

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:

1-week repo rate or Policy Rate		TRY/USD
6.25%		1.5731
Most actively traded T-Bills		
Date	Maturity	C/Rate
21/02/11	07/11/12	8.48%
ISE-100 index		ISE- 100 Ref \$
65,129		41,402

Auctions between Feb 7th – 21st 2011

Issue	Mat.	Bid TRL mn	Sales TRL mn	Net sales mn	Ann. Comp Yield
15.02.11	06.01.21	1,854	828	-	-

CBT released its latest expectation survey: year-end inflation should reach 6.6% in 2011 and GDP growth a rate of 5%.

- MPC kept the policy rate on hold at 6.25% and reserve requirement ratios unchanged.

Treasury intends to issue a 10-year & Yens170bn samurai bond and has mandated investment banks to organize the issue.

Budget turned into a surplus of TL1.0bn in Jan11 from a deficit of TL3.1bn in Jan10. Primary balance posted a surplus of TL4.8bn in Jan11 (vs. a primary surplus of TL2.97bn in Jan10).

- In Jan11, revenues surged b 15% in real terms. Tax income increased by 9%/y/y on the back of improving domestic demand.

- Non-interest expenditures grew by 8%/y/y and Current expenditures by 7%/y/y on real terms in Jan11.

Current Account posted a deficit of US\$7.5bn in Dec10 (vs. deficit of US\$3.2bn in Dec09 and of US\$5.9bn in Nov10).

- Current account deficit increased to US\$48.5bn in 2010 from US\$13.9 posted last year, leading to a year-end CA deficit forecast of approx. 6.5% of GDP (up from 2.3% in 2009).

Capital Account posted a surplus of US\$9.4bn in Dec10 (vs. US\$6.1bn in Nov10) mainly with the support of banks' borrowing from abroad and portfolio inflows into the debt markets.

- Net FDI flows in Dec10 reached US\$1.9bn (vs. FDI inflows of US\$141mn in Dec09 and inflows of US\$553mn in Nov10), probably because of recent payments for privatizations. Net FDI inflows in 2010 stood at US\$7.1bn, just up by 4%/y/y compared to 09.

- Flows into the equity market turned negative with a figure of US\$785mn in Dec10. Debt securities registered an inflow of US\$550mn, leading to total inflows into the fixed income market of US\$16.1bn for the year 2010.

- Corporates were net debt payers with an 80% roll-over ratio while Banks continued to drawdown their FX deposits abroad and tapped foreign markets with US\$6.2bn of net short-term borrowing in Dec10.

- "Net error and omission" item came in with an outflow of US\$74mn. CBT's reserves increased by US\$1.8bn.

Central Gov't Debt reached an amount of TL478bn as of Jan11, up by 1.0%/m/m in real terms.

Capacity Utilization Rate decreased in Feb11 to 73.0%, down by 160bps compared to last month.

Industrial production surged by 16.9%/y/y in Dec10 and by 13%/y/y in 2010, its highest increase since 2005. Main contributors were the automotive and basic metal industries.

Unemployment rate slightly decreased to 11.2% in Nov10 from 11.6% recorded in Oct10.

POLITIC, DOMESTIC & INTERNATIONAL AFFAIRS

Sledgehammer Case: tensions between the Army and the AKP Gov't resumed as nearly 163 serving and retired officers including former commanders of the naval forces, the air force and the 1st Army were arrested on ground of their allegedly participation into the "Sledgehammer" plot, a conspiracy set up in 2003 and publicly unveiled last year which was supposedly aimed at topple the then freshly elected AKP Gov't.

IMF: following the second post-program monitoring discussions, the Fund issued a statement calling for a tightening of fiscal policy and pointing at "vulnerabilities arising from excessive demand and volatile short-term capital flows". It forecasts for 2011 a GDP growth of 4.5% and an inflation rate of 6.5%.

SECTOR NEWS & PRIVATISATION

Media: new RTUK (media watchdog) law package, including lifting foreign ownership cap from 25% to 50%, has been ratified in the Parliament.

Telecom: Iraq's 4th mobile license will be issued in 2nd H11. Turkcell is believed to be one of the potential bidders.

Energy: Bosphorus Gas, an energy Company, owned at 40% by Gazprom (through its subsidiary ZBM GmbH) and at 60% by Tur Enerji (the "Sen" Family), could bid for the privatization of IGDAS, Istanbul's gas distribution grid. The Company is also examining potential purchase of a gas company, and likely investments for 400MW and 800MMW green-field gas-fired power plant projects.

Power: RWE confirmed its intention to build up an 800MW coal-fired power plant on Petkim's land together with Turcas. The Project is yet still at a very early development stage (licensing, environmental clearance etc.).

M&A

Akenerji announced that the Shareholders have authorized the Mgmt to collect bids for the power generation Company's assets. There is not that much precision regarding the assets to be sold out, whether it concerns the electricity distribution arm (SEDAS) or shares of Akenerji itself.

Zorlu Enerji mandated Credit Suisse for the sale of its 85% stake in the project company "Rotor Electric" which operates a 135MW wind farm. Asset sale's proceeds should be used for refinancing the Company's debt.

RWE or EDF could be interested parties and the assets could be valued around US\$500mn.

IsBank will sell its 20.6% stake in Arab Turk Bank to the existing majority shareholder "Libyan Foreign Bank" and probably to other third parties for an amount of TL85.3mn.

Sabancı Holding reached an agreement with Belgium's Ageas to form a JV in its non-life insurance subsidiary Aksigorta by selling half of its 62% stake for US\$220mn.

Beverage: England-based spirits' Company Diageo agreed to buy for TL3.3bn the Turkish beverage company "Mey İçki" which owns an 80% share in the local raki market.

Privatization

Petkim: Privatization High board agreed for the sale of the 10.3% remaining stake until Dec. 31st 2012.

Turkish Airlines: TSKB, Unicredit Bank, Yapi Kredi Securities and Unicredit Securities consortium has been selected to advise PA for THY privatization. The airline Company is still state-owned at 49.12%.

Energy: Ministry of Energy's undersecretary recently stated that they are currently working on the restructuring and potential listing of the State-owned gas (BOTAS), oil (TPAO) and electricity transmission (TEIAS) Companies.

IPO: Pegasus Airlines (Esas Group) applied to CMB (Capital Market Board) for a public offering.

- Gama Enerji, a private generation company jointly owned by GE and Gama, plans to float

a 30% stake in an initial public offering at the end of 2011.

Debt Capital Market: CMB approved AkBank's US\$1.5bn Eurobond.

COMPANY NEWS

Isbank's net income improved by 4%q/q and by 6%y/y to amount to TL603mn in 4thQ10, despite heavy FX losses (-TL205mn). NIM almost stayed flat at 3.86% on the back of decreasing yields on TL lending but on improving yields in both FX securities and loans. Lending increased by 9.9%q/q while securities' portfolio went up by 5.1%q/q. Deposits expanded by 9.7% (mainly TL) on a q/q basis and money market funding grew by 6.3%q/q. NPL ratio decreased by 100 bps to 3.6% while Cost-of-Risk ratio remained flat at 1.4%. Fee income increased by 9%q/q. Finally, net income in 2010 came in at TL2.85bn, up by 20%y/y.

Akbank reported a net profit of TL690mn in 4thQ10, up by 57%q/q and flat y/y. TL & FX lending increased by 8.7%q/q, mainly pushed by retail loans' growth, and mainly funded by interbank funding. Securities' portfolio surged by 10%q/q. NIM increased by 250bps q/q to 4.93% on the back of a 578bps jump in TL securities' yield. Fee income improved by 9%q/q. Cost-of-Risk reached 0.73% and Cost-to-income ratio increased by 103bps to 37.1%. Finally, net income in 2010 reached TL2.86bn, up by 5.0%y/y.

Garanti's net income in 4thQ10 reached TL698mn, down by 21%y/y but up by 34%q/q. Loans' portfolio increased by 7.7%q/q, pushed by the surge in both housing and commercial lending, while securities' portfolio grew by 5.2%q/q. Loan growth was mainly financed by a 3.5% increase in customer deposits and a 18.2% surge in borrowed funds (bank bond issues mainly). NIM improved by 124bps q/q to 4.55% on the back of increasing yields in TL securities (+437bps) and contracting TL deposit costs (-36bps) for the quarter. Fee income dwindled by 7%q/q while C/I ratio increased by 1.5 pts to 40.1%. Cost-of-Risk ratio decreased by 50bps to reach 0.7%. Finally, net income in 2010 came in at TL3.15bn, up by 6%y/y.

Vakifbank: net income increased by 75%q/q and by 26%y/y to TL393mn in 4thQ10.

Lending, especially consumer, increased by 8.3%q/q while securities' portfolio decreased by 5.0%q/q. Deposits slightly increased by 2.3%q/q. NIM slightly rose by 33bps to 4.1% thanks to rising assets' yields and declining deposits' costs especially on the FX side. Trading income came in with an important figure of TL164mn. Fee income surged by 42%q/q while C/I ratio declined by 81bps to reach 41.0%. The Bank opened 31 more branches, reaching a total number of 636. NPL ratio slightly decreased by 50bps to 4.8%. Finally, net income in 2010 came in at TL1.15bn, down by 8%y/y.

TEB's net income in 4thQ10 went up by 49%q/q to TL123mn, partly thanks to TL189mn one-off income from insurance fees. NIM declined by 65bps to 4.59% mainly because of decreasing yields on lending. Fee income decreased by 8%q/q while Opex surged by 42%. Cost-of-risk ratio declined by 67bps to reach 1.34%. Finally, net income in 2010 came in at TL300mn, up by 42%y/y.

TSKB reported a net profit of TL43mn for 4thQ10, down from a figure of TL46mn recorded in 3rdQ10 but up by 2%y/y. Lending, mainly FX, surged by 21.8%q/q while securities' portfolio remained flat q/q. NIM declined by 60bps to 4.0% as a result of decreasing yields in securities (-160bps) while FX loans' yields slightly improved by 62bps q/q. Fee income increased by almost two-fold mainly thanks to the corporate finance income generated from real estate company "Emlak REIT"'s IPO (US\$700mn-US\$950mn). Cost-of-Risk ratio was recorded at a low level of 0.67%. Finally, the Bank's net income in 2010 came in at TL212mn, up by 21%y/y.

Bank Asya ("Islamic" Bank) posted a net profit of TL71mn, up by 8%q/q but down by 13%y/y. NIM was recorded at a ratio of 5.52%, up by 59 bps on a q/q basis on the back of improving lending yields. TL loans grew by 9.1%q/q and FX loans by 14.8%q/q while deposits surged by 11.9%q/q. Fee income rose by 13%q/q while the Bank opened up 11 new branches in the quarter.

NPL ratio decreased by 90bps to 4.0%. Finally, net income in 2010 came in at TL260mn, down by 13.6%/y/y.

Şekerbank posted a net profit of TL66mn in 4thQ10, up by 90%q/q, mainly thanks to impressive trading income (TL63mn). NIM improved by 152bps to reach a rather high level of 6.51%, mainly thanks to a surge in TL securities yields (+495bps) and a slight decline in deposit costs. Securities' portfolio stayed flat but lending expanded by 8.8%q/q (mainly commercial loans which constitute 81% of total loans' portfolio) which was funded by a 11.8% surge in mostly TL deposits. NPL ratio slightly decreased by 65bps to 6.2%. finally net result in 2010 came in at TL170mn, up by 12%/y/y.

Turk Telecom's net income for 4thQ10 amounted to TL559mn, up by 21%/y/y but down by 25%q/q. Total revenues increased by 5%/y/y and 7%q/q to TL2.9bn. The Company managed to strengthen its customer base in mobile and ADSL by adding around 200K new mobile subscribers and 130K new ADSL customers in 4thQ10. Ebitda increased by 36.2%/y/y and 5%q/q to TL1.34bn. EBITDA margin improved by nearly 10pts y/y (-75bps q/q) to reach 45.7%, thanks to an improving 13.9% margin in mobile business (albeit lower than 3rdQ10 margin of 19.6%) and to a still impressive 54.6% margin in fixed-line business. Net debt stood at TL3.0bn, down from last quarter net debt of TL3.1bn.

- Finally, net income in 2010 came in at TL2.45bn, up by 34%/y/y. Ebitda reached a level of TL4.8bn, increasing by 13%/y/y.

Coca Cola Icecek mandated 10 banks to secure up to US\$600mn of syndicated facilities. The amount will be used to refinance US\$360mn loan maturing in March 2013 and other bilateral facilities of the Company and its subsidiaries maturing in 2011.

Dogan Yayin Holding: the Council of State ruled in favour of Dogan TV, the Holding's broadcasting subsidiary, and other subsidiaries regarding a TL1,825mn tax issue (TL1.0bn principal + TL786mn overdue interests), following an initial lower court ruling against the Company.

- Council of State also ruled in favour of the Holding concerning a TL680mn tax fine (TL444mn principal and TL236mn overdue interests).

Koc Holding's chairman of the Board stated that Tofas will spend €145mn for capital expenditure in 2011 and Arcelik US\$160mn for capex the same year.

Turkish Airlines: plans to produce aircraft seats through a partnership with Assan Hanil, a car seat manufacturer jointly formed by Kibar Holding and South Korean Company "Hanil Ewha".

- The Company carried 2.1mn passengers in Jan11, up by 6.3%/y/y. Load factors decreased by 1.5 pts y/y to 67.3%, mainly because of the fleet expansion to 161 aircraft compared to 131 aircraft in Jan10. RPK increased by 11%/y/y the same month.