

## FINANCIAL SERVICES

### BANKING

As of February 2008, some 46 banks operated in Turkey, down from 81 at the end of 1999, as a result of a consolidation in the banking sector. Four small Islamic-style participation banks that are subject to the same cash and reserve requirements as other banks also exist in the system.

The country has 33 commercial banks of which three -- T.C. Ziraat Bankası, Halkbank and Vakıfbank -- are state-owned, 11 are privately owned deposit banks, 18 are foreign banks, and one is controlled by the Savings Deposits Insurance Fund (TMSF), a state banking receivership fund. Turkey also has 13 development and investment banks of which three are state-owned, six are privately owned and four are foreign-owned.

Number of banks in the system *	Banks				
	1999 4Q	2000 4Q	2001 4Q	2002 4Q	2007
<b>Commercial Banks</b>	62	61	46	40	<b>33</b>
State-owned	4	4	3	3	<b>3</b>
Privately-owned	31	28	22	20	<b>11</b>
<b>Banks in Receivership Fund</b>	8	11	6	2	<b>1</b>
<b>Foreign banks</b>	19	18	15	15	<b>18</b>
<b>Development and Investment Banks</b>	19	18	15	14	<b>13</b>
State-owned	3	3	3	3	<b>3</b>
Privately-owned	13	12	9	8	<b>6</b>
Foreign banks	3	3	3	3	<b>4</b>
<b>Sector</b>	<b>81</b>	<b>79</b>	<b>61</b>	<b>54</b>	<b>46</b>

*\*Excludes Participation banks.*

*Source: Banks' Association of Turkey*

The total assets of the Turkish financial system as of the end of September 2007 stood at \$517.4 billion U.S. dollars, or 116.3 percent of the Gross Domestic Product (GDP), of which \$449.2 billion was controlled by the country's banks, the Banking Regulation and Supervision Agency (BDDK) reported.

Yet the Turkish financial system remains tiny compared to those of the U.S. and member countries of the European Union. The total assets of the Turkish financial system at the end of September 2007 were equivalent to around 40 percent of that of the Bank of America, the biggest U.S. bank.

The country's banking system has grown 3.5-fold since the end of 2002, when its total bank assets stood at a mere \$126.7 billion. Growth has run parallel with the robust performance of the

Turkish economy, strength of the New Turkish Lira, record foreign investment into the banking system, and abundance of global liquidity, as the nation rebounded from the 2001 crisis -- the worst recession the country experienced since World War Two.

Bank deposits stood at \$305.389 billion and loans totaled \$244.653 billion at the end of 2007, the BDDK reported.

<b>GROWTH IN BANKING, 2006-14</b>			
	<b>2006 October</b>	<b>2014</b>	<b>CAGR</b>
	<b>\$ Bn</b>	<b>\$ Bn</b>	<b>%</b>
Assets	331	960	14
Credits	148	520	17
Deposits	197 (1)	528	13
# of banks	47	20-25	-
# of branches	6,575	11,000	-

(1) As of September 2006  
Source: Ergun Özen, general manager of Garanti Bank

Since 1997, the Savings Deposits Insurance Fund TMSF intervened in the affairs of 23 financially tottering banks, which have since been shut down, merged with stronger banks, or privatized. A dozen other private banks have also merged with affiliate banks.

Shored up with an influx of foreign investment, the Turkish banking system has strengthened its capital base, become more stream-lined and resilient, and its asset quality has improved. Turkey's banking system is less likely to be hurt from turbulence in international financial markets, such as the U.S. mortgage crisis, than before, bankers said.

<b>ASSETS OF THE TURKISH FINANCIAL SYSTEM AS OF SEPTEMBER 30, 2007</b>			
<b>Group</b>	<b>Total Assets in Billion U.S. Dollars</b>		<b>2007 Assets/GDP in %</b>
	<b>2006</b>	<b>2007*</b>	
<b>Banks</b>	<b>354.3</b>	<b>449.2**</b>	<b>87.0</b>
<b>Leasing companies</b>	<b>7.1</b>	<b>8.6</b>	<b>2.0</b>
<b>Factoring companies</b>	<b>4.5</b>	<b>5.6</b>	<b>1.1</b>
<b>Consumer finance companies</b>	<b>2.4</b>	<b>3.0</b>	<b>0.6</b>
<b>Insurance Companies</b>	<b>12.3</b>	<b>16.2</b>	<b>3.1</b>
<b>Private Retirement Insurance Companies</b>	<b>5.1</b>	<b>7.6</b>	<b>1.5</b>
<b>Brokerage Houses</b>	<b>1.9</b>	<b>2.9</b>	<b>0.6</b>
<b>Investment Trust Companies</b>	<b>0.4</b>	<b>0.5</b>	<b>0.1</b>
<b>Investment Funds</b>	<b>15.6</b>	<b>20.6</b>	<b>4.0</b>

<b>Real Investment Trust Companies</b>	<b>1.8</b>	<b>3.2</b>	<b>0.6</b>
<b>Total:</b>	<b>405.4</b>	<b>517.4</b>	<b>116.3</b>

**\*\* Includes assets of the Central Bank of Turkey and Participation banks.**

**Source: Banking Regulation and Supervision Agency (BDDK)**

“We have no mortgage crisis or any other financial crisis in Turkey. The slowdown in the U.S. economy may be of such a dimension that it could unfavorably influence the global economy. For this reason, the Turkish economy could be adversely affected. But the Turkish banking industry is one of the nation’s strongest sectors,” Ersin Özince, president of the Banks’ Association of Turkey and chief executive officer of Türkiye İş Bankası (İşbank), told reporters in Ankara on February 8, 2008. “The quality of our banking system is among the highest in terms of world standards. It has been renewed and rectified. We need not worry about the situation.”

In terms of assets, the largest Turkish banks are state-owned T.C Ziraat Bankası and Türkiye İş Bankası (İşbank), the country’s biggest private bank. Other big top tier banks include the privately-owned Akbank, Garanti Bankası, Yapı ve Kredi Bankası, and state-owned Vakıfbank and Halkbank.

Akbank is owned by Turkey’s Sabancı Holding, the nation’s third biggest conglomerate, and Citibank. Turkey’s Doğu Holding and General Electric GE Finance of the U.S. own Garanti Bankası. Yapı ve Kredi Bankası is 57.4 percent owned by a Koç Financial Services, a joint venture of Turkey’s Koç Holding and Italy’s UniCredito Group.

In 2007, the number of bank branches in 2007 increased to 7,618 from 6,849 in 2006 and the number of employees in the banking system rose to 158,559 from 143,168, the Banks Association of Turkey reported. But the numbers are still far short from the pre-crisis period of 2000, when the country’s banks had 7,837 branches and 170,401 employees.

<b>TOTAL BRANCHES AND EMPLOYEES IN THE TURKISH BANKING SYSTEM 1995-2007</b>		
<b>Year</b>	<b>Total Branches</b>	<b>Total Employees</b>
<b>1995</b>	<b>6,244</b>	<b>144,793</b>
<b>1996</b>	<b>6,422</b>	<b>148,153</b>
<b>1997</b>	<b>6,819</b>	<b>154,864</b>
<b>1998</b>	<b>7,370</b>	<b>166,492</b>
<b>1999</b>	<b>7,691</b>	<b>173,988</b>
<b>2000</b>	<b>7,837</b>	<b>170,401</b>
<b>2001</b>	<b>6,900</b>	<b>137,495</b>
<b>2002</b>	<b>6,106</b>	<b>123,271</b>
<b>2003</b>	<b>5,966</b>	<b>123,249</b>
<b>2004</b>	<b>6,106</b>	<b>127,163</b>
<b>2005</b>	<b>6,164</b>	<b>131,012</b>
<b>2006</b>	<b>6,849</b>	<b>143,168</b>
<b>2007</b>	<b>7,618</b>	<b>158,559</b>

*Source: Banks' Association of Turkey*

### **Foreign Banks**

Foreign banks are playing a pivotal role in Turkey's financial system in bringing in an infusion of much-needed capital, introducing new products and efficiency and healthy competition into the market. The total assets of foreign banks in the Turkish banking system jumped to about 40 percent at the end of 2007 from five percent in 2000, as more foreign banks rushed to snap up shares in Turkish bank assets after Turkey began membership talks with the European Union on October 3, 2005.

Foreign banks began entering the Turkish commercial banking sector in the early 1980s. Operating out of one or two branches, they came to dominate Turkey's foreign trade and exchange markets with their expertise and lower overhead costs, capturing market share from overmanned, undercapitalized, big Turkish commercial banks.

Turkish banks responded by introducing automated systems and offering almost every foreign trade or exchange product and banking service available.

**TOP 20 BANKS OF TURKEY IN TERMS OF ASSETS AS OF SEPTEMBER 30, 2007**

<b>Name of Bank</b>	<b>Total assets (In million dollars)</b>	<b>Number of branches</b>	<b>Number of employees</b>	<b>Year when founded</b>
<b>1 TC Ziraat Bankası A.Ş.</b>	<b>63,985</b>	<b>1,248</b>	<b>20,011</b>	<b>1863</b>
<b>2 Türkiye İş Bankası A.Ş.</b>	<b>63,464</b>	<b>929</b>	<b>19,159</b>	<b>1924</b>
<b>3 Akbank T.A.Ş.</b>	<b>53,423</b>	<b>698</b>	<b>13,205</b>	<b>1947</b>
<b>4 Türkiye Garanti Bankası A.Ş.</b>	<b>49,390</b>	<b>545</b>	<b>13,813</b>	<b>1946</b>
<b>5 Yapı ve Kredi Bankası A.Ş.</b>	<b>39,772</b>	<b>660</b>	<b>13,712</b>	<b>1944</b>
<b>6 Türkiye Vakıflar Bankası T.A.O.</b>	<b>33,268</b>	<b>331</b>	<b>8,557</b>	<b>1954</b>
<b>7 Türkiye Halk Bankası A.Ş.</b>	<b>31,544</b>	<b>586</b>	<b>11,572</b>	<b>1938</b>
<b>8 Finans Bank A.Ş.</b>	<b>15,636</b>	<b>378</b>	<b>8,875</b>	<b>1987</b>
<b>9 Denizbank A.Ş.</b>	<b>10,671</b>	<b>299</b>	<b>6,419</b>	<b>1997</b>
<b>10 Oyak Bank A.Ş.</b>	<b>10,055</b>	<b>365</b>	<b>5,924</b>	<b>1984</b>
<b>11 HSBC Bank A.Ş.</b>	<b>9,779</b>	<b>226</b>	<b>5,384</b>	<b>1990</b>
<b>12 Türkiye Ekonomi Bankası</b>	<b>8,985</b>	<b>253</b>	<b>4,978</b>	<b>1927</b>
<b>13 Fortis Bank A.Ş.</b>	<b>7,601</b>	<b>248</b>	<b>4,975</b>	<b>1964</b>
<b>14 Şekerbank T.A.Ş.</b>	<b>4,575</b>	<b>230</b>	<b>3,740</b>	<b>1953</b>
<b>15 İller Bankası</b>	<b>4,441</b>	<b>19</b>	<b>2,578</b>	<b>1933</b>
<b>16 Citibank A.Ş.</b>	<b>3,958</b>	<b>54</b>	<b>2,312</b>	<b>1980</b>

17 T. Sınai Kalkınma Bankası	3,778	4	311	1950
18 Türk Eximbank	3,479	2	396	1987
19 Anadolubank A.Ş.	2,478	73	1,611	1996
20 Tekstil Bankası A.Ş	2,303	56	1,471	1986

*Source: Banks' Association of Turkey, Banking Regulation and Supervision Agency (BDDK)*

Foreign banks in Turkey began expansion in retail banking in the 2000s by acquiring shares in existing Turkish banks with extensive branch networks:

- HSBC Banking Corp. in 2001 acquired Demirbank, Turkey's 10th largest bank, from a state banking receivership fund for \$350 million and named it HSBC Bank.
- Portugal's Millennium Bank acquired the small Sitebank from the Central Bank's Savings Deposits Insurance Fund for \$35 million in fall 2001 and renamed it Millennium Bank.
- Italy's UniCredito Group acquired a 50 percent stake in Koçbank and in other six other Koç Holding financial companies in May 2002.
- In February 2005, France's BNP Paribas bought 50 percent of TEB Financial Investments A.S. from Turkey's Çolakoğlu Group for \$216.8 million, gaining control of a 42.165 percent stake in Turk Ekonomi Bankası (TEB), a midsize Turkish bank, and shares in seven other financial subsidiaries.
- In May 2005, Koç Financial Services, a 50-50 joint venture between Koç Holding of Turkey and UniCredito of Italy, acquired a 57.4 percent of Yapı ve Kredi Bankası for \$1.495 billion. Koç Financial Services merged Yapı ve Kredi Bankası, Turkey's fifth biggest bank, with its Koçbank under Yapı ve Kredi Bankası's name in 2006. Koç Financial Services also gained control over a dozen financial companies owned by Yapı ve Kredi Bankası.
- Belgium's Fortis Bank in July 2005 acquired an 89.3 percent share in Türkiye Dış Ticaret Bankası (Dışbank) from Doğan Holding of Istanbul for \$1.051 billion. Fortisbank also gained control over several non-banking financial subsidiaries of Dışbank, which specializes in foreign trade financing. It renamed Dışbank as Fortis Bank A.Ş.
- In August 2005, U.S. General Electric Consumer Finance bought a 25.5 percent share of Türkiye Garanti Bankası, Turkey's fourth biggest commercial bank, for \$1.556 billion from Turkey's Doğu Holding. With the acquisition, GE Consumer Finance also gained shares in 27 financial subsidiaries of the bank. These included Garanti Securities, one of the leading brokerage firms of Turkey, Garanti Leasing, a leading Turkish leasing company with assets of \$151 million, and Garanti Sigorta, a leading insurance company, and several foreign banks.
- Israel's biggest financial institution Bank Hapoalim (BH) in September 2005 acquired 57.5 percent share in Turkey's C Kredi ve Kalkınma Bankası (C Bank), a small investment bank, from business woman Damla Cıngıllıoğlu for \$113 million, with the aim of breaking into the lucrative Turkish mortgage and project finance markets. The bank was renamed Bank Pozitif A.S. and was the first major Israeli investment in Turkey.
- The National Bank of Greece in April 2006 acquired a 46 percent stake in Finansbank from Fiba Holding for \$2.8 billion.

- In the biggest banking transaction in Turkey to date was Belgium's Dexia Group's acquisition of 96.6 percent stake in DenizBank from Zorlu Holding and other shareholders for \$3.161 billion in 2006.
- Citibank in January 2007 acquired a 20 percent stake in Akbank from Sabancı Holding for \$3.1 billion.
- Greece's EFG Eurobank Ergasias acquired a 70 percent stake in Tekfenbank from Tekfen Holding in March 2007 for \$182 million.
- Kazakhstan's Turan Alem Bank acquired a 34 percent stake in Sekerbank for \$260 million.
- Lebanese Bank Med and the Jordanian Arab Bank, both owned by the family of former Lebanese Prime Minister Rafiq Hariri, purchased a 91 percent stake in MNG Bank and changed its name to Turklandbank.
- ING Bank of the Netherlands acquired Oyakbank from the Oyak Group in December 2007 for \$2.67 billion.

All of the foreign banks are headquartered in Istanbul, Turkey's financial capital. US banks with local branches include Citibank, and JP Morgan Chase Bank. European banks include ABN Amro Bank, Credit Lyonnais, Banco di Roma, Fortis Bank, BankEuropa, Deutsche Bank, HSBC Bank, Société Generale, and Westdeutsche Landesbank Girozentrale. Other foreign banks include the Arab Turkish Bank (a joint venture among the Libyan Arab Foreign Bank, the Kuwait Investment Co, Türkiye İş Bankası, Ziraat Bankası and Tekfen Holding), Habib Bank (Pakistan), Bank Mellat (Iran), and Taib Yatırım Bank.

Some 35 foreign banks have representative offices in Turkey, and are developing their correspondent relationships.

### **Consumer Banking**

Consumer banking has become a major area of focus of Turkey's banks in recent years and the competition in this field is stiff with all major banks jumping into the market.

In 2007, consumer loans stood at around \$61 billion, or 25 percent of \$244 billion in total loans. Consumer loans are bank credits for the purchases of consumer needs, such as household appliances, automobiles, educational and travel loans for family members and housing credits. Nearly half of all consumer loans in 2007 were housing/mortgage loans.

In 2005, consumer loans stood at only \$16.5 billion, accounting for only 16 percent of all bank loans. Bankers predict that consumer loans will eventually increase to 50 percent of all bank loans in the next five to ten years.

In addition to direct consumer loans, credit and debit card usage is on the rise. Turkey has been one of the fastest growing markets for credit card and debit card usage. Credit cards were first introduced into the Turkish market in the 1960s. But credit card usage didn't catch fire until the 1990s.

By the end of 2007, Turkey's banks had issued a total 37,335,179 credit cards and 55,518,092 debit cards. This made Turkey the third biggest credit card market in Europe, after Germany and England, and ranked it tenth in the world, according to the Interbank Card Center (BKM).

<b>STATISTICS ABOUT ON PLASTICS CARDS IN TURKEY</b>	
	<b>As of December 31, 2007</b>
<b>Number of credit cards issued</b>	<b>37,335,179</b>
<b>Number of debit cards issued</b>	<b>55,518,092</b>
<b>Number of POS machines</b>	<b>1,453,877</b>
<b>Number of ATMs</b>	<b>18,000</b>

*Source: Interbank Card Center*

Fully 80 percent of these cards can be used internationally, and many are denominated in foreign exchange.

The Interbank Card Center (BKM) in Istanbul processes Visa, MasterCard and debit card transactions for member banks.

The number of Automated Teller Machines (ATMs) has ballooned to 18,000 at the end of 2007 from 4,656 ATMs in 1995. Banks operate proprietary networks, but have yet to develop network sharing because of rivalries and different interest rates applied.

Major American and European networks have reciprocal arrangements with Turkey's banks. ATM cards are an accepted part of the Turkish consumer economy. Some banks have developed their ATM programs so that cardholders can use them to give, sell or buy orders on the Istanbul Stock Exchange, to obtain gold prices, stock exchange indices and foreign exchange rates, and to buy and sell travelers checks and mutual fund certificates.

The growth of Points-of-Sale (POS) terminals has been heady in the past 12 years. The number of POS terminals grew to 1,453,877 on December 31, 2007 from 299,950 in 2000 and only 25,000 in 1995, the Interbank Card Center reported. The advanced nature of cash management common in the Turkish economy makes debit and credit cards attractive to Turkish consumers. Consumers use POS terminals at retail stores to debit purchases from their current accounts. An estimated 100,000 new POS terminals are added to Turkey each year, growing at an 8 percent rate, bankers said.

## **Outsourcing**

The growth of the credit card market and wider use of ATMs in the Turkish banking system, the boom in consumer loans and the entry of foreign investment into the Turkish banking sector is likely to fuel demand for outsourcing, bankers say.

The market size for outsourcing of information technology and telecommunications

services in Turkey was \$283.952 million in 2006, and is growing at a fast rate, according to Interpromedya, Turkey's number one research organization on information and communication technology (ICT).

*“Outsourcing service revenues are progressing with secure steps,”* Interpromedya said in a study of Turkey's top ICT companies. *“Companies are showing more and more interest in outsourcing services to reduce costs and increase productivity.”*

Interpromedya said that 58 companies were providing a wide range of outsourcing services, including the operating of call centers for customers, providing billing services, printing of plastic payment cards and running of credit card and ATM operations. Only five of these companies do significant business in banking and financial services. Outsourcing for the banking and financial sector is believed to be only a small fraction of the total market.

Only midsize and small Turkish banks are using outsourcing services in credit card and ATM operations to cut down costs. Major Turkish banks, state banks included, have set up their own separate companies and centers to run credit card and automated teller machine (ATM) operations, and have established their own call centers. These banks jealously guard their own credit card and customer information and, it appears, they don't want to share this information with one another or with third parties, except for reporting cases of non-performing consumer loans and bad debts.

Yapı ve Kredi Bankası established a large banking operations center outside Istanbul as early as in 1998 to run its credit card and ATM operations. Denizbank and Garanti Bank have established separate technology companies to operate their credit card and ATM services. State-owned T.C Ziraat Bankası, Ziraat Bank Bosnia and Halkbank share card operations through a joint venture operation set up in Istanbul.

Only one foreign company is active in banking outsourcing – Siemens – and it provides call center services for HSBC and Fortis Bank and Garanti Ödeme Sistemleri, the credit card operations of Türkiye Garanti Bankası, and some credit card and ATM services for Citibank and Fortis.

But as consumer banking becomes the main business line of the country's biggest banks, many will have to review their costly credit card and ATM operations, and may opt for outsourcing of these services to cut down overhead costs, bankers said.

*“If new large, trustworthy, financially strong companies with proven track records of carrying out large-scale outsourcing emerge even the bigger banks will begin outsourcing their services,”* Pınar İşmen, director of the credit card and alternative payments channels of Fortis Bank, said in an interview.

First Data Corp, the world's largest provider of merchant processing services, opened offices in Istanbul in October 2007.

David Yates, chairman of Greenwood Village, Colorado-based corporation, in a news conference in Istanbul in October said: *“The banks in Turkey that issue credit cards and debit cards are among the world's leading institutions advocating change. We want to work with these institutions and to expand the market for card usage.”*

## Insurance

Turkey's insurance business, where foreign companies now control 46.33 of all insurance premiums and 51 percent of the market, is also rapidly growing. Insurance premiums in the first nine months of 2007 stood at \$6.620 billion, a nearly 10fold increase from 1990, when the sector generated only \$710 million. Still Turkey remains the low man on the totem pole among most European nations when it comes to insurance premiums.

<b>INSURANCE PREMIUMS IN TURKEY BY SELECTED YEARS 1990-2007 (IN MILLION U.S. DOLLARS)</b>	
<b>Year</b>	<b>Amount</b>
<b>1990</b>	<b>710</b>
<b>2000</b>	<b>2,846</b>
<b>2003</b>	<b>3,585</b>
<b>2004</b>	<b>4,736</b>
<b>2005</b>	<b>5,815</b>
<b>2006</b>	<b>6,829</b>
<b>2007*</b>	<b>8,827</b>

*\*Figures for 2007 are an estimate*

*Sources: Sigortaci Newspaper,*

*Turkish Insurance and Reinsurance Companies Union*

As foreign banks have acquired Turkish banking assets, they have also come to own large slices of affiliate financial companies, including brokerage houses, factoring and leasing companies, and insurance firms.

Some 46 companies operate in insurance sector. Of these 16 are fully foreign-owned and 14 are majority foreign-owned.

Major foreign companies that operate in Turkey's insurance sector or own Turkish insurance assets are: AXA, Coface and Groupama of France, Aviva of Britain, American Life and Liberty Mutual of the U.S., Ergo International, Allianz and HDI Gerling International Holding A.G. of Germany, Global Equities Management (GEM) of the Bahama Islands, TBIH and Eureko of the Netherlands, Mapfre of Spain, Fortis and Dexia of Belgium, Zurich Financial of Switzerland, Abraaj Capital of the United Arab Emirates, and Unicredito Group of Italy,

## Capital Markets

In the first nine months of 2007, investment in Turkish financial and capital markets stood at around \$460.7 billion, including \$101 billion in investment carried out by foreign individual and institutional investors, the Association for Turkish Capital Market Intermediaries reported.

<b>In Billion Dollars January to September 2007</b>		
<b>Financial and Capital Markets Instruments</b>	<b>Domestic(Turkish) Investors</b>	<b>Foreign Individual and Institutional Investors</b>
<b>Turkish Lira Deposits</b>	<b>158.8</b>	<b>4.9*</b>
<b>Foreign Exchange Deposits</b>	<b>90.3</b>	
<b>Precious Metals' Deposits</b>	<b>.1</b>	
<b>Funds in Participation Banks</b>	<b>10.9</b>	
<b>Government Bonds and Treasury Bills</b>	<b>44.7</b>	<b>31.0</b>
<b>Eurobonds</b>	<b>3.8</b>	<b>0.4</b>
<b>Mutual Funds</b>	<b>20.6</b>	
<b>Repurchasing Agreements</b>	<b>1.8</b>	
<b>Retirement Funds</b>	<b>3.4</b>	
<b>Equities</b>	<b>25.7</b>	<b>64.7</b>
<b>Totals</b>	<b>359.7</b>	<b>101.0</b>

*\*Includes both Turkish Lira and foreign exchange deposits*

*Source: TSPAKB*

### **Istanbul Stock Exchange**

The Istanbul Stock Exchange (IMKB) has been one of the world's most volatile bourses with share prices yo-yoing.

On December 31, 2007, the benchmark IMKB-100 Index stood at 55,538 points, up 42 percent from 2006, as the Istanbul Stock Exchange was the fifth best performing bourse in the world after the Shanghai (China), Indonesia, Pakistan and Indian bourses last year. But the index plunged 20.2 percent to 44,452 points by February 1, 2008, as jittery investors fearing a global liquidity crunch and an economic slowdown due to the U.S. mortgage crisis and wanting to stay liquid sold their shares in Turkish stocks in a frenzy of profit-taking, as the IMKB took the worst beating among stock markets worldwide.

<b>MARKET CAPITALIZATION OF THE ISTANBUL STOCK EXCHANGE IN SELECTED YEARS 1994-2008 (IN BILLION U.S. DOLLARS)</b>	
<b>DATE *</b>	<b>Market Capitalization</b>
<b>1994</b>	<b>21.755</b>
<b>1995</b>	<b>20.782</b>
<b>1996</b>	<b>30.787</b>
<b>1997</b>	<b>61.897</b>
<b>1998</b>	<b>33.975</b>
<b>1999</b>	<b>114.271</b>
<b>2000</b>	<b>68.635</b>
<b>2001</b>	<b>47.189</b>

<b>July 22, 2002</b>	<b>35.000</b>
<b>2004</b>	<b>100.000</b>
<b>2005</b>	<b>161.537</b>
<b>February 27 2006</b>	<b>201.017</b>
<b>2007</b>	<b>288.761</b>
<b>February 1 2008</b>	<b>236.999</b>

*\*Unless specified, the closing date used is December 31.*

*Sources: Istanbul Stock Exchange,  
Association of Capital Market Intermediaries of Turkey*

Market capitalization of the Istanbul Exchange on February 1, 2008, stood at \$236.999 billion, down from \$288.761 at the end of 2007.

Market capitalization on the IMKB grew 13.27 fold from the end of 1994 to 2007, as a result of increased numbers of companies going public and share prices soaring. The annual trading volume for 2007 stood at \$324 billion.

Although more than 60 Turkish firms have applied to the Capital Market Board, the stock market regulatory agency, to go public, only nine companies, including two real estate investment trusts (REITs) and two general investment firms, went public in 2007. These were:

- Airports operator TAV Havalimanları Holding A.S.
- Sağlam REİT
- General investment company Oyak Yatırım Ortaklığı A.Ş.
- Securities investment company Merkez B Tipi Menkul Kıymetler Yatırım Ortaklığı
- Turkey's second biggest state bank, Halkbank.
- Brokerage house İş Yatırım Menkul Değerler A.Ş.
- Sinpaş REIT
- Participation bank and Islamic finance house Albaraka Türk Katılım Bankası A.Ş.
- Tekfen Holding A.Ş. one of Turkey's leading conglomerates.

Seventy-two percent of the shares traded on the exchange and 24 percent of all transactions in 2007 were controlled by foreign institutional investors, according to the Association of Turkish Capital Market Intermediaries (TSPAKB). Both are records for Turkey. Foreign investors controlled 55 percent of the shares listed and 13 percent of all transactions on the stock market in 2004.

*"We are seeing increased foreign investor interest in our capital market,"* wrote Gökben Altaş, a research analyst with TSPAKB, in a report on foreign investment in the Turkish capital market published in February 2008.

In the biggest initial public offering in 2007, foreign institutional investors acquired \$1.3 billion of the \$1.8 billion in shares offered by state-owned Halk Bank

Numerous foreign institutional investors and banks trade actively on the exchange through subsidiaries and brokerage houses they own. These include Raymond James Securities, Morgan Stanley, Citibank and Merrill Lynch of the U.S., Bank Hapoalem of Israel, Credit Suisse International, Dexia, Deutsche Bank, EFG Eurobank Ergasias, the National Bank of Greece, Fortis Bank, Unicorn Investment Bank, Sbic Investment, Compagnie Financiere de Camondo, BNP Paribas, MCT International BV, UBS AG., Unicredito Group

Some 319 companies were listed on the IMKB as of December 31, 2007

### **Privatization**

Turkey's ambitious privatization program is switching gears, shifting from the sale of sprawling state industries to the energy sector, ports, highways and other infrastructure.

Since the program was initiated in 1985 to the end of 2007, the Privatization Administration (ÖİB), the main agency assigned to carry out the country's huge privatization program, has sold the state's shares in 186 companies, generating a total \$30.016 billion in revenues..

<b>TURKEY'S PRIVATIZATION REVENUES 1985-2007</b>	
<b>METHODS OF SALE</b>	<b>REVENUES (IN MILLION DOLLARS)</b>
<b>Block Sales</b>	<b>18,159</b>
<b>Asset Sales</b>	<b>4,823</b>
<b>Public Offerings</b>	<b>5,180</b>
<b>Sales through the Istanbul Stock Exchange</b>	<b>1,261</b>
<b>Sales of half completed factories</b>	<b>4</b>
<b>Transfer of operating rights</b>	<b>585</b>
<b>Total</b>	<b>30,016</b>

**Source: Privatization Administration Board (ÖİB)**

The state has exited from forestry products, dairy, pulp and paper, oil refining and oil products retailing, aluminum, animal feed, cement industries, and shipping. Although several industries still remain in ÖİB's portfolio, such as the former tobacco monopoly Tekel, the sugar concern Seker Fabrikaları A.Ş., and majority shares in petrochemicals manufacturer Petkim, privatization in Turkey has shifted away from industry to the energy sector, airports and ports, highways, banking and finance, real estate and services.

The sales revenues of the Privatization Administration (ÖİB), the main government agency responsible for Turkey's ambitious privatization program, fell in 2007 to \$4.665 billion, after two consecutive years of generating over \$8 billion. The biggest privatization implementation in 2007 was the public offering of a 24.98 percent stake in Halkbank, the country's second biggest state bank for \$1.846 billion. The other major sale was the transfer of 96,505 square meters of prime property in central Istanbul owned by the State Highways Department to Turkey's Zorlu Holding for \$800 million.

The ÖİB also leased out for 36 years the Port of Mersin, on the Mediterranean Coast, for \$755 million, to a joint venture between Turkey's Afken Holding and the Singaporean PSA International, which operates 26 ports in 15 countries in Asia, Europe and the Americas. The ÖİB also sold the government's Motor Vehicle Inspection Centers to a consortium that included the Doguş Group, Afken Holding and TUV of Germany for \$615.5 million.

The biggest privatization to date was the Saudi Group Oger Telecom's acquisition of 55% of Türk Telekom in 2005 for \$6.5 billion.

<b>MAJOR SALES OF STATE ASSETS CARRIED OUT BY THE PRIVATIZATION ADMINISTRATION IN 2007</b>		
<b>Company Privatized</b>	<b>Acquiring Company</b>	<b>Purchase Amount in Million U.S. Dollars</b>
Halkbank (24.98 percent share sale)	Public Offering	1,846.000
96,505 square meters of property owned by the State Highways department in Istanbul	Zorlu Holding	800.000
TCDD's Port of Mersin (36-year lease)	Akfen Holding-PSA	755.000
Motor Vehicle Inspection Centers	TuvTurk Kuzey Taşıt Muayene İstasyonlarr Yapım ve İşletim A.Ş.	615.500
Tekel	Istanbul property	51.000
Emekli Sandığı's Çelik Palas Hotel in Bursa	MSN Yapi-Cenor Group	38.900
TDCI's Deveci Iron Mines	Kolin İnşaat Turizm	21.500
	<b>Total Sales</b>	<b>4,665,900**</b>

*\*\*Includes minor land sales.*

*Source: Privatization Administration (ÖİB)*

In 2008, the ÖİB is expected to complete the privatization of Sigara Sanayi İşletmeleri, the cigarette manufacturing arm of the former state tobacco and salt monopoly Tekel; and the Ports of Izmir, on the Aegean, and Bandırma and Derince, along the Sea of Marmara, and Samsun, on the Black Sea Coast, and petrochemical concern Petkim.

**The Privatization Higher Council (OYK)** in 2007 approved the sale of the **State Railway's (TCDD's) Port of Derince**, in the Gulf of Izmit, along the northeastern shores of the Sea of Marmara, to Turkey's **Turkerler Investment Enterprise Group** for \$195.250 million. The port is located close to key industrial regions of Istanbul, Izmit and Adapazari and is operated by the **TCDD**. Under the tender specifications, the winner will operate the port for 36 years, and will

have to carry out \$250 million in new investments. A contract will be signed pending approval from competition authorities.

The **OYK** also endorsed the transfer of the operating rights of the **Port of Izmir** to **Global Holding, Hutchison, Deutsche Bank** and **Aegean Exporters' Association Port Services Joint Venture** for \$1.275 billion. The **State Railways Administration (TCDD)** owns the port, which had an annual turnover of \$103 million and a 11-ton annual capacity in 2005. The port employs 403 persons. Under the tender conditions, the winners of the auction will operate the port, Turkey's third biggest maritime gateway after **Haydarpaşa Port** in Istanbul and the **Port of Mersin** on the Mediterranean, for 49 years.

On February 22, 2008, **British American Tobacco (BAT)** was the highest bidder for the six cigarette plants of **Sigara Sanayi** with a \$1.720 billion offer. Other bidders included CVCI-Doğan-TÜTSAB joint venture; and a partnership that included British-based institutional investors CINVEN and Turkish investment group Strand Investment S.A.R.L. Should the sale proceed, BAT would increase its share in the Turkish tobacco market to 36 percent from its current 7 percent share.

The Privatization Administration is expected to tender several major projects in 2008:

- Some 29 major power plants in the next phase of the privatization of state economic enterprises.
- The remaining 75.02 percent stake in state-owned **Turkiye Halk Bankasi (Halkbank)**, Turkey's sixth biggest commercial bank, in block sales.
- Privatization of Turkey's 20 power distribution companies, postponed due to last year's general elections, will resume. The power distribution companies control 800,000 km of power lines, and 2,500 transformers and have a total 29 million subscribers. Investment analysts predicted that the country could attract more than \$10 billion in funds through the tendering process because of the intense competition, although the power distribution companies had a market value of \$3.2 billion. The Privatization Administration (OIB) last year indefinitely postponed tenders for the block sale of 100 percent share in three electricity distribution companies because of general elections. The three companies were: **AYEDAŞ (Istanbul Anatolian Side Electricity Distribution Company)**, which operates on the Asian side of Istanbul province; **Capital City (Başkent) Electricity Distribution Company**, which covers the provinces of Ankara, Kirikkale, Zonguldak, Bartın, Karabük, Cankırı and Kastamonu, in northwest Anatolia; **Sakarya Electricity Distribution Company**, covering the provinces of Sakarya, Bolu, Düzce and Kocaeli also in northwest Anatolia. Nearly 30 domestic and international companies had prequalified with more than 80 separate bids for the three companies. Among the companies or groups that had submitted prequalification bids, included Koç Holding, Enerjisa (Sabancı Holding), Zorlu Enerji, Çalık Enerji, Boydak Holding, Park Holding, Ak Enerji (Akkök Group), and Doğu-Anadolu-Doğan Holdings Consortium, and Turcas Petrolcülük. The foreign partners were Germany's E.On, RWE, and Siemens, Spain's Iberdrola and Endesa, Italy's Enel, Belgium-based Unit, AES of the U.S. and Citygroup of Malaysia.

**ELECTRICITY DISTRIBUTION REGIONS TO BE PRIVATIZED**

1	Dicle (Diyarbakir, Mardin, Siirt, Sanliurfa, Batman and Sirknak provinces)	12	Uludağ (Balikesir, Bursa, Yalova and Canakkale)
2	Van Gölü (Van, Hakkari, Muş, Bitlis)	13	Trakya (Edirne, Kirklareli and Tekirdağ)
3	Aras (Erzurum, Agri, Kars, Ardahan, Erzincan, Bayburt, and Iğdır)	14	AYEDAS (Asian side of Istanbul)
4	Çoruh (Trabzon, Rize, Artvin, Gümüşhane and Giresun)	15	Sakarya Electric ( Sakarya, Bolu, Düzce and Kocaeli)
5	Fırat (Bingöl, Elazığ, Malatya, Tunceli)	16	Osmangazi (Eskişehir, Bilecik, Afyon, Kütahya, and Uşak)
6	Çamlıbel (Sivas, Tokat, Yozgat)	17	Boğaziçi (Istanbul – European Side)
7	Toroslar (Adana, Mersin, Osmaniye, Hatay, Gaziantep and Kilis)	18	Kayseri (Kayseri province)**
8	Meram (8 <sup>th</sup> Region covering Kirsehir, Nevsehir, Nigde, Aksaray, Konya and Karaman)	19	Menderes (Aydın, Denizli and Mugla)
9	Başkent Elektrik Dağıtım (9 <sup>th</sup> Region, covering Ankara, Kirikkale, Zonguldak, Bartın, Karabük, Çankırı and Kastamonu)	20	Göksu (Adıyaman and Kahramanmaraş)
10	Akdeniz (Antalya, Burdur and Isparta)	21	Yeşilirmak (Amasya, Çorum, Ordu, Samsun and Sivas)
11	Gediz (Izmir and Manisa)		

*\*Each region with the exception of Istanbul province represents a single or several provinces. Power distribution in Istanbul province is separated in two regions the European side and the Asian side.*

*\*\*Power distribution in Kayseri province has already been privatized.*

*Source: TEDAS*

- The government plans to transfer the operating license of Milli Piyango, the national lottery, possibly in 2008. In 2006, it had sales of \$922 million.
- The remaining 45 percent state shares in the partially privatized telecommunications company Turk Telekom will be sold in a public offering.
- The OIB plans to privatize the Bosphorus Bridge and the Faith Sultan Mehmet Bridge and nine toll express roads. The express roads are: the Edirne-Istanbul-Ankara Express Road; Pozantı-Tarsus-Mersin Express Road; Tarsus-Adana-Gaziantep Express Road; Toprakkale-Iskenderun Express Road; Izmir-Aydın Express Road; Gaziantep-Sanlı Urfa Express Road; Izmir and Ankara Ring Roads.
- The OIB launched tenders in February for the privatization of the State Railways Ports of Bandırma and Samsun.

Privatization is also being carried out by the Savings Deposits Insurance Fund (TMSF), a state banking receivership fund that is selling companies and assets of more than 20 banks that collapsed since 1997. Other state agencies and banks are also involved in privatization.

Major sales carried out by the TMSF in the past two years were the mobile phone services operator Telsim to Britain's Vodafone for \$4.550 billion and a series of television channels and cement companies that were previously owned by the controversial Uzan Group but taken over by the receivership fund against its debts to the state over the collapse of its İmarbank.

The State Airports' Authority gave a 17-year management contract for the terminal of the Antalya International Airport to the joint venture of Turkey's Ibrahim Çeçen Holding and Germany's Fraport AG, the operator of Frankfurt International Airport, for \$3.197 billion. It also leased Istanbul Atatürk Airport Terminals to Tepe-Akfen Ventures in 2006 for 15 years for \$2.950 billion.

Turkey's Maritime Organization plans to transfer the operational rights of Galataport, the project for the renewal and operations of Istanbul's old passenger liner gateway, for 49 years, possibly in 2008. The first tender in February 2006 was cancelled after the State Planning Organization refused to approve the transfer of shares of Galataport to a consortium led by Israeli businessman Sammy Ofer's Royal Caribbean Cruises and Turkey's Global Investment Holding, because of irregularities in the tender. The consortium had offered \$4.3 billion for Galataport. The new port will help transform Karaköy, a former 15<sup>th</sup> Century Venetian neighborhood with rundown, crowded, old apartment buildings, shabby business offices, port facilities, mosques, churches and synagogues, into the "new Barcelona" of Istanbul, in a major urban renewal. Some 5,000 historic buildings in the district will be renovated, and Istanbul's public brothels, located in Karaköy, will be moved outside the city. The Galataport Project, located between TDI Headquarters in Karaköy, next to the ferryboat landings, and Chamber of Maritime Commerce in Fındıklı, would include three hotels, restaurants, cinemas, convention centers, new customs facilities, cultural centers, playgrounds, a shopping center, a museum and a large automobile park, and a new quay.

The State Railways Administration (TCDD) is planning to lease out its 904 train stations and terminals in 57 provinces to the private sector possibly in 2008, in the greatest reform in the 80-year history of Turkey's biggest money-losing state economic enterprise. The TCDD intends to raise \$500 million annually through the leases that would allow the private sector to build hotels, cafes, restaurants and shopping centers at the stations and terminals. The biggest prize of all would be the Haydarpaşa Terminal Project, in Istanbul, where the government wants the private sector to invest \$7 billion dollar plan to transform it and the surrounding areas into a major shopping, cultural and tourist hub with five-star hotels with a bed capacity of 9,000, public parks, a convention center, yachting marinas, theaters, shopping malls, deluxe restaurants, marinas, and seven tulip-shaped skyscrapers to symbolize the city (originally built on seven hills).

The Undersecretariat of Defense in 2008 was expected to conclude a 20-year management contract for the international terminal of Istanbul's **Sabiha Gökçen Airport**, Istanbul's second biggest international airport. The new airport management company is expected to raise the capacity of the terminal to 10 million passengers a year from the current 3 million and build a new international flights terminal and other facilities. A Turkish-Indian-Malaysian consortium, led by the **Limak İnşaat**, was the highest bidder for operational rights to the international terminal of Istanbul's **Sabiha Gökçen Airport** with a \$3.5 billion bid on July 8, 2007. The winning consortium was **Limak İnşaat A.S. (Turkey), GMR Infrastructure Ltd (India) and Malaysia Airports Holding Joint Venture**. The **Sabiha Gökçen Airport** is located on

Istanbul's Asian side and is the city's second biggest international airport. It is used mainly for local and international charter flights.

<b>STATE COMPANIES UNDER THE CONTROL OF THE PRIVATIZATION ADMINISTRATION BOARD (ÖİB)</b>			
<b>NAME OF THE COMPANY</b>		<b>INDUSTRY</b>	<b>Share of ÖİB (%)</b>
1	<b><u>Sümer Holding A.Ş.</u></b> *	Textile, leather, ceramics, carpet, sugar	100.00
2	<b><u>Sümer Halı A.Ş.</u></b>	Carpet	100.00
3	<b><u>T. Denizcilik İşletmeleri</u></b> *	Maritime	100.00
4	<b><u>Tobacco, Tobacco Products, Salt and Alcohol Enterprises Inc. (TEKEL)</u></b> *	Tobacco Products, Salt	100.00
5	<b><u>Turkish Electricity Distribution Inc (TEDAS)</u></b>	Electricity Distribution	100.00
6	<b>Ankara Doğal Elektrik Üretim ve Ticaret A.Ş.</b>	Electricity Production	100.00
7	<b><u>Türkiye Şeker Fabrikaları A.Ş.</u></b> *	Sugar processing	100.00
8	<b><u>KBİ-Karadeniz Bakır İşlet.</u></b> *	Copper	99.99
9	<b><u>T.Halk Bankası A.Ş.</u></b> *	Banking	75.00
10	<b><u>Petkim Petrokimya Hold. A.Ş.</u></b> *	Petrochemicals	61.32
11	<b><u>Doğusan Boru Sanayi ve Ticaret A.Ş.</u></b>	Pipe Production	<u>56.09</u>
12	<b><u>Turkish Airlines (THY)</u></b> *	Airline	49.00
13	<b><u>Türk Arap Pazarlama A.Ş.</u></b>	Marketing	12.50
14	<b><u>Kayseri Şeker Fabrikası A.Ş.</u></b>	Sugar processing	10.00
15	<b><u>T.İş Bankası</u></b>	<u>Banking</u>	0.000001

*\*Some of the assets/ or shares of these companies have been privatized  
Source: Privatization Administration*

### **ENTITIES IN THE PRIVATIZATION PORTFOLIO MOTORWAYS AND BRIDGES**

<b><u>Toll Motorways</u></b>		<b><u>Bosphorus Bridges</u></b>	
1.	<b><u>Pozantı-Tarsus-Mersin</u></b>	1.	<b><u>Boğaziçi (Bosphorus)</u></b>
2.	<b><u>Edirne-İstanbul-Ankara</u></b>	2.	<b><u>Fatih Sultan Mehmet</u></b>
3.	<b><u>Tarsus-Adana-Gaziantep</u></b>		
4.	<b><u>Toprakkale-İskenderun</u></b>		
5.	<b><u>İzmir-Ceşme</u></b>		
6.	<b><u>İzmir-Aydın</u></b>		
7.	<b><u>Gaziantep-Şanlıurfa</u></b>		
8.	<b><u>İzmir ve Ankara Çevre</u></b>		

**ELECTRICITY ASSETS**

1	Çatalağzı Lignite Generation Plant	16	Suatağurlu Hydroelectric Generation Plant
2	Orhaneli Lignite Generation Plant	17	Kılıçkaya Hydroelectric Generation Plant
3	Seyitömer Lignite Generation Plant	18	Çamlığöze Hydroelectric Generation Plant
4	Ambarlı Doğalgaz Lignite Generation Plant	19	Ataköy Hydroelectric Generation Plant
5	Ambarlı Fueloil Lignite Generation Plant	20	Köklüce Hydroelectric Generation Plant
6	Hopa Lignite Generation Plant	21	Almus Hydroelectric Generation Plant
7	Aliğa K.Ç.G.T. Lignite Generation Plant	22	Sarıyar Hydroelectric Generation Plant
8	Bursa Gas Lignite Generation Plant	23	Oymapınar Dam Hydroelectric Gen. Plant
9	Lignite Generation Plant	24	Gökçekaya Hydroelectric Generation Plant
10	Altınkaya Hydroelectric Generation Plant	25	Yenice Hydroelectric Generation Plant
11	Hirfanlı Hydroelectric Generation Plant	26	Beyköy Hydroelectric Generation Plant
12	Kesikköprü Hydroelectric Generation Plant	27	River Plants*
13	Derbent Hydroelectric Generation Plant	28	Electricity Distribution Inc. (TEDAŞ)
14	Kapulukaya Hydroelectric Generation Plant		
15	Hasanığurlu Hydroelectric Generation Plant		

\*54 small river plants

Source: Privatization Administration Board (OIB)

**OTHER ENTITIES IN THE PRIVATIZATION PROGRAM**

PORTS		OTHERS	
1.	<a href="#">State Railway's</a> Bandırma Port	1.	Foça Holiday Resort
2.	<a href="#">State Railway's</a> İzmir Port		
3.	<a href="#">State Railway's</a> Samsun Port		
4.	<a href="#">State Railway's</a> Derince Port		
5.	<a href="#">İzmir-Çeşme</a>		

Source: Privatization Administration

Foreign Investment

In 2007, Turkey pulled in a record \$21.873 billion in foreign direct investment, the Central Bank of Turkey reported. In 2006, the nation attracted a record \$20.1 billion in foreign direct investment (FDI), twice the amount of foreign investment that entered the nation in 2005 and 79 times more than the amount of investment that the country absorbed from 1954 to 1980. Turkey in 2006 ranked 16<sup>th</sup> in the world in attracting FDI and fifth among emerging markets.

About 70 percent of the FDI has been in mergers and acquisitions and the remaining has been in greenfield investments.

*“Turkey has the potential to attract five percent of its GNP -- around \$25 billion -- in foreign investment every year,”* Mustafa Alper, secretary general of the Foreign Investors’ Association (YASED), declared in an interview.

Turkish authorities are approaching FDI without discriminating about the sector or origin, but give special attention to investments that will bring new jobs, know-how and generate value-added to the economy. Investments in information and communications technology, machine tools, machinery, metal processing, logistics and automotive industry, food processing, pharmaceuticals, energy, services and infrastructure are being particularly encouraged.

Consumer-oriented service companies are pouring into the country, mesmerized by the country’s young population and rapidly changing shopping habits.

From an interview with Emir Sarpyener, chief executive officer of Raymond James Securities Turkey:

**Emir Sarpyener:** *The main advantage of investing in Turkey is the immense growth potential of the country. Although there has been substantial increases in the prices of assets and public companies during the last few years, investment in Turkey and/or Turkish companies still offer attractive returns. The main challenge seems to be the lack of financial reporting standards for small and medium sized companies. This is usually quite challenging in mergers and acquisitions of foreign companies with Turkish medium sized companies. Most promising sectors for foreign investors are real estate, real estate related sectors and some services sectors such as private healthcare and education. Healthcare is a rising star industry as the purchasing power of the people increase they are eager to spend more on important health services at private institutions rather than inefficient public hospitals. Education is important and attractive due to the still increasing number of the young population. Real estate is continuing its boom and spreading to other cities than major cities and this is also helping the related sectors such as construction materials.*

The two largest foreign investments in Turkey in the first two months of 2008 were:

- Britain’s BC Partners’ acquisition in February of Koç Holding’s 50.83 percent share in Migros, Turkey’s biggest retailer, for \$1.645 billion.
- France financial giant AXA purchase of the Armed Forces Pension Fund’s 50 percent stake in AXA Oyak Holding for \$525 million. The acquisition gives AXA complete control over insurance companies AXA Oyak Sigorta and AXA Oyak Hayat Sigorta, two of the biggest in their fields of general and life insurance.

## **Mergers and Acquisitions**

In 2007, Turkey had 182 cases of mergers and acquisitions (M&A), totaling an estimated \$26.7 billion in investment, the U.S. consultancy company Ernest & Young said in a report published in January 2008.

It said that \$6.651 billion in M&A activity involved airport management, \$6.631 billion financial services, \$3.043 billion transportation and logistics, \$2.040 billion petrochemicals, \$1.472 billion media and entertainment, \$1.223 billion real estate development, \$765 million food and beverages companies, \$682 billion energy projects, \$650 million manufacturing, \$612 pharmaceuticals, \$422 million information and communications technology, \$352 million tourism, and \$1.215 billion other fields.

Some 31 of the M&A transactions were in financial services, 20 were in energy, 16 were in food and beverages, 16 were in real estate development, 15 were in media and entertainment, 14 were in manufacturing, nine were in retailing, eight were in cement production, eight were in information and communications technology, seven were in health, seven were in transportation and logistics. Thirty-one transactions were in other fields.

In 2007, the report said \$16.9 billion of the M&A activity were carried out by foreign investors, while \$8.6 billion were handled by Turkish firms, compared to \$16.6 billion by foreigners and \$1.7 billion by domestic companies in 2007. Some 92 of the cases were carried out by foreign investors, while 90 were carried out by domestic companies.