

TURKISH BULLETIN

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ECONOMY & MARKETS

MARKETS

At Monday's close, market situation was:

1-week repo rate or Policy Rate		TRY/USD
6.25%		1.5165
Most actively traded T-Bills		
Date	Maturity	C/Rate
18/04/11	20/02/13	8.64%
ISE-100 index		ISE- 100 Ref \$
66,608		43,922

Treasury

Result of the Auctions conducted on April 11th and 12th

Issue	Mat.	Bid TL mn	Sales TL mn	Ann. Comp Yield
11.04.11	29.01.14	2,928.9	1,587.8	9.36%
12.04.11	20.02.13	8,457.2	3,507.1	8.88%

Current account deficit widened to US\$6.1bn in February with a y/y 126% increase reaching US\$3.3bn. The yearly trailing current account deficit reached US\$55bn.

March budget posted a deficit of TL6.1bn while the year to date results turned to a deficit of TL4.1bn. A non interest deficit of TL2.1bn

POLITIC, DOMESTIC & INTERNATIONAL AFFAIRS

Loan growth Treasury and BRSA to take additional measures to decelerate loan growth, issuing new laws could be considered. The Gov't wants to keep the loan growth around 20-25% for 2011.

Upcoming June Election's Poll results: support for ruling AKP stands at 47.9% followed by CHP at 24.4% and MHP at 12.2%. In such a case, AKP would win 342 seats in the next parliament while CHP and MHP would gain 133 and 49 seats respectively. This would give AKP the three-fifths majority and allow the party to change the constitution pending a referendum. Failure of MHP (Nationalist Movement Party) to pass the 10% threshold could give AKP the all-important two-thirds majority that would allow the party to change the constitution by itself.

and a non interest surplus of TL9.8bn was recorded.

Central government primary surplus increased by 60% y/y in Q1 and reached TL9.8bn thanks to strong domestic demand as evidenced by the increase in domestic consumption taxes (%18 y/y) and taxes on international trade (%34 y/y). Consequently, tax revenues rose by 20% y/y.

Industrial production index grew by 13.9% in February compared to the same month of 2010

YASED *International Investors Association* announced that US\$9-10bn foreign direct investment is expected to be received in 2011.

Unemployment rate fell by 0.3pp m/m to 10.6% in January on a seasonally adjusted basis, despite the increase in participation rate. Headline unemployment rate increased by 0.5pp m/m to 11.9%

High Election Board (HEB) disqualified 12 independent candidates fielded by pro-Kurdish BDP due to previous criminal records that render their candidacies ineligible.

IMF has revised the expectations for Turkey's growth for 2011 at 4.6%, revised from 3.6%. It sees CA deficit ballooning to 8% of GDP this year

S&P restated Turkey's long-term rating as BB while keeping the outlook as positive. The agency said the rating could be upgraded if the dependence on foreign borrowing is lowered.

Central Bank's deputy Governor Erdem Basci will be appointed as governor, after governor Yilmaz's term ends on April 18.

SECTOR NEWS & PRIVATISATION

Banking Banks monthly net income was TL1.537mn in February up by 0.8% y/y and down by 1.4% m/m. NI in annual rolling terms is down by 4% y/y. ROAE in monthly terms is 13.7%, down by 22bps m/m, while annual ROAE is 15.7%, down by 161bps m/m

- Loan growth of banking sector was 7.3% q/q in 1Q11 (35.3% y/y) vs. 6.3% in 1Q10. LC loans grew by 6.3% q/q, FX loans by 10.1% in 1Q11. Deposit growth was 2.3% (20.4% y/y) vs. 3.1% in 1Q10. Repo and money markets increase was by 14.5% and 5.8% respectively. Due to low deposit/ high loan growth, LDR was up by 3.8ppt to 89.5% in 1Q11 compared to 4Q10. Asset quality remained strong as the NPL ratio was down by 37bps to 3.21% from 3.58% of 4Q10.

Privatisation: Ankara Municipality is to privatize the remaining 20% stake in Baskent Dogalgaz, the natural-gas distribution company

in Ankara (deadline for placing bids was set as April 21).

Privatization High Council has approved the privatization of electric distribution rights with a value of US\$10.8bn.

Savings Deposit Insurance Fund (TMSF) is to conduct an auction for the sale of Show radio with the highest bid received ahead of the auction at US\$8.5mn.

Steel: Crude steel production increased by 24.9% y/y in March to 2.7mn tonnes. In cumulative terms, total crude steel production increased by 31% y/y to 7.9mn tonnes in 1Q11 with long steel production up 24% y/y to 5.8mn tonnes and flat steel production up by 55% to 2.1mn tonnes. There was a 45% y/y increase in steel exports in US\$ terms in 1Q11.

Aviation: State Airports Authority announced that flight traffic has increased by 13,6% to 71.910 in March, while the passenger number has elevated by 13,1% to 7.3 million.

COMPANY NEWS

Garanti Bank mandated a group of investment banks to issue a 10-year Eurobond at an expected cost of 6.5%.

- Garanti completed the book building process of its 176 days TL500mn domestic bond issue at a cost of 8.593%.

TSKB obtained two loans amounting to €219.3mn in total from IBRD. One amounting to US\$180mn will be used to finance exports and the other loan amounting to €87.8mn will be used for supporting the financial intermediary firms. Both loans will mature in 2038 and both have a grace period until 2018.

The bank plans to allocate US\$600-700mn to project finance loans this year. Its loan volume reached US\$3.2bn.

Isbank issued a TL700mn domestic bond with a 176-day maturity at a cost of 8.52% in compound basis, the demand was materialized as TL1.2bn.

Yapi Kredi Bank mandated its top management to issue a bond with different maturities, up to TL3.5bn.

Bank Asya Qatar National Bank, Abu Dhabi Islamic Bank, and Al Rajhi Bank are reportedly interested to acquire a strategic stake in the bank.

Albaraka Turk planning to establish a strategic partnership with the Islamic Development Bank (IDB) which controls 8% stake in Albaraka Turk, in the Balkan countries of Bosnia-Herzegovina, Albania or Kosovo

Denizbank will issue up to US\$750mn Eurobond with a maximum maturity of 7 yrs.

Turk Telekom secured a 7-year €196mn loan with an interest rate of Euribor+2.80% and a 2-year grace period. It will be used to finance the Invitel acquisition. BNPP Media Telecom Finance is one of the MLA's.

Enerjisa (Sabanci Holding and Verbund JV) obtained a €700mn syndicated loan from international banks to finance four new power plant projects (one natural gas fired, two hydropowers and one wind-power) with a total capacity of 1,100 MW.

Sabanci Holding's cement group targets to acquire new cement plants in MENA region, Caucasians and Balkans. It currently owns 18% of total local cement production capacity in Turkey. (Competition Board sets a maximum limit of 25% for the cement firms)

Enka Construction will bid for a 1.500MW project size US\$1.6-1.8bn. BO natural gas-fired power plant in Oman and for another one in Egypt with the same capacity.

Tepe-Akfen/Souter-Sera consortium gave the highest bid US\$861mn for the privatization tender of IDO's (Istanbul Inner and Inter City Ferry Lines) 30-year management. The share transfer is expected to be completed within 3-4 months.

Alarko Holding reported a net loss of TR1.5mn in 4Q10. Consolidated revenues were TL285mn (down by 12% y/y), bringing the full-year figure to TL1.2bn (up by 34%). The growth in 2010 was mostly attributable to the acquisition of electricity distribution business. 19% drop in construction revenues recorded for FY10.

Zorlu Enerji reported a net loss of TL73mn in Q410, revenues were TL95.2mn with a y/y decline of 23%, bringing FY10 revenues to TL434mn (down by 11% y/y). Zorlu's total electricity sales volume reached 2,888 Gwh in 2010 with a y/y increase of 8.8%. Volume growth in Q4 was -3.6%. Zorlu has a net debt position of TL1.36bn at year-end, leading to a short FX balance sheet position equivalent to US\$960mn.

Turcas disclosed a net loss of TL11mn in 4Q10 vs. a net profit of TL6mn in 4Q09 (lower contribution from the Shell-Turcas JV). TL13mn booked in net revenues in 4Q10, lower 7% y/y while EBITDA was unchanged y/y as -TL3mn in 4Q10. On an annual basis, revenues were up 16% y/y to TL52mn in FY10 while net profits doubled y/y to TL56mn.

Akenerji mandated Deloitte to collect non-binding bids on the company's power generation and distribution assets.

Limak is reportedly interested in Akenerji's electric power generation and distribution units. The other potential bidders are Sabanci Holding, Russian Gazprom and Inter Rao. Akkok Group and CEZ, the major shareholders of Akenerji with equal stakes of 37.5% each, had recently decided to obtain bids for the sale of their Akenerji shares. The due date to bid for Akenerji is June 15.

Turkish Airlines passenger number in Q1 2011 soared by 8.7% to 6.7mn. Available-seat – Km and revenue-passenger-Km climbed by 19.6% and 14.2% in Jan-March.

BC Partners may exit Migros within 12 month; it has not yet started talks and will not appoint an advisor over the next couple of months. Migros free float was increased to 20% when BC Partners placed 17% of the company through an accelerated book building. BC Partners had agreed not to sell any share over the next 6 months.

Cukurova Holding is reportedly interested in buying Russian Altimo's stake in Cukurova Telekom, which has a 27% stake in Turkcell.