MARKETS
At Friday's close, market situation was:

<table>
<thead>
<tr>
<th>O/N for ISE Repo market</th>
<th>NTL/USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>&amp; TLR Interbank market</td>
<td>1.31</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Most actively traded T-Bills</th>
</tr>
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<tbody>
<tr>
<td>Date</td>
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<tr>
<td>--------</td>
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<tr>
<td>18/03</td>
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**NTL/USD**

15.5%

CBT cut short-term borrowing and lending rates by 100 bps to 15.5% and 19.5% respectively. The magnitude of the cut is in line with expectations. An asymmetric cut was expected as per the CBT's latest monetary policy report.

Increase in CBT's reserves: CBT's reserves rose by $3bn to a record high of $39.4bn over the week ending 17-Mar.

The following table depicts results of auctions held in the last 2 weeks:

<table>
<thead>
<tr>
<th>Issue Date</th>
<th>Mat. Date</th>
<th>Mat. Months</th>
<th>Bid NTL mn</th>
<th>Sales NTL mn</th>
<th>Cov %</th>
<th>Net Sales NTL mn</th>
<th>Ann. Comp Yield (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>16/03/05</td>
<td>15/06/05</td>
<td>3</td>
<td>21,166</td>
<td>1,129</td>
<td>52</td>
<td>1,987</td>
<td>10.24</td>
</tr>
</tbody>
</table>

Treasury auction: The Treasury sold NTL1.1 bn ($851mn) at annualized rate of 16.24% in 91-day T-bill auction. Against nominal bids of NTL2.2 bn ($1.7bn), nominal sales amounted to NTL1.1 bn ($851mn).

Jan Industrial Production growth beats expectations: IP registered a 6.8% growth YoY in January, significantly better than the market expectation of 3.1% and what the Jan capacity utilisation had implied. Manufacturing sector's production's growth was even higher at 7.1%.

Capacity Utilization (CU) declines: the CU in February was 74.9%, somewhat higher than the 73.5% recorded in the same month a year ago but considerably less than the average market estimate of 78%. This weakness in the first two months raises questions marks on the feasibility of the earlier growth forecasts for 2005.

Primary Surplus beats expectations in February: the Primary surplus reached $2bn, better than the Treasury's $27m cash based primary surplus. $2bn worth of taxes which lingered to early March explains the difference between the cash and the accrual based results.

IN BRIEF

European Investment Bank (EIB) plans to expand its financing to Turkey: EIB stated that it plans to extend a total of €2bn loans to Turkey in the following 3 years. Concurrently EIB plans to increase the amount to €1bn per annum thereafter. EIB's financing reached €700mn in 2004.

International investors trust ISE: International investors placed $4.1bn of buy orders and $3.6bn of sell orders on ISE. Together with the February $484.9mn net buy orders, the first-two months figures reached $1.3bn

JCR upgrades Turkey: Credit rating agency JCR upgraded Turkey's long-term local currency rating to BB- from B+. This positive evolution reflects the political stability, the structural reforms and the start of EU membership talks with Turkey.

Automotive Sales volume was 39k units in February 2005, up 62% MoM but down 3% YoY. The sales volume for the January-February stood at 63k units, down 21% YoY. Meanwhile production during January-February was up by 17% YoY to 121k units of which 70% was exported.

End of Inflation accounting: the Capital Market's Board decided that inflation accounting will not be applied in 2005, stating that the macro environment in Turkey no longer fits into the definition of a “hyperinflationary economy”. However the Bank regulator (BRSAn) has not made any announcement regarding a change in inflation accounting for the banks.
**POLITIC, DOMESTIC & INTERNATIONAL AFFAIRS**

**MP Resignations:** The number of AKP deputies to resign has reached 6. Latest seat distribution is AKP 361, CHP 169, DYP 6, HYP 1, independents 11, vacant 1.

**Treasury Minister** Barbacan expects IMF to sign off new 3-year $10bn loan accord in April. The prerequisite is the completion of the structural reforms in the first half of April. According to Barbacan, the Banking Bill would be finalized within a week.

**World Bank** director Vorkink believes the talks on the new IMF deal are on track and Turkey has become immune to further crisis. The WB is expected to disburse $1bn in project financing loans this year. (as was the case in 2004).

**The EU parliament** passed a resolution condemning officially Turkey for the disproportionate use of violence against an authorized Women’s demonstration. The resolution asks the government to accelerate works on implementation of human rights reforms.

**COMPANY NEWS**

**TEB** Fitch has upgraded TEB Bank long term local currency rating to BB+ from BB- and the long term rating has been upgraded to AA- from A.

**Akbank** announced that the 60% of BNP-Ak -Dresdner Bank was purchased from BNP and Dresdner for EUR57.3mm ($47.7mn) increasing its share in BNP Ak Dresdner to 99.99%. Akbank also announced that BNP Ak Dresdner would be merged into Akbank.

**Finansbank** finalized a $500mm securitization deal with 7 yrs maturity (5 years on average) over LIBOR + 1.80% interest and with quarterly interest payments. The borrowing has a 3-yr grace period. This is the largest unsecured asset-backed securitization deal ever signed in the emerging markets.

**Garanti Bank** Dogus Holding appointed Morgan Stanley & Co to look for partnership, joint venture or share transfer opportunities for Garanti Bank. Dogus Group has a 59.23% stake in Garanti Bank while the remaining 40.77% stake floats on the ISE.

**Disbank:** According to a newspaper article Dogan Group signed an agreement with Soc Gen on the strategic sales of Disbank. However there has been no announcement from both parties as for now.

**Yapi Kredi Bank**
- Reported net loss of $44mn in FY04 vs net earnings of $116mn in FY03. The results are lower than expected due provision expenses resulting from additional impairment losses of approx. $100mn in 4Q04 for Enternasyonel, the Group’s Tourism Investments. The bank’s total assets and shareholders’ equity stood at $18,427mn and $3,472mn, respectively as of the end of 2004.
- Unicredito received the necessary approvals for possible Yapi Kredi Bank acquisition from the Italian Central Bank.
Cukurova Group made a $50mn reimbursement to SDIF as an early payment to be deducted from its monthly payment of $135mn due on 31 March 2005. This $50mn is the remaining portion of the proceeds from the Turkcell block sale, net of the $102mn paid to Yapi Kredi Bank and $15mn to the SDIF.

Turkcell
- Qualified among the eight bidders for 26% stake in Pakistan Telecom’s controlling stake. The stake is estimated to be worth around $1.9bn according to Bloomberg. Pakistan remains to be an attractive market for many operators given its low penetration rate (c3%) and the large population.
- Announced the increase of its free float by 1.82% to 16.33%.

Erdemir announced $591mn FY04 earnings, up by 109% YoY in its inflation adjusted TR GAAP consolidated results. YE04 revenues stood at $3,303mn compared to $2,379mn and $2,364mn as of YE03 and 9M04, respectively. In 2004, strength in Erdemir’s topline stems from price increases as Erdemir’s capacity remains to be a constraint until the end of 2005.

Petrol Ofisi (POAS) announced that it’s CEO Mr. Ertugrul Tuncer has resigned effective 31 March and will be replaced by Mr. Jan Nahum, who was previously in the Koc Group, the CEO of Tofas Car Factory and VP of Fiat Auto.

Sabanci Holding CEO, Mr. Celal Metin, resigns from his post effective May 12, 2005. He will be replaced by Mr. Ahmet Dorduncu, who had been previously at the head of the Business Development and Strategic Planning group.

Enka Construction was not found eligible to bid for Eskisehir-Istanbul railway project, while Alarko is found eligible. It was reported that Enka Construction’s consortium could not meet eligibility criteria due to insufficient project book on related past business experiences in this area.

SECTOR NEWS & PRIVATISATION

PRIVATISATON

Turk Telekom Reportedly Saudi Oger Telecom joined forces with British Telecom’s subsidiary BT Teleconsult Ltd. For its bid for Turk Telekom.

Petkim: The PA applied to the CMB (Capital Markets Board) for the public offering of another 30% stake in Petkim. Petkim has a 4% free float, 9% is owned by the Pension Fund and the remainder is held by the PA. The current market cap is $1.2bn, which is much higher than the $0.7bn valuation attached in the cancelled privatisation tender.

Tupras: PA Head Kilci announced: The roadmap for the privatisation of Tupras would be determined following the General Assembly which is scheduled for 12/13 April. Privatisation strategy for electricity distribution companies was about to finalise and the tender process would start soon and the delays in Telsim Tobacco’s sale were due to the Special Consumption Tax hike and changes in legislation

Telsim: speeding up the sale process on Telsim, the SDIF initiated the valuation studies on the GSM company. The sale is likely to be deferred until privatization of Turk Telecom. Among the interested investors regarding Telsim are Vodafone, Hutchinson Whampoa, Telenor, Suudi Oger, Motorola and Nokia.

ENERGY

Privatization: Energy Minister Guler stated that the tenders for energy distribution privatization might be launched towards the end of the month as pledged to the World Bank.
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