

# TURKISH BULLETIN

Corentin de Ricaud + 90 212 293 00 32

e-mail: corentin.dericaud@bnpparibas.com

## ECONOMY & MARKET

### MARKETS

At Monday's close, market situation was:

O/N for ISE Repo market & TLR Interbank market		TRY/USD
6.75%		1.4680
Most actively traded T-Bills		
Date	Maturity	C/Rate
10/11/09	03/08/11	8.65%
ISE-100 index		ISE- 100 Ref \$
47,775		32,554

**Auctions** between 28<sup>th</sup> Oct. – 10<sup>th</sup> Nov. 09

Issue	Mat.	Bid TRL mn	Sales TRL mn	Net sales mn	Ann. Comp Yield
05.11.09	03.08.11	558	318	274	
05.11.09	28.06.16	1173	473	467	

**Treasury** funding program for Nov: both domestic and external debt service will reach TL9.9bn, to be financed by new borrowings of TL10.5bn, implying a 110% roll-over ratio. It will also transfer TL0.4bn from the "Unemployment Insurance Fund" and withdraw TL6.1bn from the cash reserves in the CBT to fund a TL6.1bn primary deficit.

**Inflation:** Consumer price index increased by 2.4%/m/m in Oct09, which led to an annual rate of 5.1%/y/y, down by 20bps compared to Sept09. CPI increase is mainly due to the rise in food (+3%/m/m), clothing (+8.4%/m/m) and housing (+2.2m/m) prices.

- Production Price Index rose by 0.28%/m/m and increased by 0.2%/y/y down from the previous month figure of +0.5%/y/y. Main monthly decrease was observed in the basic metal sector (-2.4%/m/m).

## POLITIC, DOMESTIC & INTERNATIONAL AFFAIRS

**Taxes:** The government is planning to introduce new taxes next year as the 2010 budget sees an additional tax increase of TL29.7bn. TL 10.5bn would be raised through excise taxes and fees (such as toll rates for highways) and TL7bn would be collected thanks to the adjustment of VAT and SCT on

**Central Bank** expects year-end inflation to increase to 5.8% (from 5.4% previously anticipated), estimates TL/US\$ to end up at TL1.51 and forecasts a GDP decline of -5.7% (down by 20bps from previous surveys).

**Industrial production** contracted by 8.6%/y/y in Sept09, which led to an average decline of 15%/y/y for Jan-Sept09. The largest declines in Sept 09 were for the automotive (-30%/y/y), refined petroleum products (-31%/y/y) and basic metal (-16.5%/y/y) sectors, while the chemical industry was the only one to post a slight y/y increase (+7%/y/y).

**Foreign Trade Deficit** contracted by 23%/y/y to US\$4.0bn in Sept 09. In 9M09, exports declined by 30%/y/y to US\$73bn while imports shrank by 40%/y/y to US\$100bn.

- Exports were recorded at a level of US\$8.5bn in Sept09, narrowing by 34%/y/y but up from Aug's level of US\$7.6bn. The Iron&Steel and automotive sectors are still the most hit in y/y terms (-72%/y/y and -30%/y/y respectively).

- Preliminary exports rose by 4.6%/y/y to US\$9.95bn in Oct09 for the first time since Nov08, indicating a slight recovery.

**Fitch Ratings** placed Turkey's long-term local and foreign currency default ratings on Positive, saying that "the Country showed relative resilience to the severe stress test of the global financial crisis."

tobacco and gasoline products and to the termination of tax cuts on consumer durables.

## SECTOR NEWS & PRIVATISATION

---

**Automotive:** light vehicle sales dropped by 74%/m/m and 36%/y/y to 21k units in Oct09.

**Power:** RWE-Turcas' subsidiary "Güney Elektrik" signed a turnkey EPC contract with Greece construction company Metka for its 775MW gas power plant project, which construction is due to start in 2010.

- Enel plans to found a partnership with Dekar Enerji, originally a construction company to invest US\$750mn in geothermal energy (300MW).

**Oil & Gas:** Agreements regarding the construction of the ITGI natural-gas pipeline are expected to be signed by Botas and Edison by the end of 09.

**Banking:** Fitch Ratings placed 15 banks' and financial institutions' long term foreign currency ratings on "watch positive".

- The net profit of the sector in 9M09 was recorded at TL15.7bn, up by 41%/y/y. Profits in 3Q09 went down by 20%/q/q.

**Equity Capital Markets:** International investors were net buyers on the Istanbul Stock Exchange with US\$180mn in Oct09. Foreign investors placed US\$5.6bn buy orders versus US\$5.4bn sell orders. Sabanci and Turk Telekom were the most bought stocks while AkBank and Erdemir were the most sold ones. Total inflow reached US\$1.5bn in 09 compared to a US\$2.8bn net outflow in Jan-Oct08.

## COMPANY NEWS

---

**Akbank** reported a net profit of TL677mn in 3Q09, up by 36%/y/y but down by -1%/q/q. Consumer & commercial loans contracted by 3%/q/q but securities' portfolio (mainly T-bills) kept on increasing with a 17%/q/q surge. Fee income dwindled by -7%/q/q and a still strong NIM slightly decreased by 20bps q/q to 5.6% in 3Q09. TL deposits grew by 5%/q/q and deposits costs declined by 50bps q/q. Cost-income ratio was nearly flat at 31.7% but NPL ratio increased to 4.3% from 3.8% in 2Q09.

**Asya Bank's** net income in 3Q09 was announced at TL77mn, down by 13%/q/q. An improving NIM (6.3%) could not compensate declining fee income (-14%/q/q) and higher

**IPO:** Pegasus Airlines will realize its IPO in 3Q10 or 4Q10 for an estimated free float of 25%-30%.

### Privatization

**Ports:** as the Council of State approved the sale of Izmir Port to the Global-Hutchison-Aegean Exporters consortium, the group has asked for a 5-month extension to the deadline to pay for the port's acquisition.

**Gas Distribution:** Finance Minister stated that PA will launch a tender to sell the state-owned natural-gas distributor in Ankara, Baskent Dogalgaz, by the end of this year.

**Electricity Distribution:** Bids submitted for 3 electricity distribution grids amounted to US\$1.15bn. Companies who offered the highest bids for each of the regional grids were Eti Gumus with US\$485mn for Osmangazi, Calik Enerji with US\$442mn for Yesilirmak and Aksa Elektrik with US\$227mn for Coruh. The auction results will be subject to the approval of the PA and the Council of State.

- PA kicked off the privatization process of 4 additional electricity grids, which are Uludag, Camlibel, Firat and Van Gol.

**Sugar Factories** will be offered for sale until Jan10.

loan loss provisions (+11%/q/q). Lending went up by 9%/q/q, deposits by 15.6%/q/q while NPL ratio improved by 100bps to 5.5%.

**Garanti's** net income in 3Q09 went up by 61%/y/y but declined by -13%/q/q to TL663mn. Lending increased by 2%/q/q in 3Q09, mainly through TL commercial loans while securities' portfolio (T-Bills) surged by 16%/q/q. Deposits remained flat while Money market funding dramatically increased by 110%/q/q. NIM dwindled by 26bps q/q to 5.5% while fee income remained flat. NPL ratio worsened to 4.0% from 3.5% in 2Q09, while C/I ratio remained stable at around 30%.

- The Bank secured a €50mn loan from EBRD to finance SMEs. The credit is made of 3 tranches with maturities ranging from 1 to 5yrs.
- The Bank mandated 17 banks to rollover its dual US\$215mn & €282mn syndicated loan with another dual tranche US\$700mn loan.

**Halkbank's** net income came in at a level of TL420mn in 3Q09 (-1%/q/q; +57%/y/y). Lending, especially commercial and FX loans went up by 17%/q/q while securities-to-assets ratio slightly decreased from 36.5% to 35%. Deposits remained flat while money market funding increased by 18%/q/q. NIM declined by 20bps to 5.9% due to assets repricing while fees income didn't record any change. NPL ratio decreased by 10bps to 5.0% and loan loss provisions ratio remained flat at 1.4%. Cost to income ratio stood at 31%.

**Sekerbank's** net income dwindled in 3Q09 by -17%/y/y (-55%/q/q) to TL26mn, mainly because of higher loan loss provisions (+30%/q/q) as cost-of-risk reached 3.9% and NPL ratio dramatically increased to 8%. Lending increased by a mere 0.5%/q/q, pushed by a 3%/q/q increase in TL commercial loans, while securities portfolio declined by 3.9%/q/q. Deposits, especially FX, increased by 7.3%/q/q. Fee income remained flat, NIM reached 10.2% from 9.5% a quarter ago. The Bank opened 6 new branches in 3Q09 (total: 256 branches).

**TEB's** net income in 3Q09 went up by 47%/y/y to TL47mn but declined by 15%/q/q. Pushed by consumer TL lending, loans increased by 10%/q/q to TL8.1bn, albeit still below pre-crisis peak of TL9.2bn. Securities' portfolio (mainly T-Bills) grew by 20%/y/y but the Bank still has one of the lowest securities-to-assets ratio (18%) among financial institutions. NIM improved by 190bps to 8.1% in 3Q09 and fee income went down by 5%/q/q. NPL ratio worsened to 4.8% from 4.5% in 2Q09, while cost of risks remained flat at 2.2%.

**TSKB** reported a net profit of TL42mn for 3Q09, up by 54%/y/y but down by 26%/q/q. No lending occurred during the quarter whereas securities' book surged by 28%/q/q, mainly funded through money market. NIM improved by 130bps to 5.0% while NPL ratio stood at a very low level of 0.6%

**Koç Holding** and GE Power & Water signed a "MoU" for the purification and reuse of water. According to the Koç's CEO, this

should be a LT investment as there might be water poverty in the Country within 20-25 years as a result of global warming.

**Petrol Ofisi:** (Dogan Holding) posted net income of US\$80mn in 3Q09, down by 18%/y/y and by 29%/q/q. Sales revenues declined by 38%/y/y to US\$2.7bn but increased by 24%/q/q. Ebitda contracted by 34%/y/y to US\$144mn and improved only by a slight 7% on a q/q basis, mainly because of caps on distribution mark-ups introduced by EMRA which lowered Ebitda margin from 6.1% in 2Q09 to 5.3% in 3Q09. Financial expenses surges to -US\$16mn from financial income of US\$27mn posted in 2Q09.

- EMRA opened an investigation against the Company regarding the liquid found in their Iskenderun storage facilities, which is alleged to be used as a fake marker. The Company had denied the allegations, arguing that the liquid is a mix of gasoline & diesel or isopropyl alcohol.

**Erdemir's** net loss in 3Q09 went down to -US\$61mn, which makes a US\$183mn net loss for 9M09. Sales volumes declined by 11%/q/q but revenues increased by 5%/q/q due to the recent price increases. Declining profitability brought gross profit to -US\$21mn and operating profit to -US\$51mn. Net debt position remained flat at US\$2.3bn, but short-term debt level declined from US\$982mn in 2Q09 to US\$709mn in 3Q09.

**Petkim** announced a net income of US\$16mn in 3Q09 vs. net income of US\$18mn in 2Q09 and a net loss of US\$29mn in 3Q08. Revenues increased by 13%/q/q to US\$377mn but remain lower by 29% on a y/y basis. Ebitda improved by 3%/q/q to US\$29mn in 3Q09, well above net Ebitda loss of US\$28mn in 3Q08. Net income in 9M09 came out at a level of US\$41.5mn from loss of US\$43mn in 9M08.

- The Company signed a "MoU" with Iran-based NPC Inter. to establish petrochemical facilities in Iran through a 50/50 JV.

**Turkcell:** following a ruling from the Commercial Court, the Company is required to pay Turk Telekom a fine of TL279mn (+interests) for the international connection established by Turkcell via Milleni.com, which is believed to have been set against an agreement already in place between the two competitors. Turkcell will apply against the ruling.