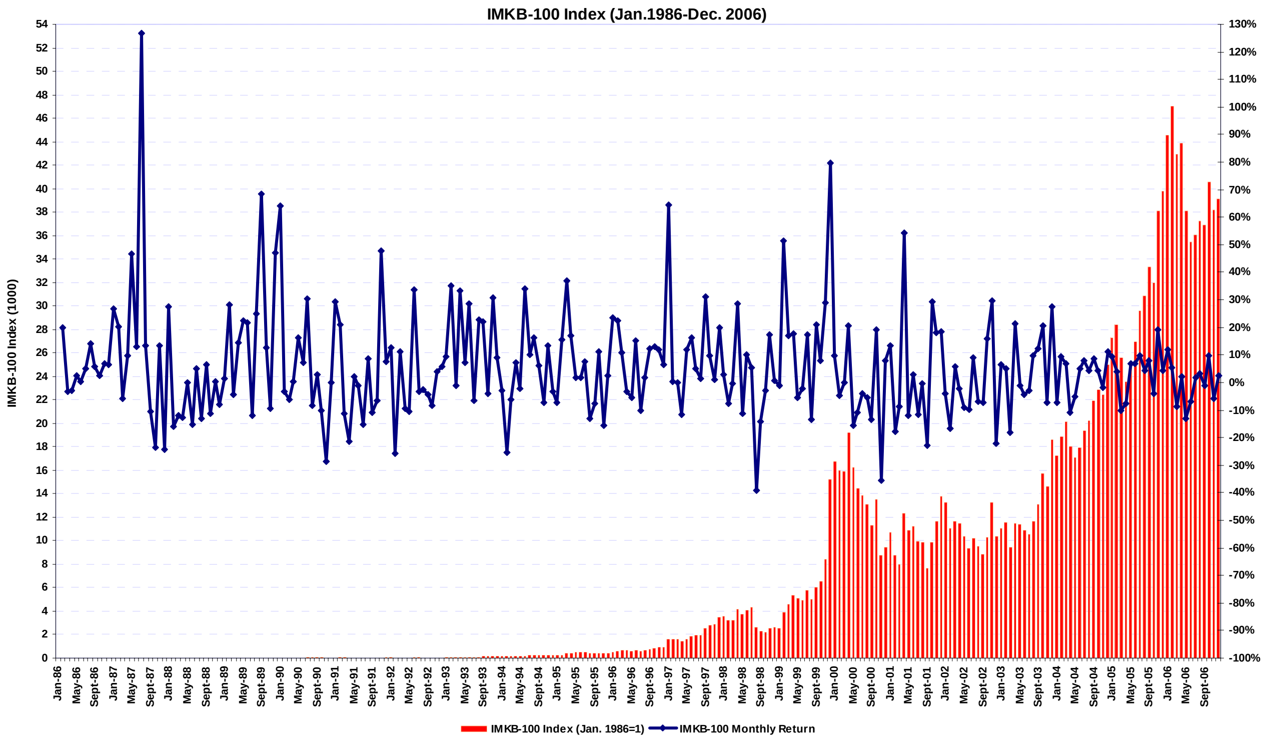
Notes: Annual interest rates on domestic borrowing using Treasury Bonds (DIBS) are obtained by using compounded interest rate over the year. Average annual interest rates for 3-month time deposits were obtained by averaging the quarterly interest rates over the year. No treasury auction took place on December 1999.
Sources: State Planning Organization (DPT) and International Financial Statistics

Figure 2-b: Annual Changes in Consumer Price Index for All Items and Interest Rates on 3 Month-Time Deposits



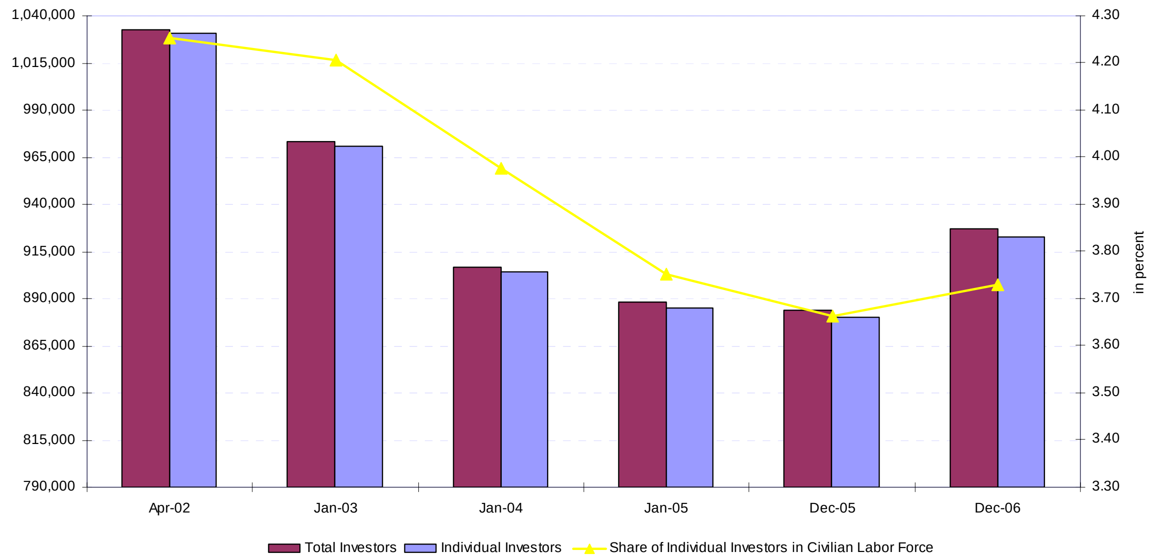
Source: OECD Quarterly Main Economic Indicators and International Financial Statistics

Figure 3: IMKB-100 Index and Monthly Returns



Notes: Events that correspond to the highest and the lowest monthly percentage return in a given year are listed in the Appendix.

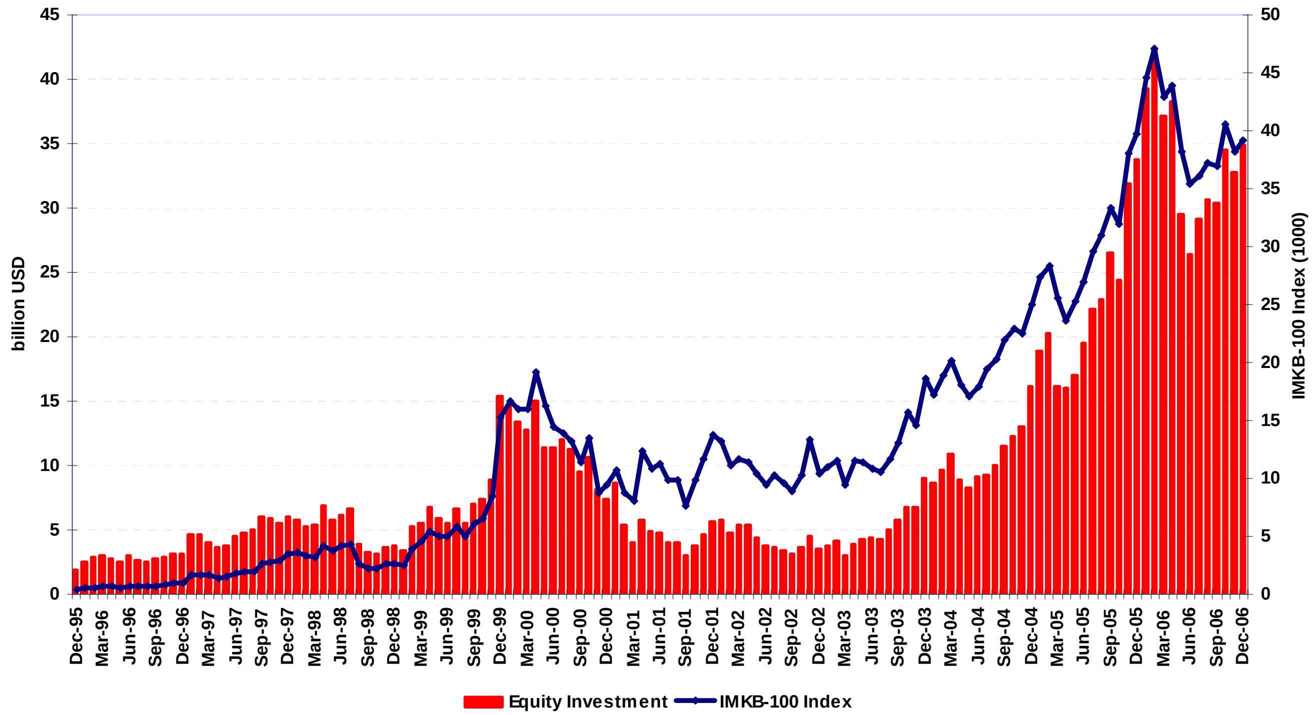
Figure 4: Total Number of Domestic and Foreign Active and Identified Investors



	Apr-02	Jan-03	Jan-04	Jan-05	Dec-06
Total Investors	1,032,776	973,439	906,718	887,958	927,100
Individual Investors	1,030,569	971,156	904,030	885,002	922,603
Share of Individual Investors in Civilian Labor Force	4.25	4.21	3.98	3.75	3.73

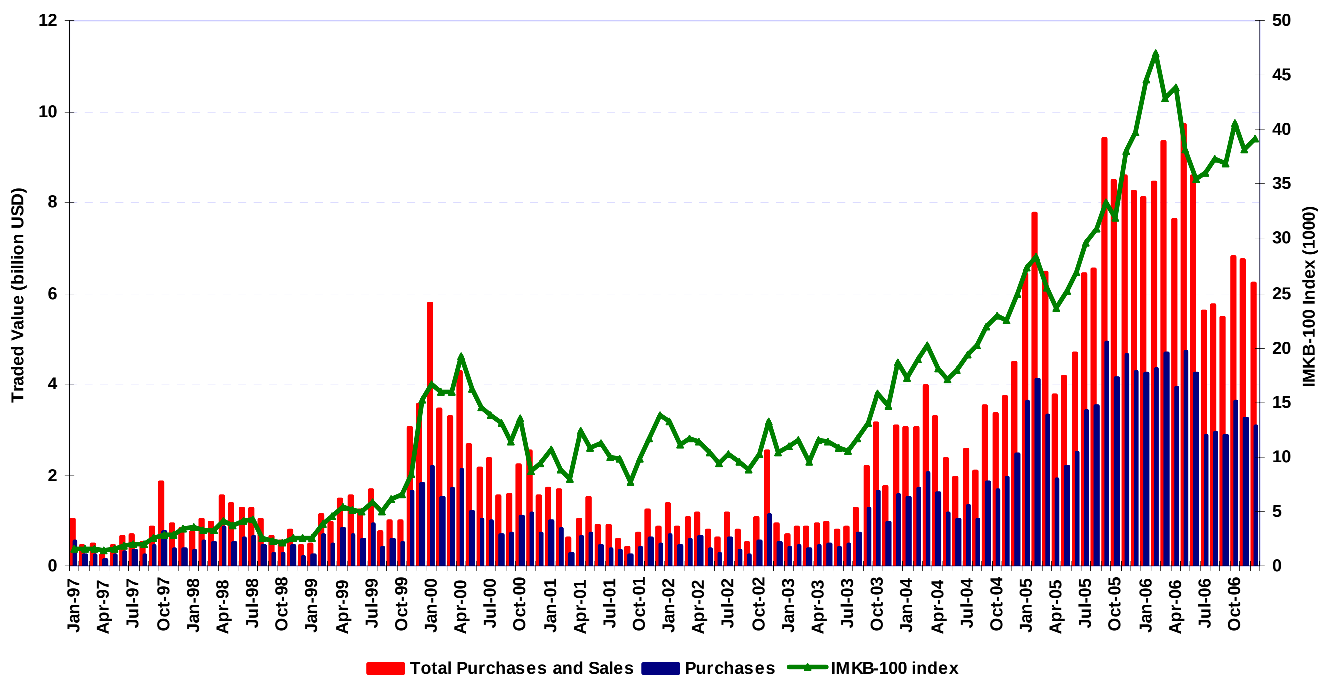
Source: Central Registry Agency (MKK) and Association of Capital Market Intermediary Institutions of Turkey (TSPAKB)

Figure 5: Market Value of Stock Units held by Foreign Banks, Brokerage Houses or Individuals under the Custody of Clearing and Settlement Center of the Istanbul Stock Exchange



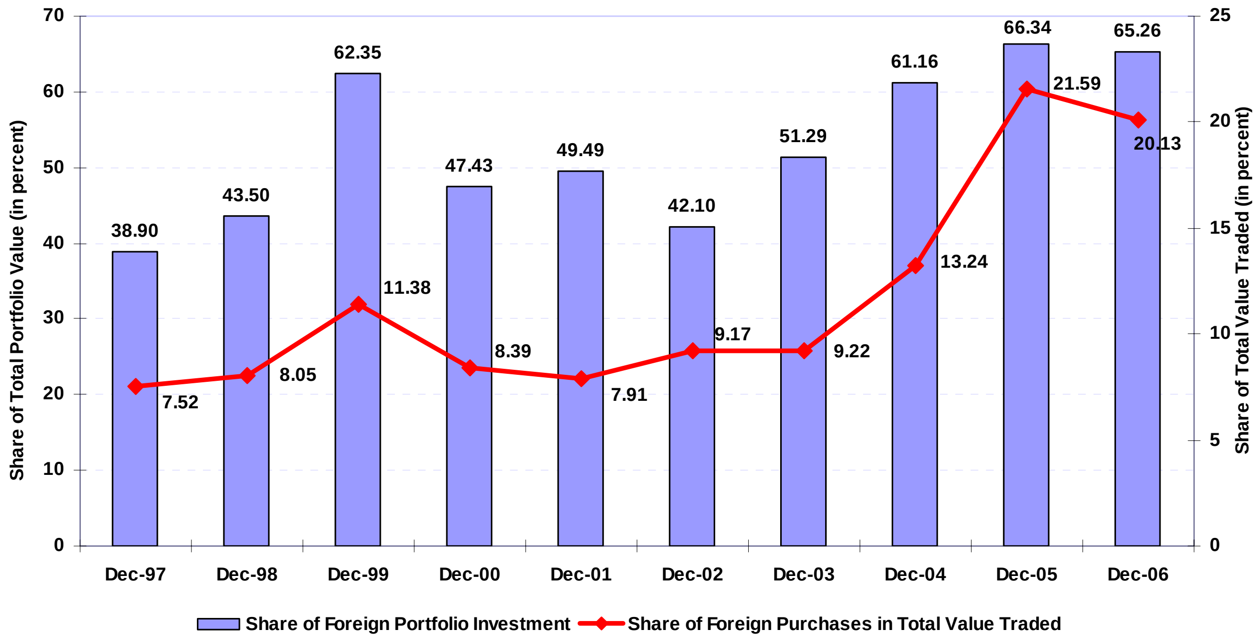
Source: IMKB, MKK and Takasbank

Figure 6: IMKB-100 Index and Value of the Stock Transactions Realized on Behalf and Account of Foreign Banks, Brokerage Houses or Individuals



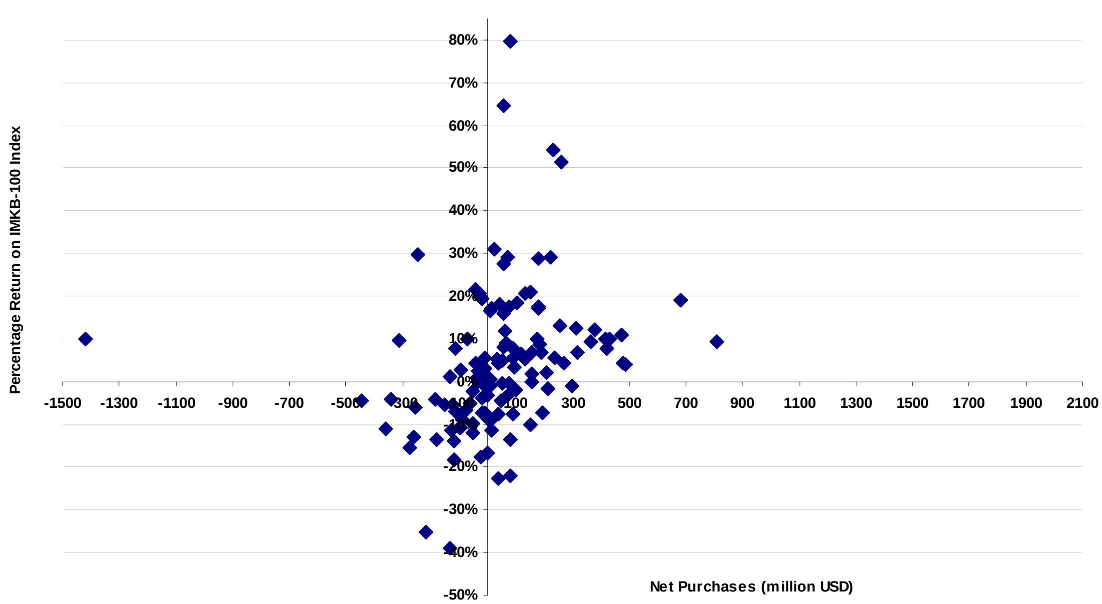
Source: Istanbul Stock Exchange (IMKB)

Figure 7: Share of Foreign Investors in Total Market Value of Stock Units Held Under the Custody of Clearing and Settlement Center of the Istanbul Stock Exchange and Annual Share of Foreign Purchases in Total Value Traded



Source: Total value traded in Istanbul Stock Exchange is obtained from the IMKB. Value of the stock transactions realized on behalf and account of foreign banks, brokerage houses or individuals is obtained from IMKB. Share of foreign portfolio investment is calculated using data obtained from Association of Capital Market Intermediary Institutions of Turkey (TSPAKB) Investor Profile Reports (2001-2006) and TSPAKB Sermaye Piyasası'nda Gündem, September 2007.

Figure 8: Net Purchases by Foreign Banks, Brokerage Houses and Individuals and Monthly Return on IMKB-100 Index (January 1997-December 2006)



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Appendix: Chronology of Major Legal, Economic, Political and Financial Events in Turkey

Jan-1986	Commencement of stock trading at the Istanbul Stock Exchange.
Apr-1987	Turkey's application to the European Economic Community.
July-1988	Foreign investors and investment funds were admitted to the Turkish Capital Market and were allowed to become partners in Turkish companies without pre-approval.
June-1989	Foreign investment funds approved by the Treasury were allowed to set up securities portfolios. The income from such portfolios would be tax free.
Aug-1989	IFC Liberalization Date. Issuance of Decree 32, which allows foreign institutional and individual investors to purchase or sell any type of registered securities and repatriate the capital and profits without any restrictions. Decree also allows Turkish citizens to buy foreign securities.
Sept-1989 **	Highest monthly percentage return of 1989.
Dec-1989	Turkish Investment Fund, Inc. launched on the NYSE.
Feb-1990	Liberalization of Capital Flows. Residents were allowed to invest abroad up to 5 million U.S. dollars through banks and special finance institutions domiciled in Turkey. Non-residents were allowed to purchase securities through intermediary institutions operating in Turkey. Residents were allowed to secure foreign credits provided that they use banks or special finance institutions as intermediaries.
July-1990	First American Depository Receipt was issued.
Nov-1990*	Lowest monthly percentage return of 1990. Withdrawal of capital by foreign investors due impending Gulf War following Iraqi invasion of Kuwait.
June-1991	Initiation of Bonds and Bills Market and commencement of Outright Purchases and Sales Transactions. Residents in Turkey were permitted to sell the securities, issued by companies in Turkey, abroad freely and issue securities and guarantees in foreign currency. Banks were allowed to extend foreign exchange credits to other banks without maturity restrictions.
Nov-1991**	Highest monthly percentage return of 1991. Coalition government was formed between DYP and Social Democrat Populist party following general elections and received vote of confidence.
Feb-1992	Commencement of trading of Corporate Bonds and Revenue-sharing Certificates in Bonds and Bills Market.
Feb-1992*	Lowest monthly percentage return of 1992. Tight Lira market, higher inflation and increases in bank deposit and treasury bill rates contributed to a drop in share prices.
Dec-1992	A tax decree introducing preferential tax rates on investments in mutual funds and investment trusts having a 25 percent equity content helped produce a 5.75percent return on Istanbul Stock Exchange.
Feb-1993**	Highest monthly percentage return of 1992. Declines in short-term T-bill and bank deposit interest rates, expectations for lower inflation rate during the year, and good financial results moved the share prices higher.
Apr-1993	Death of President Özal led to the Turkish parliament approving prime minister Süleyman Demirel as the new Turkish president. The subsequent approval of Ms. Tansu Çiller as prime minister and her pro-capital markets economic policy increased the institutional interest in stock market. Index increased by the end of the second quarter as a result of downward trend in inflation rates, good financial results for majority of listed companies and announcement by the privatization administration that twenty previously state-owned enterprises would be sold to domestic and foreign institutional and strategic investors. Foreign capital flows increased in 1993.
Jan-1994	Moody's and Standard & Poors downgraded Turkey's foreign debt rating. Exchange rate worries triggered panic selling by domestic and foreign institutional investors and resulted in net loss in Istanbul Stock Exchange.

Feb-1994*	Lowest monthly percentage return of 1994. Massive selling due to fear of currency devaluation.
Mar-1994	Central Bank abandoned its interventionist policy and began to gradually devalue Lira.
Apr-1994	Three-month austerity program was announced. Lira was devalued by 65percent Higher taxes and privatization program were introduced.
June-1994**	Highest monthly percentage return of 1994. IMF increased Turkey's credit line following the adoption of austerity program. Constitutional court announced its initial position favoring privatization bill. As a result, investors acquired large government-held stakes and privatization candidates. Privatization program was approved by the Constitutional Court on September 8.
Mar-1995**	Highest monthly percentage return of 1995. Signing of Customs Union agreement with the European Union. Lower T-bill rates, good corporate results, declining inflation, progress on privatization, reduced political uncertainty after general elections together with optimism over the customs union boosted investor interest in the industrial and export-oriented stocks in May and June.
Jul-1995	Istanbul Stock Exchange Settlement and Custody Bank (Takasbank) was created.
Nov-1995*	Lowest monthly percentage return of 1995. Collapse of the coalition government and resignation of prime minister Tansu Çiller. Weakness in Lira, rising interest rates and worries about high debt repayment burden in early 1996 led to investment capital flowing out of the stock exchange. Speculations about the Islamist Refah Party becoming the winner of the early elections in December.
Jan-1996**	Highest monthly percentage return of 1996. Stocks continued to surge in January, February and March due to efforts to form a coalition government DYP and ANAP. Coalition was formed in March.
Jul-1996*	Lowest monthly percentage return of 1996. DYP-ANAP coalition collapsed in June and the Islamist Refah Party ascended to power.
Aug-1996	Stocks of state owned distributor Petrol Ofisi and petrochemical refinery Petkim increased after the government made a statement that these two companies would be on the list for full-sale after completing the first phase of the state telecom company, Turkish Telecom.
Sept-1996	Refah Party government declared a program to reduce large public deficits by generating 10 billion U.S. dollars through sale of state property, introduction of new withholding tax on Treasury paper and securitization of major state infrastructure projects.
Nov-1996	Capital Markets Board decision to require the intermediary institutions to weekly advise the Istanbul Stock Exchange the total volume of trades they conducted in the name of foreign banks, brokerage houses and real persons.
Jan-1997**	Highest monthly percentage return of 1997. Constitutional Court finally rejected the opposition by parliamentarians against the sell-off of Turkish Telecom. The partial privatization is expected to generate 3.5 billion U.S. dollars for the government in 1997.
Jun-1997	The Islamist Refah Party government stepped out of the government due to the pressures by the secularist military. The return to power of former pro-market prime minister Mesut Yılmaz was welcomed by the investors.
Jul-1997	Istanbul Stock Exchange International Market Depository Receipts Market, International Bonds and Bills Market and Foreign Mutual Funds Market started their operation.
Dec-1997	Government announced a shock program to control inflation in 1998.
Jan-1998	The Constitutional Court ruled that Refah Party violated the secularist constitution.

Apr-1998**	Highest monthly percentage return of 1998. Prime minister Yilmaz agreed to early elections in March 1999.
May-1998	Secondary public offering for İş Bankası raised 616 million U.S. dollars by the Privatization Board. Foreign investors started withdrawing from emerging markets following Asian crisis.
Aug-1998*	Lowest monthly percentage return of 1998. Russian crisis created massive shift of funds from ISE to developed markets because portfolio managers carried Turkish and Russian equities in the same basket.
Sept-1998	Government introduced a tax legislation lowering stock holding period from one year to 3 months to be exempt from capital gain taxes. The legislation also exempted foreign investors, fund portfolios and released insurance companies from reserve requirements if they invest their funds in the Turkish stock market.
Oct-1998	Tension between Syria and Turkey over Damascus's support for Kurdish rebels.
Dec-1998	President Süleyman Demirel appointed Bülent Ecevit, leader of the Democratic Left Party to form an interim government until general elections in April 1999.
Feb-1999	Stock market increased sharply because Abdullah Öcalan, leader of the Kurdish separatist rebel group, was arrested, which raised the hopes of an end to the 15 year long conflict.
Apr-1999	Prime minister Bülent Ecevit's party won the largest number of seats in the parliament. Three-party coalition with MHP and ANAP was formed.
Aug-1999*	Lowest monthly percentage return of 1999. Earthquake hit the country with the epicenter in industrial region İzmit. Nearly 17.000 were killed.
Nov-1999	A second earthquake occurred. However international aid from the IMF in the form of 500 million U.S. dollars emergency fund, and help from the World Bank, E.U. and Japan improved the chances for fast recovery. The three-party coalition made progress over 2000 budget increasing the likelihood of securing IMF stand-by agreement.
Dec-1999**	Highest monthly percentage return of 1999. IMF agreed to provide a 4 billion U.S. dollars two year stand-by loan for fighting inflation and 3 billion U.S. dollars three year loan from the World Bank for structural and financial reforms. The European Union invited Turkey to become an E.U. member candidate in December 10, 1999.
Jan-2000	Turkey expected to raise 7.6 billion U.S. dollars from privatization. International arbitration law was passed.
Feb-2000	Dispute started with Greece over off-shore mineral rights and territorial waters.
Mar-2000	Efforts to extend President Süleyman Demirel's term were rejected by the parliament.
Apr-2000**	Highest monthly percentage return of 2000. Turkey's long-term currency rating was upgraded. The successful privatization of cellular licenses boosted the market after İşbank and Telecom Italia offered 2.5 billion U.S. dollars for the first GSM license. Secondary public offering for Tüpraş (state petro-chemical plant) raised 1.14 billion U.S. dollars by the Privatization Board.
May 2000	Ahmet Necdet Sezer was elected Turkey's president.
Jul-2000	IMF pressured for the delayed sale of Turkish Telecom created tensions with the MHP in the coalition. Turkey failed to agree with the E.U. and the U.S. over the alleged Armenian Genocide Bill. Turkey also signed 20 billion U.S. dollars gas deal with Iran despite strong opposition by the U.S. Türkcell was charged with securities fraud over handling of its 1.9 billion U.S. dollars IPO.
Nov-2000*	Lowest monthly percentage return of 2000. Banking crisis was triggered by the liquidity problems and rumors of takeover. Investors pulled out 7 billion U.S. dollars in two weeks pushing the overnight interest to more than 1000percent.

Dec-2000	Crisis was contained with an IMF package of 10 billion U.S. dollars and new macroeconomic reform package.
Feb-2001	Public quarrel between president Ahmet Necdet Sezer and prime minister Bülent Ecevit over corruption probes triggered liquidity crisis followed by cabinet resignations. Central Bank lost 3.5 billion U.S. dollars in foreign currency reserves. Turkey's stabilization program based on crawling peg regime ended with 60percent devaluation of Lira. Free float regime was introduced. The governor of the Central Bank and undersecretary of the Treasury resigned. Standard & Poors revised country's outlook to negative.
Apr-2001**	Highest monthly percentage return of 2001. Signs of banking sector recovery and good corporate earnings by Petrol Ofisi increased the stock market. The IMF approved an additional 8 billion U.S. dollars loan package in May.
Sept-2001*	Lowest monthly percentage return of 2001. September 11 terrorist attacks in the U.S. Central Bank lowered interest rates to 59percent and Turkey swapped 60 billion U.S. dollars of bonds held by domestic banks and funds for new securities at lower value. Standard & Poors lowered debt ratings.
Oct-2001	Financial crisis was contained with 10 billion U.S. dollars funding from the IMF in exchange for Turkey's agreement to open its airspace to US antiterrorism forces, strengthen banking system and accelerate privatization.
March-2002	Secondary public offering for Petrol Ofisi (state petroleum and gas retail distribution company) raised 168 million U.S. dollars by the Privatization Board.
Jul-2002	Political turmoil started over pressures for early elections as Foreign Minister Cem resigned.
Aug-2002	Parliament approves the death sentence to be abolished except in war times and ban on Kurdish education and broadcasting to be lifted as part of reforms aimed at securing E.U. membership.
Nov-2002**	Highest monthly percentage return of 2002. Islamist-based AKP won landslide victory in general elections. Deputy leader Abdullah Gül appointed as the prime minister. Party promises to abide by secular principles of the constitution.
Dec-2002	Constitutional change allowed Recep Tayyip Erdoğan to run for parliament and become prime minister.
March 2003*	Lowest monthly percentage return of 2003. AKP leader Erdoğan wins seat in the parliament and become prime minister. Parliament decides not to allow deployment of US forces ahead of war in Iraq passing Turkish territory but allows US the use of air space.
Nov-2003	25 people were killed and more than 200 injured when two car bombs exploded near Istanbul's main synagogue. Suicide bombings at the British consulate and HSBC bank killed 28 people.
Dec-2004**	Highest monthly percentage return of 2004. The European Union leaders agreed to open talks in 2005 on Turkey's E.U. accession. Secondary public offering for THY (Turkish Airlines) raised 194 million U.S. dollars by the Privatization Board.
Jan-2005	New Lira currency introduced as six zeroes were removed from old Lira, ending an era in which bank notes were denominated in millions.
Oct-2005	E.U. membership negotiations officially launched after intense bargaining.
Nov-2005**	Highest monthly percentage return of 2005. Multi-billion dollar Blue Stream pipeline carrying Russian gas under the Black Sea to Turkey opened.
May-2006*	Lowest monthly percentage return of 2003. Gunman opens fire in Turkey's highest court killing prominent judge. Thousands protest against what is perceived as Islamist fundamentalist attack. Secondary Public Offering for THY (Turkish Airlines) raised 202 million U.S. dollars by the Privatization Board.
Dec-2006	The European Union partially freezes Turkey's membership talks because of Ankara's failure to open ports and airports to Cypriot traffic.

Sources: Bekaert, and Harvey (2002), Standard & Poors Emerging Markets Fact Books (1990-2002), BBC Country Profiles: Chronology of key events in Turkey, Istanbul Stock Exchange. * and ** indicate the lowest and the highest monthly percentage return in that given year respectively.