

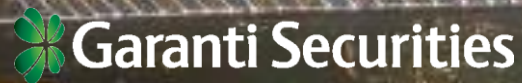
DEBT CAPITAL MARKETS IN TURKEY

Cbonds Fixed Income Conference: Russia, CIS & CEE

13-14 September 2012

Cagan Erkan

Executive Vice President / Investment Banking



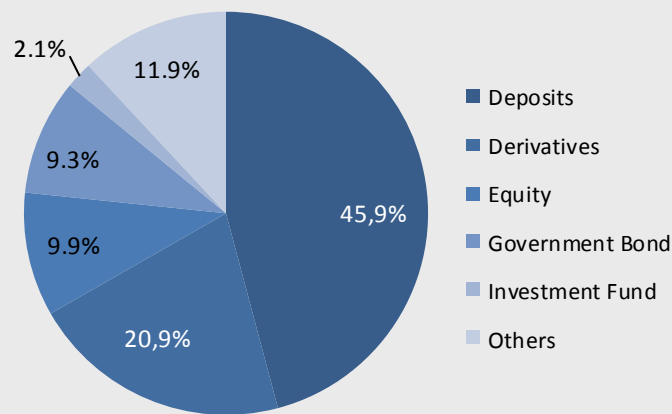


Debt Capital Markets in Turkey

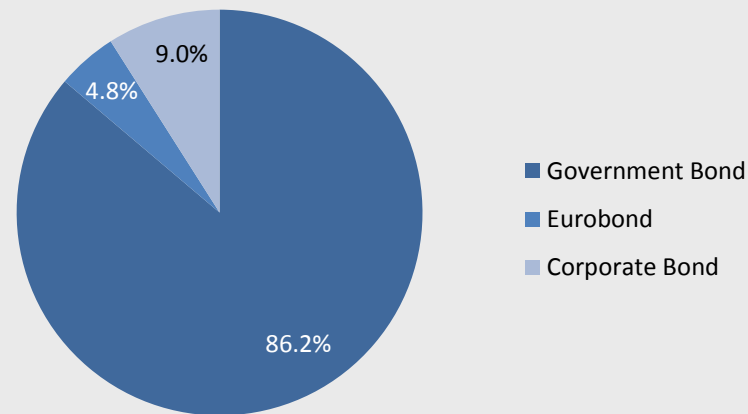
Invesment Diversity in Turkish Capital Markets (2011)

- Majority of investors in Turkey prefers bank deposits.
- Following the improvement of interest rates and listing requirements, corporate bond issues have risen drastically since 2009.
- Due to high public sector financing needs, dominance of government bonds in the bond market still continues.

Shares of investments instruments in Turkey



Bond Market is still dominated by government



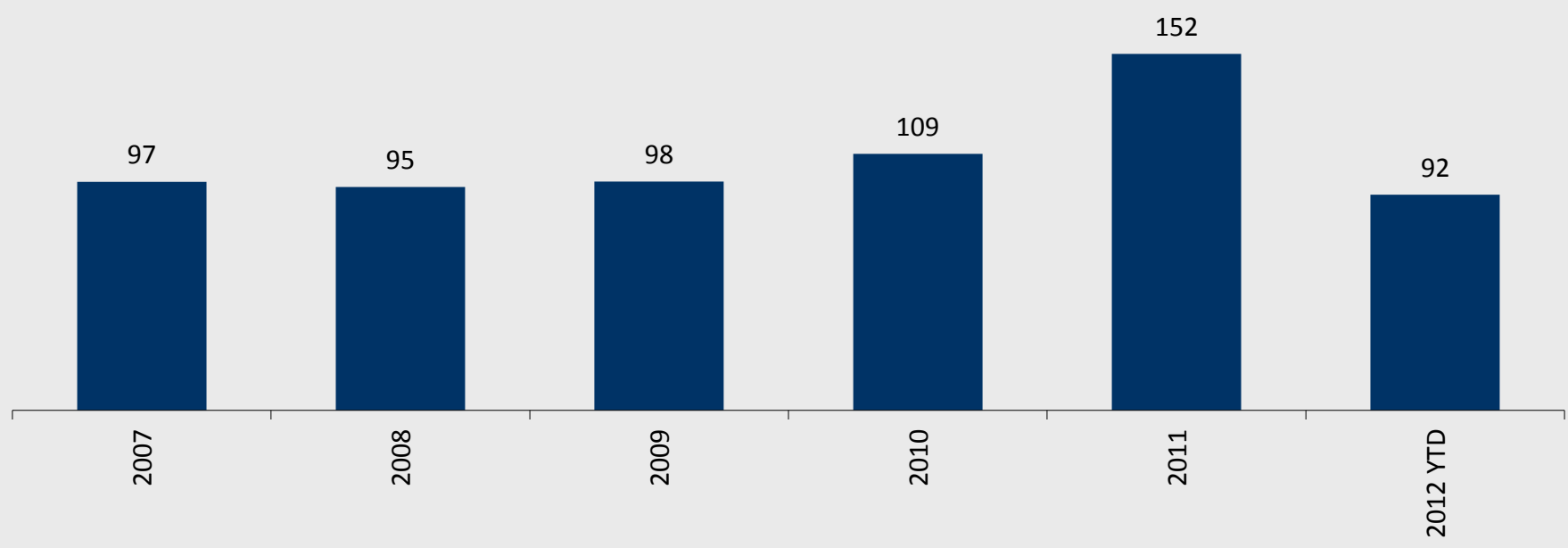
Source: BRSA, Garanti Securities



Debt Capital Markets in Turkey

Turkish Bond Market is on the Rise

Turkish Bond Market (bn)

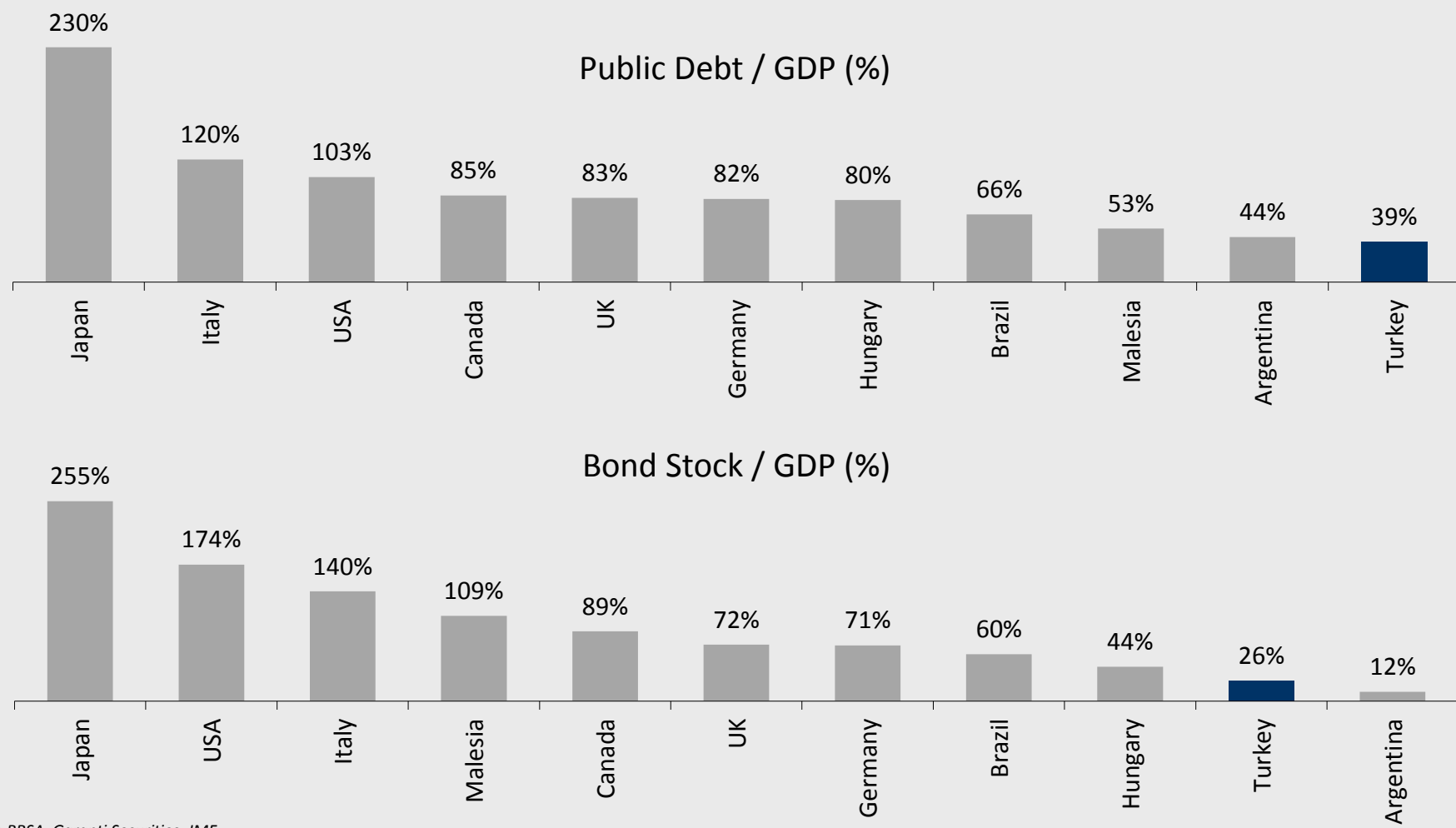


Source: BRSA, Garanti Securities



Debt Capital Markets in Turkey

Bond Market Potential

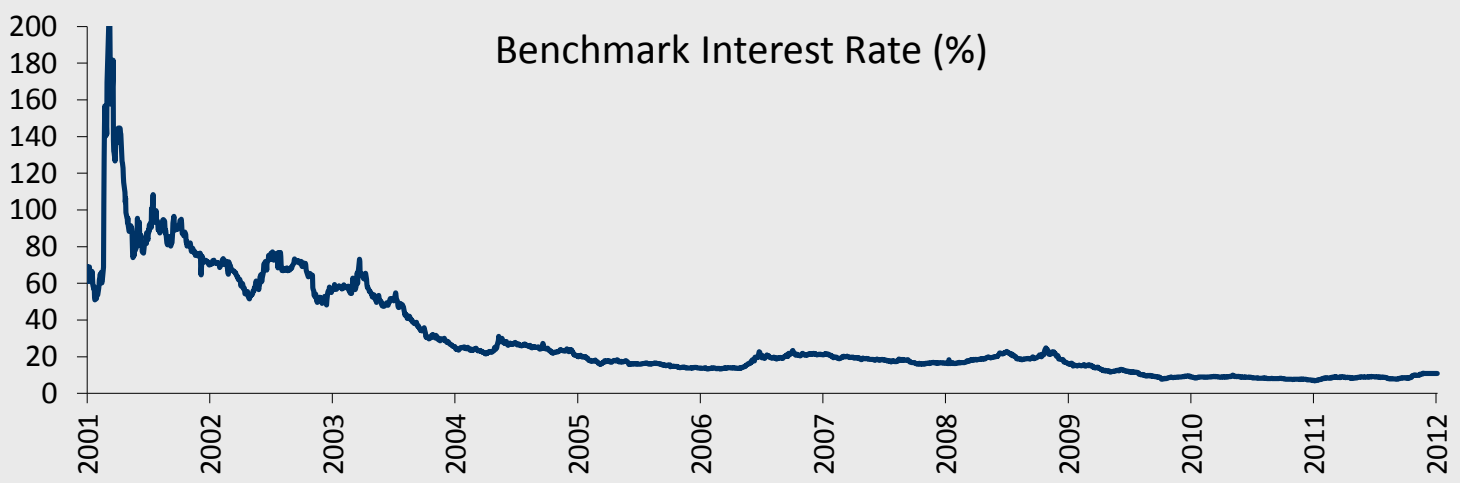
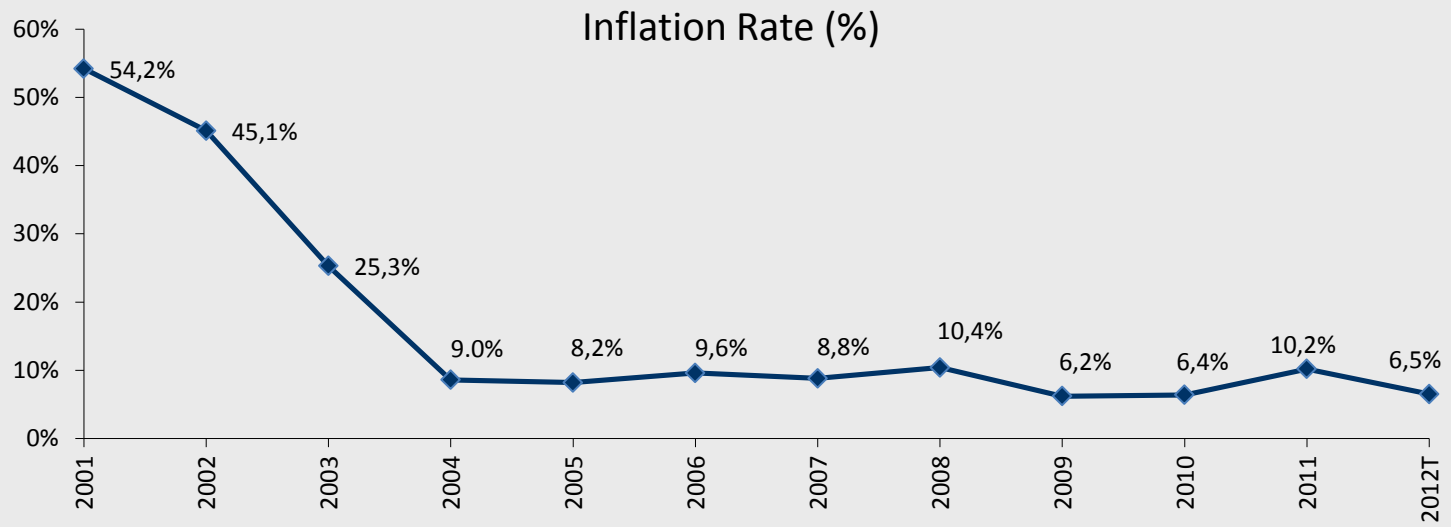


Source: BRSA, Garanti Securities, IMF



Debt Capital Markets in Turkey

Interest Rates Has Stabilized



Course: CBRT

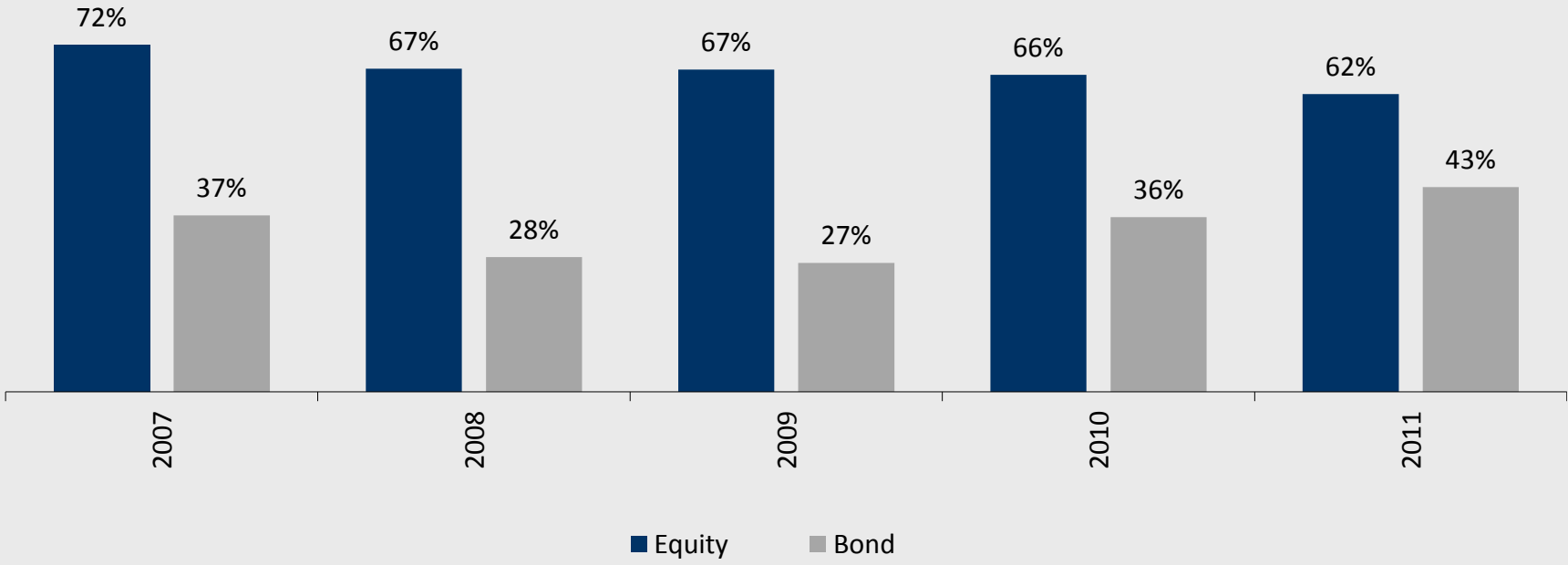


Debt Capital Markets in Turkey

Increasing Foreign Investments in the Bond Market

- Unlike the equity market, foreign investments in the Turkish bond market has grown significantly and almost caught up with the domestic investments.

Foreign Investors Share (%)



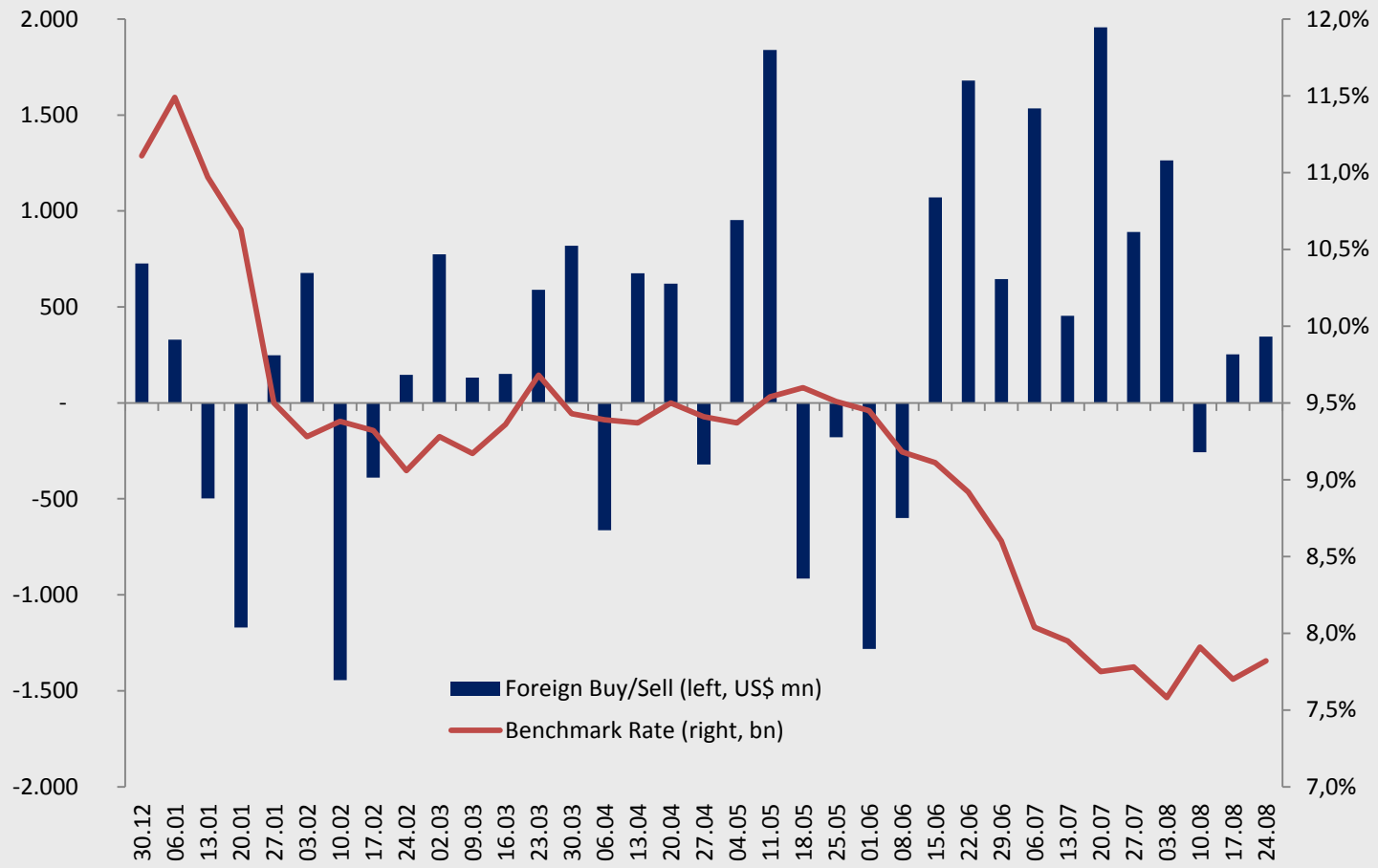
Source: BRSA, Garanti Securities



Debt Capital Markets in Turkey

Bond Market Potential

- Total inflow of foreign investments to Turkish bonds market has reached US\$ 10.3 bn in the first 8 months of 2012.



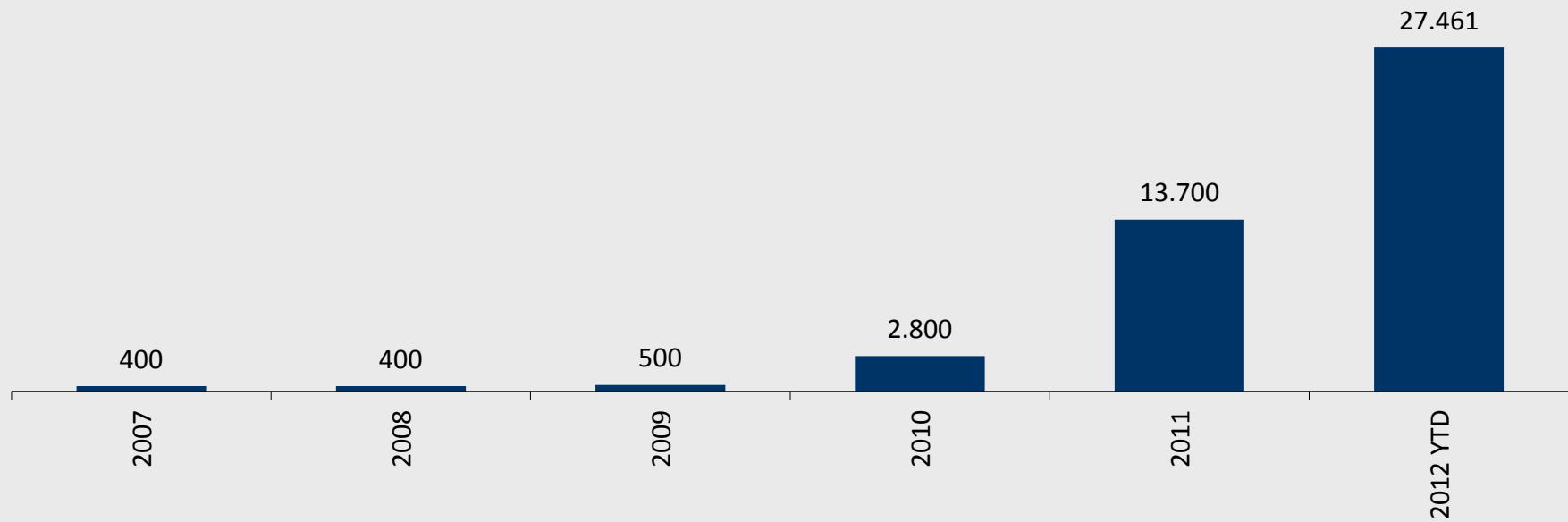
Source: BRSA, Garanti Securities



Corporate Debt Capital Markets in Turkey

Corporate Bond Market is Evolving

Turkish Corporate Bond Market (mn)



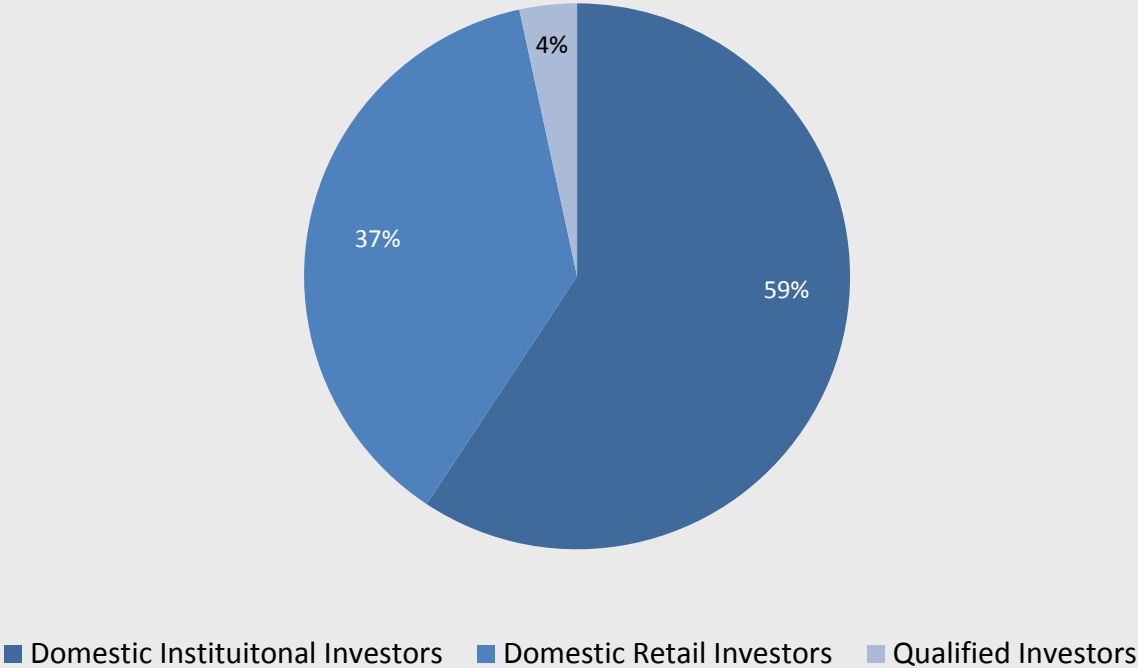
Source: BRSA, Garanti Securities



Corporate Debt Capital Markets in Turkey

Investor Analysis on Debt Offerings

- In 2011, majority of the public bond offerings in Turkish Debt Capital Markets are sold to domestic institutional investors.



Source: ISE

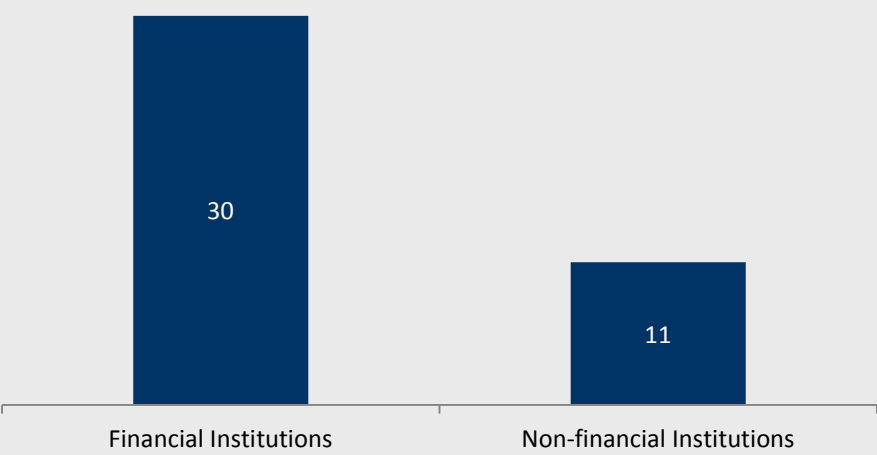


Corporate Debt Capital Markets in Turkey

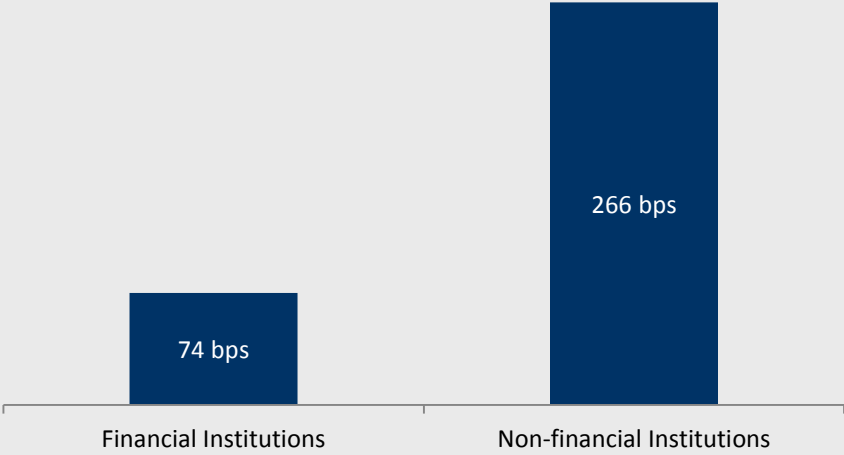
Spreads

- Financial institutions dominate the corporate debt offering market. Between March 2012 and July 2012.
- Debt Offerings through IPOs results in lower spreads for financial institutions.

Number of Debt Offering



Average Spread



Source: ISE (between March-July 2012)



Corporate Debt Capital Markets in Turkey

VTB Capital Plc's signature on Debt Capital Markets in Turkey

- VTB Capital has successfully issued TL 300 mn debt offering, the largest foreign corporate debt offering in Turkey's history, in April 2012 with Garanti Securities.



- With its roots back to 1919, VTB is a major Russian bank with over 30 banks and financial institutions in 19 countries worldwide.



- Founded in 2008, VTB Capital is the Investment Business Arm of VTB Group. VTB Capital operates in Moscow, London, Singapore, Dubai, Hong Kong, Sofia, Kiev, New York, Paris, Vienna.

Key Execution Highlights

- VTB Capital has issued a 3 year, 300 mn Turkish Lira ("TL") bond in Turkey
- The TL300mn bond was sold purely to local Turkish qualified investors
- After Garanti Bank Romania, VTB Capital became the first foreign entity to issue a TL bond locally, making this a land mark transaction for Turkish Capital Markets
- The deal represents a milestone in terms of the tenure offered in the local market, becoming one of the very few longer term issuances, offering a 3 year tenure

The Cost of Borrowing

- VTB Capital's issue was priced at fixed 11.28% TL, which is 255 bps over Turkish Sovereign
- On a swapped basis, USD yield equates to 4.373%
- After swapped, 26 bps inside the secondary spread of VTB's existing \$1.25bn 6.465% 2015's at the time of issuance



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