

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
6.50%		1.5936
Most actively traded T-Bills		
Date	Maturity	C/Rate
08/06/10	25/01/12	8.93%
ISE-100 index		ISE- 100 Ref \$
54,307		37,078

Auctions between 26th May – 08th June 10

Issue	Mat.	Bid TRL mn	Sales TRL mn	Net sales mn	Ann. Comp Yield

Treasury funding program for June10: both domestic and external debt service will reach TL15.1bn (TL12.0bn domestic), to be in part financed by new borrowings of TL11.1bn. Other sources of financing will stem from the budget primary surplus and privatization receipts.

Inflation: Consumer price index decreased by 0.4%/m/m in May10, first monthly decline since Aug09, which led to a year-on-year rate of 9.1%, down by 110bps compared to April10. CPI decrease is mainly due to the

decline in food prices (-4.5% m/m) whereas clothing prices hiked by 12% m/m.

- Production Price Index fell by 1.2%/m/m, bringing back the y/y increase to single digit (+9.2%/y/y). The declines were led by the decrease in metals and petroleum products' prices.

Foreign Trade Deficit came in at US\$5.4bn in April10, up by 110% on y/y terms. 12-month rolling deficit increased to US\$49bn, up from US\$46bn posted last month.

- Exports were recorded at a level of US\$9.5bn in April10, up by 25%/y/y compared to April09. Imports increased by 47%/y/y to US\$14.9bn. In 4M10, exports improved by 10%/y/y to US\$35.7bn while imports reached US\$53.3bn, implying a 37%/y/y increase.

- Preliminary Data stipulated that exports grew by 25%/y/y to US\$9.0bn in May10.

Industrial production increased by 17%/y/y in April10. The largest increases in April10 were for the electric machinery (+50%/y/y), automotive (+30%/y/y) and textile (+22%/y/y) sectors.

POLITIC, DOMESTIC & INTERNATIONAL AFFAIRS

IMF now expects the Turkish economy to grow by 6.25% in 2010 and by 4% in 2011.

Moody's stated that following the approval of Fiscal Rule in the Parliament, a rating upgrade might come to the table.

Turkey – Israel relations came under pressure when a "Free Gaza" fleet, composed of mainly Turkish activists (members of an allegedly

charity Islamic organization closed to the AKP Gov't) and stuffed with humanitarian supplies, clashed with the Israeli army 70 miles away of the Gaza coast, causing the death of nine protesters. Turkish Foreign Minister warned that a normalization of the relationship will not occur if the Israeli Gov't keeps on refusing an UN-sponsored international investigation.

SECTOR NEWS & PRIVATISATION

Airports: total number of passengers increased by 24%/y/y to 9.4mn in May10 and by 25.1%/y/y to 34mn in 5M10. Number of

passengers using Istanbul Atatürk airport reached 12.2mn year-to-date (+11.5%/y/y).

Tourism: number of foreign tourist arrivals slightly declined by 0.3%/m/m to 1.7mn people in April10. In 4M10, number of foreign visitors reached 4.9mn, up by 6.8%/y/y.

- While number of tourist arrivals increased by 11.2%/y/y in 1stQ10, revenues contracted by 9.4%/y/y in the same period.

Automotive: light vehicle sales declined by 6%/y/y to 59K units in May10 but still improved by 2.4%/y/y to 217K units in 5M10.

Power: Akenerji's 37.5% shareholder, CEZ, is interested in buying Evonik's share in the 1,320MW coal-fired power plant in Iskenderum. For info, Evonik and Oyak (Army Pension Fund) have 51% and 49% stake in the BO-model power plant, respectively.

Gas: Botas & Socar (Azerbaijan) signed a "MoU" regarding Natural Gas tariffs for gas to be supplied from Shah Deniz fields 1 & 2 (which will become operational by 2017) and regarding transit fees for gas supplies to be transported from Shah Deniz field II to Europe through Turkey.

Oil: Petkim announced that Socar Turcas Refinery Co. (100% subsidiary of Socar Turcas Energy Co.) will be granted the refinery license as soon as the company provides necessary reports on technical feasibility & geological issues and the necessary license payment's confirmation.

Banking sector's net income for April10 came in at TL2.3bn, down by 15%/m/m.

COMPANY NEWS

Kardemir chose "China Shanghai Corporation Foreign Economic & Technological Cooperation" to build its 50MW power plant project which will be utilized for internal energy purposes.

Petkim: as per the "MoU" signed between Botas & Socar (*see above*), the latter will be able

M&A

Turk Telekom may consider acquisitions in Romania via Euroweb Romania (which was acquired through the recent purchase of Invitel Holding's international wholesale business).

Sekerbank's ownership changed as BTA Securities' (a 100% subsidiary of Kazakh Bank "Turan Alem") 33% stake in the Bank will be transferred to the Kazakh Sovereign Wealth Fund "Samruk Kaznya".

TAV Holding sold an 18% stake in its subsidiary TAV Tunisia to Pan African Infrastructure for €39.7mn. TAV Tunisia is the concession company for two international airports in Tunisia.

TEB/Fortis B.T.: BNPP & Colakoglu entered into a "Memorandum of Understanding" concerning the merger of TEB and Fortis Bank Turkey. The two entities will merge under TEB and both parent companies are expected to remain equal shareholders through the holding company, TEB Mali. The agreement is still subject to the approval of the relevant regulatory authorities.

Debt Capital Markets

Yapi Kredi Bank plans to issue a 5-year & US\$1bn bond abroad for which Unicredit, Citi and Deutsche Bank have been mandated. The Bank also mandated Unicredit and Standard Bank to convert the outstanding securitizations into bonds.

to provide the natural gas annual need of Petkim (1.2bn m³/yr) at favourable prices.

Petrol Ofisi announced that the tax fine of TL20.3mn, related to tax practices in 2004, was reduced to TL9.4mn through an arbitration process.