

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
11.50%		1.73
Most actively traded T-Bills		
Date	Maturity	C/Rate
02/03/09	03/11/10	15.62%
IE-100 index		ISE- 100 Ref \$
23.700		13.7

Auctions (17.02.09)

Issue	Mat.	Bid TRL mn	Sales TRL mn	Net sales	Avr Comp Yield
17.02.09	19.08.09	5.087	3.681	3.443	6.91%
17.02.09	14.08.13	2.021	370.2	365.2	13.98%

Treasury plans to redeem TL4.1bn in March, TL3.7bn of which will be to the market. Domestic borrowing to be around TL2.9bn; roll-over ratio of 70%. TL1.7bn proceeds from the sale of 3G licenses will support accounts in March.

(MPC) Monetary Policy Committee cut the policy rate by 150 bps to 11.5%. MPC expects disinflation to accelerate and sees inflation reaching target earlier than expected; Year-end inflation expectation further eased down to 7.10% from 7.22%.

Central Bank (CBRT) Debt Stock reached TL391.1bn in Jan, increasing by 16.2% y/y, corresponding to a 6.1% surge in debt stock in real terms. Depreciation in currency is the main reason. FX-denominated debt increased by 30.2% y/y. 65.2% of outstanding debt is TL and remaining 34.8% is FX denominated.

POLITIC, DOMESTIC & INTERNATIONAL AFFAIRS

IMF Deal- Three new pre-requisites: a) fiscal rule (including an independent tax administration), b) the reform agenda for municipalities, and c) a reporting scheme for private savings. PM Erdogan said that these are unacceptable

The accruals-based budget: reduced surplus of TL816mn in Jan due to lower contribution of indirect tax revenues. Non-interest expenditures posted 14% y/y real increase, due to spending on the eve of the local elections.

2008 C/A deficit amounted to US\$41.4bn with 8.5% y/y increase (5.7% of GDP). Dec. C/A deficit contracted 42% y/y to US\$3bn. Non-bank corporates ran a rollover rate of 89.1% and banking sector 14.6% (in long term debt). Sharp fall in re exports (US\$345mn), lower than expected FX revenue generation and some profit transfers abroad (US\$ 445mn) were main reasons.

Trade deficit Jan09 exports were US\$7.9bn and imports US\$9.3bn., resulting a trade deficit of US\$1.4bn with a 76% decline y/y. 12-month deficit was US\$65.7bn with y/y decline in exports by 26%.

Private sector external debt: decreased by US\$2.6bn to US\$139.7bn as of 08 year end. Around 35% of the total is in EUR terms.

Unemployment rate reached a record high 12.3% in Oct-Dec period. Non-farm unemployment rate jumped to 15.4%, highest since February 2005.

European Investment Bank (EIB): Turkey will receive a loan facility of €2.2bn this year to be transferred to domestic banks to be allocated to large-sized corporations and SMEs that could be hurt by the credit crisis. Loan could be increased by €800mn-€3bn depending on the success to introduce efficient long-term development projects.

Stimulus package approved by Parliament to decrease the effects of the financial crisis on the economy, including measures to support manufacturers and some reduction in corporate tax on investment and tax cuts on textiles and clothing. Short term employment

allowance period extended from 3 to 6mnths to support employment.

Tourism number of foreign arrivals contracted by 4% y/y in Jan; first fall registered since Nov06. 2008 number stands at 26.3mn people, with a 12.3% y/y increase.

SECTOR NEWS & PRIVATISATION

Energy: With the ratification of the Kyoto Protocol, implementation of the renewable energy act and the new regulations in electricity prices, Turkey plans to launch US\$120bn worth of investment projects in energy by 2020.

Privatisation: 5 parties have applied for the pre-qualification of the tender for the privatization of the National Lottery: Dogan-Lottomatica, Intralot, OPAP-DAF (Dogus-Alarko-Fina), Osterreichische, Sans Oyunlari Yatirim Holding (Turkcell's Turktell Bilisim). Deadline for submission of final bids is Apr15th.

- Privatization process of two electricity distribution assets, one in West Anatolia near

Sakarya and Baskent regions and the other one in the East Anatolia, to start in March. Privatization process of the electricity generation assets is expected to start in May-June 2009

M&A:

Lafarge JPMorgan mandates for the sale of Lafarge stakes in cement and concrete factories in Turkey Aslan Cimento, Van Cimento and Eregli Cimento (grinding).

TAV and Skonto Buve won the tender for the infrastructure development and the operation of Latvia airport with SJSC Riga International Airport management

COMPANY NEWS

2008 Incomes (unconsolidated):

Isbank: Down by 12% to TL1.5bn (US\$900mn) as it set aside more provisions to cover NPL's that increased by 48% to TL2.2bn; loans grew by 40% to TL47.61bn. A loss of TL461.9mn from capital markets trading was recorded.

Akbank: Down by 15% to TL1.7bn; Q4 income was TL236mn (down by 44% y/y); and the 12-month trailing RoAE came down to 16.4%.

- Some members of the Sabanci family plan to sell registered shares equal to an 8.4% stake; approx 251mn shares, worth US\$640mn at current market prices that represent 23% of Akbank's free float, on the ISE. The time period for the sale is between 10 and 20 years.

Garanti Bank: Down by 24.4% to TL1.750mn. Q4 income down by 6% y/y. FX loans expanded by 20% q/q in TL terms (market 16.3%). Loan loss provisions reached TL217mn due to increasing defaults and NPL

coverage ratio. A 15.8% q/q TL asset growth in Q4 was recorded.

TSKB: Down by 19% to TL119mn; Q4 income was down by 72% y/y due to the TL18mn discretionary provisioning of despite improving operational performance. NPL ratio remained stable at 0.7% in Q4.

Vakifbank: Down by 27% to TL753mn (US\$582mn); Q4 was up by 92% q/q. In Q4, other non-interest income was up by 53% y/y to TL189mn and TL50mn FX and trading gain recorded.

Halkbank: Down by 10% to TL1,018mn (US\$787mn); Q4 income was down by 60% q/q. TL92mn net FX and trading loss due to its 200mn short FX position as of end Q3 and TL43mn other non-interest income (down by 30% q/q) due to declining NPL recoveries.

Yapi Kredi Bank: Up by 47% to TL1.042mn (US\$42mn). Q4 income was down by 87% to TL37mn and allocated provisioning was TL30mn.

Bank Asya: Up by 12% to TL222mn (US\$190mn). Q4 net income: TL85mn up by 5% y/y. Loan growth: 5.4% FX indexed loans comprised 37.4% of total loans. Net interest income up by 23% q/q due to increase in yields of loans in Q4 as participation banks do not promise predetermined interest rates to their deposit holders.

Tekstilbank: Down by 70% to TL12.6mn due to sharp increase in loan loss provisioning. GSD Holding, the main shareholder, called off the sale of its stake in the bank until the market conditions are more favourable.

Sekerbank: Up by 18% to TL144mn. Q4 net income up by 54% y/y and down by 40% q/q. NIM widened in Q4 due to the short FX position.

Albaraka Turk: Up by 60% to TL136mn. Q4 net income up by 42% y/y. Q4 ROE reached 29.6%.

Erdemir: US\$84mn income (Isdemir not incl). Sales declined by 62% q/q in Q4 due to contraction in demand and declining steel prices; US\$156mn operating loss recorded due to lower capacity utilization rate, increased fixed costs, substantial inventory losses and US\$466mn net loss as a result of the deterioration in operating profitability and increasing FX losses.

POAS: Down by 66% to US\$82mn. Operating income increased by 11% y/y thanks to rising crude oil prices in 1H and strong distribution mark-ups but there was an increase in FX losses due to the high short F/X position (US\$1.2bn as of 9M08).

Petkim: US\$72mn loss due to negative spread between petrochemical product prices and naphtha price, which is the main raw material of Petkim.

Turkish Airlines: Down by 34% to US\$205mn. Operating profit was down by 42% to US\$123.7mn due to low PLF and high depreciation expenses driven from new plane acquisitions. The impact of low oil prices was partially reflected in Q4.

- Jan 09: passenger number increased by 8.7% y/y to 1.59mn and revenues (passenger-km) by 7.1%, available-seat-kilometers increased 10.3% but load factor declined by 2.8pt to 65.2%.

Turk Telekom: US\$47mn net income in Q408, revenues and EBITDA declined by 21% and 36% y/y and came in at US\$1,692mn and US\$524mn, respectively. 2008 net earnings fell by 31% y/y to US\$1,354mn. Full year revenues rose by 11% y/y to US\$7,876mn, thanks to the growing broadband and mobile businesses.

Turkcell Q408 net income fell by 25% y/y to US\$302mn. Revenues declined by 16% y/y to US\$1516mn. Mandated credit institutions for \$US750mn import credit facility. Shall submit a binding bid for mobile operator, Cosmofon.(est. value €250-300mn) and considers bidding for Ukrtelecom (est. value of the 68% privatized stake US\$937).

(DMG) Dogan Media Group has been fined a TL826mn (US\$489mn) tax penalty by the tax authority related to the 04-06 periods. End08 it had been issued a smaller penalty of TL35mn for the 02-03 periods. DMG started legal action against both sanctions.

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