

# ECONOMIC DIALOGUE Turkey

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## Victory of a heroic nation

Turkey defends  
democracy, proves national  
will is the strongest antidote  
to coup. **Page 20**

Deputy Prime Minister  
Republic of Turkey

**MEHMET  
ŞİMŞEK**

**There is  
lots of  
work to be  
done**

"We are eager to materialize our commitments  
to our society and international community." **Page 08**





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Rise and Fall of  
Everything



Yavuz Canevi  
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Coup attempt's  
effect on exports were  
minimal



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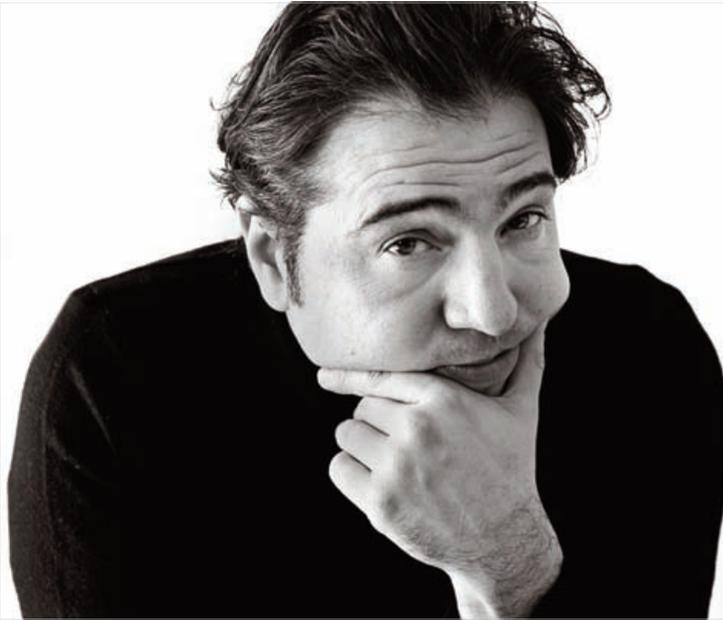
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Turkish Musician  
Awarded  
International  
Secularism Prize

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# Rise and Fall of Everything

21st Century's complex and 'matrix-like' structure is a good proof of the fact that our current 'multi-polar' world is in badly need a kind of leadership based on 'collective mind' and 'sharing spirit'. This is the major challenge for the world.

OUTLOOK



**YAVUZ  
CANEVI**

Chairman of Forum  
Istanbul - Chairman  
of Türk Ekonomi  
Bankası (TEB)

G

lobalization was the key word for the well being of the world population of both emerging countries as well as developed countries, until 2008 Global Financial Crisis.

Since then economists have started to criticize heavily globalization because of the fact that it did not deliver what it was believed to deliver, instead it has caused:

- 
- Maldistribution of gains nationally and internationally
  - It has increased inequality between rich and poor
  - It has reduced the growth of global trade and almost buried the WTO spirit
  - It has encouraged regional trade packs like TTIP, TPP
  - EU to break up with Brexit leading the way
- 

In fact, we have been witnessing some counter-intuitive outcomes such as rising terror and Islamophobia, rising nationalism, racism and protectionism, US Presidential race, Russia's increasing role in the Syrian war, a strange failed coup d'état in Turkey, the sustainability of negative interest rates and stimulus-economics and last but not the least creative destruction of deepening global digitalization and interconnectivity.

On top of all these the lack of global leadership that we enjoyed during the 80's did not help to find a global solution.

At the same time, so called global institutions (Bretton Woods) were not capable of coping with this globalization driven financial and economic developments. Let us admit that the shift of economic power from the old world to the new world, like China, India is requiring a totally new approach which requires a new definition of global leadership who is prepared for a shared wisdom of which the world is lacking currently. 21<sup>st</sup> Century's complex and 'matrix-like' structure is a good proof of the fact that our current 'multi-polar' world is in badly need a kind of leadership based on 'collective mind' and 'sharing spirit'. This is the major challenge for the world. As the Nobel laureate economist Stiglitz puts it this is time to think about "taming the globalization".



## National Outlook Rise and Fall of Coups d'état

In the last 60 years Turkey has faced couple of "Coups d'état." People in Turkey like me who have witnessed all of them since 1960, almost believed and convinced that this era was over, until July 15, 2016. On that particular night something strange occurred that no one properly described it. A group out of the Turkish military forces who is known as the strongest defender of secular democratic republic tried to attempt a "Coup d'Etat" and failed. Thanks to the citizens who rushed to the streets and squares to protest.

Now we understand that those plotters have been silently and disguisedly implanted in the arm forces as well as other government institutions, from judiciary to the education and security forces for the last 40-50 years by Gulenist movement. These people could not be the representatives of traditional Turkish military. In fact these plotters did not meet any model of human being not to mention soldiers. They are a kind of GMO, i.e. Genetically Modified Organism, who are brainwashed and robotized by those who believed and claimed themselves as "moderate Islam" and by unfortunately the promoters of the moderate Islam in the western world. In fact EU and in general Western World, rather than encouraging a secular, democratic Turkey, they preferred to support an unrealistic model of "Moderate Islamist Turkey."



Unfortunately Turkish Governments for the last 40-50 years also fell for the same misconception and time to time cooperated with the forces of moderate Islam in Turkey without knowing their real agenda.

This failed Coup d'Etat attempt reminded one thing and at the same time revealed another thing. It reminded that the Turkey's vulnerability to the military intervention was still there, despite the markets perception of the opposite for decades.

However it also revealed that in the society, there is a newly developed, highly strong middle-class. This new asset of the society proved to be willing and able to be mobilized against extremist threats and stability destructions. Therefore Turkey's vulnerability to any coup d'Etat is out of question today, once for all.

Turkey owes this new "Asset" to AKP's political economy. In fact over the past nearly two decades, Turkey has gone through a remarkable

transformation including massive infrastructural investments, support of SMES, improvement in health services, expansion of trade and export sector and development of tourism. No doubt Turkey has transformed itself from Europe's sick man into one of its most vibrant economies. However no one denies the middle income trap and the need for new generation of reforms today.

Indeed, what has occurred in July 15, does not reflect only a power struggle between government and its challengers, it also highlights the determination of the new "middle class" to ensure that Turkey does not revert to a political system that would damage its recent economic and political gains. We should really read correctly this new middle class power. Because they have prospered due to the free, deregulated and decentralized open market environment. So, they will not support regime that fails to advance its interests and deliver



economic prosperity. Therefore a prosperous and inclusive democracy is the only way out for Turkey and it would restore a model that the countries of the wider middle East desperately need, not the “Hypothetical Moderate Islam”.

This is why EU anchor is important. In other word, EU anchor is the easiest and safest way to guarantee further democratization and strengthening and improving the credibility of the country. In reality, credibility trap is much important and crucial than middle income and productivity trap.

In fact EU anchor is still remains a kind of “Life Jacket” for Turkey because it is inclusive of major structural reforms, like further democratization, freedom of speech, rule of law, good governance, improved business environment and transparency.

Let us face it,

Turkey happens to be in a strategic location where conflict brews between the forces of

secularism and Islamism, democracy and autocracy.

That is why Turkey has been so patient to use EU anchor for the last 55 years to be part of the western values which are a combination of secular democracy with a free market economy. However EU has been dragging its feet and keeps on marginalizing the country. This was simply not fair due to the fact that Turkey is too intertwined with the west:

Economically Turkey’s main trading partner is EU reaching \$150 billion, six times larger than Russia. Foreign Direct Investment and portfolio investment also 90% comes from the west, Turkey is one of the Loyal members of the Western Security alliance, like NATO.

Therefore, EU and the West (USA) have no excuse not to keep Turkey in their secular democratic camp. 50 years of patient and marginalization of the country has caused a big disappointment already. It is time to rethink.

In retrospect as FITCH stated recently, overwhelming public opposition to the coup attempt and subsequent unity of major political camps was the most important and valuable outcome of this failed attempt. This could and I sincerely believe will lessen political instability. That is why time is ripe for a new, forward looking social contract to establish a more deepened and institutionalized democratic platform. This is another rare opportunity again to consolidate Turkey’s strength. If Turkey manages to do this in short period of time the image of the country will be quickly restored and international markets perception will reward Turkey.

In fact long time stagnation of growth, negative interest rates, low yields in the developed world caused serious frustration leading to a strategy shift for the international institutional investors and fund managers, toward EMs like Turkey which have been traditionally avoided. It is true however that this was a “Push factor” shift rather than “Pull factor” At this Juncture, for an EM, it is extremely crucial that it carries an “Investment Grade” by at least two Rating Agencies. Turkey is aware of this critical issue and is trying to push hardly a new generation reforms which will improve the productivity and push the growth upward in sustainable way. Therefore Turkey is determined to combine push and pull factor to have competitive advantage among the EMs. EDT



Interview with Mehmet Şimşek, Deputy Prime Minister Republic of Turkey

# “There is lots of work to be done”

We have launched comprehensive structural reform agenda in order to reach targets in Medium Term Programs. With the help of reforms we will increase the contribution of productivity and investments, decrease the current account deficit and ultimately upgrade from an upper middle income country to a high income country and increase the welfare of our society.

**What kind of a picture do you get when you evaluate the economic indications before and after the coup attempt of July 15? What was the effect created by the coup attempt on the economy? Were these effects surmounted?**

The failed coup attempt was an extraordinary stress test for our economy. As a response we have immediately taken all necessary measures to ensure efficient

functioning of economy and markets without allowing any contrary effect to emerge. Thanks to our well-established financial markets and measures taken by our government and relevant institutions, the impacts were measurable and short-lived. In a very short period of time we have seen a quick recovery in our financial markets. This impetuous normalization is a clear indication of our economy’s strong and solid macro fundamentals.

The real sector and daily business activity in Turkey have not experienced any significant impact stemming from this deplorable development. Turkish economy keeps functioning efficiently in its natural way.

In the first week following the event, the Turkish Lira has depreciated 6% against USD and 5% against EUR while BIST100 decreased by 13% and government domestic bond yields increased by 90 bp since July 15. In addition, the country risk premium has deteriorated somewhat as Turkey's CDS (5 years) premium increased by 60 bp during the same period. Turkey experienced almost USD 1 billion worth of portfolio outflow from equity and government bonds held by non-residents in the second half of July.

Together with the favorable outlook of global risk appetite, the market indicators exhibited a tendency of strong rebound. As of September 7, 2016 Turkish Lira has depreciated 1.6% against USD and 2.6% against EUR while BIST100 decreased by 6.3% and government domestic bond yields increased by 30 bp since July 15. In addition, the country risk premium has deteriorated slightly as Turkey's CDS (5 years) premium increased by 12 bp during the same period.

We expect a significant amount of capital inflow in the coming months due to the new cash repatriation law, put into force on August 19<sup>th</sup>. We want our citizens abroad to bring their assets back into Turkey with no tax

obligation whatsoever. There was a modest slowdown in economic activity in the second quarter of 2016. Nevertheless, in July, industrial production declined significantly due to less working days compare to last year and the effect of unsuccessful coup attempt. However, we have a strong export growth in August. So we expect that the negative effect of failed coup attempt on economic activity will be temporary.

We have full determination to keep going with the rest of the reform agenda. There is lots of work to be done and we are eager to materialize our commitments to our society and international community.

**Turkey has shown a better performance than most countries with regarding to economy in 2016. What will be Turkey's economic growth realizations by year's end? Will the targets predicted in the medium term program be realized?**

In 2015, Turkish economy grew by 4.0%, more than twice the growth rate of EMs excluding China and India (1.7%). This growth was achieved in spite of

two general elections held last year, increasing geopolitical tensions in our region, weak performance in our trade partners and the volatility in global financial markets.

In the first quarter of 2016 GDP growth realized as 4.8%. Domestic demand was buoyant. However, the contribution of net external demand was negative because of relatively low demand in export markets mostly due to the relations with Russia, geopolitical tensions around us and weaker demand in oil exporter countries.

In the upcoming period, one of the main downside risks on growth arises from tourism sector. Tourism industry has been affected negatively by Russian sanctions and domestic developments in 2016. However, the improvement in relations with Russia is anticipated to limit this negative effect to some extent in the upcoming months.

Furthermore, in the upcoming period coup attempt might create a moderate slowdown in consumption and in investment demand via expectation channel.

In the Medium Term Program (2016-2018), growth rate projection for 2016 was 4.5%. When the global and domestic factors are taken into account, growth rate could realize below 4% in 2016. We have launched comprehensive structural reform agenda in order to reach targets in MTPs. With the help of reforms we will increase the contribution of productivity and investments, decrease the current account deficit and ultimately upgrade from an upper





middle income country to a high income country and increase the welfare of our society.

**In spite of Turkey's better performance than most countries with regard to economic indications, these are not reflected in the credit ratings of the rating agencies. How do you regard the attitude of rating agencies toward Turkey?**

Turkey made great progress in transforming its economy into a stable, dynamic and well-functioning market economy thanks to the prudent macroeconomic policies and comprehensive structural reforms implemented in the last fourteen years. Turkey has strong macroeconomic fundamentals such as solid fiscal position, resilient and profitable banking sector and sound households balance sheet with no open FX position. Turkish economy has

asserted resilience to external shocks during unfavorable global financial conditions since mid-2013 although many analysts listed Turkey among most vulnerable countries.

Therefore, as Turkish government, we insist on our claim that Turkish economy is underestimated regarding to its position and performance. Very soon after the coup attempt of July 15, a similar action was taken by S&P that downgraded Turkey's credit rating which did not find consistent response in the markets. Investor perception about Turkey did not deteriorate significantly after the S&P's haste downgrade. I would comfortably state that the S&P's latest rating action lacks reasonable basis while no significant deterioration has been observed in the country's macroeconomic indicators.

Credit rating agencies are expected to fulfill a function of

concretizing the information regarding to financial position and credibility of issuers via rating. Thus, they should focus on analyzing macroeconomic fundamentals rather than cyclical situation. In addition, some failures in the evaluations of credit rating agencies particularly before the global crisis have observed which led to questions about their reliability.

Thus, there is no doubt that the market participants make good use of many tools apart from credit ratings to analyze the credibility of countries. In this regard, I would like to emphasize that credit ratings agencies should pay greater attention to reflect the true picture of financial position and credibility to their ratings.

**You have emphasized the reforms Turkey should make in many platforms. What are your priority reforms in economy**

**management? For the international investors, what will be the attractive aspects of the new incentive system?**

Our ultimate goal is to upgrade Turkey from an upper middle income country to a high income country and increase the welfare of our society. Thanks to the strong support from different segments of society after the failed coup attempt, we have speeded up the reform process and put a strong will to boost investment and savings with eagerness. So far, we have made fast progress in accomplishing our reform agenda. We passed a Bill on improving investment climate, introduced automatic enrollment to private pensions, established a Sovereign Wealth, implemented labor market flexibility / participation enhancing regulations, enacted “International Workforce Law”

including Turquoise Card, incentivized R&D, and introduced “Dowry and Housing Accounts Schemes” and a project-based flexible investment incentive scheme.

With the help of these regulations, Turkey will become the 14<sup>th</sup> country in the World Bank’s Ease of Starting a Business Index from its current rank in 94<sup>th</sup> place.

As of September, a more flexible, project-based incentive system is put into force in order to support strategic investment projects. In this context;

- We aim to reduce the bureaucratic burden of the investors,
- We will cover the state insurance premium share of the investors up to 10 years,
- We will decrease the energy cost of investor companies by a determined portion,

- We will give support for employees with high skills and qualifications,
- We will introduce project-specific tax incentives including corporate tax reduction and exemptions.

On the other side, we put emphasis on encouraging households to save more via,

- Severance pay reform,
- Auto-enrollment in private pension system,
- Dowry and First Time House Buyers Schemes.

**How would you describe Turkey to international investors in spite of the impression that is created for Turkey?**

Turkey has been passing through a challenging period since mid-2013. It was the political stability brought by the government that enabled a smooth transition during this period. By implementing decisive, well-designed and prudent macroeconomic policies, the stability and confidence has been restored in the economy wide.

All institutions of Turkey are on job as regular. Efficient functioning of economy and markets has been ensured in Turkey for more than a decade.

Thus, Turkish economy has managed to maintain its robust position despite unfavorable environment. Turkish banking sector is safe and sound with strong capital structure and high asset quality. Turkish households





enjoy good financial position with low indebtedness no of which is FX denominated. Turkish government keeps pursuing well-disciplined public finance. No deterioration has been experienced in debt service performance of corporate sector despite recent fluctuations in financial markets.

Turkish corporate sector has sufficient margins to absorb the possible negative effects of unfavorable developments. I should emphasize that effects of extraordinary events and external shocks remain limited to financial markets and short-lived thanks to Turkey's strong fundamentals and measures taken by the government and institutions.

In addition, macroeconomic developments have been closely monitored by relevant institutions, and all measures will be taken swiftly if deemed necessary. I would like to remind

that Turkey has been perceived as an economic success story to a wider extend in the international platforms with comprehensive economic transformation achieved since early 2000s.

There is no doubt that Turkey has a huge potential in terms of economic growth and development. With its vivid economy, Turkey can easily realize its potential. In the long run perspective, Turkey has some advantage both in demographic structure and capital stock indicator. As Turkish government, we have been constantly introducing reforms to improve Turkey's competitiveness by addressing macroeconomic challenges and improving investment and business climate.

Therefore, I am confident to state that Turkey will continue attract international investments with its strong macroeconomic fundamentals and promising potential.

**At times, certain circles are stating that Turkey is moving away from the EU. Is Turkey really moving away from the EU?**

Turkey continues to take resolute steps towards full membership. Development of democracy and human rights, institutionalization of free market economy and establishment of modern life standards in every field are among the most fundamental dynamics of Turkey's EU policy.

Among 33 chapters 16 of them have been opened and one of them has been closed temporarily. The opening of the chapter 33 was seen as significant since it is usually opened when a candidate nears membership, meaning it was contributing to "keeping the accession process alive." We're committed to the EU accession process. **EDT**

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# TURKISH ECONOMY: FROM REBALANCING TO PRICE STABILITY

Turkey has achieved considerable success in recent years in delivering a rebalancing in the economy. Timely and targeted macro prudential measures have contributed to the sustainability of economic growth. As a consequence, the growth rate has been remarkably stable despite the massive global and geopolitical shocks.



The global financial crisis has led to a reassessment of macroeconomic policy formulation across the globe. Countries have expanded their policy toolkits in recent years to deal with macro financial risks.

The heightened volatility in capital flows during the post-crisis period has led to significant challenges especially for emerging economies by worsening policy trade-offs. Such an environment made additional

macroeconomic and financial policy tools more valuable. Therefore, many central banks have incorporated financial stability into their monetary policy framework.

Against this backdrop, the Central Bank of the Republic of Turkey (CBRT) and the country's regulatory authorities have taken a number of steps in recent years to bolster the resilience of the economy and to provide it with a sustainable and stable growth path. The CBRT developed and adopted a new strategy by end-2010, in which reserve requirements, an interest rate corridor and liquidity management were actively included in the policy toolkit. Moreover, a formal Financial Stability Committee (FSC) was founded to respond to macro-financial risks in a more systematic and coordinated fashion. Accordingly, the Banking Regulation and Supervision Agency has also taken a comprehensive set of measures to contain excessive leverage and to improve households' financial position. The new policy framework has been effective in reducing macro financial risks related to external financial conditions by engineering a "soft landing" of the economy since 2011. It has successfully shifted the composition of aggregate demand towards a more balanced growth path without prejudice to the price stability objective. Coupled with other macro prudential measures taken by other institutions under the



Murat Çetinkaya, Governor of Central Bank of Turkey

auspices of the FSC, the Turkish economy has become more resilient to global shocks. Since 2011, the current account deficit has been on a steady declining trend and the sensitivity of economic activity to capital flow volatility has fallen considerably, implying a more balanced and sustainable growth path.

### **A Balanced Macroeconomic Environment**

The Turkish economy has achieved important progress in the last few years in rebalancing the economy. Both the trends in credit growth and the substantial improvement in the current account balance without any disruption to economic activity have been major improvements in strengthening the resilience of the economy.

Accordingly, Turkey's economy now rests on a firmer and more stable footing. Growth has been stable, reaching an average of 4.4

percent between 2011 and 2015, and has withstood many episodes of global turmoil since 2011, such as the European banking crisis, the Fed taper tantrum and the rate hike, the Chinese rebalancing and the recent geopolitical risks.

In the period after 2011, several steps have been taken for loan growth, aiming to preserve financial stability and to improve financial deepening simultaneously. It should be stressed that these steps have produced valuable results such as diminishing current account deficit and changing the credit composition in favor of commercial loans.

Not only has the current account deficit reduced markedly in recent years, but the composition of external financing has also improved significantly. The CBRT has used reserve requirement policies to improve the composition of bank liabilities. To this end, reserve





macro prudential measures that incentivize banks to prefer long term borrowing over short term, domestic currency borrowing over foreign currency, and to rely on core liabilities over non-core liabilities helps to contain the associated risks regarding external borrowing, also strengthening the monetary policy transmission mechanism.

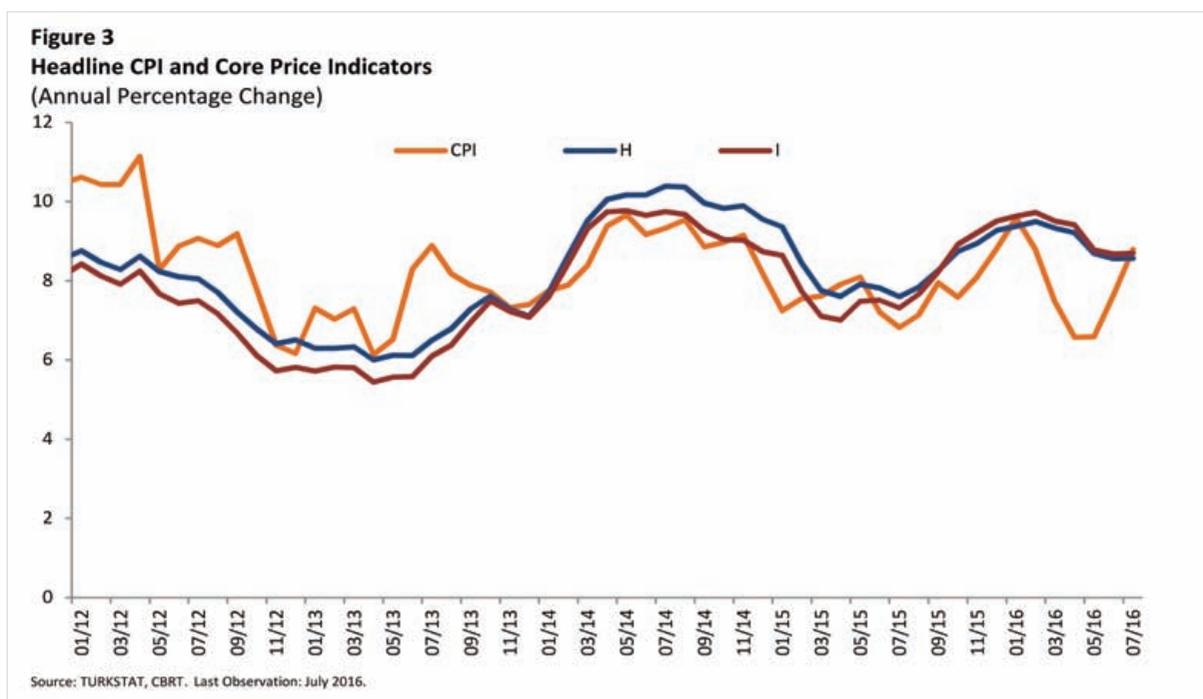
The CBRT has maintained a cautious monetary policy stance against inflationary pressures without hampering financial stability. Turkey has managed to keep inflation under control despite significant external shocks which led to a sizeable depreciation in the domestic currency since 2011. Although pass-through effects caused the targets to be missed on the upside, inflation remained in single digits, hovering around 8 percent in recent years.

Recently, inflationary pressures have eased due to relatively stable exchange rates and the low course of commodity prices. The tight financial conditions are also containing domestic demand and supporting the disinflation process.

Accordingly, core inflation indicators have trended downwards in the first half of the year, although headline inflation remained volatile due to unprocessed food prices (*Figure 3*). Inflation is expected to fall to 7.5 percent at the end of 2016. The CBRT will adopt a gradual but decisive approach to bring down inflation to the target of 5 percent in the medium term. Accordingly, inflation expectations and the pricing behavior will be closely monitored and a cautious monetary policy stance will be maintained.

### **Return to Normal Times and Simplification of the CBRT Policy Framework**

The CBRT introduced a number of unconventional tools to contain the challenges related to the excessively expansionary liquidity across the globe. These tools increased the flexibility of monetary policy, and proved useful in managing the impact of those rapid swings in external financial conditions. On the other hand, the inherently complex nature of the new tools has complicated the communication of monetary policy through time. Therefore, following the normalization signals by the Fed and the waning global volatility, the CBRT decided to gradually simplify its monetary policy framework and announced a roadmap to that goal in August 2015. The main point of the strategy is the simplification of



interest rate and liquidity policies to enhance the communication and to improve the effectiveness of the monetary policy. The CBRT's ultimate goal through simplification is to achieve a narrow and symmetrical corridor and provide funding via a single rate. In this respect, the CBRT already took steps to narrow the interest rate corridor (Figure 4), improve the predictability of the TL liquidity policy and to enhance the efficiency and predictability of the TL liquidity management. This new simplified setup is expected to yield a more transparent and predictable monetary policy framework.

An effective communication strategy is an essential part of monetary policy. Since the start of the implementation of the inflation targeting framework, the CBRT has effectively utilized Monetary Policy Committee

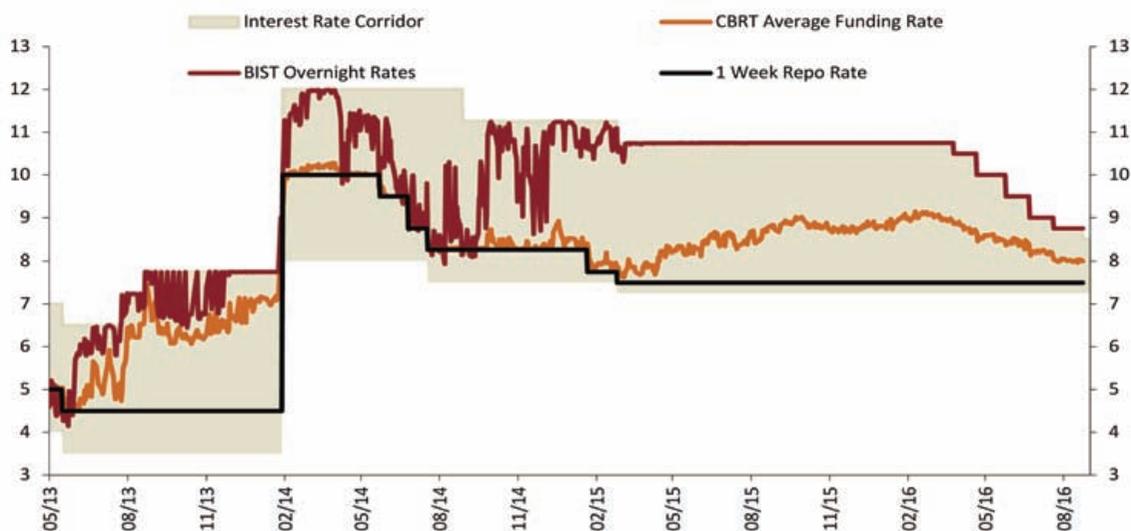
(MPC) announcements and the Inflation Report as the main communication documents. The CBRT constructed an effective communication line with the public and has reviewed the strategy regularly to sustain a healthy and uninterrupted functioning of this line. In order to further strengthen this communication framework, the CBRT recently announced a new set of communication practices. The new set includes meetings on technical issues with investors and analysts, regular meetings organized with investors in financial centers abroad, meetings with chambers of industry and commerce and other corporate sector representatives, periodic meetings organized with representatives of media institutions and the financial press, and meetings with bank economists.

### A New Era in Monetary Policy

The CBRT will continue to commit to price stability as the overriding objective. To this end, the CBRT will not only maintain a cautious monetary policy but also work intensively to identify the structural factors related to price stability. In addition to the simplification of the monetary policy framework and adoption of a new communication strategy, the CBRT will seek to increase the coordination with all relevant parties in dealing with structural obstacles to achieving and maintaining price stability. To this end, the CBRT staff have been visiting non-financial companies in order to incorporate real-time information collected from the real sector in monetary policy decision making.

One important example of structural issues related to price

**Figure 4**  
**Interest Rates**  
(Percent)



Source: CBRT. Last Observation: 24 August 2016.

stability is volatile food price inflation. The CBRT has been working jointly with other relevant institutions to address this structural problem. Recently the “Food and Agricultural Products Markets Monitoring and Evaluation Committee” has been founded to deal with some of the inefficiencies in the fresh food sector in particular. The Committee brings together the relevant economic institutions and aims to keep food price inflation at stable and reasonable levels. The Committee monitors the food market, evaluates activities and deals with structural issues such as licensed warehousing, specialized commodity exchanges, agricultural subsidies, producer organizations and data collection and compilation. Through the effective implementation of the policies recommended by this

Committee, a significant improvement is expected in the volatility of food inflation in Turkey, which will improve the policy trade-offs faced by the authorities.

### Conclusion

To sum up, Turkey has achieved considerable success in recent years in delivering a rebalancing in the economy. Timely and targeted macro prudential measures have contributed to the sustainability



of economic growth. As a consequence, the growth rate has been remarkably stable despite the massive global and geopolitical shocks. Meanwhile, fiscal discipline was maintained, the financial system proved resilient, and inflation stayed in single digits. Going forward, the CBRT will not only continue to pursue price stability as the primary objective, but also support economic stability to reduce macroeconomic policy trade-offs through effective communication and information sharing with relevant parties. The CBRT’s cautious policy stance, tight macro prudential framework as well as the new communication and coordination practices will help the Turkish economy to reinforce its strong fundamentals and to permanently reduce the inflation rate towards the target level of 5 percent. EDT



# VICTORY OF A HEROIC NATION

## Turkey defends democracy, proves national will is the strongest antidote to coup

On the evening of July 15, 2016, a faction of the Turkish Armed Forces directed by the Gulenist Terrorist Organization (FETO), which is led by so-called cleric Fetullah Gülen living in Pennsylvania-US, attempted to stage a coup in various cities of Turkey, particularly in Ankara and Istanbul. Undoubtedly, it was a menacing terrorist attack that madly threatened the lives of innocent people. In a couple of hours, the people of Turkey stood up against the attempt and sided with the democratically elected leader, President Recep Tayyip Erdoğan. Both the police and public prosecutors immediately took necessary measures to reinstate civil law and order in the country. Unfortunately, the coup plotters killed 246 people and injured over 1,500, many of them civilians. As a response to the coup attempt, President Recep Tayyip Erdoğan

announced a three-month state of emergency that came into effect after the meetings of the National Security Council and the Council of Ministers on July 20, 2016. The declaration was published in the Official Gazette on July 21, 2016, and approved by the Parliament the same day.

The markets responded with confidence in the wake of the recent coup attempt in Turkey, and a sense of normalcy is being seen given that security has been restored and that the public has strong support for the government. Investors should know that future of the Turkish economy remains bright. Key factors for investors' economic operations are untouched. Turkey still meets many of the major competitiveness criteria that investors favor, such as ongoing economic growth, sound policy framework, sizeable domestic market, and competitive labor costs.

### TURKEY COMPETITIVE ADVANTAGES

- Strong growth rates
- Sound policy framework
- Sizeable domestic market
- Supportive international environment
- Low probability of elections until 2019

Policy-makers, regulators, and all economic actors in Turkey are vigilantly following the recent developments and are taking all necessary measures to reassure the markets. Deputy Prime Minister Mehmet Şimşek held various conference calls with foreign investors to bolster their confidence. He emphasized that the Turkish government for many years now has been constantly introducing reforms to improve Turkey's investment and business climate.

Thanks to these reforms and policies, the short-term effects of this attempt will not be accompanied by any deterioration in major economic indicators. Despite the weak global growth performance due to uncertainties in global economic conditions, Turkey has been able to retain sound macroeconomic fundamentals thanks to supportive fiscal and monetary policies in 2016. Key targets such as a higher growth rate, strong domestic demand, a more moderate current account deficit, lower interest rates, and a higher amount of foreign direct investments (FDI) have been achieved.

GROWTH (F)	2016	2017
MTP*	4.5	5.0
IMF	3.2	3.6
OECD	3.9	3.7
World Bank	3.5	3.5

\*Medium-Term Program of the Government (16-18)

**THANKS TO  
SOUND REFORMS  
AND POLICY  
MEASURES,  
THE FAILED  
COUP ATTEMPT  
WILL NOT BE  
ACCOMPANIED  
BY ANY  
DETERIORATION IN  
MAJOR ECONOMIC  
INDICATORS.**



## STRONG GROWTH RATE

Driven by a robust domestic market, lucrative export opportunities and entrepreneurial spirit of Turkish private sector, the Turkish economy has been growing dynamically over the past 14 years. The economy has posted an annual average real GDP growth rate of 4.7 percent, while GDP per capita has more than tripled. Turkey stands out as one of the fastest growing economies in the world. Turkey's GDP growth rate of 4.8 percent in the first quarter of 2016 has outperformed many emerging and developed countries, leading Turkey to become the 2<sup>nd</sup> fastest growing OECD country after Malta and 4<sup>th</sup> in G20 after India, China, and Indonesia. The Medium-Term Program (MTP) announced by the Ministry of Development in January 2016 anticipates growth rates of 4.5 percent for 2016, and 5.0 percent for 2017.

# 4.8%

GROWTH RATE IN  
Q1 OF 2016

# 2<sup>nd</sup>

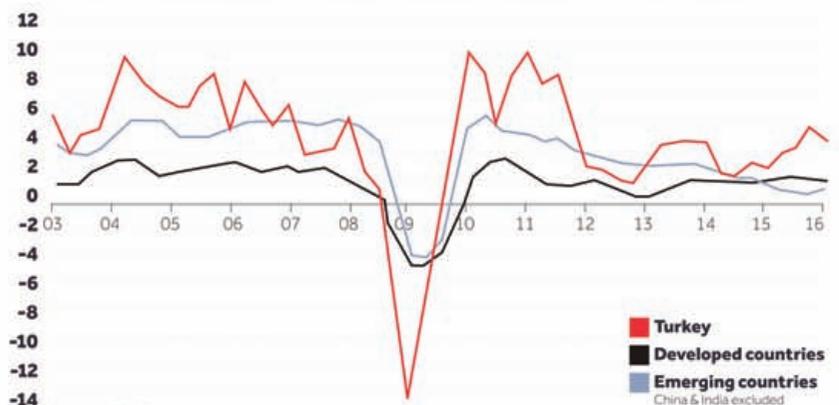
FASTEST GROWING  
COUNTRY IN OECD

# 4<sup>th</sup>

FASTEST GROWING  
MEMBER IN G20

## GLOBAL GROWTH RATES (%)

Turkey outperforms both developed & emerging countries



Source: CBRT

## STRONG DOMESTIC DEMAND

Private consumption is the main source of growth in Turkey, accounting for a 70 percent share in Turkey's GDP as of the first quarter of 2016. When compared to its peers in the EU, Turkey is well ahead in private consumption. Concerns that the recent failed coup attempt will affect the rising momentum in household consumption are without merit. For instance, household consumption did not lose momentum during the elections in the past two years; rather, it increased by 4.5 percent in 2015 and 6.9 percent in the first quarter of 2016. There are various factors in play that will stimulate domestic demand and

**TURKEY HAS A SIZEABLE DOMESTIC MARKET WITH EASY ACCESS TO 1.6 BILLION CUSTOMERS IN THE REGION.**

accelerate growth in Turkey over the coming years. Some of those factors include the implementation of new structural reforms, the effect of low oil prices on inflation, the expectation of a delay in FED rate hikes, the low probability of elections in Turkey until 2019, and the rising consumption of Syrian refugees.

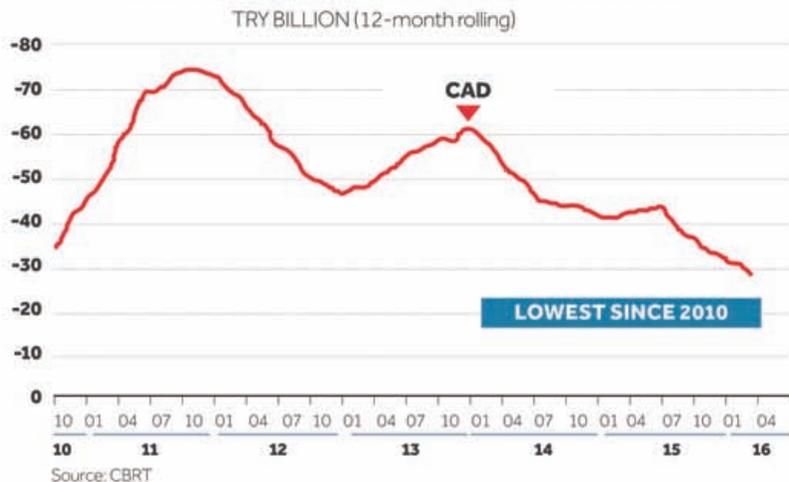
# 70%

SHARE OF PRIVATE CONSUMPTION IN GDP Q1/2016

# 6.9%

RISE IN HOUSEHOLD CONSUMPTION IN Q1/2016

## CURRENT ACCOUNT BALANCE



## CURRENT ACCOUNT DEFICIT AT LOWEST LEVEL SINCE 2010

A visible narrowing in the current account deficit and sound improvement in external balances have been observed so far in 2016. Turkey's 12-month rolling current account deficit was USD 27.249 billion in May, the best posting since 2010. The external balance benefitted from low oil prices and high export volumes to the EU.

## MONETARY POLICY TO SUPPORT TURKISH ECONOMY

A series of policy measures, such as easing liquidity conditions, were taken by the Central Bank of the Republic of Turkey to encourage financial markets and prevent the banking system from exposure to the negative effects of the coup attempt. The Central Bank cut the overnight lending rate, the top of the interest rate corridor, by 200 bps in 2016 to 8.75 percent, kept the one-week repo rate at 7.5 percent and the overnight borrowing rate at 7.25 percent.

## CONFIDENT BANKING SYSTEM

The banking system in Turkey recovered quickly in the aftermath of the 2001 and 2008 crises and has proven resilient during temporary shocks in the past. Turkish banks have higher capital adequacy (CAR) and lower non-performing loans (NPL) ratios when compared to their peers. As of May 2016, the sector had a CAR of 15.5 percent (2015: 15.3 percent) where the legal minimum limit is 8 percent and an NPL ratio of 3.3 percent. The return on equity (ROE) ratio of the sector as of May 2016 was realized as 5.4 percent, a slight improvement on the 4.8 percent return seen during the same period of 2015.

# 15.5%

CAR AS OF MAY 2016

# 5.4%

ROE AS OF MAY 2016

# 3.3%

NPL RATIO AS OF MAY 2016

## FDI BOOSTED SINCE 2003

Thanks to various reforms that have been implemented over more than a decade of successive governments, the amount of FDI, which totaled around USD 15 billion until 2003, increased to more than USD 168 billion between 2003 and 2016. Moreover, during this period, the number of foreign-owned companies rose from 5,600 to more than 49,000.

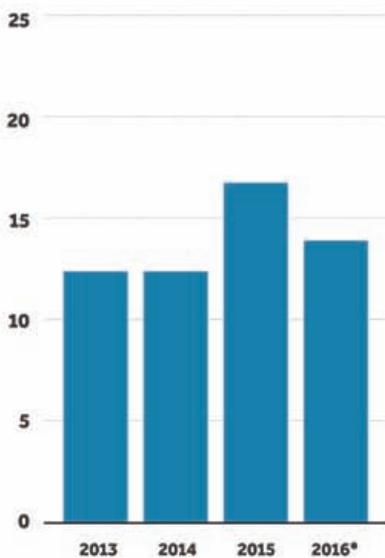
**USD 168 BILLION**  
OF FDI SINCE 2003

**49,000**  
FOREIGN-OWNED COMPANIES

**20<sup>th</sup> MOST POPULAR**  
FDI DESTINATION GLOBALLY

### FDI IN TURKEY

USD BILLION



\* 12-month rolling  
Source: CBRT

## TESTIMONIALS FROM TOP EXECUTIVES OF INTERNATIONAL COMPANIES



**Çiğdem Ertem,**  
Middle East, Turkey and Africa Regional Director, Intel

"Intel produces technology, and we believe that technology is the main driver of the future of the economy. With its young and innovative population, Turkey has huge potential. We, as Intel, believe in the future and economy of Turkey, and we will pursue our investments."



**Canan Özsoy,**  
CEO, General Electric Turkey

"Operating for 60 years in Turkey with now over 2,000 employees in 8 different plants, General Electric will increase its investments in aviation, logistics, energy, healthcare, and innovation."



**Serra Akçaoğlu,**  
CEO, Citibank

"With more than 40 years of history and 500 employees, Citibank remains loyal to Turkey. The bank will continue to provide support to existing customers and potential investors who wish to invest in Turkey."



**Haydar Yenigün,**  
General Manager, Ford Otosan

"Expressing our deep sorrow for the people who lost their lives, we think that July 15 was the day that democracy truly became manifest in the Turkish people. We believe that collaboration provided in the wake of the coup attempt will accelerate growth dynamics in Turkey."



## US-TURKEY INNOVATION SUMMIT

In response to Turkey's improving innovation, R&D and entrepreneurial ecosystems, the American-Turkish Council, a leading business association, held a summit in the US to promote Turkey as an emerging innovation center.

The US-Turkey Innovation Summit, took place on July 21 in Boston, MA in cooperation with ISPAT, bringing together private companies, universities, and government institutions. ISPAT Coordinator Necmettin Kaymaz was a panelist at the "Technology Transfer and Global Growth Through Localization" session, while ISPAT Advisor in US Mustafa İlbeyli spoke about the entrepreneurial ecosystem in Turkey at the opening panel of the summit. The participants facilitated partnerships in R&D, defense & aerospace, agriculture, energy, information and communication technologies, and healthcare.



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# WHAT IS A STATE OF EMERGENCY AS IT PERTAINS TO **TURKEY?**

A state of emergency (SoE) is a temporary system of rules set forth under Article 120 of the Turkish Constitution. Extraordinary circumstances, such as distortion of the free democratic order established by the Constitution, widespread violence against fundamental human rights and freedoms, or serious disturbance in public order, can lead to the issuing of an SoE.



## ROADMAP OF AN SOE DECLARATION

After consultations with the National Security Council, the Council of Ministers may decide to declare an SoE. The decision of the Council of Ministers must be published in the Official Gazette and must be approved by the Parliament. The SoE comes into force upon its declaration. The Parliament is also authorized to change the term of the SoE.

**A three-month state of emergency was declared in Turkey on July 20, 2016 in order to reinstate democracy in the country.**



## WHAT ADDITIONAL POWERS DOES AN SOE GRANT?

According to the Law on State of Emergency dated 25 October 1983 and numbered 2935, during an SoE the Council of Ministers is entitled to issue executive orders that have the same legal force as laws and that must be submitted to and approved by the Parliament. The issuance of executive orders is a means by which the legislative process can be expedited. The law grants governors of the provinces the authority to implement these orders. The declaration of an SoE does not make any changes to the current legislation of the Republic of Turkey.

## WHY WAS AN SOE DECLARED IN TURKEY?

On the evening of July 15, 2016, a faction of the Turkish Armed Forces directed by the Gulenist Terrorist Organization (FETO), which is led by Fetullah Gülen, attempted to stage a coup in various cities of Turkey, particularly in Ankara and Istanbul. From the very beginning, the people of our country stood up against the attempt and sided with the democratically elected leader, President Recep Tayyip Erdoğan. Both the police and public prosecutors immediately took necessary measures to reinstate civil law and order in the country. Unfortunately, the coup plotters killed 246 people and injured over 1,500, many of them civilians. As a response to the coup attempt, President Recep Tayyip Erdoğan announced a three-month state of emergency that came into effect after the meetings of the National Security Council and the Council of Ministers on July 20, 2016. The declaration was published in the Official Gazette on July 21, 2016, and approved by the Parliament the same day.



**Under the chairmanship of President Recep Tayyip Erdoğan, the Council of Ministers is authorized to issue decrees having the same force as law.**

## SOE'S IMPACT ON TURKISH ECONOMY

### WHAT ARE THE AIMS OF SOE?

President Recep Tayyip Erdoğan stated that the main purpose of the SoE is to remove the threats of the failed coup attempt in the country and to hold the coup plotters accountable and ensure that those involved are identified and brought to justice swiftly. The SoE will provide for the recovery of free and civil democratic order and reestablish human rights and freedoms in Turkey while mitigating the effects of the failed coup so that the probability of any further attempt at violence is eliminated. The SoE will not impose any ban on movement, gatherings, or free press, and will not impact the day-to-day lives of individuals.

Deputy Prime Minister Mehmet Simsek, commenting on the declaration, assured that this measure will not have any impact on the economic and investment climate of Turkey and that the government will not compromise the current financial market regulations. The markets will be resilient. Economic actors in Turkey have implemented various policy measures to lessen the effects of this temporary shock. In order to encourage financial markets and to prevent the banking system from being exposed to negative effects, the Central Bank of the Republic of Turkey eased liquidity conditions and provided unlimited liquidity for banks right after the attempt. Similarly, the Capital Markets Board of Turkey provided a new opportunity for publicly-traded companies to repurchase their traded shares in order to insulate themselves against the temporary bearish trend in the equity market.



Deputy Prime Minister Mehmet Şimşek

**The SoE will not have any impact on the economic and investment climate of Turkey.**



### A RECENT SOE EXAMPLE: FRANCE

Similar to the Turkish Parliament, French National Assembly declared a state of emergency following the Paris attacks that killed more than 130 people in November 2015. It is important to note that the SoE has been in place throughout France since then. After 84 people were massacred in the city of Nice on July 14, 2016, the SoE in France was extended a third time, this time for six months. This extension includes new measures that give additional powers to the police.

The public showed their confidence in Turkey's financial institutions following the attempt. There were no lines at ATMs, and deposit holders did not have a serious demand for cash withdrawals or foreign exchanges. The depreciation in Turkish lira was limited. Stakeholders in the Turkish financial system are well aware that Turkey's banking system has proven resilient during negative circumstances in the past, recovering quickly in the aftermath of the 2001 and 2008 crises. Financial markets will overcome the uncertainty and stabilize over the next few days, and the likely short-term effects of this attempt will not be accompanied by any deterioration in major economic indicators. Furthermore, the Turkish government's new structural reforms in the pipeline, the low probability of early elections, and strong domestic confidence, will altogether stimulate the economy in Turkey.



# Turkey's economy has proven to be resistant against shocks

The Turkish economy which has shown the biggest growth rate of 5.2 percent among OECD countries after the global crisis is expected to have a growth rate of 3.5-4 percent at year's end despite all difficulties.

**T**urkey's economy is standing strong against shocks; coup attempt, terror attacks, recession in global economy, geopolitical tensions and the uncertainty created by FED in international finance markets. The economy continues to grow in year 2016 and the growth is predicted to reach 3.5 percent at year's end.

After the coup attempt Turkey has managed to gather its strength thanks to the measures taken in economy. The domestic and foreign threats were skillfully averted due to the measures taken by the government and the Central Bank. The transition from USD to TL was carefully monitored and the consumer confidence index recorded an increase of 11 percent in August.

One step taken by the government to strengthen the economy was the normalization of the tense situation caused by the downing of the Russian plane that threatened Turkish air space. The rekindling of the commercial activities between Turkey and Russia, the restitution of the tourism relations, the

maintenance of the energy projects and the continuation of the ongoing projects are now in line.

Yet another indication of the normalization of the relations between the two countries is evident by the fact that Turkish Airlines increased its daily flights to Moscow to 11 flights, thus making it its most frequent destination. Russia on the other hand gave permission for charter flights and 500 thousand Russian tourists are expected until year's end.

Another country Turkey has resumed good relations with is Israel. After the severing of relations due to the Mavi Marmara boat incident, the Turkish Israeli trade volume has reached 5 billion USD. Both countries are negotiating tourism, construction, oil-chemical deals. If all goes normal, the trade volume between the two countries is predicted to exceed 10 billion USD in five years.

### **The highest growth among OECD countries after the global crisis was recorded by Turkey.**

As the economy management always points out Turkey is on the track for becoming a strong country with sustainable growth and high income. At this point structural reforms should be implemented and monitored for efficiency. Recent reforms included the opening of special employment offices and introduction of part time jobs to



ensure the flexibility of labor force market. Turkey has recorded the highest growth rate of 5.2 percent among OECD countries after the global crisis and the sustainability of this success is directly related with the structural reforms. Turkey's growth rate prediction on OECD's Economic Analysis Report for Turkey is 3.9 percent for 2016 and 3.7 percent for 2017.

The report states that Turkey has shown remarkable resistance against the tough global economic conditions and that it can achieve more by improving the living standards of the population and to increase productivity in order to attain sustainable growth. The report also pointed out that economic reform should be targeted especially in difficult times and the new reforms should aim the strengthening of the economic resistance and social harmony, improve working conditions and increase the Turkish companies' participation capacity to global evaluation chains.

The report also stated that Turkish policy makers had a tough job due to "the clashes taking place at the south Turkish border, the tensions experienced in the eastern Turkey, the Russian restrictions that continued until July and the millions of immigrants, but in spite of these difficulties, a growth of almost 4 is expected for 2016."

### **OECD Inflation expectation**

With regard to the inflation expectations for Turkey for 2016 and 2017, it was believed that the inflation would decrease from 7.9 to 7.4 percent this year and increase from 7.3 to 7.5 percent next year. Turkey is continuing to fight inflation and hoping to bring it down to 5 percent in medium term.

### **The lowest inflation rate for the past seven months was in August**

The consumer index (TÜFE) for August recorded a fall of minus 0.29 percent beyond

predictions, the lowest of the past seven months.

According to the data of Turkish Statistics Association, the domestic producers' price index (YI-ÜFE) showed an increase of 0.08 percent.

Annual inflation in consumer prices was 8.05 percent; domestic producers' prices were 3.03 percent. The consumer index was 4.53 percent compared to December last year, 8.05 percent compared to same month last year and 7.98 percent compared to average of twelve months.

The expectations were 0.05 percent monthly and 8.58 percent annually in consumer index. The core inflation decreased from 8.70 to 8.41, recording the lowest in 11 months.

The fact that the consumer index has started decreasing indicates that the economy is getting back to normal after the coup attempt.

### **The budget is showing a strong performance**

One of the strongest aspects of economy is financial discipline. As the global fragilities continue, Turkey is going strong on financial discipline.

The budget showed a deficit of 5.4 billion TL in July 2015 but made an improvement of 5.5 billion, by adding 129 million TL this year.

The primary surplus showed great performance. In July, the primary surplus was 4.3 billion TL compared to last year's 4.7 million TL, increasing 5.6 percent and yielding 31.9 million TL.





The July budget figures increased by 6.1 percent and became 42.5 billion TL. The expense budget decreased by 6.6 percent and became 42.4 million TL.

Budget revenues increased by 14.4 percent becoming 317.5 billion TL for the period January-July, compared to same period last year and the expense budget increased by 12.1 percent and became 316.3 billion TL compared to last year.

### **Turkey ahead of 20 countries with regard to public debts**

According to IMF predictions, Turkey is ahead of many other countries that have “lower level investments can be made” grade. Among 23 countries that are located in this group in line with their GDPs, there are only 3 countries above Turkey.

The public debt in GDP is expected to be 21.9 percent this year in Turkey, while it is 7.5

percent in Peru, 1.5 percent in Bulgaria and minus 27 percent in Kazakhstan.

### **The current account deficit is at lowest since last 6 years**

In line with Central Bank’s data, the current deficit has decreased by 1 billion 406 million USD compared to last year and became 2 billion 863 million USD. Consequently 12 month current deficit decreased to 27



billion 249 million TL. The decrease of foreign trade balance deficit by 1 billion 724 million USD to 3 billion 764 million USD and the decrease of the deficit in the balance of primary income by 292 million USD to 442 billion USD had been effective in the above development.

On the other hand, the balance of services decrease by 560 million USD and became 1 billion 378 million USD.

In non-monetary gold item, 109 million USD worth net imports were realized on last May, while the net exports this year was 505 million USD.

The net revenue resulted by travel under balance of services item, decreased by 559 million USD yielding 1 billion 222 million USD compared to last year.

Net outputs under the balance of primary income, decreased by 315 million USD becoming 387 million USD compared to last year. The current account

deficit's rate to GDP was calculated as 4,8 for 2016 and 4.6 percent for 2017.

#### **The increase trend in exports is expected to continue**

In August the exports increased by 6.9 percent and became 11 billion 157 million USD. This was the highest since 28 months. According to the data of Turkey's Exporters Assembly, Turkey's exports became 11 billion 157 million with an increase of 6.9 percent compared to last year. There was a loss of 3.1 percent in exports during the first 8 months of 2016, compared to last year yielding 92 billion 652 million USD. During the 12 months there was a decrease of 5 percent yielding 140 billion 906 million USD.

The greatest exports were realized by the automobile industry showing an increase of 23.4 percent and yielding 1 billion 680 million USD. Ready

wear industry made exports worth 1 billion 612 million USD followed by chemical substances industry's exports worth 1 billion 207 million USD. August's greatest exports were recorded by the automotive industry (23.4 percent), olive and olive oil industry (36.4 percent).

Exports to 130 countries experienced increases while exports to 102 countries decreased. Some of these countries are: Germany (17.4 percent increase), Britain (1.4 percent decrease), Iraq (4.2 percent decrease), USA (19.6 percent increase) and France (8.3 percent increase).

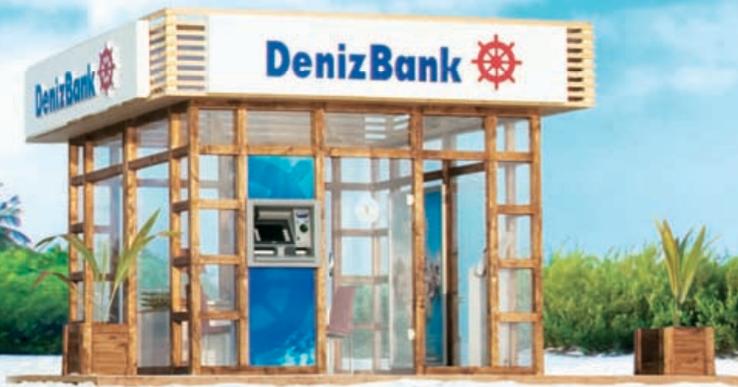
Out of 20 most frequently exported countries in August, the top ones were Bulgaria (82.9 percent), Israel (34.6 percent), and Iran (23.6 percent).

The EU countries showed an increase of 12.7 percent in exports compared to last year and Oceania countries recorded an increase of 48.9 percent. **EDT**

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# Coup attempt's effect on exports were minimal

Turkish economy is growing faster than most of the OECD countries and we believe this trend will continue in the future. Turkish economy is consecutively growing for the last 26 quarters. In the first quarter of 2016, GDP growth was 4.8% and we expect the economy to continue high growth performance for a long time.



Chairman,  
Turkish Exporters  
Assembly (TİM)

On the night of July 15th, 2016, Turkey faced a dishonorable and inhumane act of terrorism and unfortunately, this was the greatest treason in the history of the Republic of Turkey. However, courageous Turkish People all around the country rallied against this treacherous attempt, and emerged victorious. Turkish People stood strong against the terror. They did not waver against the bombs or the guns that were pointed at them. The people repelled this abominable act of treachery with their valor, courage and sagacity, while furthering their unanimity as a nation.

In the aftermath of this tragedy, we did not hesitate to continue with our agenda and immediately sent our trade delegation to Panama and Guatemala on July 16<sup>th</sup>, declaring that Turkey will not be subjugated by a handful of militants' treachery. As Turkish

Exporters Assembly (TİM), we also sent letters to all diplomatic missions in Turkey, NGOs all over the world, international finance institutions and news agencies in order to explain the situation in Turkey and ensure them that nothing is changed in a negative manner regarding economy, investments or trade. Some of our exporters even held video conferences from their plants to show their customers that the production is continuing as if nothing happened.

After the unfortunate incident, our Government and Central Bank did everything possible to ensure the economic stability. Central Bank immediately issued a statement, declaring that they will support the economy by any means necessary and are ready to provide liquidity if required. Yet, strong Turkish economy overcame the crisis without the need of such measures.

Turkish economy is growing faster than most of the OECD countries and we believe this trend will continue in the future. Even though IMF lowered global growth expectations, Turkey's remains unchanged. Turkish economy is consecutively growing for the last 26 quarters. In the first quarter of 2016, GDP growth was 4.8% and we expect the economy to continue high growth performance for a long time.

Another important indicator to point out for Turkish economy is the export performance. We are happy to say that, the coup attempt's effect on exports were minimal. Turkish exports increased by 7.6% in August. However, world trade is continuing to shrink due to weak commodity prices, especially crude oil. We expect the prices to stabilize by the end of 2016 and believe that 2017 will be a more fruitful year in every aspect.

Turkey's improving relations with Russia, Iran and Israel will benefit both trade and investments. As the normalization process officially started after our President's visit to Russia on August 9<sup>th</sup>, we expect to see some improvement in the last quarter.

Apart from these, we are also advancing with our goal of reaching every market in the world. With this in mind, we are currently focusing on Africa under the "Africa Strategy" led by Turkish Ministry of Economy. Turkish exports to Africa continent increased six-fold in



just 10 years. We believe we can further increase this figure with both Turkish Government's and TİM's efforts. Since 2004, TİM organized 15 business delegations to Africa, and we will be organizing 7 more delegations by the end of 2016. We want all our exporters to benefit from the

potential of African markets. Turkey's export got 0.87% share in world trade in 2015.

Turkey's 2023 target is exports to get 1.5% share from world trade. As Turkish Exporters Assembly, we will sustain our hard work to further Turkey's position in world trade. EDT

# Turkish Banks successfully managed global and regional risks

The sound structure of the Turkish banking industry effectively absorbed the effects of the coup attempt on July 15, 2016.



Chairman of the Board  
The Banks Association  
of Turkey

On the first business day after the coup attempt in Turkey, the monetary and capital markets as well as the credit mechanism continued to function properly and effectively. Moreover, asset prices stabilized following a short wave of volatility and demand for the TL (Turkish Lira) increased.

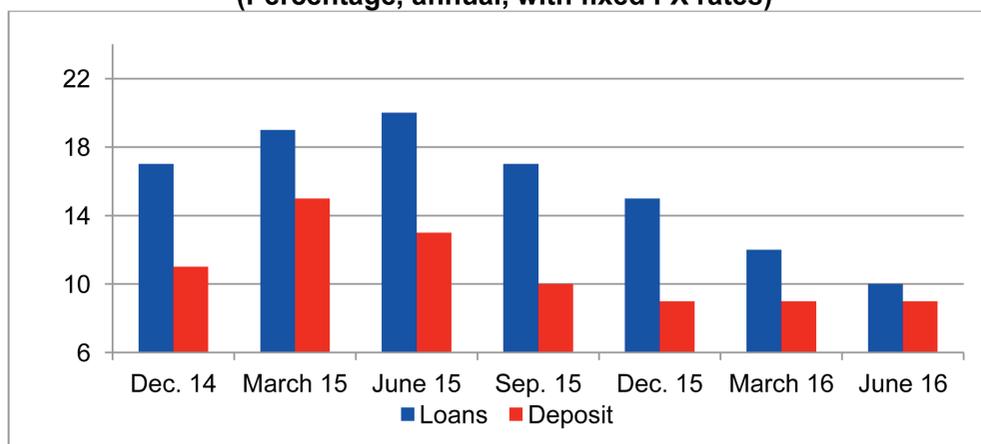
The sound structure of the banking industry, the positive liquidity measures taken by the Central Bank and the reverse currency substitution to TL deposits by Turkish citizens played an important role in stabilizing the markets. In fact, the volume of the transfer from FX to TL deposits in the first 10 days after the coup attempt was more than USD 10 billion.

## Recent economic performance

Economic growth was higher than expectations due to the support of increased domestic demand and the current account deficit narrowed with declining imports, so fiscal discipline was maintained. However, the implementation of structural reforms and inflation levels will play important roles for the growth performance in the foreseeable future.



### Growth Rates of Loans and Deposits (Percentage, annual, with fixed FX rates)



#### The macro-prudential measures implemented showed their impact

Although at a slower rate, the banking industry continued to grow. The share of consumer loans decreased compared to total loans. The growth rate of loans and deposits converged. Moreover, the cost of funds and loan interest rates have been falling in line with the decline in the Central Bank's lending rates.

#### Banking regulations are now in compliance with Basel III

#### Turkey successfully completed the RCAP process

Turkish banking regulations became fully compliant with the standards set forth by the Basel III rules and the implementation of the new rules began at the end of the first quarter 2016. Furthermore, the regulation on loan loss provisions became compliant with IFRS9 standards and will be implemented in 2017.

#### Turkish Banking Industry displayed a steady growth trend

As of June 2016, total assets increased 10 per cent in TL terms

and reached 2,477 billion TL, year over year. In the same period, the balance sheet increased 4 percent in USD terms and amounted to USD 859 billion. Also, total assets to GDP ratio's projected realization is 121 percent.

The balance sheet has a sound distribution. Loans grew by 10 percent with a fixed exchange rate and the share of total assets was 64 percent. Almost half of the loans were borrowed by large enterprises, and a quarter of the loans were lent to both SMEs and individual customers. The share of mortgage loans compared to

total individual loans was 36 percent. Additionally, total individual loans and 85 percent of SME loans were in TL terms.

Furthermore, 53 percent of the balance sheet was financed by deposits. The 'loan to deposit ratio' was 121 percent. On the other hand, non-deposit funds financed 27 percent of total assets. Despite the high volatility in the global financial markets, Turkish banks continued to provide external funding. The most important share among the non-deposit funds belongs to loans from foreign banks.

#### Selected Indicators (as % of GDP)

	Dec. 2012	June 2016*
Securities portfolio	19	16
Loans	57	77
Deposits	54	64
Non-deposit Funds	22	32
Shareholder's Equity	13	14
<b>Total Assets</b>	<b>97</b>	<b>121</b>

\* Estimated

#### Lending Portfolio as of June 2016 (%)

	Share in total	NPL's
Companies	48	2.7
SME's	26	4.5
Individual customers	26	4.3
-Housing	10	4.8
<b>Total loans</b>	<b>100</b>	<b>3.1</b>

\* Estimated



**Financial indicators have been sound**

Financial soundness indicators remain quite strong: capital adequacy has been relatively higher than the regulatory ratio; and liquidity hovers at a somewhat conservative level. Conversely, non-performing loans were moderate and return on equity has increased slightly in the first half of 2016.

Moreover, net foreign exchange position (includes off balance sheet items) is USD 556 million in the long and its ratio to shareholders' equity is 0.5 percent.

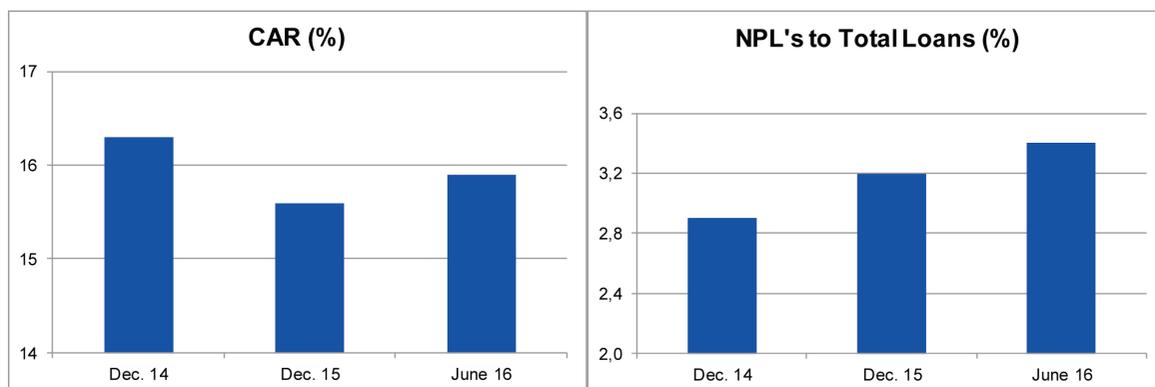
When we look at the selected risk indicators, CAR is 15.9 percent while the Tier I ratio is 13.7 percent. Also, the ratio of non-performing loans is 3.1

percent. This ratio is 2.7 percent for corporate loans, 4.5 for SME loans and 4.3 percent for consumer loans.

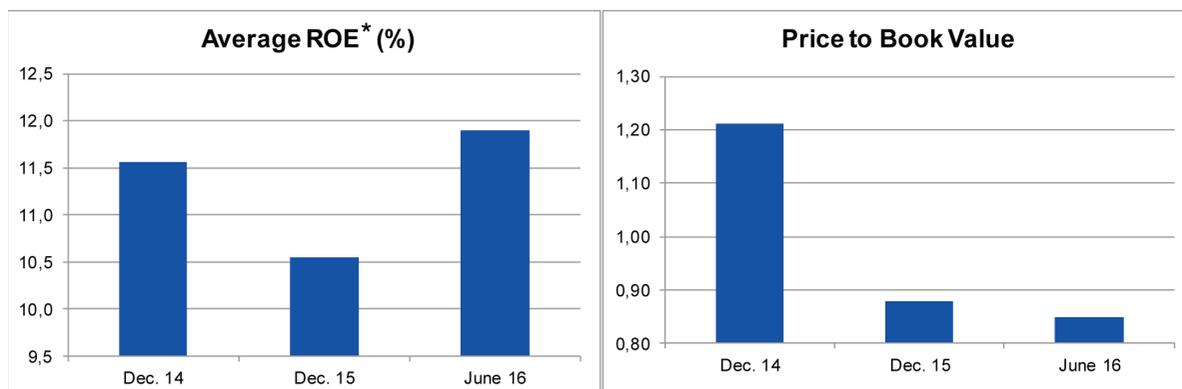
The ratio of liquid assets to deposits and non-deposit funds is 19 percent.

The annual average return on equity is 11.9 percent. The ratio of total cost to total income is 73 percent.

**Selected Risk Indicators**



## Return on Equity and P/B Value of the Banking Industry



\* Current Year Annual Net Profits / ((Previous Year Shareholders' Equity + Current Year Shareholders' Equity)/2)

### New investors and acquisitions

In May 2015, Ziraat Katılım Bankası A.Ş. began operations as the fifth participation bank in Turkey. Also with the approval of BRSA, Vakıf Katılım Bankası A.Ş. became the sixth participation bank of Turkey beginning operations in February 2016.

On the other hand, T. Garanti Bankası A.Ş. moved to the foreign banks group since the majority of its shares were acquired by BBVA Spain. In November 2015, the majority shares of Tekstil Bankası A.Ş. were acquired by Industrial

and Commercial Bank of China (ICBC) from the People's Republic of China, so the bank also moved to the foreign banks group.

Lastly, in June 2016, Qatar National Bank S.A.Q purchased the majority shares of Finansbank A.Ş. from National Bank of Greece.

### General information on the Banking System in Turkey

As of June 2016, there are 53 banks operating in the banking industry in Turkey. Of which, 34 are deposit banks, 13

development & investment banks and 6 participation banks.

As of August 2016, the origin of non-resident banks is the USA (3), Kuwait (2), The Netherlands (2), UK (2), Saudi Arabia (2), Qatar (2), Germany, France, Italy, Spain, Bahrein, Russian Federation, Iran, Pakistan, Israel, Lebanon, China, Scotland, Japan, Azerbaijan and Libya.

For further information:  
The Banks Association of Turkey, [www.tbb.org.tr](http://www.tbb.org.tr)  
Information for Participation banks: The Participation Banks Association of Turkey ([www.tkbb.org.tr](http://www.tkbb.org.tr)).



# “Turkey: A country of vast potential and sustainable growth”

Despite the slowdown in global growth and geopolitical risks, Turkey succeeded in becoming the fourth fastest growing G-20 economy with 4 percent growth in 2015. With the strengthened solidarity since July 15<sup>th</sup> and strong motivation to implement structural reforms, Turkey has the ability to achieve a growth rate of up to 4.5-5 percent. Within this context, Turkey, due to its vast potential and sustainable growth performance enhanced with structural reforms, will continue to be a center of attraction for international investors.



Chairman of the Board of Directors, Şekerbank

The ‘Inability to grow’, which is a problem for the global economy and one that has been pressing for a long time, continues to be a major issue. Even though the Federal Reserve System (FED) has been giving messages of robust economic activity, the European Union (EU) and China are still under focus regarding the slowdown in their growth performances. This picture has caused ambiguity regarding the major central banks’ policies and especially the FED’s monetary policy, which is crucial for emerging markets. After the first signals of a shift in the FED’s ultra-loose monetary policy in May 2013, emerging markets have been experiencing slowdown in their growth performance. After a prolonged period of stress

regarding FED’s normalization process, as of January 2016, when the FED signaled to stay on hold due to concerns regarding China’s economy for some time, emerging markets once again became the center of attraction. However, sooner or later the FED will begin a normalization process which will put a drag on emerging markets, especially for those with external balance problems.

In addition to the uncertainties in the global financial markets, after the surprise result of the Brexit referendum, the future of the EU, one of Turkey’s main trade partners, has become a topic of concern. Although this situation is seen as a long-term risk by some and an opportunity by others, it will definitely have

an impact on the EU economy. Therefore, the EU's economic future has the potential to impact a wide geographical area, which includes Turkey.

### **Once again, the world has witnessed the strength of the Turkish economy**

When we look at the Turkish economy, the traitorous coup attempt on July 15th was defeated by the state and the nation as a union. Turkey managed to bring everything back to normal in a very short time, with the accurate measures taken by the Government, the Central Bank, the Banking Regulation and Supervision Agency along with the business and finance sectors by taking a solid stand of solidarity.

When we look towards the past, we see that the Turkish economy has made big gains over the past 15 years. Accordingly, the financial stability, relatively low debt ratios, strong financial system and growth potential that have continued during this period have strengthened the Turkish economy. In this respect, even with the recession in the global economy, Turkey with its strong growth story and vast potential, continues to be one of the safest heavens for international investors. The fact that credit rating agencies have kept Turkey's note at investment grade after July 15th is just even more proof of this trust. During this time, once again, the world has indeed witnessed the strength of the Turkish economy.



Turkey is a country with many opportunities and very high potential so with the measures taken, was quickly able to overcome the temporary shock. Right after July 15<sup>th</sup>, the government began to realize a wide reform program in its agenda with the aims of increasing the savings ratio, providing finance for growth, maintaining the balance of the budget, upgrading the

technological structure of industrial production and improving the investment climate. The “Turkey Sovereign Wealth Fund”, which will provide favorable financing to large infrastructure investments, the “Automatic Private Pension System”, which will be the second option for public social security, tax regulations and incentives for R&D have also all been put into place.

### **Sustainable growth performance enhanced with structural reforms**

Currently, the many economic indicators show that Turkey has shown a better performance than many of her peers and EU countries. A stronger economy is clearly possible if we can maintain the solidarity and the spirit of togetherness that emerged especially following July 15th. We can achieve an economic growth of 4.5 to 5 percent with the structural reforms that have already been initiated. As a matter of fact, even with all of the geopolitical risks and global fluctuations, Turkey has succeeded in becoming the fourth fastest growing G-20 nation with 4 percent growth in 2015. In this context, even with all of the recession in the global economy, Turkey, with her strong growth history and vast potential, continues to be one of the safest havens amongst her peers for international investors.

In regards to promoting growth, the Turkish banking sector is doing all that is possible and will continue to do so in the future. As the Central Bank lowered the interest rates, banks have also lowered the credit interest rates and this downward trend will continue. As Şekerbank, we want to take our national economy even further ahead. In this respect, we will do all we can to promote production and to invigorate the economy. We will continue to bring in foreign resources and make them available to SMEs and companies

that require financial assistance for investments.

Indeed, as Şekerbank, in the immediate aftermath of July 15th we acquired approximately 130 million USD worth of syndication loans from international markets, which was also an encouraging development for our sector. This credit was provided by 11 banks from various countries, and was perceived by financial circles as a sign of continued trust in the Turkish banking sector.

With the gains over the past decade, we have established a strong and dynamic economy and due to the unity that has developed, we believe there will be no deviation from the economic targets.

### **63 years of expertise in community banking**

Şekerbank was established in Anatolia 63 years ago with the small savings of hundreds of thousands of sugar beet farming

cooperative members for promoting rural development and agricultural production. In other words, promoting production is in Şekerbank's DNA. We are still fulfilling our mission today.

Within our widespread branch network in 71 provinces and 97 off-center districts, most of our branches have been operating at the same location for half a century. We have a human resource profile befitting of the bank's competence in local banking.

We particularly finance export-oriented SME's and local producers in Anatolia with the aim of supporting economic growth based on investment and production.

67% of our SME loans, which is more than half of our total credit portfolio is made up of micro and small businesses. We make our resources widespread, working for more people to have access to financial assistance. With the one





and only microfinance program in Turkey, we undertake a pioneering role in financial inclusion.

With Şekerbank's leading role in financing energy efficiency in Turkey, we have introduced 85 thousand customers to energy saving thus far and we plan to expand the awareness on energy efficiency by reaching out to 10 thousand new customers yearly.

To summarize, for the past 63 years since our foundation, with a responsible and people-oriented banking understanding and our trust in the future of our country, we are growing hand in hand with Turkey.

**1.6 billion TRY to 60 thousand farming families within just 1.5 years**

The real feature that makes Şekerbank different is the preference to adopt social responsibility as a way of doing business. The best example of this is the 'Family Farming Banking' project that was launched in 2014 as a first in Turkey and the world to prevent

rural-urban migration. With this project, we aim to merge divided agricultural lands, increase efficiency in agricultural production, encourage collective farming and prevent the destruction of local culture.

In just the last year and a half, with 'Family Farming Banking', we have supported in total 60 thousand farming families and provided 1.6 billion TRY in financing.

**A pioneering role in sustainable development banking**

Furthermore, we continue to support energy efficiency investments with EKOkredi, which we developed as a first in

Turkey in 2009, in order to finance energy efficiency investments with favorable conditions and to support the sustainability of natural resources.

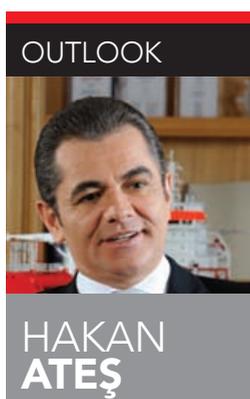
With EKOkredi, we have provided over 709 million TRY of financial support in the field of energy efficiency thus far. Whereby, we have been able to introduce energy efficiency to 76 thousand 399 individuals, 7 thousand 868 SMEs, including tradesmen and farmers, reaching close to 85 thousand customers in total. With the energy efficiency investments financed via EKOkredi so far, 25.3 billion kilowatt-hours of energy has been saved along with 5.4 million tons of CO2 emissions prevented. Also, within EKOkredi, over 118 thousand houses were insulated resulting in a savings of 217 million cubic meters of natural gas.

To protect the natural resources and to increase energy efficiency in Turkey, we will continue to take the leading role in sustainable development banking. EDT



# Stronger and more reformist after the failed coup attempt

The country has now been going through a restructuring in the administrative ranks which is a must in the aftermath of the failed coup attempt for a healthier and more stable policymaking and public service. While this should not take long the need for carrying out structural reforms during the period is also clear.



Chief Executive Officer  
of DenizBank Financial  
Services Group

Turkey has quickly returned to normal after the military coup attempt was rebuffed by our nation in mid-July. The authorities from the Economy Minister to the Treasury and the Bank Regulator (BRSA) came quickly together and expressed solidarity to dispel fears and decrease uncertainty. The central bank provided unlimited liquidity to banks and supported the currency by removing limits on banks' foreign currency collateral. But even before all these, the banking system's resilience and prudence in operational responsibility towards their clients during the peak of uncertainty were noteworthy. People were well served for their precautionary need for cash from the ATMs. Being well aware of the urgency of the situation, I personally asked the teams at DenizBank to pay utmost attention to provide our clients with all their liquidity needs from their savings and even

in the form of new loans, if approved. I did so because we, as the 5th biggest private bank and the 8th biggest overall in the country, had the responsibility towards our more than 10 million clients and citizens of the Republic of Turkey served by our 750 branch network scattered all around the country with an asset size exceeding \$40 bn and more than €20 bn of financing in the past to the strategic national projects such as the underwater "peace" pipeline from Turkey to the Northern Cyprus for drinking water, the 3rd airport (the biggest in the world) and the 3rd bridge across Bosphorus in Istanbul. Our shareholder, Sberbank has also been very supportive as always in all our decisions with the close follow-up of our Chairman Mr. Gref. Thanks to all these confidence propping measures and approach by the policymakers and the banking system, the next day was business as usual in



Turkey and the markets were functioning seamlessly. Turkey happened to have proved how crisis resilient she was once again thanks to her immense crisis know-how, a product of years of experience in managing volatility.

Yet, this resilience was not only the result of crisis know-how. Since the radical restructuring in the early 2000s, primarily in the banking system and the public sector, the Turkish economy had already improved its economic fundamentals substantially. The central bank independence with sole focus on inflation, an ambitious privatization program yielding \$50 bn in revenues, and most importantly a disciplined

fiscal policy saving 3% of GDP a year on average since 2003 in the form of primary budget surplus were crucial structural reforms. Confidence rose and foreign financing began to flow into the real sector. Inflows were mostly through a cleaned up banking sector with high capital adequacy and greater transparency that came with the strict supervision and prudence imposed by the regulator and a stringent banking code. The share of loans to the real sector tripled to 60% of the assets within ten years diversifying gradually from large corporate clients to SMEs and households. As a result, business investment was boosted providing almost half of the average growth in the past

decade. All these reforms made it possible to almost double the GDP per capita as a share of its US counterpart to 20% during the period while slashing inflation and net public debt as a share of GDP to single digits in a sustainable way.

The resilience that came with this improvement in fundamentals was also evident during the global crisis surfacing in the mature economies in 2008 and remaining still at work until today. The banking system and the real sector reacted against high volatility by trimming their risks. This in turn pushed the economy into a mild recession. But as the stability returned, thanks to the global central banks' limitless liquidity

support in mature economies, the Turkish economy roared back again by double digit GDP growth rates. All this crisis resilience was soon recognized by Fitch in 2012 and Moody's a year later as they raised the sovereign ratings to investment grade. Having seen the Turkish economy is surviving even a severe domestic political shock on top of all these risks unfolding one after another and still recording a growth rate of around 4% in 2016, the rating agencies proved right to do so.

It is also worth noting the fact that this performance has recently been accompanied with a much more improved macroeconomic risk profile in terms of current account balance being added to the fiscal discipline sustained during all this turbulent global and local environment. Thanks to weak commodity prices, the current account deficit is likely to remain below 5% of GDP this year, half of that in 2011, despite the geopolitical uncertainties and a weak tourism season.

### **Looking forward, much still remains to be done...**

The country has now been going through a restructuring in the administrative ranks which is a must in the aftermath of the failed coup attempt for a healthier and more stable policymaking and public service. While this should not take long the need for carrying out structural reforms during the period is also clear. These vary greatly from economic to social and legal reforms. Broadening the tax base, fostering technological advances and innovation to raise the technological sophistication of our exports, protecting intellectual property, improving the transportation infrastructure as to remove geographical externalities, increasing domestic energy sources to decrease energy costs and overhauling the regulatory environment in fighting against the informal economy so that the small businesses can achieve economies of scale and become more productive are important

examples of economic reforms. Decreasing the bureaucracy in doing business and increasing the level of quick and fair decision making in the judicial system will be major advances. Social reforms are equally important. Turkey should not be expected to join the group of high income countries unless it improves its current status of having one of the shortest duration of schooling in the world with 6 years on average. Quality of education must increase to have a much more globally competitive human capital. The labor market must be more flexible and more conducive to woman participation.

The government is clearly well aware of all these. They know that an echo system that covers from state incentives to new means of finance and legal requirements is needed to make the economy more innovative and technologically advanced. In that regard, an R&D reform package was passed just recently. A comprehensive new Patent Law completely in line with



EU and U.S. rules and regulations is about to be passed in the parliament. Incentives for venture capital, introduction of a crowd funding system to support high tech start-ups and restructuring the development bank also to support them are all to be new initiatives of the government. A new legislation, just passed recently, now enables temporary employment that eases restrictions on part-time employment to make the labor market more flexible and in line with technological advances. Since education is key in reforming the labor market and boosting productivity the government has been spending increasingly more on the school system. The share of budgetary spending on education rose to 19% in 2015 from only 9% in 2002. This allowed the government to expand the compulsory education to 12 years, meaning that the average schooling in Turkey will soon exceed the OECD average. The next area of focus will be increasing the quality of education. And as for the crucial judicial reform, new appeal courts were established at the regional level so that close to 80 percent of court cases will not go to supreme courts, speeding up justice. A new law on arbitration mechanisms is also being prepared to further facilitate especially foreign direct investment into Turkey. As always, improving infrastructure is a must in increasing private sector productivity and competitiveness for transition countries such as Turkey and it is priority for our government as well. It was by all



means striking to see that a few days after the coup attempt, two major multibillion dollar public-private partnership (PPP) projects, the 3rd bridge over Bosphorus and the highway connecting the two major cities of Istanbul and Izmir through a bridge over the Marmara sea were completed and made available to the use of our people. The Eurasia tunnel, a 4 lane and double deck tube underwater, to connect Europe and Asia through Bosphorus, a 1.5 km suspension bridge over the Dardanelles, and most importantly the giant project of The Canal Istanbul, a second 43 km long waterway to connect the Black Sea to Marmara Sea are other mega projects soon to be started. They should add to the business morale in the country and bolster investment appetite in the private sector.

The rating agencies must notice all these and appreciate the fact that many other countries, even those mature ones, would not be able to continue the business usual the next day and deliver all these reforms and long-term development projects under such adverse conditions inside and around the country.

### We will also contribute in this reform program with all our means...

DenizBank has always acted as a national bank with all her assets related to the Turkish economy's development. As the biggest foreign investment of Sberbank abroad, we assume responsibility to facilitate economic and financial transactions between Turkey and Russia, the two major complementary forces in Eurasia, striving to become global players. We clearly note that the potential is huge in trade, cross border investment, energy, tourism, infrastructure and construction as well as financial services including banking. Since the Sberbank's acquisition in 2012 of our bank, we provided \$7 bn long-term loans to 58 mega projects that are worth \$32 bn in all those sectors strategically important for the development of the country, ranging from infrastructure to education, from health to energy and from tourism to maritime and agriculture.

Overall, we have more than doubled both our loans and deposits within a span of 4 years under Sberbank ownership. Having reinvested all our net income from our business and got even more capital from our shareholder we boosted DenizBank's equity by 2.4 times since 2012. All these will help us to contribute and invest much more in our country's reform aspirations and the quest to increase the economy's growth potential without of course compromising on prudence. **EDT**



# Multidimensional support for the economy

In order to ensure that Turkey remains a significant economic actor in its region, it's very important to support economic endeavors in every segment of society.

## OUTLOOK



ÜMIT  
LEBLEBİCİ

CEO of Türk Ekonomi Bankası (TEB)

As Türk Ekonomi Bankası (TEB) we aim to create value for all of our stakeholders by focusing not just on growth in the financial aspect but also on productivity. On the path we have embarked upon with our “Consultant Bank” approach we are undertaking countless projects out of our awareness of our responsibilities across a broad range of fronts from innovation to sports, from financial literacy to

startups, and from SMEs to women entrepreneurs and angel investors. As one of the major players in the Turkish banking industry, we act in line with our vision of being a “Good Bank” and we work to contribute to our country’s economy.

A general overview of the year so far indicates that the first half of 2016 was in line with our expectations and forecasts. During the first six months of the year, our

bank's total assets increased by 7% to TRL 77.2 billion while we posted a net profit of TRL 600 million as a result of our operations. During the same period our bank's total deposits grew by 16% and reached TRL 47.1 billion.

Loans, one of the important measures of our support for our customers and the national economy, amounted to TRL 55.4 billion and corresponded to 72% of our bank's total assets.

**We've provided financial literacy education to more than 210 thousand people through TEB Family Academy**

Our efforts in this year continue to focus not just on financial matters but also on areas which are non-financial but which we nonetheless see as being important to our country's future. The aim of the "I Can Manage My Own Budget" project that we are undertaking in collaboration with the Ministry of Education is to provide financial literacy education to five million people over a three-year period. In addition, on May 6<sup>th</sup> we signed an agreement with the Ministry's General Directorate of Vocational and Technical Training in Ankara under which financial-issue related content will be added to the banking and accounting curriculums of 1.2 million high school students.

**International awards proved our success**

Our successes both in SME banking and in promoting financial literacy were once again confirmed by the awards we received this year.

In the 25<sup>th</sup> edition of the "Euromoney Awards for Excellence" which are conducted by Euromoney, an international financial journal, and which are regarded as some of the most prestigious awards in the global banking industry, we were the simultaneous recipient of two accolades:

"Best Bank for Corporate Social Responsibility in Central & Eastern Europe" in recognition of our efforts on behalf of financial literacy and "Best Bank for SMEs in Central & Eastern Europe" in our

capacity as "the market leader in terms of investment and innovation" in the SME banking segment. Likewise TEB Family Academy received two separate awards in the "Social Development" and "Corporate Social Responsibility Project" categories in the International CSR Excellence Awards handed out in June. In July we also received a 2016 IPRA Golden Award in the "Corporate Responsibility" category from the International Public Relations Association.





## We create economic value by bringing innovative ideas and entrepreneurs together

In the first half of 2016 we continued to conduct the startup banking program that we've been running since 2013. Working together with the Turkish Exporters Assembly (TİM) we're also continuing to expand the "startup house" concept throughout the country. Having opened TİM-TEB Startup Houses in İstanbul, İzmir, Gaziantep, and Denizli, in May the number of these centers was increased to five with the addition of a new one in Trabzon.

The aim of the training, consultancy, and mentoring services which we provide at TİM-TEB Startup Houses is to encourage would-be entrepreneurs to see and think like business-owners. That means providing them with all of the non-financial support they might need such as developing startup business models, identifying new customer-compatible revenue-streams and distribution methods that take market dynamics into account, creating synergies among entrepreneurs so that they can join forces in different ways, formulating marketing activity plans, and preparing financial statements. We provide entrepreneurs with free support at every stage from the realization of business ideas to project descriptions and from finding customers to making presentations in front of potential investors. In the case of projects with export potential, entrepreneurs benefit from TİM's network and knowledge and experience resources in order to take their projects abroad. We also provide entrepreneurs with other opportunities such as setting up stands and making presentations at innovation events and publicizing and promoting their projects through a variety of media channels.

### We devise tailored solutions for female business owners

Improving the savings rate is becoming increasingly more important in our own country as indeed it is everywhere else in the world. We believe that in order to achieve this we need to increase employment and especially the participation of women in the workforce.

Taking this as our point of departure we authored another first in the Turkish banking industry with the introduction of TEB Women Banking as an independent business line whose aim is to take a solution-focused, integrated approach to addressing all of the needs of women seeking to make a go of it in the formal economy.

Through TEB Women Banking we support female business owners in such areas as finding the information they need to grow their business, entering new markets, and networking; we give them access to specialize training, consultancy, and mentoring



resources; we help them to overcome the obstacles they may encounter in various aspects of business life.

We've also launched TEB Women Academy in order to reach out to female business owners all over Turkey and provide them with the information they may need to develop their businesses and to put them in contact with women whose successes are a source of inspiration for the entire business world. Through the eight separate sessions of TEB Women Academy that we've conducted in five cities we've so far reached more than 1,200 women in business.

Under the "Financing and Consultancy Support for Female-Owned Businesses" program being conducted by the European Bank for Reconstruction and Development, the Ministry of Labor and Social Security, and the Turkish

Labor Agency, we had already lent more than TRL 160 million to more than 4,000 customers as of the second quarter of 2016.

Having launched TEB Women Banking in order to involve women in economic activity not just as consumers but also as producers, we will continue to further strengthen this program in the period ahead as well.

### Our goal is to further strengthen our multidimensional support for the economy

We at TEB are fully focused on such issues as TEB Startup Banking, TİM-TEB Startup Houses, the TEB Private Banking Angel Investment Platform, TEB Women Banking, and TEB Family Academy. While encouraging entrepreneurship and innovation through such efforts on the one hand we're also helping to raise the level of individual financial literacy and to encourage thrift throughout the country. In order to ensure that Turkey remains a significant economic actor in its region, it's very important to support economic endeavors in every segment of society.

As one of the most important banks in our industry, we are continuing to develop productive business models that make effective use of alternative delivery channels in concert with a branch network that has an extensive national reach. We supply convenience, high security standards, and rich content in order to make our services more easily and quickly accessible through mobile technologies while





also ensuring that our customers are able to reach those services conveniently through every appropriate channel. For this reason CEPTETEB, our mobile app that has become Turkey's fastest-growing digital banking platform.

TEB has joined forces with BNP Paribas in a strategic partnership that is evidence of that bank's confidence not just in us but also in our country. With BNP Paribas's support, we will be leveraging our effectiveness in corporate and commercial banking, a business line that has long been one of TEB's core strengths.

**Turkey has proven that it can stand even taller and stronger through national unity and togetherness**

Our country has recently suffered a calamity that it succeeded in overcoming only through the strength of its people's will. These dreadful events have nevertheless shown the whole

world once again that nothing can withstand the national will and that by having stood strong, we will never give up democracy.

As a bank, we have made not even the slightest change in our strategy. Indeed, more committed and determined than ever, we have strengthened that strategy and continue along the very same course. Every economic actor in this country is behaving similarly. Structurally as well as economically stable and strong, we all have shown that our country can stand up to and overcome every sort of difficulty through national unity and togetherness.

The financial services industry has taken the first step in this direction in the area of mortgage lending. The rate on home loans at many banks has been reduced to below 1%. TEB became one of the very first financial institutions to do this when it announced a 0.99% rate on loans to those wishing to invest in a house on terms of

anywhere between one and ten years. We did not hesitate for even a heartbeat to demonstrate our confidence in our country and its people by making this decision and we will continue to do so in similar ways in the period ahead as well.

Likewise in the period ahead we will also continue to provide even greater multidimensional support to economic endeavors that contribute to value-creating economic and social growth and wellbeing. As TEB we will continue to consolidate Turkey's progress as both a regional and a global force not just through the financial support that we provide the national economy but also through all the activities that we undertake out of our sense of social responsibility.

Briefly, as TEB we intends to go on strengthening its multidimensional support for the economy no less than it has done in the past and continues to do today. **EDT**

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investment

# Minister of Economy Zeybekci met international direct investors

Minister of Economy Nihat Zeybekci met with members of YASED (International Investors Association) in Istanbul to discuss steps that can be taken in the forthcoming period to ensure international direct investment flow to Turkey is maintained.

**M**inister of Economy Nihat Zeybekci met with members of YASED (International Investors Association) in Istanbul to discuss steps that can be taken in the forthcoming period to ensure international direct investment flow to Turkey is maintained.

With cooperation of YASED and Minister of Economy, Consultation Meeting with International Direct Investors was organized in Istanbul on 27<sup>th</sup> of July. In the meeting organized with participation of Minister of Economy Nihat Zeybekci, parties exchanged their opinion about steps that can be taken in the forthcoming period to maintain and stimulate international direct investment targeting Turkey and to attract value added investments to

the country following the coup attempt. YASED members stated that reform packages launched by the government and law on improvement of the investment environment passed by Turkish Grand National Assembly on 14<sup>th</sup> of July (Law on Amendment of Certain Laws for the Improvement of the Investment Environment) are very critical and well appreciated in terms of maintaining flow of international direct investments.

YASED Chairman Ahmet Erdem addressed the participants and stated that blowing the coup attempt on 15<sup>th</sup> of July in unity of all ranks of Turkish nation demonstrated Turkish nation's commitment to democracy, constitutional system and superiority of law, "We saw that, despite all social-economic and political differences, there is an extensive national consensus and strong synergy under peaceful and democratic conditions. Protecting this unity and solidarity will ensure Turkey proceeds its way with sound steps" and continued his words as follows:

*"Since international direct investors make strategic and consistent investments with a long-term perspective, they reach decisions by checking criteria like superiority of law, economic stabilization, infrastructure, intellectual property rights, potential of the market, qualified human resources and integration with global economy. We believe that the coup attempt shall not*



Minister of Economy  
Nihat Zeybekci



YASED Chairman  
Ahmet Erdem

*have adverse impact on investments when required measures are taken and democracy, superiority of law and social peace is protected. The fact that statements of our President, Prime Minister, Ministers and all official declarations are in this direction, reassures investors.*

*The power of Turkey as the World's 18<sup>th</sup> largest economy, relies on potential of our country, its integration with global economy, promotion of competitiveness and*

*entrepreneurship within the frame of free market economy, its young and dynamic population and most importantly its commitment to constitutional system that is based on superiority of law.*

*Most of the international direct investors in Turkey have been operating in our country for many years and have long-term, consistent investments in our country. They believe and have faith in the future of Turkey.”*

**Significance of Law on Improvement of Investment Environment is emphasized**

Erdem emphasized that as YASED, they believe that in terms of investments and economy, the important matters are ensuring normalization in a short term and acting with common sense and within the frame of legal order and superiority of law: “Hereafter, the way is cleared for the steps to be taken to strengthen democracy and





constitutional state in Turkey and to improve competitive power of our economy. Steps to be taken in this respect in unity shall reassure international direct investors' confidence in Turkey" and continued his words as follows:

"We believe that the next few months are extremely critical in terms of developments both in our country and abroad. We believe that legislative regulations aiming to improve the investment environment, prepared by the government and passed quickly by Turkish Grand National Assembly before coup attempt are very important to continue sustainable growth of our economy and to improve our competitive power.

As YASED, we will continue to support these regulations and practices by offering our opinion and recommendations in order to increase the share of our country in international direct investments."

### Structural reforms shall continue

Ahmet Erdem highlighted the positive impact of foresighted and unifying statements of political leaders and measures taken to ensure healthy operation of the economy and said that fiscal discipline and ongoing public investments shall support private sector investments in the forthcoming period.



Erdem also said: "As YASED, we have confirmed our faith in Turkey once again at the consultation meeting organized with Minister of Economy Nihat Zeybekci. Our faith in potential of Turkey that we lay emphasis on and express continues.

As international investors, today we were glad to hear from own words of our Minister that public authority shall expedite its works and structural reforms to improve global competitive capacity of our country, to realize its current potential and to accomplish targets for 2023 and that improvement works for fiscal discipline and investment environment shall continue at full steam. In the upcoming process, together with non-governmental organizations and the Ministry of Economy, we will continue to contribute in all domestic and international attempts to accurately build the perception of Turkey in the international business world". EDT

AISHA WILLIAMS, IFC Country Manager for Turkey

# IFC's record breaking **INVESTMENTS IN TURKEY**

"IFC has a long-term commitment to Turkey and this has not changed. We hope that our continued support will provide a demonstration effect to other financiers, encouraging them to continue to invest in Turkey."

IFC has made record-breaking investments in Turkey for the last three years. Your 2016 fiscal year was completed as of 30 June. How was the situation in the investments of this year?

A member of the World Bank Group, IFC focuses on supporting the development of the private sector in emerging economies. In the last fiscal year, which ended on June 30, IFC had a fourth consecutive record year in Turkey, investing to support sustainable energy and infrastructure development, improve municipal services, promote local capital markets, and help Turkish companies increase competitiveness and impact. IFC also advised businesses and government bodies on initiatives to encourage private sector growth.

During fiscal year 2016 IFC committed a total of \$1.8 billion in equity, long-term loans, interest

rate swaps and trade finance across 18 projects. The biggest gains were seen in IFC's equity investments, which reached a record \$625 million in new commitments, an almost 70% increase over the prior year. In addition to investing its own funds, IFC also mobilized more than \$300 million of financing for third party investors. IFC also provided \$370 million in short-term loans to support trade finance under IFC's Global Trade Finance Program, which enables essential support and liquidity for trade flows through a global network of more than 500 bank partners, helping small and medium enterprises access the global trading system.

This fiscal year also marks the end of the current five-year World Bank Group Country Partnership period with Turkey, under which IFC implements its program in the country. The World Bank Group



aims to support Turkey's transition to high-income status through direct financing, as well as with policy analysis and advisory services. During this period, the World Bank Group has invested a total of \$9 billion in Turkey, including a significant \$4.5 billion contribution from IFC to meet the program's development goals.

### Is IFC going to continue its focus on Turkey as normal?

The last 12 months have been a challenging time, not just for Turkey but for emerging economies across the world. In fact, Turkey has exceeded expectations on GDP growth and it continues to perform better than many of its emerging-market peers. However, the private sector has been under greater pressure. Investor confidence has been impacted by both policy uncertainty around the scope and timing of structural reforms, as well as instability in the security environment, including repeated terrorist attacks, the ongoing war in Syria and a failed coup attempt in July 2016. External financing has become scarce and foreign direct investment flows have decreased by more than 40 percent since the peak in 2007.

Despite this difficult environment, IFC has a long-term commitment to Turkey and this has not changed. Our first investment in Turkey was over 50 years ago and 2016 marks the 30<sup>th</sup> anniversary of our presence on the ground in the country. In 2010, IFC transformed our Istanbul office into an operational center for



Photo by: Tolga Ferhatoğlu, Fortune Türkiye

Europe, Central Asia, the Middle East and North Africa. It is currently our largest office outside of Washington DC.

At times like these, IFC is focused on playing a countercyclical role in Turkey. In

other words, we are prepared to support Turkish clients by providing our own financing, in addition to mobilizing funding from other international investors and also providing technical assistance. We hope that our



continued support will provide a demonstration effect to other financiers, encouraging them to continue to invest in Turkey.

#### What are your priorities in Turkey?

- **Investing in Turkish companies for impact and long term partnerships**

IFC has significantly increased its equity shares in Turkish companies with landmark investments. This year IFC became a 10% shareholder in Fibabanka and invested the Turkish Lira equivalent of US\$ 110 million in Odeabank, a subsidiary of Lebanon's Bank Audi Group through a subscription to a TL 1.0 billion capital increase by the lender.

The infrastructure and energy sector gained an increasing share of IFC's equity portfolio in Turkey. IFC invested in Unit Investment NV to support its growth and expansion with the development of new independent power plant projects in Europe and Middle East. IFC also acquired a 16.67% stake in Akfen Energy, a subsidiary of Akfen Holding. The

investment will help Akfen Energy to almost triple its renewable energy production and utilize Turkey's local energy resources for sustainable generation.

One of IFC's landmark investments was a \$215 million equity investment in Ronesans Holding, one of Turkey's largest construction and infrastructure companies, to improve the company's competitiveness and help accelerate its global expansion. Increasing investment flows from emerging markets into other emerging markets – often referred to as South-South investments – is one of IFC's five core strategic objectives globally. IFC's investment in Ronesans Holding will support the Group's cross-border investments in Africa, the Middle East, and the Caucuses and strengthen its sectoral presence in industrial infrastructure projects.

- **Helping to target climate change, fostering sustainable cities**

In partnership with the World Bank, a key priority for IFC in Turkey is supporting Turkey reach its climate change targets and

helping build better and more environmentally sustainable cities.

In fiscal year 2016, IFC made \$455 million in climate change related investments in Turkey promoting construction of green buildings, boosting renewable energy generation capacity, helping companies to increase energy efficiency and utilizing innovative green financial instruments. IFC helped pioneer the introduction of green mortgages into Turkey with Odeabank and invested \$50 million in the green and sustainable bond issue of the Industrial Development Bank of Turkey (TSKB), the first such bond issued from Turkey in international capital markets.

As part of the World Bank Group's Sustainable Cities initiative, IFC is increasingly working with Turkish metropolitan municipalities, providing a mix of loans to private service sponsors and public-private partnerships, as well as advisory services to improve urban infrastructure. This year, IFC mobilized a Euro 110 million financing package for the Istanbul Metropolitan Municipality, to support the

construction of a new metro line from Kabatas to Mecidiyekoy, two densely populated central districts in Istanbul. IFC continues to scale up its support cities such as Izmir, Antalya and Bursa on project development and finance in areas like waste water management and transportation.

- **Partnering with financial institutions to increase access to funding**

In 2016, IFC continued its partnership with Turkey's banks and financial institutions to increase access to finance for small and medium enterprises and increase investments in areas that are essential for Turkey's sustainable development; such as

energy efficiency. IFC partnered with Burgan Bank, Fibabank, Sekerbank, Odeabank, Finansbank and TSKB, providing \$380 million for such projects. IFC also committed \$370 million to Turkish banks under its Global Trade Finance Program (GTFP), which broadens access to finance for companies and reduces risks for local banks.

- **Building a stronger private sector ecosystem through knowledge**

IFC is the world's largest development institution that focuses on the private sector. Sharing its global knowledge and expertise and promoting networks that can contribute to its clients in

areas such as governance, best practices and international business standards is a priority for IFC. In Turkey, IFC organizes and supports sector events and roundtables to facilitate dialogue, share know-how and interact with various stakeholders.

In FY 2016, IFC has organized a Fin-Tech roundtable, and Innovation marketplace and a Waste Management Roundtable bringing together industry experts, clients and regulatory institutions.

- **Supporting Refugee and Host Communities**

During this year, IFC also launched efforts to work with its clients and Turkish authorities to address the needs of Syrian refugees and host communities in Turkey. IFC's response is part of a broader agreement between the Government of Turkey and the European Commission, with the support of international finance institutions, to address the challenges posed by the refugee crisis.

Complementing measures being undertaken by the World Bank Group, IFC's program, which will be implemented over the next three years, will focus on supporting entrepreneurship and employment opportunities for Syrian and Turkish communities through technical support to financial institutions and small and medium enterprises in affected cities as well as advice on streamlining the regulatory environment for new businesses. **EDT**



# Domestic savings have to be increased

Shortage of savings and the fact that existing savings have very short maturities take the lead among the fundamental problems of the national economy. In order to decrease Turkey's dependence on foreign capital, domestic savings have to be increased. Achieving the desired result in the short term is possible through development of incentive systems.



Secretary General  
Turkish Capital Markets  
Association (TCMA)

Since the beginning of financial crisis, several measures have been taken in the global arena. World economies attempt at new reform initiatives in an effort to recapture their pre-crisis performances. Yet, economic growth and inflation rates still are not at desired levels in many developed economies. After the crisis, commercial banking became highly regulated and that led to a more conservative loan policies. And that's where capital markets are supposed to step in.

In the last decade, Turkey has demonstrated impressive economic development. In line with the government's goal of becoming a global finance center, significant steps have been taken towards this aim. We witness important developments in the national economy aimed at strengthening the consistent structure.

In July, a group of renegade officers from Turkey's military sought to impose their will on the citizens and on our democracy through an armed coup d'état.





However, the attempt was hastily defeated due to the firm solidarity and the mobilization of all segments of the society, including political parties, media, civil society, and the many institutions of Turkey. All of these bodies expressed their total refusal of the violations of the coup d'etat, their complete attachment to the constitutional order, the principles of the rule of law, fundamental liberties and human rights, which altogether make up the indispensable pillars of a democratic republic.

Despite this unfortunate event, we strongly believe that, the Turkish democracy as well as its economy continues to remain resilient and will emerge reinforced by this incident. It's crucial to look at the bigger picture with a long term perspective before drawing a conclusion from these coup-related developments. The

systems and operations of all of the money market and capital market institutions, including Borsa Istanbul, Istanbul Custody and Settlement Bank, Central Registry Agency and Turkish Capital Markets Association functioned smoothly without any interruptions following the attempt, which demonstrates the operational capabilities of Turkey's financial system.

The fatal incident's negative impact on Turkey's financial markets has been short-lived. There has been no notable decrease in bank deposits, no significant increase in credit demand, and no restrictions on capital movements.

After the attempt, representatives of most prestigious organizations informed the international community of the Turkish government's unflinching devotion to the fundamental

political and social rights and liberties, the democratic society and the decisive implementation of macroeconomic and structural reforms.

Turkey's economy grew by 4% (compared to the world average growth rate of 3.1% according to IMF estimates) in 2015, which caused it to be one of the world's best-performing emerging markets and this trend is expected to continue in the following years. As long as Turkey continues to grow, investors will continue to be interested in Turkey, 4% growth at the time of regional terrorism risks cannot be neglected.

Shortage of savings and the fact that existing savings have very short maturities take the lead among the fundamental problems of the national economy. In order to decrease Turkey's dependence on foreign capital, domestic savings have to be increased. It is



a widely agreed fact that measures must be adopted in the short and long run to resolve this problem. Achieving the desired result in the short term is possible through development of incentive systems.

Turkey has about 100 billion Turkish lira of institutional savings, about half of it from private pension savings (BES) and the rest from mutual funds. Recently, important developments came into being regarding the encouragement of long-term savings. The Turkish Parliament made the housing and dowry account system into a law, which went into force. Additionally, voluntary private pension system has replaced by a mandatory pension scheme, which stipulates

that every wage-earner Turkish citizen under 45 years will be automatically enrolled in a pension plan determined by employers. According to this new law, participants' contribution amount will be 3% of their earning subject to premium.

This new law will enter into force on 1 January 2017. We



strongly believe that the growth in long-term savings allowed by the private pension will gain momentum with the automatic enrolment system.

Apart from these challenges, the digital revolution is changing the way of businesses. Disruptive effects on our capital markets are focused on mainly two areas; electronic platforms and algorithmic trading. As part of algorithmic trading, high-frequency trading (HFT) operations are discussed all over the world. The good side of HFTs is the facilitation of an efficient market through sound price formation. On the other hand, when the volumes are so dependent on HFTs, it distorts healthy price formation.

With respect to capital markets, transformations regarding capital markets were brought in completion and we moved closer to a stronger structure with the new Capital Markets Law. With this law, Turkish Capital Markets Association (TCMA) became the biggest professional organization of financial services industry with its new structure.

Our Association is the self-regulatory institution for supervising the capital markets and establishing professional rules for industry professionals in Turkey. Since membership is compulsory, we represent 233 members that comprise banks, brokerage firms, asset management companies and investment trusts operating in Turkey. We regulate and oversee some activities of our members. Additionally, we offer various training programs and conduct research to share with the public.

The Association's current agenda focuses on the following themes: Non-expansion of long-term savings, failure to broaden the investment base, the limited number of corporate investors and the tax issues of capital market activities and instruments. Our dedicated committees within the Association pursue their activities to help with the achievement of our goals. Beside committees, we have also targeted to create subcommittees and task forces.

Financial literacy, which is one of the Association's mission's,

has been gaining increasing importance all over the world. "Financial Access, Financial Education and Financial Consumer Protection Strategy" covered broad and comprehensive requirements for enhancing financial literacy of individuals so as to help them make informed financial decisions.

Financial Education Working Committee, which is made up of volunteer industry professionals operating under our Association since 2012, continues with its projects and activities. As part of our investor education activities, we organized competitions, meetings, seminars and various educational programs, as well as producing films and interviews where investors shared their own experiences. This year, we have organized the third edition of the short film contest "Camera In



Your Hand, Future In Your Pocket", which is intended to canalize individuals to plan for their financial future. Having attracted a large number of entrants from all over the Turkey, the contest received 109 applications. We also maintain our projects on our social media channels for spreading our investor education initiatives to broad audiences. We are getting positive feedback from a large number of users from different professions and age groups on all social media channels and particularly on our My Money and I (Param ve Ben) Facebook page that currently has nearly 80.000 followers. Additionally, we hosted the General Assembly of the International Forum for Investor Education (IFIE) in June 2016. We will also be hosting Asia Securities Forum in the near future.

Apart from these, we are envisaging to take on a more active role in dispute resolution. Therefore, we will start to use arbitral tribunal and arbitration method.

In this way, disputes between clients and our members will be resolved more quickly. We have created a dedicated center in this area. These activities will be carried out with the active participation of all our members.

We believe that our industry will be strengthened with these new regulations and laws. In the near future, capital markets may significantly contribute to the sustainability of the financial system. EDT

# Great Transportation Projects ARE GOING FULL FORCE

It is foreseen that Turkey's transportation demand will double itself until 2023, quadruple itself until 2050. Consequently Turkey got busy with transportation projects. These projects are going full force while new ones are in planning stage.

**T**urkey is presently working on the construction of the massive transportation projects, while fighting with terrorism and the coup attempt that was foiled at the last moment. Yavuz Sultan Selim Bridge and Osmangazi Bridge have opened up for transportation and Eurasia Tunnel is on the way.



The 3<sup>rd</sup> Istanbul airport, which is going to be the largest airport in the world, is also under construction. Çanakkale Bridge, a candidate to be the longest bridge in the world, will begin construction next year. The 3-level Great Istanbul Tunnel and Istanbul Canal projects are presently in the bidding stage. Here are the massive future projects of Turkey:

### **3<sup>rd</sup> Bosphorus Bridge: Yavuz Sultan Selim Bridge**

The 3<sup>rd</sup> Bosphorus Bridge had opened up for traffic. The bridge connects Europe and Asia via the North Marmara Highway, which is still under construction. The 3<sup>rd</sup> bridge is the widest bridge in the world. It is located between Odayeri and Paşaköy, being 148 kilometers long and 59 meters wide. It features 8 lanes for rubber tired vehicles and 2 lanes of railway.

The 3<sup>rd</sup> bridge features many novelties in the world such as the railway tracks being on the main level. The towers have broken a world record: Garipçe Tower on the European side is 322 meters long, so the bridge gets the record on the class of slanting bridges. The Poyrazköy Tower on the Asian side is 318 meters long. The Asian tower is the second tallest in the world, after Millau Viaduct in France. The span of the bridge is 1.408 meters and the total length of the bridge is 2.164 meters, is the world's longest hanging bridge that features a railway.

The foundations of the bridge had been laid in May 2013 and the bridge was foreseen to be completed in 36 months. However, it was completed in 27 months. The cost of the bridge was 3 billion USD. It was built in 'build-operate-transfer' model and will be operated by the

private sector. It has a guarantee for daily passage of 135 thousand vehicles. This bridge is the only bridge that allows heavy vehicle transport over the Bosphorus.

The bridge predicts to prevent approximately 1 billion 450 million USD of energy and 335 million USD workforce loss thus a total of 1 billion 785 million USD economic loss.

With the completion of the bridge, Marmaray and Istanbul metro will be integrated to connect Kurtköy Airport, Yeşilköy Airport and eventually the 3<sup>rd</sup> Airport.

### **Osmangazi Bridge has shortened 2.5 hours of distance to 4 minutes.**

Osmangazi Bridge, a significant part of the Gebze - Orhangazi - Izmir highway project, which will cut down Istanbul - Izmir travel to 3.5 hours has been opened on July 1. The



bridge took 39 months to be completed and 8 thousand workers took part in the construction.

The interior span of the bridge is 1.550 meters and total length is 2.682 meters. It is the fourth hanging bridge with the longest interior span in the world. There are 6 lanes on the bridge. The bridge has cut down the 2.5 hours of travel to 4 minutes.

Gebze - Orhangazi - Izmir highway construction consists of 384 kilometers of highway and 49 kilometers of access roads as well as the Orhangazi Bridge. The highway will be connecting Istanbul to Yalova, Bursa, Balıkesir, Manisa, Kütahya and Izmir. Half of Turkey's population, approximately 38 million congregates in the region and the travel time from Istanbul to Bursa will be 1 hour, to Izmir 3.5 hours and to Eskişehir 2.5 hours.

Orhangazi Bridge was constructed with a curve to save the bird haven "Hersek Lagoon" construction thus taking its place among constructions that are respectful to nature.

The total construction cost of the bridge and the highway amount to 6.9 Billion USD and it is predicted to be saving 650 million USD per year after the completion of the highway.

The construction of the bridge has increased the cost of the nearby real estate. It is hoped that the bridge will lighten the heavy traffic load of Gebze and Dilovası. The construction of a new Organized Industrial Site in Yalova is also underway.

### **Çanakkale Bridge will be the longest bridge of the world**

Çanakkale 1915 Bridge project is yet another massive one. Prime Minister Binali Yıldırım

announced that the foundations of the bridge will be laid on 18 March Çanakkale Martyrs Day 2017. Çanakkale 1915 Bridge will be constructed in Lapseki and Gelibolu districts. It will be the first bridge on Çanakkale Strait and the fifth hanging bridge in the Marmara Region.

The bridge will be useful for the traffic between Thrace, Aegean and West Mediterranean regions and will help the traffic coming from Europe cease going into Istanbul to cross to Asia.

The distance in Çanakkale Strait where the bridge will be constructed is 3.600 meters. The distance between the two towers of the bridge will be 2.023 meters.

The bridge will be made of two sections; the first section will pass through Istanbul Silivri district, Tekirdağ Marmara Ereğlisi, Çorlu, Süleymanpaşa, Malkara districts, Çanakkale Gelibolu, Lapseki, Çan, Yenice

districts, Balıkesir Balya and Merkez districts, making a total of 277.599 meters.

The second section will pass through Lapseki and Gelibolu districts, consisting of the strait and access roads, yielding a total of 46.816 meters.

The bridge and the highways will be constructed on 'build-operate-transfer' basis. The bridge will feature 6 lanes and 20 junctions.



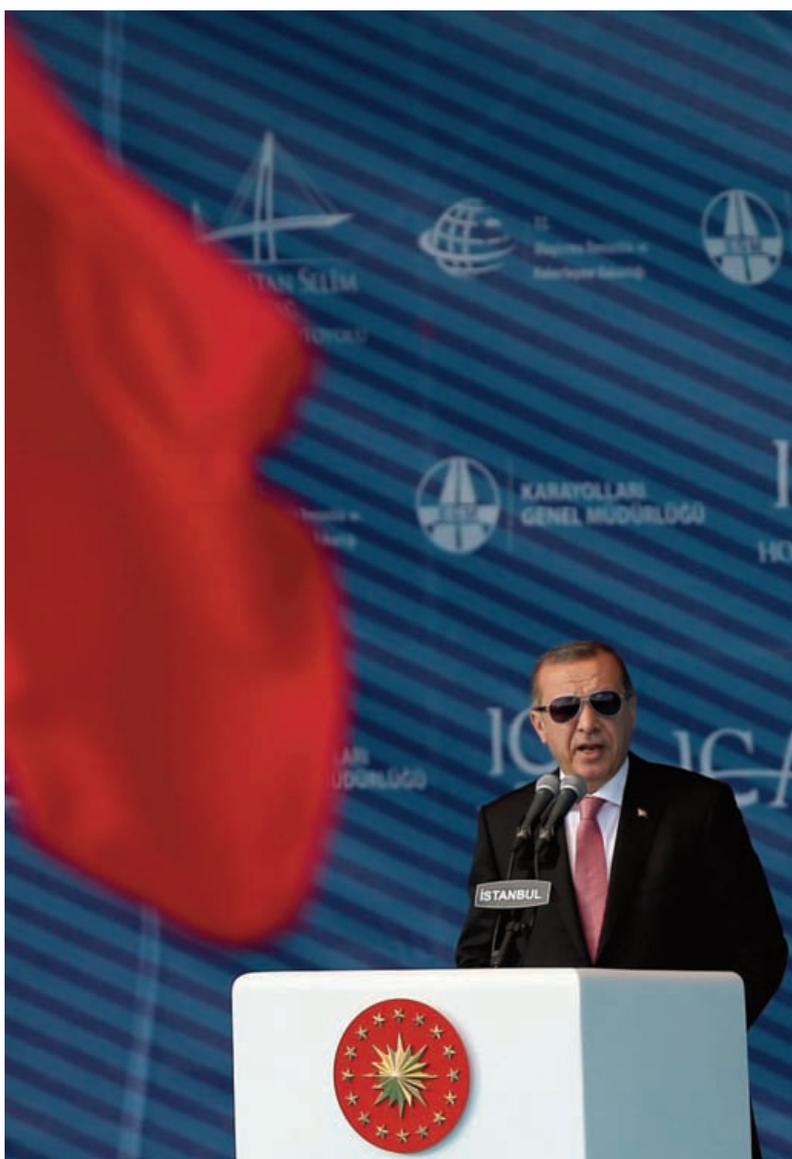
### Projects that will relieve Istanbul traffic

Istanbul has a population of 15 million and is located at the meeting point of two continents. 1.6 million people move each day between Asia and Europe. One of the most significant subjects in Istanbul is the transportation, the loss of time due to the traffic. Passing from one continent to the other is most time consuming. According to the statistics of the Ministry of Transportation, Maritime and Communication, there will be 4 million persons passing from one continent to the other each day in 2023. This means even more traffic for Istanbul.

Marmaray and Yavuz Sultan Selim Bridge are already tackling the problem and new investments and projects are on the way.

### The Eurasia Tunnel is opening on December 20

More projects are coming to life after the opening of the 3<sup>rd</sup> Bosphorus Bridge. One of these is the Eurasia Tunnel, whose opening will be on December 20,



7 months earlier than planned. The Eurasia Tunnel will decrease the travel from Kazlıçeşme to Güztepe to 15 minutes. The tunnel project encompasses an area of 14.6 kilometers, 5.4 kilometers of it being undersea.

The tunnel has been constructed to withstand a 7.5 magnitude earthquake. The tunnel has two levels, 2 lanes at each level. Approximately 120 thousand vehicles are expected to pass through per day.

The tunnel built on 'build-operate-transfer' model and financed for 1 billion 245 million USD. It will be operated by the private sector for 24 years 5 months before being transferred to the state.

The state, on the other hand, will gain 180 million TL from the share of the passing vehicles. 38 million liters of gasoline worth 160 million TL will be saved per



year. The decrease of time to cross the Bosphorus will equal to 52 million hours time saved. The amount of emission of the cars using the tunnel will be 82 thousand tons less and will provide environmental contribution.

### **Istanbul Tunnel with 3 levels will be a first in the world**

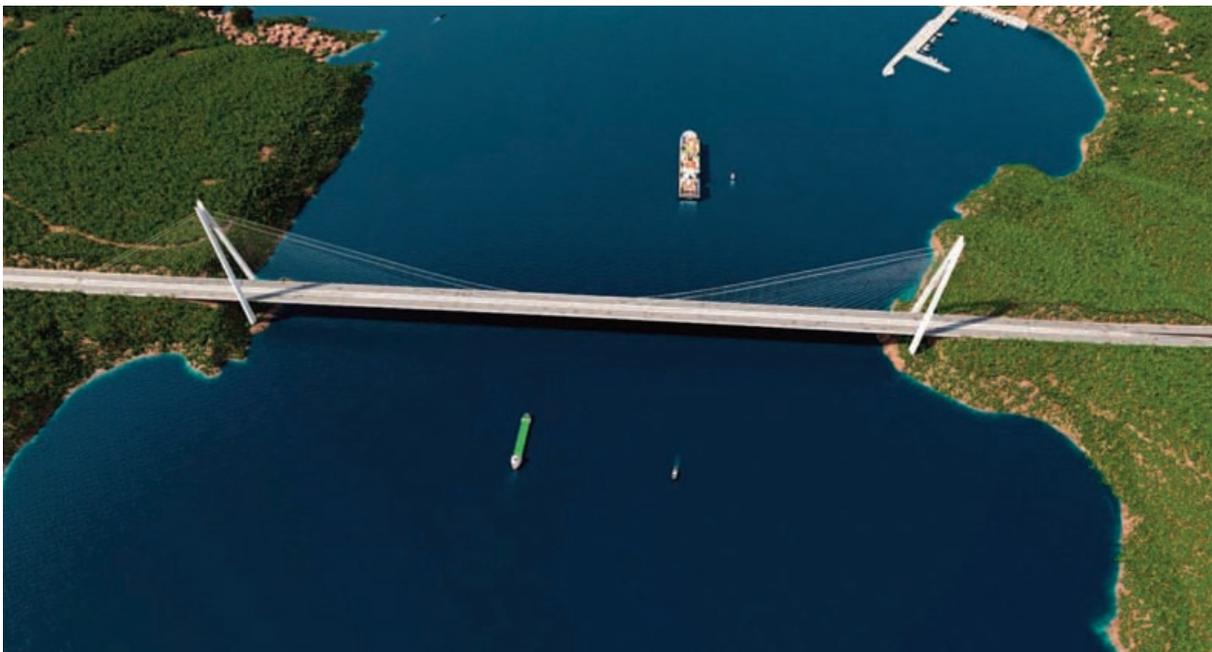
Yet another project that will ease the traffic between the continents is the Istanbul Tunnel, which will traverse under the

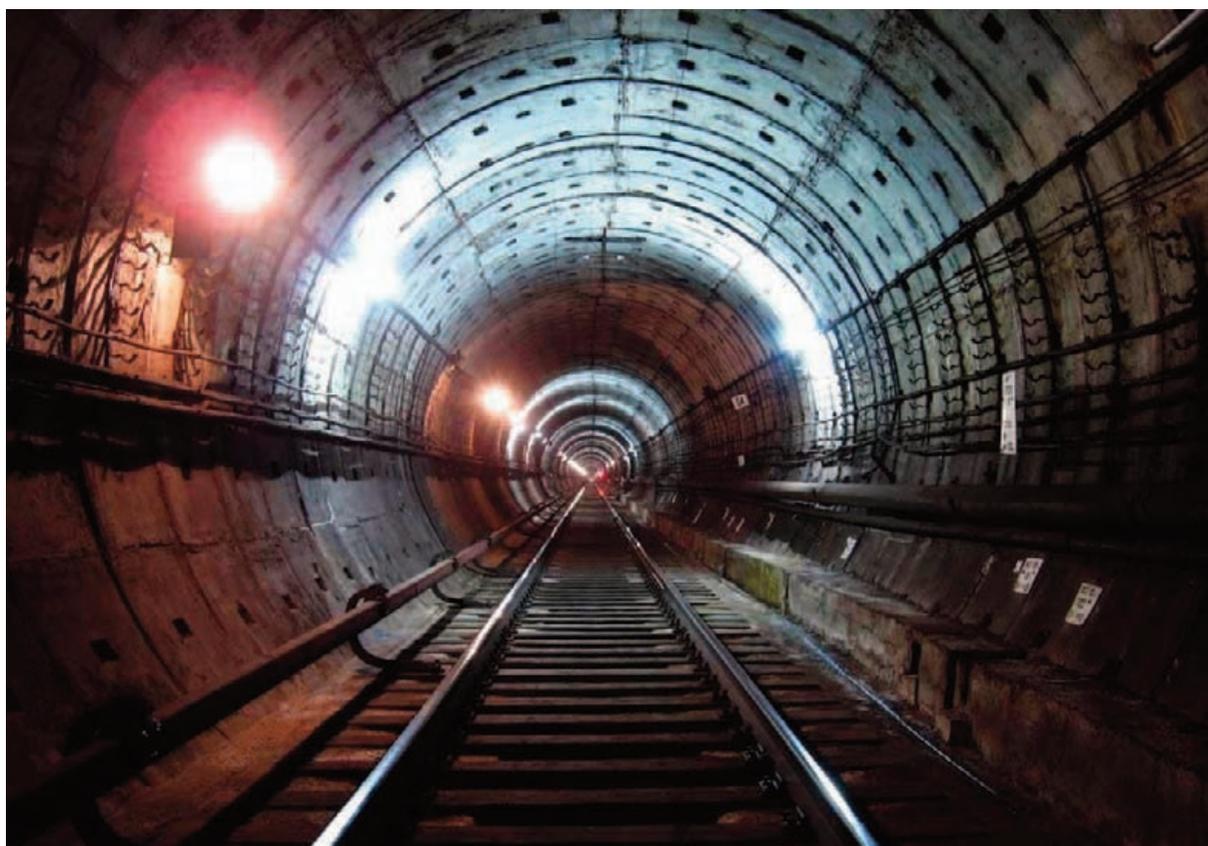
Bosphorus and feature railways and passage for cars. The tunnel will have cars traveling at the lowest and highest levels with subway trains in the middle level.

The subway will enter the tunnel in İncirli E-5 highway junction; pass under the Bosphorus to emerge in Söğütlüçeşme on the Asian side. The cars will enter the tunnel at Hasdal Junction pass under the sea and emerge at Çamlık junction.

The tunnel is being constructed on 'build-operate-transfer' model and is going to be completed in 5 years. The travel time from İncirli to Söğütlüçeşme, which is 31 kilometers long and has 14 station stops, will be 40 minutes. The cars will cross from Hasdal to Çamlık in 14 minutes.

The tunnel will be integrated to TEM highway, E-5 Highway and the North Marmara Highway and





is believed to be able to commute 6.5 million persons per day.

### **3<sup>rd</sup> airport will be serving 200 million passengers a year**

The construction of the 3<sup>rd</sup> airport is under way, the first phase to be completed in the first quarter of 2018.

The airport encompasses an area of 76 million 500 thousand sq meters and will serve 200 million passengers a year when completed.

It will be the biggest airport in the world with regard to passenger capacity. The bid for the 3<sup>rd</sup> airport, 22 billion 152 million Euros was the greatest bid of the Republic history. The airport now features one of the

largest construction sites of the world, has over 17 thousand workers from 12 countries working in shifts. 1.500 are office workers and 14.500 are construction workers.

It is stated that the number of workers can go up to 30 thousand when needed. The new airport will provide employment for 100 thousand persons and provide income to 1.5 million persons indirectly.

### **Istanbul Canal**

The project was labeled as Recep Tayyip Erdoğan's crazy project in 2011. However, now the legal regulations are being taken care of as the best location is trying to be determined. The team that realized the Panama

Canal Expansion Project will be contacted for cooperation of the construction of the canal.

Istanbul Canal will be located on the European side. The construction of the canal aims to decrease the sea traffic on the Bosphorus which is the only way between the Black Sea and the Mediterranean. On the point where the canal opens to the Marmara Sea, a new city will be established.

Istanbul Canal is foreseen to be longer than 40 kilometers. The canal will be 500 meters wide at the surface, 400 meters wide at the bottom and 30 meters deep. This will enable to have the tankers that threaten Istanbul's safety sail through the canal instead. **EDT**

# The effects of urban transformation and 'impressive projects' on the economy



Haluk Sur has been involved in the construction industry for over 25 years, realizing projects with domestic and global investors and working for the adaptation of international investment standards. We had a long conversation regarding the restructuring of the Turkish construction industry, the effects of the urban transformation on the economy and recent residence sales to foreigners.

**What are the effects of Istanbul Canal, 3<sup>rd</sup> Bosphorus Bridge, highways, railways, underground web, high-speed trains, tubes, and numerous constructions of hospitals, schools, stadiums and government buildings on the Turkish economy?**

Turkey has made significant improvements in the global sense in many sectors since the last 13 years, becoming one of the developing market economies. Particularly, during the past years and since the 2008 global crisis,

there have been growth of 12.6 percent and growth of 8-9 percent in 2010 and 2011 were impressive. However, as Turkey blossomed, its substructure and superstructure systems became insufficient. Atatürk International Airport, which had been constructed to remain functional until 2023, exceeded its capacity thus surfaced a need for a new international airport. The Turkish government decided to construct the world's largest airport in Istanbul and to turn Istanbul into a transportation center. The

international airports boast an area of 22-23 sq km and the busiest airports such as Atlanta, Chicago and London Heathrow have passenger capacity of 70-75 million. Turkey started the construction of an airport for 150 million passengers on an area of 81 sq km. The airport will be able to facilitate new additions in the future years and will also feature a 21<sup>st</sup> century town Aerotropolis nearby.

The 20<sup>th</sup> century towns, the metropolises, developed along and around the subway webs but the 21<sup>st</sup> century towns, the aerotropolises will be developing around airports as the importance of airports in global transportation increase. The new town will be built at the south of the airport, on the 300 sq km land from the north of the Küçükçekmece Lake. Plans of the Istanbul Canal are also taking shape. The new airport will be connected to Sabiha Gökçen Airport on the Asian side by the North Marmara Highway via the 3<sup>rd</sup> Bosphorus Bridge.

The two airports will be connected upon the completion of the 3<sup>rd</sup> Bosphorus Bridge and the high speed train will increase the interoperability of Sabiha Gökçen Airport, transforming it into a great hub of international transportation. The logistic facilities around the airport, the business centers, hotels, conference and congress facilities as well as residences will constitute a new town, a new Istanbul, at the west of Istanbul. It is necessary while doing this to

be integrated with the urban transformation program to decentralize the density in the city towards the outside and in the meanwhile to create green belts in the city especially in concrete areas.

There has been a great increase in the highway hub in Turkey during the last 10 years. The highways increased from a few hundred kilometers to 2.200 kilometers within the last 10-12 years. The divided double roads were around 4-5 thousand kilometers and are 22-23 thousand kilometers long today. 2023 targets are to increase divided roads to 35 thousand kilometers and highways to 7-8 thousand kilometers.

15-20 years ago the high speed train between Istanbul and Ankara was only a dream but today the high speed trains will run not only between Istanbul and Ankara but from Ankara to Konya, Ankara to Sivas and soon afterwards between Ankara and İzmir and Istanbul and İzmir. The present 1.000 kilometer capacity will increase to 5.000-6.000 soon. This is yet another impressive project.

The underground system is very important. There are 26 cities that have populations over 10 million in the world. These cities can be divided as A and B leagues. Cities of the A league such as London, New York, Paris, Shanghai and Tokyo have



underground systems of 350-400 km. long. Shanghai is the first in the world and has a underground/aboveground rail hub that reaches 500 kilometers. London has a system that is 400 kilometers long. Furthermore, some cities have 8-10 lines, London has 15-16 lines with passenger capacity of 4.5 million per day and Tokyo has a capacity for 7 million per day. These are solutions to decrease the traffic in the cities.

B league cities such as Karachi, Jakarta, Bombay, Manila and Cairo have populations over 10 million and are about to have a underground/aboveground hub of 200 kilometers. Thanks to Üsküdar-Ümraniye and Mecidiyeköy-Başakşehir line, we are also at the same position since without that line we have 150 kilometers. Marmaray alone is a world class project. As a Turkish citizen, I am thankful to President Erdoğan and AK Party government to have given us this project.

This was a 100 years old dream project. It is not yet completed since only 14-15 kilometers are being used today of the 76 kilometer project. But when this project is completed and when we reach 400 kilometers long railways on the 100<sup>th</sup> anniversary of our Republic, we shall take our place among the A league cities in the world. Other important Turkish cities such as Ankara, İzmir, Adana, Bursa, Kayseri, Antalya and Konya are getting their share of the impressive projects.

In over 30 large cities, new city hospitals are being built. All of these will be large hospitals, having several thousand beds. Tunnel passages are of utmost significance. Along with the construction of Çanakkale Bridge and the completion of the South Marmara Highway, Istanbul's traffic and international transit transportation load will be considerably lighter. Istanbul's industrial load will be switched to South Marmara turning Bandırma region into a logistic and production center making Istanbul breathe. Marmara Sea will act as a natural highway, being useful. Istanbul is no longer the name of a city. It is one of the smallest of Turkey's cities in area, 5.500 sq km, however its effect and economic size is very, very large. Istanbul boasts Turkey's 25 percent GNP, 40 percent of the taxes and 65-70 percent of the monetary movements in Turkey. The name Istanbul is now encompassing the regions of Thrace, East Marmara and South Marmara and has become a megapolis which houses 25 million people including Bursa, Kocaeli, Balıkesir, Çanakkale and the Thrace region. All of these are bright instances in Turkey's future.

Although tunnel passages are very important, their construction cost and management are difficult tasks. Certainly the new highway that will connect the Asian side to the European side, including the 3<sup>rd</sup> bridge highways that will connect the North Marmara highway to the Asia and Europe via TEM and E5 highways, while a railway system starting in Maltepe leads to Zeytinburnu over the landfill pedestals that support a two level bridge of 16 lanes – 8 lanes for each way, as well as rail system can be a saver for Istanbul's traffic. There are examples of this all around the world such as San Francisco Bay Bridge, Hong Kong Tshin Ma Bridge that connects Lantau Island to Kowloon, Portugal Vasco de Gama Bridge and Malmö Copenhagen Bridge that connects Sweden to Denmark. Each of these bridges are approximately 20 kilometers long.

It will certainly be one of the greatest services to Istanbul and prevent people traveling small distances and people traveling long distances being stuck together, easing the city traffic circulation. This will certainly be an impressive project that should be taken on sometime soon. All these projects will furnish Turkey, Istanbul and the other 30 metropolises with modern silhouettes. The Eurasia Tunnel constructed for rubber tired vehicles is a very significant project however the fact that the maintenance cost of tunnels are very high and they have limited



capacity should be kept in mind. Turkey is on its way becoming one of the largest 10 economies of the world with a GDP of over 2 billion USD and over 25 thousand income per capita.

**You regard urban transformation as a crazy project. What do you think of the process? Is the financial source sufficient to tear down and rebuild approximately 7 million residences? How many years will it take? What is the employment rate required by the source? What will be the gain of Turkish economy?**

Urban transformation program is one of the most important projects Turkey has undertaken. The gain in economic growth can be calculated in trillions and will bring a great momentum to the Turkish economy.

The reflections of the urban transformation on the economy is not yet at the desired level however it is obvious that it has introduced some movement into the residence market. Turkey's residence production is based on 3 significant elements. One is the population growth which forces Turkey to build 500-550 thousand residences per year. Internal migration is going on. Urbanization rate in Turkey is around 75 percent but the government is trying to increase it to 85 percent. If the rate becomes 85 percent, it means that 10 percent of the population, 7.5 - 8 million people will be migrating from the rural to the urban areas.



### It is time to establish cooperation with country funds

Founding Turkey's country fund will give Turkey a chance to contact and make business with Gulf countries like Qatar and Kuwait who have country funds that make a total of 4-5 trillion USD. If Turkey manages to draw 10 percent, it will make 400-500 billion USD. These foreign funds can be partners in Istanbul Canal or 3<sup>rd</sup> Airport projects.

Approximately 2 million residences are to be used via internal migration parallel to Turkey's macroeconomic expansion. Urban transformation targets 7 million residences to be renewed and will take 15 years, which means that 16-17 million residences should be built. So there should be no residence shortages in Turkey due to population increase, and internal migration should be handled correctly. There should also be no subsidence areas or slum neighborhoods and the new houses should be earthquake safe.

The above means 1 million residences per year. At present the construction permits taken have exceeded 800 thousand but all of these might not be realized. However, building settling indicate around 700 residences are built per year in Turkey. This is going to be somewhat marginal but the residence construction per year should reach 1 million so that our cities become prosperous. From this perspective, if 15 million residences are built in 15 years, the economic growth will be 3 trillion USD.

The construction and real estate sector has a striking effect over the other sectors. Turkey can stand to gain 25-30 percent VAT over this. From this point of view it will bring forth a further capacity of 800-900 billion USD, as economic growth. This means multiplying today's Turkey by 2. This is the real meaning of urban transformation but of course it takes time.

It can spread out to 15 years but should not go any further for it will be risky. Consequently this great big pie might not be out for eating yet.

But even its talks have created liveliness in the economy. This is an impressive project not only for providing safety but also for the economy.

450 billion USD is required for the whole process to be completed, 30 billion per year. The direct affect of the construction sector on employment will be close to 1 million however it is even more



when the service materials, production from different factors are added.

**Will this be realized?**

**What to do?**

I must admit that it will be very difficult to realize the urban transformation program without a residence settlement master plan or transportation. We must realize that urban transformation is not rebuilding the same buildings after tearing them down. Urban transformation is a project that can be realized in the general country in general and in the street in private, each in its own.

TOKİ has had a great success up to now. Looking from any perspective, it is not an easy task

to build 600 residences at 2.600 different locations in 10 years in any country in the world. If the lower level people of Turkey can attain residences only through social residence projects, we shall have to build 2.5-3 million of these 15 million residences in social status and the same amount for the middle- lower group in the coming 15 years. TOKİ can build 600 thousand residences in 10 years, that is 60 thousand residences per year and we are talking about 3 million residences. We can realize urban transformation if TOKİ multiplies its capacity by two. Since that is not possible we have to include the private sector in this project, whatever we do. We should also remember that due to

the implemented social residence policies TOKİ has received offers from 60 countries in the world, Africa, many other world countries and even Mid America. What they all wanted was to realize the same model in their own countries. You can see that residence has become a popular subject in the World Bank and the UN today.

If TOKİ became an international item along with Turkish construction sector and Turkish construction materials sector, and opened up to the world building 600 million residences until year 2050, that would be equal to the vastness of the market here. Today there is a potential outside that is 3 times the potential in Turkey.

### Are the financial sources sufficient?

When the vastness of the urban transformation project is taken into account, I think that it will be difficult to finance it by traditional methods such as pre sale or build and sell. There needs to be a variety of tools. Real estate certificates, Real estate partnerships and Real Estate Investment Funds as well as Individual Retirement Funds can offer alternatives and be effective.

The incentive mechanisms have to be alerted to add momentum to the project. These incentives can persuade the real estate owners and investors to join the transformation program.

Sales of residences to foreigners in line with reciprocity principle were increasing. However last year the real estate sector that ended the year with sale of 5 billion USD to foreigners faced a decrease due to political

### Green recycling is obligatory

Let us not forget that the cheapest energy in the world is not produced energy but saved energy. The use of one item of money for saving energy instead of producing energy yields 6.6 times productivity. Thus instead of spending 100 million dollars to build a 50 megawatt power plant, using it to save energy in a building saves 335 megawatt extra energy. If 7 million residences to be transformed are green, energy and water worth 26 million USD will be saved until year 2023. Considering that the normal life span of buildings is 50-60 years, the real savings will exceed 150 billion USD.

### developments. What do you think about this?

A target of 10 billion USD had been set for this year regarding residence sales to foreigners. But I believe 6 billion USD can be

attained with some work during the last quarter. This year a decrease of 30 percent is expected in the tourism sector and if it does not get better during the last quarter, the loss of income can be 10 billion USD. An effort has to be made during this period to improve our impression on the foreign investors.

Having campaigns during the last quarter can give momentum to the sector. All should work on the bad impressions and make improvements.

There must be an effort to draw country investment funds from Qatar, Kuwait, Saudi Arabia, BAE, Oman, Bahrain, Azerbaijan and Iran. The total fund these funds manage is 4-5 trillion USD. If Turkey manages to draw 10 percent, it will make 400-500 billion USD. It will be good to establish Turkey's country investment fund in the nearest future and to be in direct contact with these countries. The messages will be more effective.

These foreign funds can be partners in Istanbul Canal, 3rd Airport and other giant projects. Or be partners in Kartal or Gaziosmanpaşa urban transformation projects.

I must admit that presently there are no western investors around Turkey however the Gulf investors are interested. It is not enough to appear in fairs. It is important to establish contact with the investors who are here. Contacts must be made with powerful investment banks and eventually visit the investors themselves. EDT



Vodafone Smart Village, with its digital infrastructure, will set an example in Turkish and global agriculture.

# WORLD'S FIRST SMART VILLAGE IN AYDIN

On the occasion of its 10<sup>th</sup> anniversary in Turkey, Vodafone has initiated a developmental campaign for rural areas, a movement that could inspire others in the world. In line with the "Four Corners of Turkey" campaign strategy, Vodafone Farmers Club and its partner Tabit will be founding the world's first smart village in Aydın and setting an example to all other countries. The Smart Village will be supplied with all facilities such as modern green house implementations, modern fruit growing, modern stockbreeding and all kinds of digital technologies. The main aim is to reduce the migration from the rural areas to the cities by increasing the sustainable productivity. Vodafone Smart Village is aimed to expand by domino effect to lead the digital development campaign to 38 thousand villages in Turkey. The Smart Village will be founded on 298.000 sq. meters with an investment of approximately 23 million Turkish Liras in 10 years.



Vodafone continues its investments in Turkey's rural zone on its 10th anniversary with the Digital Transformation Movement. Vodafone targets rural development by initiating the digitalization of agriculture in Turkey. In 2009 Vodafone initiated the first social business model within the structure of the Ministry of Food, Agriculture and Livestock by introducing the Vodafone Farmers Club program which is being used today in 6 Vodafone countries. Now Vodafone will be founding the world's and Turkey's first smart village in Aydın, Koçarlı town, Kasaplar village. Vodafone Turkey and Tabit will invest 23 million Turkish Liras in 10 years to the smart village program.

The smart village will be founded on 298.000 sq. meters of land and will feature modern greenhouse implementations, batch milking and cooling, water and fertilizer execution centers, soil analysis labs and other facilities to make farmers tasks easier.

The first smart village is aimed to be a model for others in Turkey and elsewhere in the world. The program aims to make farming a coveted job and reduce the migration from the rural areas to the urban areas. The smart village program was introduced in a meeting attended by Vodafone CEO Gökhan Ögüt and Tabit founding partner Tülin Akın.



**Gökhan Ögüt: “We are continuing our investments in a decisive manner**

He stated that they are supporting Turkey's transformation and development and added: “As Vodafone, we have started to digitalize individuals initially and will continue with homes, institutions and even cities. We are going forward with our “Four Corners of Turkey” campaign. We have

targeted to change Turkey's grading in the world with regard to agriculture and made it our responsibility. Along with our business partner Tabit, we have initiated the Vodafone Farmers Club in 2009. And today, we are reaching out to 1, 4 million farmers in Turkey and 3 million farmers in the world with this program that is being used in 6 Vodafone countries. We are now founding the first smart village in



## The farmers' income will increase 40 thousand TL every year

The Smart Village will be a 10 year project that aims to monitor the increase in productivity in the first two years and implement the sustainable structure in the next four years. The project predicts 20 percent in vegetative production costs, 22 percent in stockbreeding costs, as well as 30 percent income increase in stockbreeding and 10 percent increase in total production. It is targeted to have an increase of 40 thousand TL per household in 2 years. At least 20 percent is targeted in agricultural irrigation and water and soil contamination will be prevented.

Aydın with an investment of 23 million TL. We are providing strategic support to this smart village. This support will trigger the digital transformation and will also make Vodafone's 10<sup>th</sup> year in Turkey memorable. The Smart Village will be merging traditional agricultural methods with the possibilities of advanced technology.”

### “The Smart Village will set up an example for the whole world”

Öğüt continued by saying that they aimed to develop the economic, environmental and social development of the farmers with the Smart Village project. He said:

“Vodafone Smart Village is a model that will trigger 62 million dollars worth agricultural economy with the help of technology. With this project, we are targeting an increase of approximately 40 thousand TL per house within two years. On the other hand, we will be able to attain sustainable agricultural sources by preventing soil and water contamination thanks to the systems we are setting up here. Yet another target that we find very significant is social development. We are aiming to elevate the level of welfare in rural areas. There will be social and educational programs for the children, the young people, and the women. Thanks to the

Vodafone Smart Village program we hope to make farming a favored profession and decrease the migration from the rural to the urban areas. We believe that this will be an example, a model for other villages in Turkey and other Vodafone countries. We are targeting a domino effect that will eventually encompass all 38 thousand villages in Turkey.”

### A new generation rural life model will be established

Smart Village will feature the new generation model where technology supports the social development and innovation. There will be modern fruit orchards, vegetable growing fields, greenhouses, and

vegetable growing in fields, vegetable and fruit depots, cold storage, batch milking and cooling systems and grazing pastures as well as follow-up centers, water and manure centers, stockbreeding center, soil and leaf analysis labs, workshops, training facilities, social life and sports centers.

### **The internet of objects will be put into use**

Being Turkey's first technology implementation village, the Vodafone Smart Village will use smart devices at every step in agriculture and stockbreeding. All automation systems will be executed via mobile devices and will report to one center. Irrigation automation, greenhouse automation, manure control automation, poultry house automation, frost automation, milk automation, beekeeping automation, pedometer automation, early warning automation will be using the internet of objects to make life easier for the farmers.

### **There will be socialization and educational programs**

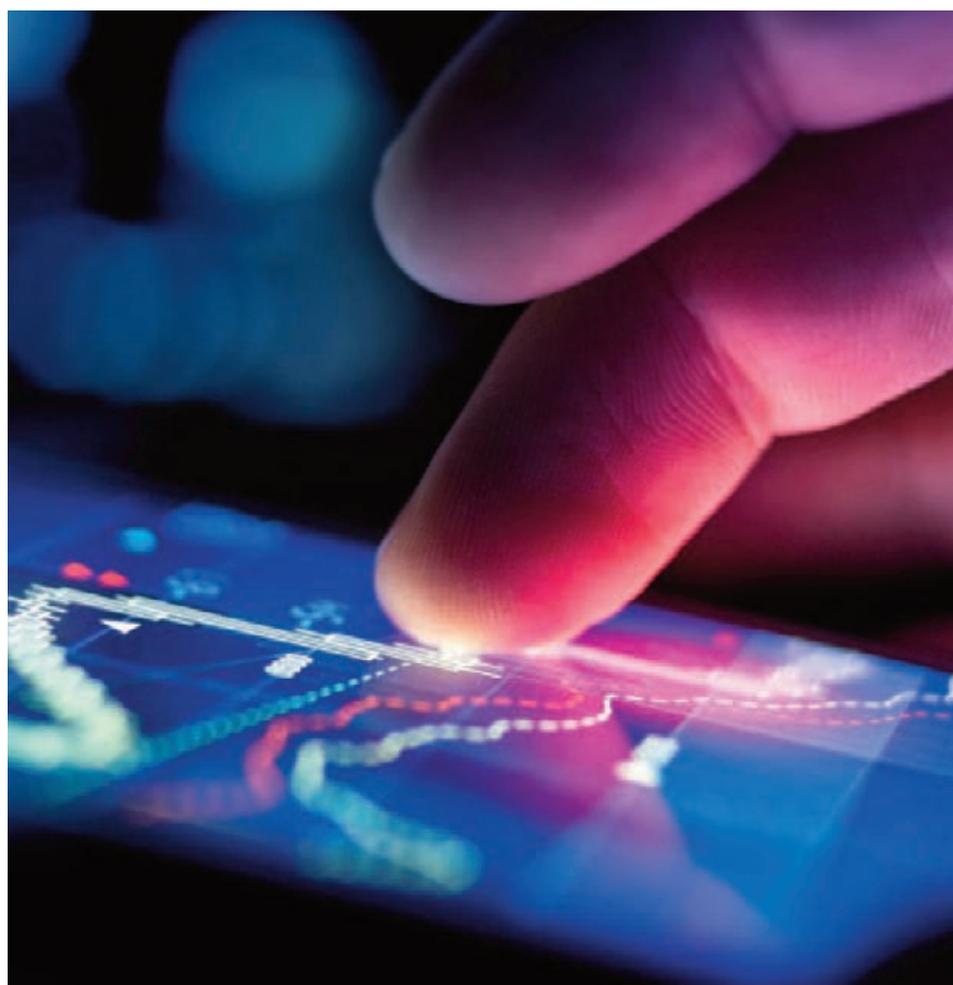
Programs pertaining to learning, socialization and fun will be closely monitored in the Smart Village. There will be camps for children, adolescents, women and men in which "one lives and learns". There will also be Mature Farmers Training Programs, Vocational Experience Sharing Programs, Young Farmers Programs, Child Farmers Programs, Nature and Natural

Life Camps and Agricultural Technologies Summit programs.

### **Vodafone Farmers Club has reached out to 1,4 million Farmers**

Under the patronage of the Ministry of Food, Agriculture and Livestock, and with the cooperation of Agricultural Credit Association, the Vodafone Farmers Club has reached out to 1,4 million farmers in Turkey and 3 million farmers in the world since 2009. The program has 890 thousand members in Turkey and many more in six Vodafone countries such as Egypt, India,

Ghana, Kenya, Tanzania and New Zealand. The Farmers News Package introduces 88 products in 957 districts in Turkey. On the other hand, 1.1 million different contents were shared until today and 871 thousand short messages have been sent. There have been 38 thousand advertisements on Farmers Advertisement Bulletin. Vodafone Farmers Training Truck has visited 495 districts and reached 9 million persons. Vodafone Farmers Guide was downloaded by 16 thousand users. 32 thousand farmers are benefiting from the Farmers Health Package. EDT





## Tiger Woods scheduled to appear at the Turkish Airlines Open Antalya 2016 for its fourth edition

Turkish Airlines, Europe's best airline for six consecutive years according to Skytrax, will present the fourth edition of the Turkish Airlines Open – where fourteen times major champion Tiger Woods is scheduled to appear from 3<sup>rd</sup> to 6<sup>th</sup> November. The first of three Final Series events on the 2016 European Tour season will welcome one of the biggest golf stars of all time.



Regnum Carya Golf Resort, Antalya

**T**iger Woods, now 40 years old, has had an unprecedented career during his 20 years on tour. He has won 105 tournaments, including 14 ‘majors’. This fall Tiger Woods will be back in Turkey for the third time.

The tournament will take place in the Antalya region at a new venue, the stunning Regnum Carya Resort. Tiger Woods is set to attend the 2016 Turkish Airlines Open, together with the top 70 players in the Race to Dubai standings, to fight for a prize fund of \$7m.

Thanks to the greatest golf star in the world’s plans to compete in Turkey, along with many other leading players, this year’s tournament promises to be another entertaining and dramatic week of golf.

“We are proud to support a top-class golf event, such as the Turkish Airlines Open 2016, and pleased to know that Tiger Woods chose Antalya as a key part of his competitive comeback.” explained M. İlker Aycı, Chairman of the Board and the Executive Committee of Turkish Airlines.

Tiger Woods has played in two previous Turkish Airlines events. In the year 2013, Tiger also hit a golf ball from Europe to Asia across the iconic bridge in Istanbul, a great feat not to be forgotten.

This year the players will be competing over the new layout of the beautiful Carya GC. The Belek region in Antalya is renowned for its golf courses and breath taking surroundings along the Mediterranean coastline. Located just 25 minutes from Antalya airport, Carya Golf Club is a fitting

venue. Measuring 7,186 yards, the course winds its way through the eucalyptus trees, serene lakes and subtle undulations. With a mixture of short strategic holes and demanding long holes the winners will have their work cut out if they are to lift the trophy on Sunday.

Past Champions of the event include Victor Dubuisson (2013, 2015) and Brooks Koepka (2014), and this year with the scheduled attendance of Tiger Woods the Turkish Airlines Open is one tournament that is surely not to be missed. **EDT**



# Turkish musician Fazıl Say awarded International Secularism Prize

Born and raised in Ankara, pianist and composer Fazıl Say is one of the most distinctive artists to emerge from Turkey in the last twenty years. His works blend folk traditions from his homeland with elements of Western classical music. Say's musical vocabulary, like the geography of his native country, is situated between Europe and Asia. Le Figaro raves, "Say is not merely a pianist of genius undoubtedly he will be one of the greatest artists of the twenty-first century."

World-renowned Turkish pianist Fazıl Say was awarded the "2015 International Secularism Prize" (Prix de la Laïcité) by the France Committee of Secularism on October 26, 2015.

The event was hosted at the Paris Municipality Building with the attendance of French Prime Minister Manuel Valls and Paris Mayor Anne Hidalgo, along with other guests.

"Secularism is a concept identified with the Republic [of Turkey] founded by the courageous leader [Mustafa Kemal] Atatürk, in my home country, Turkey. It stood as an upper justice, which has given freedom to a range of philosophical approaches ensuring equal rights to its people dispersed under different beliefs and ethnic origins, both to believers and non-believers, aiming at taking part in the international scene competition in science, arts, sports and many others." Say said in his speech.



### The role of arts in an 'imperfect' world

"The world is not perfect, however arts will contribute positively to this situation," said Say, referring to a "mindset of terror."

"In the beginning of 21st century, it is tragic for all of us to witness how the mindset of terror has reached a barbarous, inhuman point. The responsibility of this situation is the balances of power, both in the East and West. The threat is big; we are aware of the threat," he said.

"Time will show if arts will succeed in contributing to this imperfect world," the famous pianist added.

"We should all make an effort to make this world a peaceful place that we would like to leave to our children, grandchildren," he said.

Turkish MP and NSS honorary associate Şafak Pavey was awarded the National Secular Society's Secularist of the Year prize in 2014.

### About Fazil Say...

The Turkish pianist and composer Fazil Say was born in Ankara and studied piano and composition at the state Conservatory of his home city.

With his extraordinary pianistic talents, Fazil Say has been touching audiences and critics alike for more than twenty-five years, in a way that has become rare in the increasingly materialistic and elaborately organised classical music world. Concerts with this artist are something different. They are



more direct, more open, more exciting; in short, they go straight to the heart. Which is exactly what the composer Aribert Reimann thought in 1986 when, during a visit to Ankara, he had the opportunity, more or less by chance, to appreciate the playing of the sixteen-year-old pianist. He immediately asked the American pianist David Levine, who was accompanying him on the trip, to come to the city's conservatory, using the now much-quoted words: 'You absolutely must hear him, this boy plays like a devil.'

Fazil Say had his first piano lessons from Mithat Fenmen, who had himself studied with Alfred Cortot in Paris. Perhaps sensing just how talented his pupil was, Fenmen asked the boy to improvise every day on themes to do with his daily life before going on to complete his essential piano exercises and studies. This

contact with free creative processes and forms is seen as the source of the immense improvisatory talent and the aesthetic outlook that make Fazil Say the pianist and composer he is today. He has been commissioned to write music for, among others, the Salzburg Festival, the WDR, the Dortmund Konzerthaus and the Schleswig-Holstein and Mecklenburg-Vorpommern festivals. His work includes compositions for solo keyboard and chamber music, as well as solo concertos and large-scale orchestral works.

From 1987 onwards, Fazil Say fine-tuned his skills as a classical pianist with David Levine, first at the Musikhochschule Robert Schumann in Düsseldorf and later in Berlin. This formed the aesthetic basis for his Mozart and Schubert interpretations, in particular. His outstanding



technique very quickly enabled him to master the so-called warhorses of the repertoire with masterful ease. It is precisely this blend of refinement (in Bach, Haydn, and Mozart) and virtuoso brilliance in the works of Liszt, Mussorgsky and Beethoven that gained him victory at the Young Concert Artists international competition in New York in 1994. Since then he has played with all of the renowned American and European orchestras and numerous leading conductors, building up a multifaceted repertoire ranging from Bach, through the Viennese Classics (Haydn, Mozart and Beethoven) and the Romantics, right up to contemporary music, including his own piano compositions.

Guest appearances have taken Fazıl Say to countless countries on all five continents; the French newspaper *Le Figaro* called him ‘a genius’. He also performs chamber music regularly: for many years he was part of a fantastic duo with the violinist Patricia Kopatchinskaja. Other notable collaborators include Maxim Vengerov, the Borusan Quartet of Istanbul and the cellist Nicolas Altstaedt.

From 2005 to 2010, he was artist in residence at the Dortmund Konzerthaus; during the 2010/11 season he held the same position at the Berlin Konzerthaus. Say was also a focal point of the programme of the Schleswig-Holstein Musik Festival in the summer of 2011. There have been further residencies and Fazıl Say festivals in Paris, Tokyo, Meran,

### Fazıl Say's upcoming concerts

09 Oct 2016	Congresium Ankara	Ankara, Turkey
14 Oct 2016	Victoria Hall	Genève, Switzerland
15 Oct 2016	Kloster Muri Festsaal	Muri, Switzerland
17 Oct 2016	Congress Graz, Stephaniensaal	Graz, Austria
18 Oct 2016	Congress Graz, Stephaniensaal	Graz, Austria
26 Oct 2016	Conservatorio di Milano – Sala Verdi	Milano, Italy
28 Oct 2016	Stadhalle Offenbach	Offenbach, Germany
29 Oct 2016	Festhalle Harmonie	Heilbronn, Germany
30 Oct 2016	Konzerthaus Dortmund	Dortmund, Germany
09 Nov 2016	Salle Equilibre	Fribourg, Switzerland
10 Nov 2016	Kulturcasino Bern	Bern, Switzerland
11 Nov 2016	Kulturcasino Bern	Bern, Switzerland
17 Nov 2016	Kioi Hall	Tokyo, Japan
22 Nov 2016	Musik Saal Akishino	Nara, Japan
25 Nov 2016	Osaka Symphony Hall	Osaka, Japan
26 Nov 2016	Osaka Symphony Hall	Osaka, Japan
01 Dec 2016	Tilles Center for the Performing Arts	New York, USA
03 Dec 2016	Carnegie Hall	New York, USA
04 Dec 2016	The Performing Arts Center	New York, USA
16 Dec 2016	Muziekgebouw/Amsterdam	The Netherlands
27 Jan 2017	Stiftung Mozarteum, Großer Saal	Salzburg, Austria
30 Jan 2017	Stiftung Mozarteum, Großer Saal	Salzburg, Austria

Hamburg, and Istanbul. During the 2012/13 season Fazıl Say was the artist in residence at the Hessischer Rundfunk in Frankfurt am Main and at the Rheingau Musik Festival 2013, where he was honoured with the Rheingau Musik Preis. In April 2015 Fazıl

Say gave a successful concert with Orpheus Chamber Orchestra at Carnegie Hall, New York, that was followed by a tour with concerts all over Europe. In 2014 he was the artist in residence at the Bodenseefestival, where he played 14 concerts. During their

2015/2016 season the Alte Oper Frankfurt invited him to be their artist in residence.

His recordings of works by Bach, Mozart, Beethoven, Gershwin and Stravinsky have been highly praised by critics and won several prizes, including three ECHO Klassik Awards. In 2014, his recording of Beethoven's piano concerto No. 3 and Beethoven's sonatas op. 111 and op. 27/2 Moonlight was released, as well as the CD 'Say plays Say', featuring his compositions for piano. EDT



# Lycia

Discover the  
Beauty  
OF ANCIENT

“Take a blind man to Lycia, and he’ll immediately know from the smell of the air exactly where he is. The acrid perfume of lavender, the pungent fragrance of wild mint and thyme, will tell him.”

●  
Cevat Şakir “Fisherman of Halicarnassus”,  
Famous Turkish Author





Lycia; the historical name of the Tekke Peninsula, which juts into the Mediterranean on Turkey's southern coast and the home to the ancient Lycians who were one of the most enigmatic people of antiquity.

Although little historical record has been left behind them, what has been discovered reveals fascinating people culturally distinct from the rest of the ancient world. The Lycians were a democratic but independent, warlike people, with a developed art style and a high standard of living. Their strategic position gave them unique opportunities for sea-trade and (at times) for piracy. After Persian rule, the Lycians welcomed Alexander the

Great and absorbed Greek culture. Later, Lycia became a province of the Roman Empire. The Romans developed many cities and ports, linking them with paved roads and equipping them with theatres, baths, forums, temples and ceremonial gates. From the 4<sup>th</sup> Century, Christianity took hold and, as the Roman empire crumbled, many Byzantine monasteries were founded in the Lycian hills. Lycian graves and ruins abound on the peninsula and the Lycian Way passes about 25 remote historical sites.

Here are some examples that can be visited either independently or on a tour, making for a very nice day out in gorgeous nature;



Xanthian Obelisk



The Harpy Tomb in Xanthos.

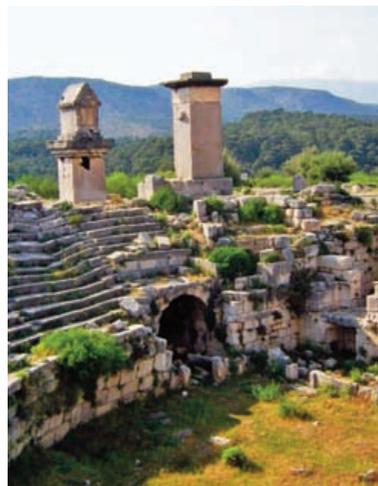
## Xanthos

Xanthos was the capital city of the Lycian Federation and its greatest city for most of Lycian history. It was made famous to the Western world in the 19<sup>th</sup> century by its British discoverer Charles Fellows. It is very old - finds date back to the 8<sup>th</sup> century BC, but it is possible that the site may have existed during the Bronze Age or during the first centuries of the Iron Age.

The history of Xanthos is quite a violent - the Xanthosians twice demonstrated the fierce independence of the Lycian people when they chose to commit mass suicide rather than submit to invading forces. The Xanthosian men set fire to their women, children, slaves and treasure upon the acropolis before making their final doomed attack upon the invading Persians. Xanthos was later

repopulated but the same gruesome story repeated itself in 42 BC when Brutus attacked the city during the Roman civil wars in order to recruit troops and raise money. Brutus was shocked by the Lycians' suicide and offered his soldiers a reward for each Xanthosian saved. Only 150 citizens were rescued.

Xanthos became the seat of an archbishopric in the 8<sup>th</sup> century,



but was deserted during the first wave of Arab raids in the 7<sup>th</sup> century.

Xanthos and Letoon are often seen as a "double-site", since the two were closely linked and Letoon was administered by Xanthos.

Letoon was the sacred cult center of Lycia, located less than 10 km to the south of Xanthos. Xanthos-Letoon is one of the most remarkable archaeological sites in Turkey. For this reason, it has been registered in the UNESCO World Heritage Sites list.

Xanthos is not far from Patara and a trip to Letoon or Xanthos from Kalkan, Kaş or Fethiye could easily be combined with a trip to the beach and/or ruins there. It is easy to find by car, just off the main highway and well-marked. Xanthos' landscape is quite beautiful, especially in spring.

The Nereid Monument, a very large and elaborate Lycian tomb dating from about 380 BC, an interesting mix of Greek and Lycian styles. Now in the British Museum. It was carried away by Sir Charles Fellows, the most well known early explorer of Lycia.



## Letoon

Letoon was the sacred cult center of Lycia, its most important sanctuary, and was dedicated to the three national deities of Lycia - Leto and her twin children Apollo and Artemis. Leto was also worshiped as a family deity and as the guardian of the tomb.

Letoon lies less than 10 km to the south of Xanthos on a fertile plain. According to a legend told by Ovid the latin poet, the nymph Leto was loved by Zeus and gave birth to her twins fathered by him, Artemis and Apollo on the island of Delos. Zeus' jealous wife Hera pursued Leto and chased her with the twins to Anatolia where she came to the place of Letoon. Here she tried to quench her thirst at a spring but



local shepherds attempted to chase her from the water - until she turned them into frogs in retaliation.

This mythology has been a popular subject in art. There are a lot of paintings of the Ovid's legend of shepherds turned into

frogs. Letoon was a sanctuary precinct and not actually a city, and seems to have had no major settlement associated with it at any period. It was administered by Xanthos and was the spiritual heart of Lycia, its federal sanctuary and the place of





Latona and the Lycian Peasants, ca. 1605, by Jan Brueghel the Elder.

national festivals. Letoon was the center of pagan cults activity until perhaps the 5<sup>th</sup> century AD when Lycia was ravaged by Arab attacks and the area started to silt up with sand brought by the Xanthos River. It is believed to have been abandoned by the 7<sup>th</sup> century AD.

Archaeological finds date back to the late 6<sup>th</sup> century BC. During the Archaic and Classical periods (7<sup>th</sup>-5<sup>th</sup> century BC) the site was probably sacred to the cult of an earlier mother goddess (Eni Mahanahi in Lycia), which was later superseded by the worship of Leto.

During Roman Times, the Emperor Hadrian founded an emperor worship cult at the site. Christianity later replaced pagan

beliefs and in the 5<sup>th</sup> century AD a church was built using stones from the old temples.

An inscription found at Letoon refers to the establishment of the cult as well as its rules for monthly and annual sacrifices - offenders against this were found guilty before Leto, her children and the Nymphs. The Lycian cult of Leto was one of the many forms of the wide-spread mother-goddess religion which originated in ancient Anatolia and spread throughout the ancient world. It is noteworthy that a woman was allowed to preside over the national assembly that was held each autumn at Letoon - perhaps a reminder of the ancient matriarchal customs in Anatolia.

## Kekova-Simena Region

The ancient Lycian sunken city of Simena is often referred to as Kekova-Simena. The city is a charming mix of ancient, medieval and modern history making it interesting as well as beautiful. In ancient times Simena was a small fishing village and was later an outpost of the Knights of Rhodes (formerly of St. John).

The ancient city of Simena was once of two parts - an island and a coastal part of the mainland. On the mainland the charming fishing village of Kaleköy ("castle village") stands today, its buildings mingling with ancient and medieval structures. The top of the village is dominated by a



Lycia's sunken city Simena.

well-preserved castle built by the Knights of Rhodes partially upon ancient Lycian foundations. Inside the castle is the smallest amphitheatre of Lycia. At the eastern end of the village is a Lycian necropolis with a cluster of some very nice sarcophagi overlooking the sea and surrounded by ancient olive trees. Near the harbour of Kaleköy is another sarcophagus, popping up from the water. Across the bay, along the island are the half-submerged ruins of the residential part of Simena, caused by the downward shift of land by the terrible earthquakes of the 2<sup>nd</sup> century AD. Half of the houses are submerged and staircases descend into the water. Foundations of buildings and the ancient harbor are also seen below the sea.



## Tlos

Best-known for its fortress-topped acropolis, with its rock-cut tomb-covered sides and its 360 degree panoramic views.

As one of the six principal cities of Lycia (and one of the most powerful), Tlos once bore the title under the Roman empire of 'the very brilliant metropolis of the Lycian nation'. It is one of the oldest and largest settlements of Lycia (known as 'Tlawa' in Lycian inscriptions) and was eventually inhabited by Ottoman Turks, one of the few Lycian cities to continue its existence through the 19th century. There is evidence that Tlos was a member of the Lycian Federation from the 2nd century BC. Two wealthy philanthropists, one of which was Opramoas of Rhodiapolis, were responsible for much of the building in the 2<sup>nd</sup> century AD. Inscriptions tell us that the citizens were divided into demes,



the names of three of them are known: Bellerophon, Iobates and Sarpedon, famous Lycian legendary heroes. A Jewish community is also known to have existed with its own magistrates.

Tlos lies on the east side of the Xanthos valley, and is dominated by its acropolis. This rocky outcrop slopes up from a plateau with a charming village, but ends on the west, north and northeast in almost perpendicular cliffs. On

its slope are several Lycian sarcophagi and many house and temple-type rock-cut tombs cut into the face of the hill. The influence of many cultures upon Tlos has resulted in an interesting collage of structures. It is a romantic place with lush nature and many of the buildings are vine-covered (especially the large bath), it would have been the perfect location for any romantic painter.





Rock-cut tombs in Myra.

## Myra

Myra was a leading city of the Lycian Union and surpassed Xanthos in early Byzantine times to become the capital city of Lycia. Its remains are situated about 1.5 km north of today's Demre, on the Kaş-Finike road. In ancient times this area was probably farmed extensively, for export and trade with the interior of Lycia. The date of Myra's foundation is unknown. There is no literary mention of it before the 1st century BC, when it is said to be one of the six leading cities of the Lycian Union.

The city is well known for its amphitheatre (the largest in Lycia) and the plethora of rock-cut tombs carved in the cliff above the theatre.

Myra once had a great temple of the goddess Artemis Eleuthera (a distinctive form of Cybele, the ancient mother goddess of Anatolia), said to be Lycia's largest and most splendid building. It was built on large

grounds with beautiful gardens and had an inner court defined by columns, an altar and a statue of the goddess. Not a trace of it remains today, however, since St. Nicholas (the bishop of Myra in the 4<sup>th</sup> century AD) in his zeal to stamp out paganism in the region, had the temple of Artemis, along with many other temples, completely destroyed.

Myra's harbour Andriace was a major trans-shipment point for grain from Alexandria - grain came from the plain near Myra, and was also possibly brought in by boats, to be shipped onwards from Lycia. The Eastern Roman emperor Theodosius II made Myra the capital of the Byzantine Eparchy Lycia until the city fell to the caliph Harun ar-Rashid in 808 AD after a siege and quickly went into decline. Then, early in the reign of Alexius I Comnenus (1081-1118 AD), Myra was overtaken by Seljuk invaders.

Because of the terrible plague that swept through

Anatolia (Myra lost one-third of its population to it in 542-3 AD), Muslim raids, flooding and earthquakes, Myra was mostly abandoned by the 11<sup>th</sup> century. What remains is very impressive - a large theatre with the backdrop of Myra's famous rock-cut tombs. The sight of these is quite striking.

## Pinara

The beautiful site of Pinara was one of the three major cities in the Xanthos valley and one of the six principal cities of Lycia. Settlement at Pinara existed as early as the 5<sup>th</sup> century BC. It was probably founded as an extension of the overpopulated Xanthos. According to Manecrates, a 4<sup>th</sup> century BC historian, the leaders of Xanthos felt their city was overpopulated and so they split the city into three groups, settling one at Pinara.

In the Lycian Federation Pinara was one of the six cities with the

most voting power. It became the centre of bishopric in the Byzantine era but declined in importance and was abandoned in the 9<sup>th</sup> century.

There is no other Lycian site quite like Pinara with its untouched, gorgeous mountain setting of fragrant pines, ancient olive trees, wildflowers, thyme-scented breezes and its stunning view over the Xanthos valley

## Patara

Patara was the major naval and trading port of Lycia, located at the mouth of the Xanthos River, until it silted up and turned into a malaria-plagued marsh. Beautiful 12 km-long Patara Beach is an easy 10-15 minute stroll away from the major ruins at Patara.

Patara was a very wealthy city due to trade and was one of the six principal cities of Lycia.

Patara's oracle at the renown temple of Apollo was said to rival that at Delphi and the temple equaled the reputation of the famous temple on the island of Delos. It was believed that Apollo lived at Delos during the summer but spent his winters at Patara. Omens were interpreted in these two towns during the respective seasons.

Following its capture by Alexander the Great Patara became an important naval base as well. Alexander promised the revenues of four cities, including Patara, to one of his commanders, thus its value at that time is quite clear.

During the Roman period, Patara was the judicial seat of the Roman governor, and the city became the capital of both the Lycian and Pamphylian provinces at one time. Patara

was frequently called "the chosen city" and "the metropolis of the Lycian nation." Around 138 BC Patara had a population of about 20,000 and ranked among the top cities of Anatolia after Ephesus.

In Christian history Patara is famous for being a place of St. Paul's missionary work at the end of his third missionary journey as he changed ships en route to Jerusalem. Patara was also the birthplace of St. Nicholas (born c.260-280 AD), bishop of Myra and the future Santa Claus. In Byzantine times, Patara became a Titular see of Lycia and a suffragan of Myra.

Piracy and looting had started in the Late Roman Age and by the mid-7<sup>th</sup> century the Arabs had built a fleet that challenged Byzantine naval supremacy in



Amphitheatre in Pinara.



World famous Patara Beach.

the eastern Mediterranean. Their raids eventually pretty much finished off Lycia.

Patara, still held on but was eventually reduced to a mere village. The townspeople were forced to retreat to a small area on the edge of the harbor and to build walls to create a protected inner port; by this time the city was very much shrunken.

Written records of the 9th century show that while Patara was still an important place, it was a village.

In the 10<sup>th</sup> century it became a naval base of the Byzantine Empire. Its port is reported to have been used through at least

the 15<sup>th</sup> century and the Sultan Cem signed a treaty there in 1478/9. Church and chapel excavations point towards even greater shrinkage of the village and an increase in poverty. Eventually, with too little manpower to keep the sand out of the harbor, it silted up, became plagued with mosquitoes and malaria and that finished it off.

Much of Patara remains undiscovered, buried in the shifting sand, including the famous Temple of Apollo.

However, some very exciting excavations have been going on revealing many structures previously hidden by the dunes.

Among them, liberated from the many hundreds of truckloads of sand that covered it, is the parliament building where the elected representatives of the Lycian League met. It has rows of stone seats arranged in a semicircle, the same arrangement used in the chambers of the American Congress.

Its stone-vaulted main entrances are intact, and so is the thronelike perch where the elected Lyciarch, the effective president of the League, sat. Another recent discovery is the remains of what may be the oldest lighthouse in the world. EDT

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