

TURKISH BULLETIN

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ECONOMY & MARKET

MARKETS

At Monday's close, market situation was:

O/ N for ISE Repo market & TLR Interbank market		TRY/ USD
21.52%		1.6335
Most actively traded T-Bills		
Date	Maturity	C/ Rate
17/ 11/ 08	23/ 06/ 10	22.27%
IE- 100 index		ISE- 100 Ref \$
24,047		14.9

Turkish Treasury borrowed a total of TRY 1.14bn (TRY 757.1mn of which was from the market) through the re-offering of a 12-month zero coupon bond maturing on Nov 18, 2009. Average compound yield was at 22.78% while bid/ cover ratio was 2.5. Considering the redemption of TRY 1.8bn the next day, the Treasury ran at a roll-over ratio of 63% vs. 60% target. Thus, there was a TRY 660mn cash inflow to the markets.

Central Gov't Budget recorded a primary surplus of TRY 1.9bn in Oct vs. TRY 1.8bn in Oct07. Budget deficit reached TRY 71mn, down from TRY 102mn in Oct07. 10M08 primary surplus amounted to TRY 38.5bn, beating the Gov't target of TRY 38bn but reaching 2.7% of GDP vs. a target of 3.5% for the whole year. 10M08 budget deficit came in at TRY 4.9bn. Tax collection was weak on the back of falling domestic demand and imports. Meanwhile, Gov't expenditures rose.

C/ A deficit declined by 60% YoY to US\$ 914mn in September, much lower than market expectations of US\$ 1.9bn. 9M08 C/ A deficit

reached US\$ 35.3bn, up by 36% YoY, while YoY C/ A deficit declined to US\$ 47bn from US\$ 48.3bn in August. The fall was due to adjustments, Gov't current transfers and freight. Analysts expect C/ A deficit to reach US\$ 50bn this year.

On the financing front, Turkey raised US\$ 10bn of FDI in 9M08 vs. US\$ 15.3bn last year.

International investors were net sellers with US\$ 812mn outflow on the ISE in Oct08 (US\$ 4.2bn buy orders vs. US\$ 5bn sell orders).

Corporate sector net FX position reached US\$ 81.4bn in end 2Q08 up from US\$ 49.2bn in 2Q07.

Industrial Production index fell by 5.5% YoY in September, higher than market expectations of a 1% YoY decline and sharpest fall since 2001. This was driven by deterioration in textile, food, automotives and metals sectors. IP index declined by 2.7% in 9M08.

Capacity utilization rate declined to 76.7% in October, from 80% in Sep08 and 83% in Oct07. Market expected CUR to reach 77.5%.

Unemployment rate increased to 9.8% in August from 9.2% in Aug07.

POLITIC, DOMESTIC & INTERNATIONAL AFFAIRS

IMF; PM Erdogan and IMF President Strauss-Kahn declared they were close to reach an agreement on a new program. Technical discussions will go on in the next few weeks on issues such as the size of the package, transfers to municipalities and amnesty schemes for tax and social security arrears.

S&P downgraded Turkey's credit outlook to negative from stable on the back of difficult external financing conditions which may jeopardize the private sector external debt roll-overs and then put pressure on the TRY stability. Nevertheless, Turkey's sovereign rating stayed as "BB-".

Turkish Parliament enacted a law which removes withholding tax on equities for local investors. However, it keeps a 10% withholding tax on T-Bill earnings for local investors. Moreover, it approved the law to

encourage the repatriation of Turkish savings from abroad (no questions will be asked concerning the source of income and a global tax of 2%).

SECTOR NEWS & PRIVATISATIONS

Energy

Gazprom may cut its natural gas prices for Turkey by 20% depending on oil price level. Note Turkey purchases more than 60% of its natural gas price from Russia.

Socar – Turcas Refinery applied to Energy Market Regulation Authority (EMRA) to build a refinery in Petkim's Aliaga facilities.

Turkish Atomic Energy Authority (TAEK) ask many technical explanations to Atomstroyexport – Park Teknik – Inter Rao consortium which was the only bidder to build a nuclear power plant with 3,000 – 5,000 MW of installed capacity. Following the consortium's explanations, TAEK will reveal its decision whether the bid meets its technical criteria. If approved, TAEK will then evaluate the price bid.

Privatisations

Electricity distribution companies; Privatization Agency stated that limited progress is expected in 2009 considering the privatisations of distribution companies.

National Lottery; privatisation plan was announced in the Official Gazette: applications to be collected on Jan 15 while bidding deadline is on Feb 27. Interested parties are Dogan Holding, Koc Holding, Alarko Holding, Dogus, Cukurova, Opap (Greece), GTech-Lottomatica (USA-Italy), Essnet-Tattersall (Sweden), Scientific Games (USA), Camelot (USA), Intralot (Greece), Austrian Lotteries and Sisal (Italy).

Other

Sisecam is reportedly considering external growth to double its revenues to US\$ 5bn in 5yrs.

Toyota and Hyundai to produce their respective new LCV model in Turkey.

Turkish Airlines and the Bosnian Gov't to negotiate the final agreement for the acquisition of a 49% stake in Air Bosnia. The airlines carried 70k passengers in 2007 on 7 routes (Zurich, Istanbul, Frankfurt, Stuttgart, Cologne Belgrade, Zagreb) with a load factor of 55%. The fleet size is of 4 planes.

COMPANY NEWS

Akbank reported TRY 1,493mn of unconsolidated net income in 9M08, down by 5% YoY. Loans only grew by 1% QoQ to TRY 45bn. NPL ratio declined to 1.83% from 2.09%. Deposits increased by 4% QoQ to TRY 48.5bn.

Albaraka announced TRY 98mn of net income in 9M08, up by 58% YoY. Loans increased by 3.5% QoQ to TRY 3.6bn. NPL ratio slightly increased to 2.2%. Deposits reached TRY 3,730mn, up by 6.8%.

Asyabank posted TRY 162mn of bank-only net income in 9M08, up by 15% YoY. Loans reached TRY 6.3bn, up by 6.7% QoQ while NPL ratio declined to 5.1% from 5.5% in

1H08. Deposits declined by 3.8% QoQ to TRY 5.5bn.

Fortis Bank recorded TRY 162mn of net income in 9M08, up by 21% YoY. Loans increased by 1.6% QoQ while NPL reached 3.9%. However, NPL provisioning ratio remained high at 93%. There was a massive deposit outflow in 3Q08 by 19% QoQ. RoAE is low at 10.5%.

Garanti Bank announced TRY 1,401mn of unconsolidated net income in 9M08, up by 19% YoY. Loans grew 4% QoQ to TRY 47.1bn while NPL ratio stayed at 2.2%. Deposits increased by 10% QoQ to TRY 48bn.

Halkbank reported TRY 910mn of unconsolidated net profit in 9M08, up by 10% YoY. Loan book increased by 7.7% QoQ to TRY 24,397mn while NPL ratio slightly improved to 4.2% from 4.4% in 6M08. Deposits reached TRY 37,587mn, up by 1.8% QoQ.

Isbank posted TRY 1,310mn of bank-only net income in 9M08, down by 4% YoY. Loans increased by 8.5% QoQ to TRY 45.7bn while NPL ratio slightly improved to 3.6%. Deposits grew by 4.2% YoY to TRY 56.1bn.

Sekerbank reported TRY 123mn of net profit in 9M08, up by 13% YoY. Loans increased by 7.6% QoQ to TRY 4,903mn while NPL ratio surged to 3.6% from 2.9%. Deposits soared by 21.5% QoQ to TRY 5,607mn.

Tekstilbank posted TRY 11mn of bank-only net income in 9M08, down by 66% YoY. Loans reached TRY 2,316mn, up by 2.8% QoQ, while NPL ratio stayed at 2.7%. Deposits declined by 20% QoQ to TRY 1,647mn. Recall the bank's major shareholder GSD Holding mandated JP Morgan in May08 to sell the bank of find a strategic partnership.

TSKB recorded TRY 101mn of unconsolidated net income in 9M08. Loans increased by 12.5% QoQ to TRY 2.9bn while NPL ratio stayed below 1%.

Vakifbank announced net income as TRY 569mn in 9M08, down by 30% YoY. Loan book grew by 6.7% QoQ to TRY 30,212m, while NPL ratio slightly increased to 4.2% from 4.1% in 6M08. Deposits reached TRY 35,927mn, up by 3.4% QoQ.

Yapi Kredi reported TRY 1,005mn of unconsolidated net income in 9M08, up by 11%. Loans increased by 7.2% QoQ to TRY 36.2bn while NPL ratio stayed at 3.9%. Deposits increased by 2.3% to TRY 38.4bn.

Aygaz posted US\$ 2,214mn of net sales in 9M08, up by 30% YoY. EBITDA increased by 36% YoY to US\$ 211.5mn while net profit contracted by 41% YoY to US\$ 158.9mn.

Dogan Holding announced US\$ 7,936.7mn of net sales in 9M08, up by 42% YoY. EBITDA increased by 50% YoY to US\$ 448.6mn while net income plunged by 50% YoY to US\$132.2mn.

Dogan Yayin Holding recorded US\$ 1,835mn of revenues in 9M08, up by 33% YoY. EBITDA increased by 20% YoY to US\$ 168mn. DYH posted a net loss of US\$35.3mn in 9M08, down from a net profit of US\$464.8mn in 9M07 due to huge financial expenses.

Enka reported US\$ 5,300mn of net sales in 9M08, up by 46% YoY. EBITDA and net income increased by 28% YoY and 43% YoY to US\$ 681mn and US\$ 557mn, respectively.

Erdemir announced US\$ 4,758mn of revenues in 9M08, up by 52%. EBITDA and net income reached US\$ 1,807mn and US\$1,148mn, up by 155% YoY and 180% YoY, respectively thanks to high prices and low raw material costs. However, revenues started to decline in 3Q08 (-4.7%) with the fall in steel prices.

Hurriyet recorded US\$ 631.8mn of revenues, up by 28% YoY. EBITDA increased by 37% YoY to US\$ 134.7mn while net income contracted by 26% YoY to US\$ 63.5mn due to high financial expenses.

Petkim posted US\$ 1,553mn of net sales in 9M08, up by 28% YoY. EBITDA fell by 79% YoY to US\$33.3mn. The company recorded a net loss of US\$43.4mn, down from a net income of US\$69.8mn in 9M07.

POAS recorded US\$ 10,980.8mn of revenues in 9M08, up by 49% YoY. EBITDA and net income increased by 51% YoY and 45% YoY to US\$ 550.6mn and US\$ 204.8mn, respectively.

Sabancı Holding posted US\$ 12,124mn, up by 20% YoY. EBITDA contracted by 11% YoY to US\$ 1,541mn while net profit increased by 30% YoY to US\$ 827.6mn.

Tupras announced US\$ 20,185.8mn of revenues in 9M08, up by 67% YoY. EBITDA and net profit increased by 62% YoY and 29% YoY to US\$ 1,276.7mn and US\$ 936.9mn, respectively.

Turkcell reported US\$ 5,385mn of net sales in 9M08, up by 19% YoY. EBITDA and net income increased by 9% YoY and 60% YoY to US\$ 2,056mn and US\$ 1,517mn, respectively.

Turkish Airlines posted US\$ 3,621mn of revenues in 9M08, up by 36% YoY. EBITDA increased by 21% YoY to US\$ 644mn, while net income soared to US\$ 547mn from US\$ 145mn in 9M07.

THY reported 17,196 landings and 2.1mn passengers in Oct08, up by 15% YoY and 18% YoY, respectively. 10M08 landings and passengers reached 158,371 and 18.9mn, up by 11% YoY and 15% YoY, respectively. Load factor improved to 76.3% from 76% in Oct 07 and 73.5% in Sep08. 10M08 load factor reached 74.9% vs. 73.3% in 10M07. ASK and RPK reached 4,093mn and 3,124mn, up by

12% YoY and 12.5% YoY, respectively. 10M08 ASK and RPK increased by 10.2% YoY and 12.6% YoY to 38,258mn and 28,650mn, respectively.

THY announced they were targeting a fleet of 300-370 aircrafts by 2023 vs. 114 now.

Turk Telekom announced US\$ 6,226mn of revenues in 9M08, up by 17.8% YoY. EBITDA increased by 22% YoY to US\$ 2,772mn while net income slightly improved to US\$1,377mn.

Sources: Anadolu Agency, Turkish Daily News, Merrill Lynch, Bener, Garanti Bank, Detay, MEED, DİE, Undersecretary of Treasury, CBRT, Yapı Kredi Yatırım, FinansIn vest, Hürriyet, Sabah, Radikal, Akşam, Financial Times, TEB Yatırım, Cumhuriyet.