

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%		1.69
Most actively traded T-Bills		
Date	Maturity	C/Rate
17/03/09	03/11/10	14.40%
IE-100 index		ISE- 100 Ref \$
23.620		13.9

Auctions (9th and 10th March 2009)

Issue	Mat.	Bid TRL mn	Sales TRL mn	Net sales	Avr Comp Yield
09.03.09	09.09.09	1.687	655	616	13.10%
10.03.09	03.03.10	5.009	1.417	365.2	14.54%

Treasury ran a higher rollover rate of 85.4% vs. the program target of 70.7% in March as its domestic borrowing reached TL3.50bn in total vs. its redemption of TL2.37bn.

FX sale auctions to be reinitiated by the Central Bank as a response to recent rise in volatility in FX market, daily selling amount set at US\$50mn (to be adjusted or auctions to be suspended if needed).

CPI was 0.34% in Feb, bringing annual inflation to 7.73%, down by 2% m/m and 0.2% above the year-end target. Producer prices increased by 1.17% m/m and annual inflation declined to 6.43% from 7.9% in Jan.

Industrial Production contracted by 21.3% y/y in Jan; sharpest fall on record, led by mainly exporting sectors, bringing Q4 IP contraction to 12.6%. Capacity usage rate in Feb. remained steady at 63.8% with a 15.5% decline y/y. Private sector Jan. CU improved slightly from 63% to 63.6% in Dec.

Capacity Utilization in Feb. was at 64%, an all time low level. Private sector CU was 63.6% (15 pp lower than last year same month)

C/A balance posted a US\$291mn monthly surplus in Jan. 12-month deficit shrank to US\$37.2bn from US\$41.6bn in Dec.08. Gold exports were at a historical high level of US\$943mn; the capital account registered US\$2bn of outflows. Corporates' long-term external debt rollover ratio decreased to 72% in Jan., from 89% in Dec. as US\$813mn of long term loans were repaid.

Trade deficit Feb exports came in at US\$6.8bn, resulting a 35.2% contraction y/y. 12-month exports shrank by 31.7% y/y.

Primary budget deficit of TL3.4bn (US\$2bn) in Feb. Cash balance at TL12bn (US\$7.3bn), Revenues declined by 28% y/y to TL13.3bn (US\$8bn). Tax receipts continued to weaken and TL3.3bn were delayed until March. Non-interest expenditures TL16.8bn, interest expenditures TL9.8bn, totaling to TL26.6bn (US\$16bn) with 40% y/y increase), privatization and funds income TL1.3bn. (US\$0.8bn).

Unemployment rate in Dec. increased to 13.6%. Labour force participation rate rose to 47.7% from the previous year's 46.6%. Non-farm unemployment rate also increased to 17.3

S&P stated that the likelihood of a rating downgrade over the next two years is currently 30%, as the TL weakness and slower GDP growth could hurt Turkey's debt ratios and debt service capability and that the private sector external debt continues to be key risk factor in the near term.

POLITIC, DOMESTIC & INTERNATIONAL AFFAIRS

IMF sent a new recommendation list for structural reforms and macro policies. The deal is expected to be signed after local elections.

Ergenekon case; the tension between the Gov't and the secular establishment increased further as in the second lawsuit, the chief prosecutor provided additional accusations about retired generals and other pro-establishment figures related to Ergenekon crimes against the basic principles of the

Republic of Turkey, such as their link to terrorist organizations.

New economic stimulus package Gov't cut rates of value-added and special consumption tax in the automotive, construction and textile sectors, for a 2-3 month period. An increase of Eximbank credits (Capital of Eximbank will be increased by 38% to US\$2bn) and measures aimed at encouraging the banking system to increase loans to the economy to be introduced.

SECTOR NEWS & PRIVATISATION

Energy: Competition Board limited the duration of exclusivity agreements signed between fuel distributors and gas stations to 5 years (presently its 15-20 yrs, creating a major entry barrier for the potential players willing to enter fuel distribution market). 5 big players Petrol Ofisi, BP, Shell-Turcas, Opet and Total control 90% of the market.

y/y in unit terms. Domestic light vehicle sales fell by 38.3% y/y to 22K units.

Banking Central Bank applied to BRSA to reduce the reserve requirement for TL deposits from 6% to 4% to ease the pressure on the TL, bonds and T-bills and free up TRL6bn for the banking sector.

Automotive: Feb. vehicle production fell by 60.3% y/y and vehicle export sales by 59.3%

COMPANY NEWS

Akbank received €100mn loan from the European Investment Bank (EIB) with 8 yrs maturity.

Yapi Kredi Bank: FY08 income up by 47% to TL1.043mn. 27% increase in branch network in 08, 29.3% TL lending growth was recorded. NPL ratio is 4.24%. NIM declined by 21bps q/q to 4.52%. Cost-to-income ratio is 62%. CAR increased to 15.7%, TL920mn rights issue completed.

Halkbank FY08 income down by 10% to TL1.018mn. 12-month RoAE 23.8%, down from the 28.9% in 07. Net profit TL108mn in 4Q08 BRSA bank-only financials, down by 66% y/y. NPL ratio increased to 4.6% with a TL253mn (20% of NPLs) portfolio. Loans under close follow-up increased by 41%, consumer and credit card loans increased by 85% and 62%, respectively. Coverage ratio for

NPLs declined to 83%. NIM declined by 9bps q/q to 4.69%.

Tupras FY08 net income down by 67% to US\$334mn. Gross refining margin declined to US\$9.3 per bbl in 4Q08 from US\$11.3. US\$124mn operating loss recorded in 4Q08 due to the sharp decline in oil prices and an inventory loss of US\$566mn. EBITDA Q4 down to US\$91mn and FY08 to US\$1,095mn.

Aygaz: FY08 income declined by 94% y/y to TL25.8mn (US\$20mn), a net loss of TL168.1mn (US\$109mn) recorded in 4Q08, compared to TL78mn of net income in 4Q07 due to losses from participations (US\$100mn), consolidated through the equity pick up method, and net FX losses (US\$91mn). Aygaz has 20% stake in Enerji Yatirimlari (US\$1.2bn debt), which owns 51% of Tupras (US\$462mn net loss). EBITDA declined 45% q/q from US\$79mn in 3Q08 to US\$54mn in 4Q08 as a result of declining crude oil prices and

inventory losses. FY08 EBITDA was US\$264mn.

Koc Holding reported a net loss of TL502mn in 4Q08, down by 10% y/y. FY08 net profit down by 12% y/y to US\$1.563mn due to FX losses and falling operating income in almost all segments. FY08 EBITDA was US\$3,584mn.

Dogan Media Group (DMG) provided the Tax Authority with TL1.085mn collateral, including shares of the Group's major TV channels Kanal D and Star TV for TL826mn tax fine inclusive of TL89mn interest. These were later rejected and Dogan TV was submitted for evaluation. (DGM holds 75% of Dogan TV with Axel Springer holding 25%)

Erdemir sales at the Eregli plant declined from 1,063,000 tons in 4Q07 to 525,000 tons in 4Q08. As of March 09 orders were 396k tons, Hot rolled steel prices declined by more than 75% since July08. Eregli's remaining US\$1.7bn investment plan was suspended due to weak demand and the plant is still operating at 70% CUR in 1Q09, which is increasing fixed costs.

- Reported a net loss of TL1.189mn in 4Q08, FY08 income down by 69% y/y to TL211.5mn (US\$163mn). Net debt increased by TL1.046mn to TL3.561mn mainly due to the increase in its working capital requirement and capex. US\$664mn EBITDA recorded in FY08, down by 19% y/y.

Petkim reported a net loss of TL98.3mn (US\$64mn) in 4Q08, due to weak operational

performance as it was forced to compete with imported products in a low-demand and low-price environment. Net sales contracted to TL426mn with a 23% y/y decline. EBITDA was -US\$16mn in FY08; -US\$29mn in 4Q08 vs. US\$6mn in 3Q08.

Baskentgaz Elektromed in talks with firms including Gazprom as the 2nd best bidder in the tender after Global Holding's bid of US\$1,610mn in March08. The transfer has not been completed due to the absence of an approval from EMRA as Global Holding has difficulty in financing the acquisition and is seeking partnership opportunities.

Turkish Airlines Feb. traffic figures: up by 9.2% y/y in passenger numbers to 1.5mn. ASK (Available Seat Km) expanded by 13.1% y/y to 3,440mn km, RPK (Revenue Pax Km) increased by 10.7% y/y to 2,316mn km. THY has 29 more aircraft (a total of 131) at the end of Feb compared to last year and is looking for Russian acquisition targets, namely S7, KrasAir, Transaero and Rossiya.

Avea filed a law suit against Turkcell for not meeting the legal requirement regarding interconnection.

Turkcell and Turk Telekom submitted binding offers for Cosmofon, the Macedonian mobile operator.

- Turkcell to pay US\$17.6mn due to a legal dispute on data transfer and collaboration agreement between the companies.

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