

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:

O/N for ISE Repo market & TLR Interbank market		TRY/USD
6.50%		1.5331
Most actively traded T-Bills		
Date	Maturity	C/Rate
20/07/10	25/04/12	8,46%
ISE-100 index		ISE- 100 Ref \$
58,114		37,906

Auctions between 7th July – 20th July 10

Issue	Mat.	Bid TRL mn	Sales TRL mn	Net sales mn	Ann. Comp Yield
12.07.10	12.01.11	3,135	1,802	1,735	7,94%
13.07.10	25.04.12	6,452	3,129	2,704	8,51%

CBT released its latest inflation forecast: year-end CPI inflation rate is expected to be of 7.7%, down from previous forecast of 8.0%.

- Monetary Policy Council (MPC) kept the policy rate -the 1-week repo rate- constant at 7% and the O/N borrowing rate at 6.5%, referring to a “partial slowdown” in external demand and an easing in food & commodities prices.

Budget results turned into a deficit of TL5.5bn in June10 from a surplus of TL5.8bn in May10 and a deficit of TL2.5bn in June09. Primary balance posted a deficit of TL2.1bn in June10 (vs. a deficit of TL1.4bn in June09).

- In June10, revenues posted a 10%/y/y increase in real terms. Tax income improved by 14%/y/y parallel to economic recovery.

- Non-interest expenditures increased by 13%/y/y in June10. Current expenditures surged by 15%/y/y.

- The 1stH10 Budget posted an overall deficit of TL15.4bn, from last year deficit of

TL23.2bn, and a primary surplus of TL12.1bn from last year surplus of TL4.0bn.

Current Account posted a deficit of US\$3.0bn in May10 (vs. deficit of US\$4.4bn in April10).

- 12 month rolling current account deficit reached US\$26.2bn from US\$24.8bn last month.

Capital Account posted a surplus of US\$3.3bn in May10 (vs. US\$11.8bn in April10) mainly with the support of banks' borrowing from abroad.

- Net FDI flows in May10 turned negative at – US\$29mn (vs. FDI inflows of US\$503mn in May09).

- Equities flows turned into outflows with a figure of US\$500mn in May10. Debt securities inflows registered an amount of US\$670mn following purchase of TL-denominated Gov't bonds by non-residents.

- Corporates were net debt borrowers with a 107% roll-over ratio for the first time since Nov08 while Banks tapped the syndicated loan market with US\$2.2bn of net borrowing in May10.

- “Net error and omission” item came in with an inflow of US\$1.5bn. CBT FX's reserves increased by around US\$1.8bn.

Industrial production increased by 15.6%/y/y in May10 and by 17%/y/y in 5M10. The largest increases in May10 were for the electric machinery (+24%/y/y), metal products' (+28%/y/y) and textile (+22%/y/y) sectors.

Unemployment declined to 12% in April10 from 13.7% in March10.

POLITIC, DOMESTIC & INTERNATIONAL AFFAIRS

Constitutional Court rejected CHP's appeal for the complete annulment of the Constitutional Amendment Package. Instead, the Court went for partial annulment of some articles that won't affect the general framework

of the package and the core of the most controversial articles regarding the structure of Constitutional Court and the Supreme Board of Judges and Prosecutors.

SECTOR NEWS & PRIVATISATION

Automotive: light vehicle sales remained flat in June10 with 61K units and slightly increased by 2.0%/y/y to 278K units in 1stH10. Production went up by 15%/y/y to 101K units and Export volume grew by 14% to 68K units in June 10.

M&A

FinansBank: according to a daily, National Bank of Greece considers selling a 30% stake in FinansBank.

Zorlu Enerji's wholly owned subsidiary Amity Oil acquired Petrogas for TL69m as a part of the sale process of Amity Oil to Transatlantic.

COMPANY NEWS

Halkbank obtained a dual-tranche syndicated loan of US\$130mn and €349mn priced at Libor/Euribor +150bps.

Turkcell's 100% affiliate Financell obtained US\$500mn of loans with Turkcell's guarantee to refinance the outstanding loans of the Company's subsidiaries: KKTCell (1-year maturity loan of US\$24.5mn priced at Libor+175bps), Astelit (27-month maturity loan of US\$312mn priced at Libor +210bps), Global Tower (3-year maturity loan of US\$59mn priced at Libor+245bps) and Superonline (5-year maturity loan of US\$100mn priced at Libor +295bps).

Ziraat Bank, Vakifbank and Turkish Development Bank obtained US\$500mn worth of loans from the World Bank with the Turkish Treasury guarantee which will be aimed at financing SMEs.

Vakifbank will increase its number of branches to 620 from current 575 by the end of 2010 and to nearly 850 branches in the next three years.

Akenerji: A few NGOs applied to the Administrative court asking for the cancellation

Debt Capital Markets

Akbank raised a US\$1bn & 5-year bond, with a yield of 5.30% or 350bps above US Treasuries. The demand for the bond was reportedly US\$3bn. Citi, Bank of America, JP Morgan & Standard Chartered were mandated to conduct the road-show with bond investors.

Yapi Kredi Bank also mandated Unicredit, Citi and Deutsche for a bond issue.

of the environmental impact assessment report regarding the Company's 880MW thermal power plant project in Hatay.

Turkish Airlines: Number of passengers increased in June10 by 14.6%/y/y to 2.53mn and in 1stH10 by 19.3%/y/y. Revenues Passenger km (RPK) increased by 19.7%/y/y. Passenger load factor (PLF) increased by 3.7 pts y/y to 74.8%.

- The Company's 100% subsidiary THY Teknik and Goodrich Corporation signed an agreement to establish a JV to provide Maintenance, Repair and Overhaul (MRO) services in Istanbul for Boeing & Airbus aircrafts.

Turk Telecom's net income for 2Q10 amounted to TL601mn, up by 13%/y/y and 10%/q/q compared to 1Q10. Total revenues slightly increased by 1%/y/y to TL2.66bn, mainly driven by increasing mobile revenues (+3%/y/y). Ebitda increased by 11%/y/y and 12%/q/q to TL1.19bn. EBITDA margin improved by 3.4 pts in 2Q10 compared to 1Q10 to reach 44.6%, thanks to a better 11.1% margin in mobile business and to a still impressive 53.5% margin in fixed-line business. Net debt stood at TL3.8bn.