

AT - A GLANCE

January 25, 2011

Market Comment

The market stayed under pressure during the second session after the CBTs required reserve ratio decision. We expect banking stocks to remain weak, but a slightly better mood to be observed among other names.

Macro News

- Uncertainty and the markets...
- Strong outlook in capacity utilization...
- CBT increases required reserve ratios for banks...

Sector News

- Yildiz Holding's targets for Bizim Toptan Magazacilik...
- Banks may increase rates on consumer loans according to daily Sabah...
- Akfen to sell 33.8% of Akfen REIC to public...

Company News

- Isbank <ISCTR TI> denies news report on spin-off of industrial subsidiaries...
- Yapi Kredi <YKBNK TI> appoints Carlo Vivaldi deputy chief executive officer...
- Halk REIC, 100% owned by Halkbank <HALKB TI>, applies to ISE for IPO... (positive)
- Koza Gold <KOZAL TI>: Notes from yesterday's conference call...

Agenda

- 27.01 • Non-Residents' Holdings of Securities for the Week of 10 January
- 28.01 • Foreign Trade Statistics for December

Market Data

Indices	Daily	Weekly	YTD	Last	Vol. *	Mcap **
ISE 100	▼ -1.1%	-2.4%	23.4%	65,202	2,734	351
ISE 30	▼ -1.3%	-3.0%	18.5%	79,379	1,724	274
Financials	▼ -1.4%	-3.3%	20.6%	96,170	1,589	228
Industrials	▼ -0.8%	-0.9%	44.3%	54,698	860	100
Banking	▼ -2.0%	-4.2%	12.9%	134,999	970	171

Most Active	Perf.	Vol. *	Best	Worst
GARAN	▼ -1.3%	248	OTKAR 9.4%	AEFES -4.4%
ISCTR	▼ -1.5%	244	EGSER 5.8%	RYSAS -4.3%
VAKBN	▼ -2.8%	123	FENER 5.0%	AKBNK -3.7%
YKBNK	▼ -1.7%	116	METRO 4.5%	KOZAA -3.6%
FENER	▲ 5.0%	103	ISFIN 3.9%	FFKRL -3.1%

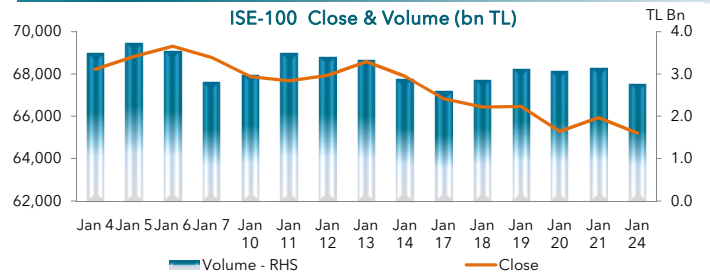
* in TLmn., ** in TLbn

Key Valuation Parametrics

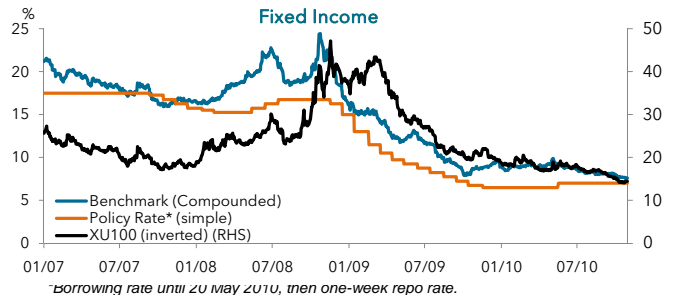
Multiples **	2009	2010E	2011E	Growth	2010E
P/E	12.3	11.0	9.7	Net Earnings	13%
EV/EBITDA	8.9	6.1	5.5	EBITDA	13%
EV/Sales	1.2	0.9	0.8	Sales	14%
P/BV(Banks)	2.5	1.9	1.6	BV	13%

** in TL, based on AtaInvest Coverage (c.82% of ISE MCap)

ISE-100 Close & Volume (bn TL)



Fixed Income



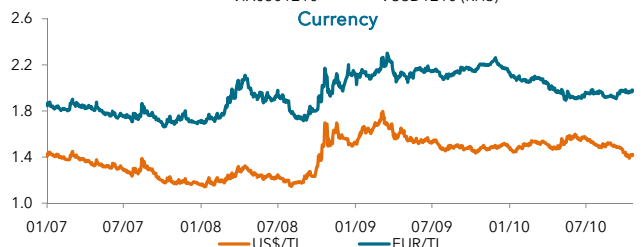
*borrowing rate until 20 May 2010, then one-week repo rate.

Futures



— VIX0301210 — VUSD1210 (RHS)

Currency



— US\$/TL — EUR/TL

What the Day Heralds

Uncertainty and the markets... Recently, EM central banks have taken different approaches to monetary policy. Those who keep rates on hold adopt orthodox inflation targeting policies, while others, such as CBT, are experimenting with unorthodox monetary policies by targeting fiscal stability, as well as inflation.

The CBT surprised the markets with a 50 bps cut in December, and a further 25bp cut in the policy rate to 6.25% in January. Consensus estimates have been wrong over the January rate cut. The RRR hike will probably come in next week. We believe the timing of the rate cut may increase volatility in the upcoming period given the state of the global outlook.

By cutting the policy rates while hiking reserve requirements, the CBT attempts to curb hot money inflows and domestic credit growth, thereby restraining the current account deficit, while preventing the overheating of the economy through credit growth. The CBT will likely announce further accompanying increases in reserve requirements this week.

We think the approach may prove effective in curbing the current account deficit, and is unlikely to add to inflationary expectations given the headline inflation of 6.4%, declining towards 5% levels, while growth is moderating.

Meanwhile, given the global reaction to the FED's QE2, we believe the US Dollar will have to normalize against other currencies in the second half of the year or else risk losing reserve currency status. As the dollar normalizes, commodity prices will stabilize, preventing inflationary pressures. However, the pass through effects of currency depreciation will work in the opposite direction, accelerating the inflationary impact. In the end, the two opposite forces are likely to offset each other, and annual inflation is likely to end the year at around 6.5-7% levels in Turkey. Given this global backdrop, we believe that the door to further easing appears to be closing soon, and the CBT's next move is likely to be a hike of 25-50bp in November.

Given the pressures on the US Dollar and EM reaction to hot money flows, we believe the FED may gradually sterilize QE during the second half of the year. Such a decision would likely introduce FX risks in global markets, and could pressure EM rates on the upside. Hence, we expect some sell-off in EM stock markets, regardless of Central Bank decisions. Hence, we recommend our investors to stay on the sidelines until normalization in the US Dollar take its course. (*See our Macro Note: Market Call, of January 24, 2011*).

Strong outlook in capacity utilization... The capacity utilization rate (CUR) rose by 6.0 points y/y to 74.6% in January, below the market consensus of 75.7%. On a monthly basis, CUR deteriorated 1.0 point. However, remember that 2010 average CUR registered at 72.6%, which shows that the January 2011 figure remained above the 2010 average. CUR of around 75% implies that current levels are still lower than the pre-crisis level, and that therefore, there is no need to mention inflationary pressures.

Seasonally-adjusted capacity utilization has been realized at 77.2%, significantly higher than the January 2010 level of 71.2%, and almost unchanged from last month's reading.

According to the main industry groupings, investment goods displayed the highest annual growth in January of 8.8 points, followed by durable consumer goods and intermediate goods at 5.7 and 4.8 points, respectively.

Improvement in the headline CUR figure was widespread across all of the sub-sectors excepting food and beverages.

Yildiz Holding's targets for Bizim Toptan Magazacilik... Yildiz Holding has disclosed its targets for subsidiary Bizim Toptan Magazacilik. Accordingly, the company estimates 17% top line growth in 2010, while targeting 15 new store openings in 2011. Yildiz Holding has also said that income from Bizim Toptan's IPO would be channeled into investments in other segments.

Recall that Bizim Toptan's book-building phase will be on January 27-28, where 35% of shares will be offered via shareholder sale (40% including green-shoe option). Accordingly, Yildiz Holding's share will decline to 33%, from 56% post-IPO.

Banks may increase rates on consumer loans according to daily Sabah... According to a news report in Sabah, Turkish banks may increase the monthly rate they charge on consumer loans by as much as 0.1 percentage point after the central bank's latest increase in reserve requirements. Meanwhile, in a separate note, daily Hurriyet has reported that Aykut Demiray, deputy executive of Isbank, had said that the Turkish Central Bank's efforts to curb consumer lending through higher reserve requirements may fail.

CBT increases required reserve ratios for banks... The Central Bank has announced an increase in the required reserve ratio (RRR) on TL demand deposits of 400 bps from 8% to 12%. RRR on deposits of 1 month maturity has been increased from 8% to 10%, and on deposits maturing in 3 months has been increased from 7% to 9%. RRR on other liabilities -except deposits- has been increased from 8% to 9%. Besides, RRR on other deposits of longer maturities has been kept unchanged.

The Central Bank's reserve requirement hike intends to curb short term borrowing and attempts to limit credit growth. However, we do not rule out a CBT hike on reserve requirements on FX instruments should the TL begin to appreciate sharply to widen the current account deficit.

We calculate that the average increase will be around 200 bps for the banks, and according to the CBT, the total decrease in liquidity is expected to be TL 9.8 bn, which will pressure interest rates. Whereas a 200 bps RRR increase in short term deposits was expected, a 400 bps increase in demand deposits, which constitutes around 14% of the total, exceeded expectations. Also taking into consideration that the policy interest rate was cut by only 25 bps last week, instead of the expected 50 bps, we believe these actions are negative for the banking sector. While the impact on the bottom lines will depend on how much the banks can pass these costs to deposit or credit rates, the loan growth will remain under pressure.

Akfen to sell 33.8% of Akfen REIC to public... Akfen Holding has declared to the ISE that it is to sell a 33.8% stake in its real estate investment company Akfen REIC at IPO. Akfen plans to sell as many as 16.2 million shares it holds in Akfen REIC and 46

million new shares to be issued to increase Akfen REIC's capital to TL 184 mn from TL 138 mn.

Company News

Is Bank (C)	OUTPERFORM	Share Price: TL 5.1
ISCTR TI	P/E: 7.6x	Target Share Price: TL 7.71
Banking	P/B: 1.4x	Upside Potential: 51%

Isbank <ISCTR TI> denies news report on spin-off of industrial subsidiaries...

According to a news report published in Para magazine, Isbank management is working on a plan to divest industrial subsidiaries. The article states that two holdings would be founded, with one for Isbank and its financial subsidiaries and the other for industrial subsidiaries. Isbank has since announced that there had been no decision taken on this subject.

Yapi Kredi Bank	MARKETPERFORM	Share Price: TL 4.67
YKBNK TI	P/E: 9.4x	Target Share Price: TL 5.51
Banking	P/B: 2.0x	Upside Potential: 18%

Yapi Kredi <YKBNK TI> appoints Carlo Vivaldi deputy chief executive officer...

Alessandro M. Decio had resigned as deputy CEO position last month.

Halk Bank	OUTPERFORM	Share Price: TL 12
HALKB TI	P/E: 7.5x	Target Share Price: TL 16.92
Banking	P/B: 2.0x	Upside Potential: 41%

Halk REIC, 100% owned by Halkbank <HALKB TI>, applies to ISE for IPO... (positive)

According to the application, 423 mn shares from a total of 900 mn are to be sold.

Koza Gold	OUTPERFORM	Share Price: TL 20.1
KOZAL TI	P/E: 13.4x	Target Share Price: TL 24.95
Mining	EV/EBITDA: 7.7x	Upside Potential: 24%

Koza Gold <KOZAL TI>: Notes from yesterday's conference call...

As previously announced, reserves rose to 2.1 mn ounces as of YE10, compared to 1.9 mn ounces in September 2009, according to the latest SRK report. This was largely driven by increases at the Ovacik and Cukuralan production mines.

Likewise, measured and indicated resources rose from 3.7 mn ounces in September 2009 to 5.9 mn ounces by the end of 2010 through new discoveries and exploration of proximate potential mines. Including the inferred resources, total resources increased to ~10 mn ounces.

The production figure for FY10 is 256K ounces of gold compared to 228K in 2009, implying 12% y/y growth. The guidance for 2011 production is in the range of 270K-300K ounces thanks to the expected start of production at the Kaymaz plant in 4Q11.



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