

April 16, 2010

EQUITY STRATEGY, TURKEY

Top Picks	Upside
GARAN	21.0%
YKBNK	17.0%
TSKB	21.0%
AKENR	16.0%
THYAO	29.0%
TAVHL	16.0%
FROTO	23.0%
ISGYO	35.0%

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- We had argued that an IMF deal before the end of 2009 was not likely, which has now proved to be true. Accordingly, we believe that managing expectations is critical as the absence of an IMF deal could be construed to be a dampener on future growth. Our base case scenario contains an IMF-free growth with self-governing domestic anchors only.
- Our growth estimate for Turkey's 2010 GDP stands at 4.0% (down from 4.4%), which could be deemed as a relatively lower economic recovery with respect to expectations (approx. 5-6%, IMF) of its emerging market peers.
- MSCI Turkey index has over performed both the MSCI EM and the MSCI EMEA index in 2009. Despite the sharp contracting economy and widening budget deficit the downward path of the interest rates and the risk free rate along with strong earnings momentum were the main drivers behind the decent performance of the ISE in 2009.
- The Turkish market has rallied impressively over the last month recovering quickly from temporary weakness induced by concerns over politics and pricing in positive macro developments. Turkey had outperformed the MSCI EMA by 10.9% since the end of February, following better than expected year-end financials and earnings momentum. During March – April 2010 period the ISE Index has boosted since its bearish move in February benefiting mostly from the liquidity inflows to the emerging markets due to concerns over Europe and heating Chinese economy.
- However, the recent hike in the market strength has eroded most of our upside potential and bottom-up target prices. We believe that bounded by CBRT's exit strategy and internal news from economic and politic agents, the ISE has almost consumed its upside potential targeting 65.000 than facing a possible correction. We believe that following the mentioned correction industrial sector papers could be back on the agenda.
- Domestic political risks have risen over the last month, and investors will need to watch political developments closely. In this context, we recommend that investors to focus on sector-specific themes and take positions in companies that offer stable earnings prospects and what we see as relatively attractive valuations.
- We estimate the aggregate net earnings of under our coverage to grow by 13.7% in 2010. Furthermore in 2010, we project net earnings of the banks under our coverage to grow by 13.1% y/y. As for non-financials, we expect 6.6% y/y and 14.6% y/y growth in EBITDA and the bottom-line, respectively.

Macro Strategy

We had argued that an IMF deal before the end of 2009 was not likely, which has now proved to be true. Accordingly, we believe that managing expectations is critical as the absence of an IMF deal could be construed to be a dampener on future growth. Our base case scenario contains an IMF-free growth with self-governing domestic anchors only. Turkey has been in talks with the IMF but walking without it for approximately 22 months. During this period, the Turkish economy has had better than expected performance and has bolstered the government to implement its own measures without the IMF. The government used the IMF deal as an anchor and a tool for “**expectation management**” and deliberately left the possibility of a deal hanging in the air. Following the recent announcements by the Turkish Treasury and IMF officers, we see that the IMF deal is no longer an option for Turkey. Even though we believed that an IMF deal would have served as an insurance and external financing support for its growth projections, Turkey continues to search for an anchor. Our growth estimate for Turkey’s 2010 GDP stands at 4.0% (down from 4.4%), which could be deemed as a relatively lower economic recovery with respect to expectations (approx. 5-6%, IMF) of its emerging market peers. Although Turkey’s glowing growth prospects seem to be a silver lining, there are many pros and cons attached to it. Developing countries and emerging markets have now become vanguards of a visible transition from an already outworn system into a new evolution. In spite of a more gradual growth projection when compared to its emerging market peers, markets consider Turkey a safer destination, with its more or less stable exchange rate, recent ratings upgrades and growing concerns in the more advanced European economies. On the other hand, the government could be expected to aim for a faster economic recovery in order to veil and prevent the possible permanent damages stemming from Turkey’s rising political noise.

Growth Outlook and IMF – Growth assumptions

Turkey officially got out of the economic recession in 4Q09 with 6.0% YoY rise following its four consequent quarter contraction record. Moreover, 1Q10 early growth-related indicators reveal a robust recovery in economic activity due to the low base year affects and the rebound in the inventory cycle. While the private consumption remains lack of momentum to expand, the positive contribution of foreign demand also fades out. Imports have shrunken sharper than exports during the global economic recession, thus net exports have supported the economic

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growth. We expect the quarterly GDP to accelerate in 1Q10 with around 9% YoY rise due to the weak base year affect before cooling down in the coming quarters. So, quarterly GDP growth will gain momentum in 1H10 with 7% YoY rise before setting down 3% on average in the second half of 2010.

Exhibit 1: National Accounting

		Şeker				Official		
		2008	2009	2010E	2011E	2009	2010E	2011E
GDP	TLbn	950	954	1,088	1,196	954	1,029	1,118
Real growth	%	0.9%	-4.7%	4.0%	3.9%	-4.7%	3.5%	4.0%
GDP	US\$bn	742	617	712	749	617	641	669
Population	million	72	73	73	74	73	73	74
GDP per capita	US\$	9,221	8,456	9,695	10,072	8,456	8,821	9,096

Source: Seker Securities, SPO, the Treasury

We preserve our annual GDP growth rate estimate for 2010 at 4.0% although recent economic data releases point possible upward revision. After all, the public sector seems to manage well its 2010 domestic borrowing program without external financing. However, crowd-out affects on the private sector credit conditions will remain as main concerns and obstacles over the private investments this year with high domestic debt rollover ratio of 100%.

Monetary Policy and the CBRT – Risk Free Rate 11%

The administrative price hikes on the petroleum, alcohol and tobacco products along with commodity price surge have brought the annual CPI to 9.5%-10.5% territory for the next 5 months (higher than the official target of 6.5%) before its high base year affects fade out in 2011 as they are one-off. We estimate the year-end CPI for 2010 at 8.5% for 2010 with 9.7% on average. Annual CPI temporarily eased to 9.2% in March from 10.2% in February due to the base year affects. It would remain above 10% for next 5 months before starting to ease in 4Q10. Still, significant improvement in the dynamics of inflation in service sector needs to be tested during the recovery period as the contracting domestic demand had been supportive last year.

The headline inflation figures are up; the economy has already started to heat; the crucial question is when the CBRT will enter into rate hiking

cycle. The CBRT preserve the policy rate at 6.5% since December 2009. It has smashed the policy rates by 1025bps to 6.50% over a year, much more than market participants' expectations and it is the most aggressive one among the emerging markets. The real interest rate (calculated with forward-looking inflation expectations) has declined to below 1% in December 2009 from 9% in 2008.

Following its regular Monetary Policy Committee (MPC) meeting on April 13 where it kept the policy rate unchanged at 6.5%, the CBRT revealed its long-awaited exit strategy from the monetary policy. The process will be gradual. The CBRT first aims to reduce the more-than adequate liquidity provided by the Bank to the markets through lessening the amount of its repo funding. Secondly, as the liquidity shortage becomes permanent as anticipated, technical rate adjustment will be introduced gradually within two phases.

The CBRT has introduced several monetary measures to support the local markets during the global financial crisis:

On FX liquidity	On TRY liquidity
<ul style="list-style-type: none"> • The CBRT ceased the FX buying auctions in October 2008 and started FX selling auctions to curb the possible volatility in the FX markets. • The Bank also started its financial intermediation in FX markets in October 2008. CBRT decided to extend the maturity of FX deposits to reducing their borrowing rates. The CBT cut the reserve requirement on FX deposits to 9% from 11%. • In February 2009, further extended the maturity of FX deposits to 3 months from 1 month along with reducing their borrowing rates. 	<ul style="list-style-type: none"> • It reduced the spread between the overnight borrowing and lending rate to 250bps in 4Q08 from 350bps to ease the volatility. Moreover, the CBRT started to provide more liquidity to the monetary markets through 1 week repo auctions, but sterilized the excess liquidity at the end of the day through the overnight transactions. • The reserve requirements on TL deposits are reduced by 1 percentage points to 5% in 4Q09 and the 3 month repo auctions are also introduced in 2Q09 to exceed the maturity. • Finally, the policy rate- the overnight borrowing- declined by 1025bps to 6.5% over a year.

...The real interest rate (calculated with forward-looking inflation expectations) has declined to below 1% in December 2009 from 9% in 2008...

The CBRT continues to inject liquidity into the market of an amount above the net market need via repo auctions at the start of the day and to withdraw the excess liquidity at the end of the day via overnight transactions, so as to minimize fluctuations in overnight interest rates and possible concerns related to access to liquidity. In the permanent liquidity shortage, the CBRT, after considering the distribution of liquidity within the system, will opt for one-week maturity repo auction rate to be the monetary policy reference interest rate and hence adjust overnight lending and borrowing interest rates accordingly in order to facilitate this.

Political environment, fiscal policy – Market Risk Premium 5%

Even though the political tension has quenched and cooled down and that the Turkish equity market has broken its historic index records in March, the political risks have not entirely quit the investment scene. We believe that news on Ergenekon investigation and other associated cases such as “Sledgehammer” will be in and out flowing in the upcoming periods. Furthermore, controversies over the constitutional amendment package that has been proposed by the government are likely to distort the sunny market sentiment. With a strong capacity to alter the concentration far off from the fundamental macro issues, the amendment package has been consuming the entire time and effort of the government and will likely evolve into an imperative political tool in the short-term. We believe that the persistence and frequency of the political shocks is likely to be weaker as markets would become more and more used to such events and leading figures are likely to step in at times of extreme tension to restore calm.

At this stage, it seems that the constitutional amendment package has become the focal point in Turkey’s current political agenda and will be one of the main drivers of the path of the market consensus in the next several months. We believe that the current outperformance and the bullish sentiment of the market could be distorted with the potential election and referendum process introducing some unexpected outcomes and uncertainties. A minimum of 367 votes must be received for the constitutional amendment package to be passed from the Parliament. Accordingly, for parliamentary approval the AKP officials need the support of the opposition parties. The opposing parties, CHP and MHP signaled that they would vote against the package unless concerns over some of the critical articles are abolished.

Currently, the AKP has 336 votes which may disappoint the government because it’s still less than the law’s requirement to pass the constitutional amendment even when combined with the questionable

...the referendum will turn out to be an early signal for the upcoming election in 2011. Finally, in the event of a failure in the referendum the opposition parties would force the government to take an early election decision...

BDP support. However the AKP votes together with the BDP support would be adequate enough (a minimum of 330 votes) for the amendment package to be brought up to President Gul. Hereafter, President Gul would take the amendment package to the referendum 60 days after the voting takes place in the Parliament. We believe that the referendum will be scheduled not later than late-June or early-July. On the other hand, the referendum will turn out to be an early signal for the upcoming election in 2011. Finally, in the event of a failure in the referendum the opposition parties would force the government to take an early election decision.

Budget Outlook

1Q10 budget realizations have been impressive and backed by the stronger than expected revenue collections thanks to better-than expected economic growth. The numbers show that the government continues to prioritize fiscal discipline. Yet the 2010 budget will be closely watched given the approaching the general elections and the possible surge in the election-related budget expenditure. In the 2010 budget bill, the budget expenditures are expected to rise by 7% to TL287bn while revenues are estimated to increase by 11% YoY to TL237bn. Thus, the overall budget deficit is projected at TL50bn, 4.9% of the estimated GDP. We consider the budget projections for this year feasible given the recent developments on the budget dynamics, better-than expected growth prospects and fiscal measures. The government plans to formalize its Medium-term Program Framework by introducing explicit fiscal rules in 2011 to provide an anchor for investor sentiments on Turkey's economic outlook and to prioritize fiscal discipline in order to reduce concerns about the soundness of public finances. Fiscal rules are useful policy tools to trace out fiscal policy implications, but should not be treated as a main policy tool to bring about economic stability and manage public finances. These policies are slated to be introduced in 2011, during the general election, when public sector spending is usually higher. In summary, we consider such attempts to be constructive, but reiterate that their feasibility and effectiveness need to be monitored and tested along the way.

External Balance

Annual current account (CA) deficit closed the last year at US\$14.04bn due to the contracting economic activity and the collapse of the commodity prices after hitting to US\$41.95bn in 2008. The 12 month rolling CA saw the bottom in October 2009 at US\$12.63bn deficit before hitting the north. We expect this upward trend in the external gap to

continue as the economy started to recover in 4Q09. In our recent scenario for annual 4.0% growth, should oil prices remain at US\$80 per barrel on average in 2010, the CA deficit will rise to around US\$25bn (3.3% of estimated GDP). Note that the risks on our CA estimates are upside given the weak start on the export front.

Exhibit 2: Central Government Budget Figures

As % of estimated GDP	2008	Şeker			Official		
		2009	2010E	2011E	2009	2010E	2011E
Budget revenues	21.9%	22.4%	23.5%	23.0%	22.4%	23.0%	22.6%
privatization	0.5%	0.5%	1.0%	0.8%	0.5%	1.0%	0.8%
Budget expenditure	23.8%	28.0%	28.0%	27.0%	28.0%	27.9%	26.7%
Budget balance	-1.8%	-5.5%	-4.5%	-4.0%	-5.5%	-4.9%	-4.0%
Budget primary surplus	3.5%	0.1%	0.0%	0.5%	0.1%	-0.3%	0.4%
EU-defined debt stock	39.5%	45.5%	47.0%	47.0%	45.5%	49.0%	48.8%

Source: Seker Securities, SPO, the Treasury

Macro Economic Estimates

Exhibit 3: Macro Estimates

Base Case Scenario	2005A	2006A	2007A	2008A	2009A	2010F	2011F	2012F
<i>Macro Indicators</i>								
Real GDP	649.0	758.4	856.4	950.1	954.0	1,087.6	1,194.7	1,323.4
Real GDP (USD bn)	484.3	537.9	738.3	625.1	616.7	711.8	728.5	765.0
Real GDP (%)	8.4%	6.9%	4.7%	0.9%	-4.7%	4.0%	3.9%	5.0%
GDP per Capita (USD)	7,056	7,643	9,221	10,285	8,456	9,685	10,064	10,443
Population	68.9	69.3	70.5	71.5	72.6	73.7	74.5	75.2
Unemployment	10.6%	10.2%	10.3%	11.0%	14.0%	13.5%	13.5%	12.4%
<i>Monetary Indicators</i>								
CPI (average %)	8.2%	9.9%	8.7%	10.4%	6.3%	9.7%	5.7%	5.5%
CPI (year-end %)	7.7%	9.7%	8.4%	10.1%	6.5%	8.5%	6.0%	5.0%
CB O/N Policy Rate (year-end)	13.5%	17.5%	15.8%	15.8%	6.5%	8.5%	7.0%	7.0%
FX Reserve (USD bn)	50.3	60.8	73.3	71.0	66.0	68.0	75.0	77.5
USD/TRY (average)	1.34	1.43	1.30	1.30	1.55	1.53	1.60	1.68
USD/TRY (year-end)	1.34	1.41	1.16	1.52	1.51	1.55	1.64	1.73
EUR/TRY (average)	1.67	1.80	1.78	1.89	2.16	2.14	2.19	2.29
EUR/USD	1.25	1.26	1.37	1.45	1.39	1.40	1.37	1.36
<i>Balance of Payments</i>								
C/A Balance (% GDP)	-4.6%	-6.1%	-5.8%	-5.7%	-2.2%	-3.3%	-4.0%	-3.8%
Total Foreign Debt (% GDP)	35.2%	39.4%	38.6%	38.0%	45.2%	45.0%	49.0%	55.0%
Domestic Debt Rollover Ratio	89%	80%	76%	82%	74%	100%	99%	90%

Source: Seker Securities, SPO, the Treasury

Equity Strategy

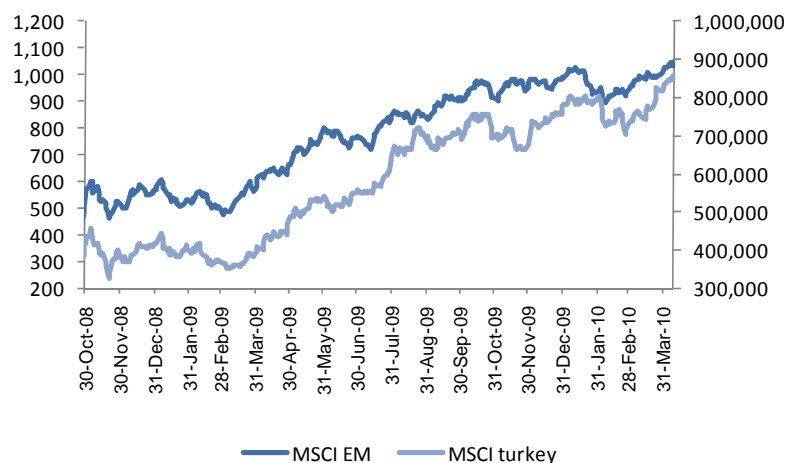
ISE Outlook: 2009 – 2010

4Q09 - 1Q10 in a snapshot:

- i) Rating upgrades by Moody's, Fitch and Standart & Poor's
- ii) Strong financial results –banking earnings momentum
- iii) Strong capital inflows to emerging markets
- iv) Stable currency and stable macro fundamentals
- v) Rising political tension between the army and the government
- vi) Preparation for constitutional amendment package referendum
- vii) Better than expected tax collection and budget results
- viii) ISE breaking all time record high in April 2010 – 59,720

MSCI Turkey index has over performed both the MSCI EM and the MSCI EMEA index in 2009. The strong performance of Turkish equity markets was a product of the splendid earnings performance of the Turkish banking system in 2009 (+57% y/y) due to the CBRT's monetary easing cycle (1025 bps since 4Q08). Despite the sharp contracting economy and widening budget deficit the downward path of the interest rates and the risk free rate along with strong earnings momentum were the main drivers behind the decent performance of the ISE in 2009.

Exhibit 4: MSCI EM vs. MSCI Turkey

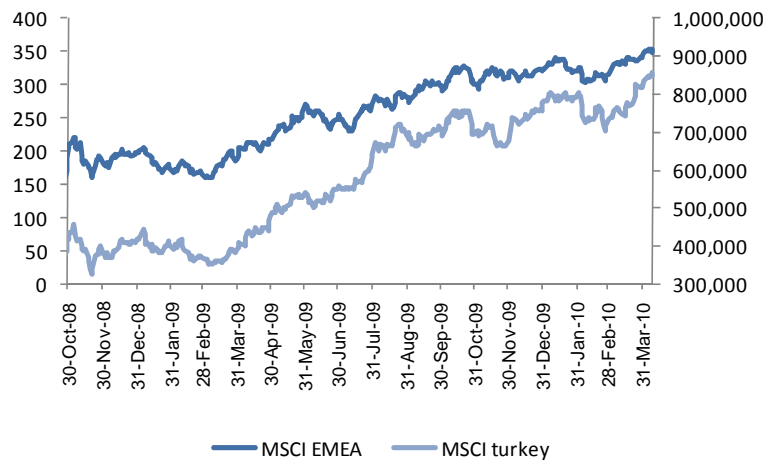


Source: Bloomberg, Seker Securities

Following our call on January 10, 2010, rising political tension following the custody of regular and retired army officers made its mark on February's currency and equity markets. The markets perceived the

consequences of the events as a primary risk which could have lead to an early parliamentary election and thus the breakdown of the political stability. Consequently, MSCI Turkey index had underperformed the MSCI EMEA index by 6% in February, pricing-in the political risks perceived by the market. However, we believe that the possibility of an early election still remains low, given that a closure case against AKP or a possible defeat at a referendum over judiciary reforms does not materialize. Currently, debates over the constitutional amendment package play the leading role and has become the hotspot of the agenda.

Exhibit 5: MSCI EMEA vs. MSCI Turkey



Source: Bloomberg, Seker Securities

Rising political tension following the custody of regular and retired army officers made its mark on February's currency and equity markets. The markets perceived the consequences of the events as a primary risk which could have lead to an early parliamentary election and thus the breakdown of the political stability. However, we believe that the possibility of an early election still remains low, given that a closure case against AKP or a possible defeat at a referendum over judiciary reforms does not materialize. Currently, debates over the constitutional amendment package play the leading role and has become the hotspot of the agenda.

MSCI Turkey index underperformed the MSCI EMEA index by 7% over the last week of February, largely owing to the rising political risk. Past 12 month return on MSCI Turkey (+97%) is still higher compared to EM (+65%), and MSCI EMEA (+66%).

Rising political tension following the custody of regular and retired army officers made its mark on February's currency and equity markets...

Exhibit 6: Absolute Change in MSCI

Absolute Change	1m	3m	12m	YtD
MSCI Turkey	13%	7%	97%	10%
MSCI EM	6%	3%	65%	6%
MSCI EMEA	7%	7%	66%	9%
MSCI World	4%	2%	42%	5%

Source: Bloomberg, Seker Securities

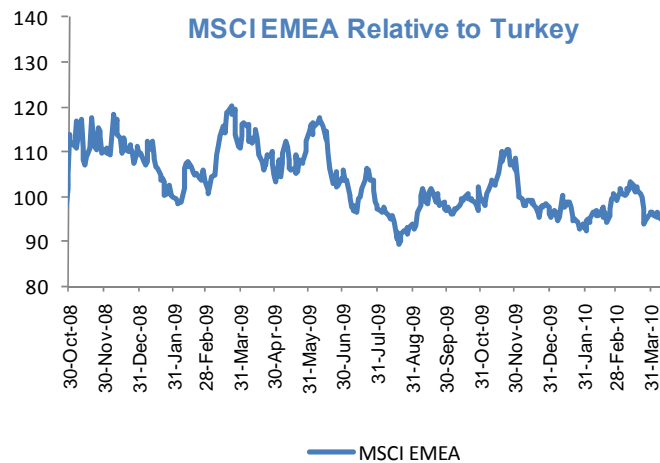
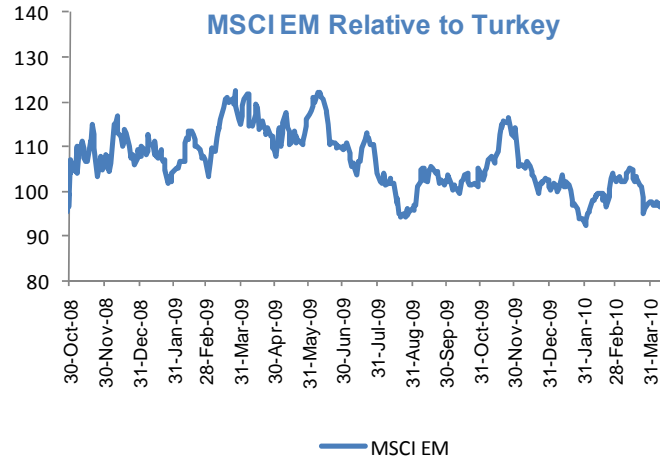
Of course nothing comes without a reason and Turkish equities had their reasons to appreciate. Already noted that Turkey experienced one of the largest contractions in 2009 and the markets have been persuaded that the resulting recovery will be somewhat hasty. Feeling that Turkey has become a relatively safer destination than other emerging markets given the recent sovereign rating upgrades and perhaps the deepening troubles in the more advanced European economies and possible tightening measures to be taken in China, the markets have been focusing lately on inflation, monetary policy and the strength and profitability of the banking sector and a compromise can still be found as the markets are in agreement with the CBRT'S play.

Exhibit 7: Relative Change in MSCI

Relative to MSCI Turkey	1m	3m	12m	YtD
MSCI EM	-6%	-4%	-16%	-4%
MSCI EMEA	-6%	0%	-16%	0%
MSCI World	-8%	-5%	-28%	-4%

Source: Bloomberg, Seker Securities

Following the current improvement led enhancement in taxes and the government's assurance to conclude an ingenious fiscal rule before groundwork commences on 2011 budget next month, the market sentiment has been quite confident on fiscal projections with the government's commitment sealed to a medium-term plan. Furthermore, we believe that Turkish banks would maintain their profitability in 2010 on the back of loan volume growth and decreasing cost of risk and lower provisioning costs. The core of our valuations can be summarized as pricing the higher multiples due to prolonged profitability expectations of Turkish banks in the foreseeable future.

Exhibit 8: MSCI Relative EM & EMEA to MSCI Turkey

Source: Bloomberg, Seker Securities

... The bullish trend was once more driven by the banking sector stocks, which were trading at a discount relative to their emerging market peers and achieved better than expected earnings result...

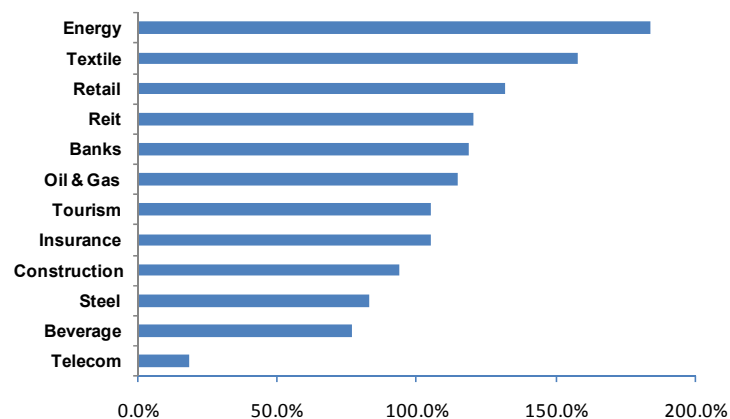
The Turkish market has rallied remarkably in March, improving quickly from short-term weakness brought by the fears on politics and pricing in positive macro developments. Turkey had outperformed the MSCI EMEA by 10.9% since the end of February, following better than expected year-end financials and earnings momentum. During March – April 2010 period the ISE Index has boosted since its bearish move in February benefiting mostly from the capital inflows to the emerging markets due to concerns over Europe and heating Chinese economy. The bullish trend was once more driven by the banking sector stocks, which were trading at a discount relative to their emerging market peers and achieved better than expected earnings result. Thus, the ISE Index has outperformed its peers starting its rally from 48,000 levels ending up

its historic high record levels around 59,500. To summarize the recent hike in the ISE index was mainly due to;

- i) Strong capital inflows to emerging markets
- ii) Rating upgrades making Turkey a secure investment harbor
- iii) Strong earnings momentum of Turkish banks 1Q10
- iv) Recent macro fundamentals signaling modest recovery

However, the recent hike in the market strength has eroded most of our upside potential and bottom-up target prices. We believe that bounded by CBRT's exit strategy and internal news from economic and politic agents, the ISE has almost consumed its upside potential targeting 65.000 than facing a possible correction. We believe that following the mentioned correction industrial sector papers could be back on the agenda.

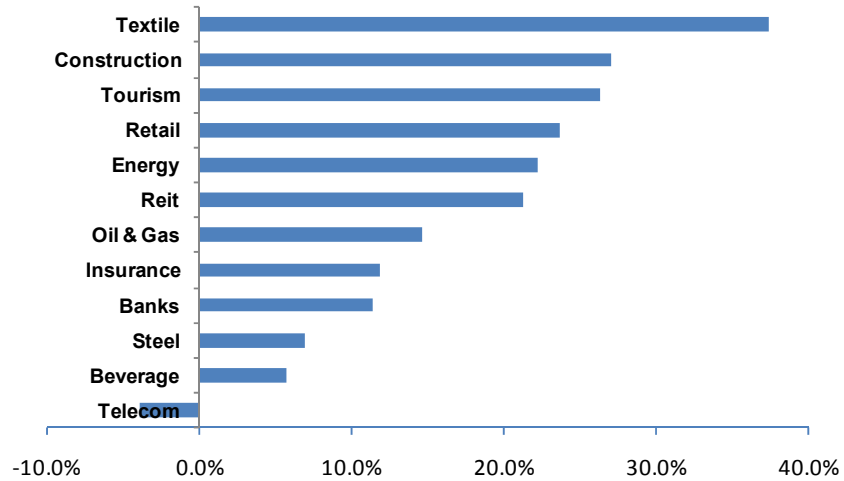
Exhibit 9: ISE Sector Returns – yoy (April 2010 – April 2009)



Source: Finnet, Seker Securities

Throughout the next three quarters of the year, we would see that the markets would start pricing-in the CBRTs expected rate hikes, which we expect to materialize towards the end of 3Q10, the ISE index would only be supported by better-than-expected earnings results, stronger pace of recovery and continuing inflows of capital to emerging markets. On the flip side, rising political tension, increased possibility of early election (due to a possible failure in the referendum), a closure case against the AKP, slower than expected recovery, rising commodity prices (price of oil above 100 \$/barrel) are the major risks Turkish markets might face in the upcoming periods.

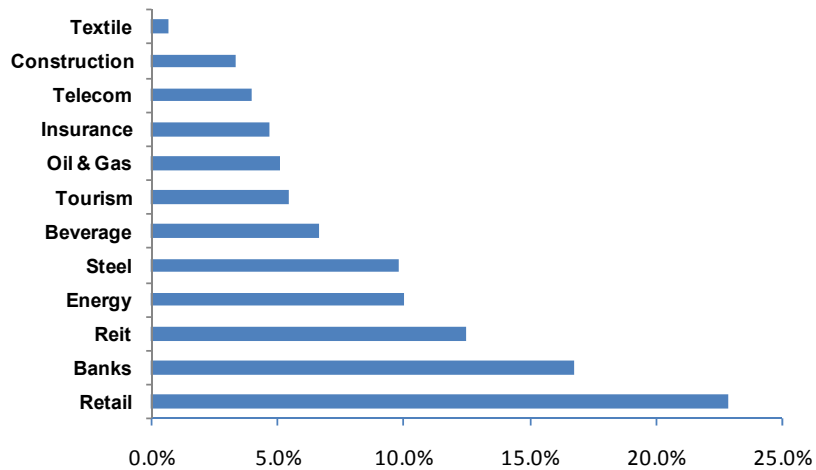
Exhibit 10: ISE Sector Returns – YtD (December 2009 – April 2010)



Source: Finnet, Seker Securities

Domestic political risks have risen over the last month, and investors will need to watch political developments closely. In this context, we recommend that investors to focus on sector-specific themes and take positions in companies that offer stable earnings prospects and what we see as relatively attractive valuations.

Exhibit 11: ISE Sector Returns – mom (March 2010 – April 2010)



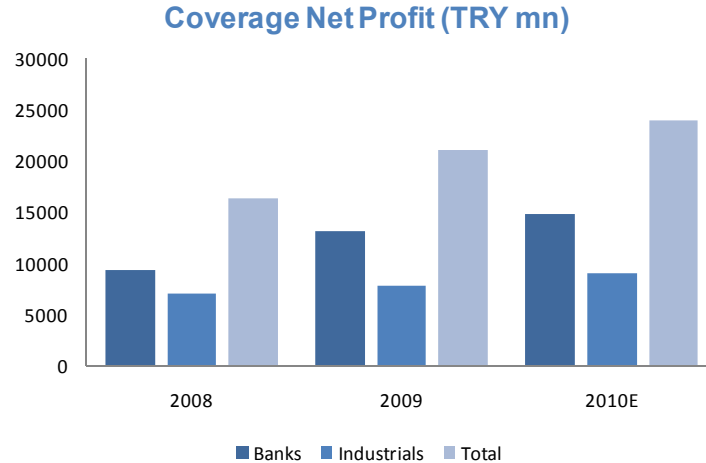
Source: Finnet, Seker Securities

2010 in a snapshot

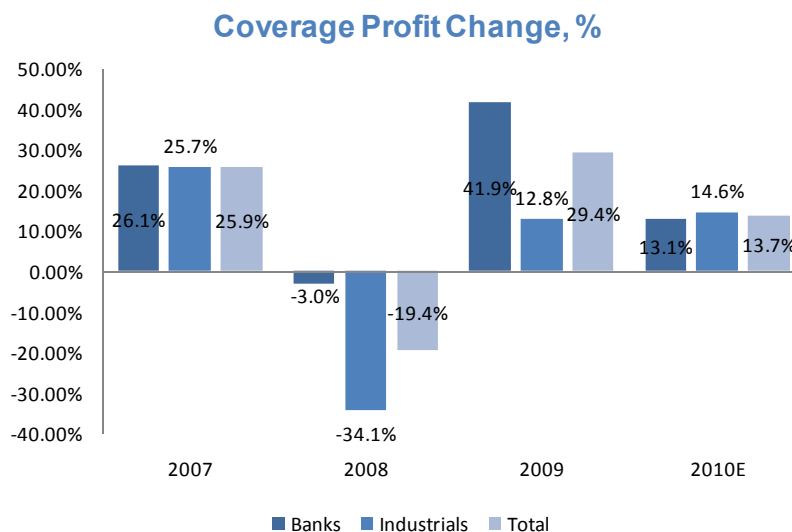
- i) A possible correction in the index in May-June
- ii) Banking sector to post better than expected YE financial results
- iii) Sound recovery to support the ISE – IMF-free growth
- iv) Stable fiscal outlook on the back of expected recovery
- v) Industrial stocks to be back on the table
- vi) Better-than-expected earnings results – upward revisions
- vii) Possible referendum in late June or early July
- viii) CBRT's exit strategy – 200 bps rate hike in 2H10
- ix) Active IPO market – 30-40 new IPOs on the agenda

Earnings Projections

We estimate the aggregate net earnings of under our coverage to grow by 13.7% in 2010. Furthermore in 2010, we project net earnings of the banks under our coverage to grow by 13.1% y/y. As for non-financials, we expect 6.6% y/y and 14.6% y/y growth in EBITDA and the bottom-line, respectively.

Exhibit 12: Coverage Universe Net Profit Projections 2010E**Source:** Seker Securities

Out of 7 banks under our coverage (excluding Bank Asya and TSKB) which reported their 2009 year-end results 3 of them posted better than estimated results, 2 of them were in-line, while only 2 of them reported worse than expected bottom line. As a result of upgrades based on 2009 results our 2010 yoy aggregate net income growth estimate for banks still stands at 10.5%. On the other hand, 2010 aggregate net income growth estimate for our coverage list stands at 13.7%.

Exhibit 13: Coverage Universe Net Profit Change YoY %, 2010E

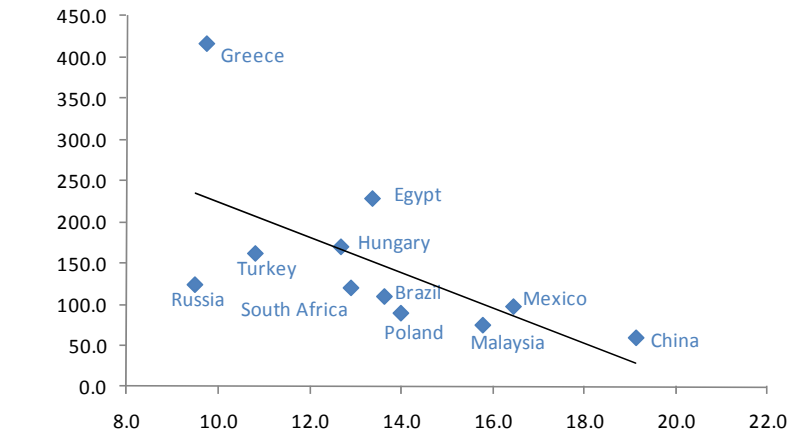
Source: Seker Securities

Exhibit 14: Country Comparison: P/E, P/BV – 2010-2011

Country	P/E			P/BV		
	Current	2010E	2011E	Current	2010E	2011E
Argentina	13.1	11.5	8.5	1.2	2.0	1.7
Brazil	17.6	13.6	10.8	2.2	1.9	1.8
China	27.8	19.1	15.8	3.4	2.8	2.4
Egypt	18.6	13.4	10.8	2.3	2.2	1.9
Greece	13.1	9.8	8.0	1.0	1.0	0.9
Hungary	15.1	12.7	10.1	1.7	1.5	1.4
India	26.7	16.9	14.1	3.5	2.8	2.4
Malaysia	19.0	15.8	13.8	2.2	2.1	1.9
Mexico	19.1	16.5	13.9	2.8	2.5	2.3
Poland	15.8	14.0	11.8	1.7	1.5	1.4
Russia	17.3	9.5	5.9	1.3	0.9	0.8
South Africa	19.5	12.9	10.2	2.4	1.9	1.7
Average	18.5	13.8	11.1	2.1	1.9	1.7
Turkey	12.5	10.8	9.2	1.8	1.6	1.4
Discount	-33%	-22%	-18%	-17%	-17%	-19%

Source: Bloomberg, Seker Securities

Exhibit 15: 5-yr CDS (LHS) vs. 10E P/E (RHS)



Source: Bloomberg, Seker Securities

Ticker	Rating	Current Price, TRY	Target Price, TRY	y-t-d Performance	Current P/E	2010E P/E	Current P/BV	2010E P/BV
BANKING								
AKBNK	HOLD	7,45	8,14	7,0%	10,93	9,7	2,10	1,8
ASYAB	HOLD	3,94	4,52	13,9%	11,77	9,7	2,08	1,6
GARAN	BUY	7,35	8,90	17,0%	10,42	8,9	2,32	1,8
HALKB	HOLD	11,90	12,52	0,0%	9,12	8,1	2,58	2,0
ISCTR	HOLD	5,20	5,45	23,4%	9,86	8,7	1,73	1,3
TEBNK	HOLD	2,44	2,50	-12,9%	12,77	10,9	1,63	1,3
TSKB	BUY	2,31	2,76	26,9%	7,93	7,0	1,33	1,2
VAKBN	HOLD	4,04	4,37	-5,2%	8,07	7,3	1,37	1,1
YKBNK	BUY	4,12	4,77	25,6%	13,22	10,8	2,17	1,6
HOLDING								
ALARK	BUY	3,86	5,35	-3,0%	17,30	14,58	1,11	1,0
KCHOL	BUY	5,35	6,22	21,0%	9,04	7,76	1,16	1,1
SAHOL	BUY	6,70	8,71	16,5%	10,86	9,23	1,25	1,1
SISE	BUY	1,96	2,29	4,8%	19,28	18,09	0,75	0,7
TAVHL	BUY	6,85	7,90	44,5%	22,90	14,38	3,09	2,7
INDUSTRIAL								
ADANA	HOLD	5,65	5,74	10,8%	11,72	5,4	3,18	0,9
AKCNS	BUY	7,10	8,85	6,8%	18,12	10,9	1,68	1,6
AKENR	BUY	4,00	4,55	31,4%	59,43	26,7	2,01	2,7
AKSA	SELL	2,78	2,50	6,9%	10,15	9,1	0,69	0,6
ANACM	HOLD	2,19	2,15	16,5%	48,74	17,5	1,18	1,1
ARCLK	HOLD	6,15	6,81	7,8%	8,56	8,1	1,54	1,3
ASUZU	SELL	6,85	5,07	13,2%	-	15,5	1,05	0,9
AYGAZ	HOLD	6,40	7,75	19,1%	6,10	6,8	1,12	1,1
BIMAS	HOLD	83,00	76,00	19,4%	29,58	22,6	16,23	12,2
BOLUC	SELL	1,98	1,65	23,8%	16,34	13,8	1,49	1,4
BRISA	SELL	94,00	80,62	53,3%	17,91	16,6	1,64	1,6
CCOLA	HOLD	13,60	12,50	-9,3%	20,40	19,8	2,76	2,3
CIMSA	SELL	8,55	6,65	21,0%	10,68	9,3	1,24	1,4
DOAS	HOLD	6,45	7,09	33,3%	23,24	14,5	1,33	1,5
EREGL	BUY	4,74	5,49	5,3%	-	19,8	1,32	1,3
FROTO	BUY	10,40	12,80	23,1%	10,95	9,4	2,21	1,7
ISGYO	BUY	1,73	2,38	8,1%	12,91	13,8	0,82	0,8
KRDMD	SELL	0,74	0,66	15,6%	-	20,8	0,82	0,5
MRDIN	HOLD	8,55	8,59	29,5%	10,52	9,3	3,70	2,6
OTKAR	HOLD	18,40	18,47	24,3%	13,04	10,9	2,55	2,6
PETKM	SELL	10,20	8,24	39,7%	18,31	25,1	1,42	1,4
SELEC	HOLD	2,92	3,00	17,7%	6,52	7,8	1,51	1,5
TCELL	HOLD	9,40	10,50	-11,3%	12,05	11,2	2,36	1,9
THYAO	BUY	5,05	6,60	-11,4%	7,90	7,0	1,28	1,1
TOASO	HOLD	6,10	6,39	35,3%	8,46	11,3	2,14	2,0
TRKCM	SELL	2,40	1,97	29,0%	22,37	20,3	1,05	1,1
TTRAK	SELL	10,90	8,73	23,1%	18,79	13,7	1,93	2,1
TTKOM	HOLD	5,40	6,00	18,4%	10,32	10,2	3,49	3,5
TUPRS	HOLD	33,00	32,25	19,5%	10,19	7,2	2,20	2,0
VESTL	BUY	2,62	3,30	0,8%	11,86	6,9	0,92	0,8
ZOREN	HOLD	3,24	3,40	3,8%	9,32	21,7	4,15	3,9

Sector Expectations

Banking – Banking On Recovery II - HOLD

In 2009, Turkish banks experienced a very strong earnings momentum by virtue of hefty trading gains and a positive impact from large maturity mismatches in their balance sheets. Asset growth has predominantly resulted from purchases of government paper. Furthermore, availability of government debt has assisted banks to quench their operating expenses. As earnings cultivated considerably, Turkish banks succeeded in magnifying their balance sheets, resulting in reduced leverage and hovering base capital, non-performing loan (NPL) coverage, excess liquidity and funding. We believe that the current strength of the Turkish banking industry stems from stringent regulation, inflexible lending strategies, secure capitalization and low leverage. On the other hand, in 2009, Turkish banks restructured their balance sheets substantially, which resulted in lower leverage, higher core capital levels and enhanced NPL coverage

Exhibit 16: Banking Sector Projections, 2005 - 2012

Banking Sector	2005	2006	2007	2008	2009F	2010F	2011F	2012F
Deposits	251.5	307.6	356.9	454.6	514.6	592.9	689.0	778.7
- Growth yoy (%)		22.3%	16.0%	27.4%	13.2%	15.2%	16.2%	13.0%
Deposits/GDP	38.8%	40.6%	41.7%	47.8%	53.9%	54.5%	57.7%	58.8%
Loans	157.2	219.9	287.0	370.3	396.2	463.4	541.0	628.1
- Growth yoy (%)		39.9%	30.5%	29.0%	7.0%	16.9%	16.7%	16.1%
Loans/GDP	24.2%	29.0%	33.5%	39.0%	41.5%	42.6%	45.3%	47.5%
Loans to Deposits	62.5%	71.5%	80.4%	81.5%	77.0%	78.2%	78.5%	80.7%
Loans to Assets	38.6%	44.0%	49.3%	50.5%	47.5%	48.8%	49.8%	51.4%
Deposits to Assets	61.8%	61.6%	61.4%	62.1%	61.7%	62.4%	63.4%	63.7%
Consumer Loans	29.4	47.5	67.9	83.2	93.3	107.3	124.5	146.9
- Growth yoy (%)		61.6%	42.8%	22.5%	12.2%	15.0%	16.0%	18.0%
Credit Card Loans	17.6	22.0	27.8	34.9	37.9	42.9	48.8	56.7
- Growth yoy (%)		25.2%	26.2%	25.4%	8.8%	13.0%	14.0%	16.0%
Housing Loans	13.0	23.4	32.4	38.9	44.8	52.9	62.4	74.9
- Growth yoy (%)		79.3%	38.6%	20.0%	15.3%	18.0%	18.0%	20.0%
Auto Loans	14.0	15.7	16.1	14.4	11.0	11.8	13.6	15.6
- Growth yoy (%)		12.3%	2.5%	-10.6%	-23.7%	8.0%	15.0%	15.0%
SME Loans	N/A	59.6	76.5	84.6	83.9	92.3	104.3	119.9
- Growth yoy (%)	-	-	28.4%	10.6%	-0.9%	10.0%	13.0%	15.0%
Consumer Loans/GDP	4.5%	6.3%	7.9%	8.8%	9.8%	9.9%	10.4%	11.1%
Credit Card Loans/GDP	2.7%	2.9%	3.2%	3.7%	4.0%	3.9%	4.1%	4.3%
Housing Loans/GDP	2.0%	3.1%	3.8%	4.1%	4.7%	4.9%	5.2%	5.7%
Auto Loans/GDP	2.2%	2.1%	1.9%	1.5%	1.1%	1.1%	1.1%	1.2%
Total Assets	406.9	499.7	581.6	732.5	834.0	949.9	1,087.1	1,222.0
- Growth yoy (%)		22.8%	16.4%	26.0%	13.8%	13.9%	14.4%	12.4%
Total Assets/GDP	62.7%	65.9%	67.9%	77.1%	87.4%	87.3%	91.0%	92.3%

Source: BRSA, Seker Securities

As a matter of fact, the positive ambience will be somewhat different in 2010. We presume that additional security gains will be limited and interest rates will likely augment in the second half of the year (by + 200 bps), this time indicating that the maturity mismatch could work adversely on earnings. However, in 2010 we may see large-scale opportunities in the lending market, where we expect a total YoY growth of 16.9% YoY when compared to 7% YoY last year.

We would like to underline once again that in 2010, the favorable outcomes and the expected rewards in the lending business lies in the hands of many internal factors like strong distribution networks, innovative technology, customer orientation and cost efficiency, but not macro issues.

Contrary to the general opinion of the market arguing that the bottom-line of the sector would contract due to shrinking margins, we believe that strongly backed by non-core revenues such as increasing fee income, better than expected trading gains (though not as strong as 2009) along with easing provisional and operational expenses, Turkish banking sector would grasp a similar bottom-line level in 2010. However, we do agree with the main concerns for Turkish banks' margin compression. Up until the end of 3Q09, Turkish banks widened their net interest margins through lucrative duration mismatches (i.e. faster re-pricing of liabilities than assets) by steadily taking the advantage of the monetary easing cycle. Though we had warned our investors that this was a temporary expansion and once asset yields begin to converge with the prospective low interest rate environment (especially visible after 2H10), it was imminent that margins would squeeze.

Contrary to the general opinion that the bottom-line of the sector will contract due to shrinking margins, we believe that the Turkish banking sector will grasp a similar bottom-line level in 2010, strongly backed by non-core revenues such as increasing fee income and better than expected trading gains (though not as strong as 2009), along with easing provisional and operational expenses. However, we do agree with the main concerns on margin compression for Turkish banks. Until the end of 3Q09, Turkish banks widened their net interest margins through lucrative durational mismatches (i.e. faster re-pricing of liabilities than assets) by steadily taking advantage of the monetary easing cycle. Though we had warned our investors that this was a temporary expansion and once asset yields began to converge with the prospective low interest rate environment (especially visible after 2H10), it was inevitable that margins would squeeze. Furthermore, in 2010 Turkish bank margins could come under pressure from a deviation in monetary policy. We assume that the monetary easing cycle ended in 4Q09 and look for a moderate monetary tightening (of approx. 200bps) beginning in the second half of 2010. Even under moderate monetary tightening

... in 2010 Turkish bank margins could come under pressure from a deviation in monetary policy. We assume that the monetary easing cycle ended in 4Q09 and look for a moderate monetary tightening (of approx. 200bps) beginning in the second half of 2010...

conditions, the durational mismatches that Turkish banks administer in their balance sheets will no doubt be damaging for net interest income, which is counter to observations from 2009. Thus, inflated EPS estimates will need to be readjusted in consideration of possible hikes in the policy rate in 2H10. Enhanced volume growth, continuation of inflexible administration in OPEX, lower but noteworthy trading gains along with easing provisional expenses will help Turkish banks in sustaining last year's better than expected EPS levels.

Electric - High Voltage, High Return in 2010 - BUY

Currently, 11 of the 20 regions in the program have been privatized by the Privatization Administration (PA) from 24008 to 2010 (Baskent, Sakarya, Meram, Aras, Osmangazi, Yesilirmak, Coruh, Uludag, Camlibel, Firat and Vangolu). Hand over process for 3 regions (Baskent, Meram and Sakarya) have been completed in 2009 so far. The government has earned USD 5,076 million from the privatization of eleven Electricity Distribution Grids up to now. At these privatizations, the average price per subscriber was materialized as USD 377 versus USD 93 per MhW.

Turkey aims to fully liberalize the electricity sector by 2012. The electricity prices will be determined in the open market for each district as a result of the liberalization of electricity sector after 2012 and we believe that this liberalization will positively affect the generation and distribution companies. In parallel to the privatization of the electricity distribution regions, the government is also speeding up the privatization of the electricity generation power plants this year as well. Lastly, PA launched the tender process for 52 of river-type hydro power plants in December 2009. Currently, 613 companies have submitted offers for 52 of river-type hydro power plants.

The government is then also targeting to privatize other electricity generation power plants that belong to Electricity Generation Co. Inc. (EUAS) starting with the thermal power plants. Also, the government is planning to repeat the privatization tenders of the Nuclear Energy and the Afsin- Elbistan Thermal power plants in 2010.

We predict that privatization the processes of electricity distribution grids and electricity generation plants are expected to be finalized at the end of 2010 and 2011, respectively. Therefore, we feel that 2010 will be an active year for the sector from the point of view of privatization tenders to be conducted.

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REITs – Expectations Priced In - HOLD

Economic growth in 2010 and low interest rates point to activity in the Real Estate sector. Depending on competition between banks, we do not expect any significant increases in interest rates in 2010. Thus, we predict the housing loan market to increase by 18% to TRY 53 billion in 2010. In addition, shopping center investments are to continue and office stock in Istanbul to increase by 20,000 sqm in 2010.

CBRT's monetary easing cycle to be main catalyst. Following the Central Bank's aggressive 1025bps rate cut since November 2008. The banks have begun to reduce their home loan interest rates to below 0.99% for 60-month loans.

We expect REIT IPOs on the ISE in 2010 due to CMB's recent announcement of REIT legislation. CMB recently made some amendments in REIT sector regulations, facilitating public offerings of REITs by lowering the minimum flotation ratio from 49% to 25%. Encouraged by these changes, some six to seven REITs are preparing to come to the ISE in 2010.

We initiated "**HOLD**" rating for the sector. The REIT Index surged by 143% in absolute terms, outperforming the ISE-100 by 23% in 2009, driven by the easing of interest rates. Also, in 2010 the REITs maintained its upward trend and the Index increased 22% YTD, outperforming the ISE-100 by 9.6% YTD. Considering the 196% increase in absolute terms and the REIT index's 34.8% outperformance of the ISE-100 since the beginning of the 2009, we expect a revival in 2010. Therefore, we initiate a "**HOLD**" rating for the sector.

Top Picks

Garanti Bank (GARAN.TI, Current Mcap: 37,378mn, Upside Potential: 21%) Garanti announced a 2009 annual net profit of TRY 2,962 million, up by 69.2% YoY. While our net earnings forecast for the same period stood at TRY 2,711 million vs. the market's TRY 2,772 million, we have undershot the net profit figure by approx. 8% (or TRY 215 million). On a quarterly basis, the bank reported a net profit of TRY 880 million, showing an increase of 31.9% QoQ and 151.3% YoY; a high growth that both surprised both us and the market. Despite general expectations of shrinking margins, a result of proactive management of asset and liability mix and re-positioning from HtM to AfS (mainly CPI linkers and floaters) and easing deposit costs, Garanti managed to defend its NIM on a QoQ basis. Therefore, NII of the bank in the last quarter went up by 10.5% QoQ and 89.1% YoY basis. Other contributors to the charming earnings results were declining provisions for LLPs and vast increases in trading and other operating income due to reversal of benefit obligations (one-off income). In summary, the bank experienced: (i) 59.9% YoY growth in NII (ii) 4.6% QoQ and 18.6% YoY growth in Total Assets to TRY 105.4 billion (SE: TRY 105.4 billion) (iii) -0.8% QoQ and -0.4% YoY growth in Total Loans to TRY 49.7 billion (SE: TRY 52.7 billion) (iv) 12-month trailing ROAE of 26.3% (tangible ROE 27.7%) (v) CAR at 21.2% (vs. sector 20%) – strong solvency and low leverage (vi) Adjusted NIM at 5.3% (vii) relatively lower C/I ratio of 38% (viii) NPL rate at 4.3% (vs. sector 5.2%) (ix) low loan to deposit ratio leaving room for growth (x) 16.3% QoQ and 20.7% YoY increase in OPEX mainly due to new branch openings (xi) -8.6% QoQ contraction in net fees and commission income due to falling merchant fees and (xii) TRY 1.6 billion unrealized gains from securities held under capital reserves. The bank now trades at a slight premium of 2010E P/E ratio of 8.9 and 2010E P/BV ratio of 1.8.

We revised our 2010E bottom-line figure to TRY 3,451 million on the back of the bank's recent outstanding P&L performance which surprised both us and the market. Thus, we pencil a TRY 8.90 Target Price (2010EPS TRY 0.82) for the bank showing 21% upside potential. We therefore maintain our **“BUY”** recommendation.

Yapi Kredi (YKBNK.TI, Current Mcap: 20,738mn, Upside Potential: 17%) Yapi Kredi (“YKB”) announced bank-only net profit of TRY 1,355 million on its 2009 year-end financials, up by 29.9% y/y. Our forecast for the period stood at TRY 1,421 million (vs. Market: TRY 1,491 million) meaning that we have slightly (c.5%) overshot YKB's bottom-line. On quarterly terms, the bank reported a net profit figure of TRY 154.6

million (SE: TRY 221 million) contracting by 44.1% q/q vs. a strong increase of 316.3% y/y (low base effect). By looking at the bank's q-o-q earnings, despite the fact that cost of funding declined further in the last quarter, we can argue that YKB has been affected by the heating of competition in the lending market, leading to lower loan yields. On the other hand, higher portion of HtM securities (82%) in the overall portfolio with no mark-to-market gains caused security yields to decline which in turn drew down the bank's NII by 5.5% q/q. Furthermore, material rise in specific provisions (19.7% q/q) driven by the bank's conservative approach, in line with our estimations, pioneered a bottom-line that is worse than the market's expectation. Other contributors to the mediocre net earnings figure can be summarized as seasonal pick-up in OPEX (16.1% q/q), 72.1% q/q contraction in other operating income and the continuation of the net trading losses since 3Q09. However, it is quite important to note that YKB's strong fee generation (13.1% q/q, 20.0%/y/y) and successful cost control (OPEX down by 1.9% y/y due to downsizing) would be a positive catalyst for investors in the increasing rate environment. We believe that YKB's strong fee generation would prolong helped by asset management and bancassurance businesses along with traditional credit cards. To summarize, in 2009, the bank experienced: (i) 44.0% y/y growth in NII, (ii) -2.1% y/y contraction (vs. 1.9% q/q) in Total Loans to TRY 37.8bn (SE: TRY 37.6bn) (iii) -2.1% y/y, -0.1% q/q contraction in Total Deposits to TRY 40.8bn (SE: TRY 41.3bn) (iv) 1.3% y/y, 0.7% q/q growth in Total Assets to TRY 64.5bn (SE: TRY 65.3bn) (v) 12-m trailing ROE at 17.7% (vi) CAR at 17.7% (vs. Sector: 20%), (vii) Adj. NIM at 5.9% (viii) relatively higher NPL rate at 6.4% (vs. Sector: 5.2%) but with increasing collection rate and decreasing cost of risk (ix) successfully managed C/I ratio at 41.4% (x) a relatively higher LDR at 92.7%. The bank now trades with 2010E P/BV of 1.7x and 2010E P/E of 11.1x multiples. In light of our findings and we see a 17% upside potential as we pencil TRY 4.80 target price to the bank (2010EPS: TRY 0.36) and we are upgrading our "HOLD" recommendation to "BUY".

TSKB (TSKB.TI, Current Mcap: 1,653mn, Upside Potential: 21%)

TSKB announced 2009 year-end bottom-line figure of TRY 175 million, up by 47% yoy. On quarterly basis, the bank reported a net profit of TRY 42.0 million staying almost flat since the last quarter. The growth in y-o-y earnings were driven mostly by the strong fees & commissions' income as well as declining provisions for LLPs and other operating income. We should note that the bank's q-o-q top-line growth was deteriorating. Given the fact that the bank has longer-term liabilities when compared to its peers, it becomes less vulnerable to changes in interest rates.

However, the margin pressures were felt on q-o-q interest earnings which drew down the NII of the bank by 17% qoq. On the other hand, this long-term positioning would defend the bank's margins in increasing rate environment at a stable rate as soon as the total loan book re-prices. In summary, in 2009 the bank experienced: (i) 4.8% yoy growth in NII (ii) 3.8% qoq and 11.2% yoy growth in Total Assets (iii) 5.9% qoq and 4.1% yoy growth in Total Loans (iv) 12-m trailing ROAE of 19.5% (tangible ROAE 22.9%) (v) CAR at 24.9% (vs. Sector 20%) (vi) Adjusted NIM at 4.1% (vii) a very low C/I ratio of 18% (viii) minuscule NPL rate at 0.6% (ix) 6% yoy growth in OPEX slightly below the y-o-y inflation rate (x) 81.5% growth in fees and commissions income. The bank now trades with 2010E P/E of 7.0 and 2010E P/BV of 1.2 multiples. We have "BUY" recommendation for TSKB with a target price of TRY 2.80 (2010EPS: TRY 0.33) showing 21% upside potential.

Ak Enerji (AKENR.TI, Current Mcap: TRY1.475mn, Upside Potential: 16%) currently has 372.6 MW electricity and 417 tons/hour steam production capacities in total with three natural gas fired and one wind power plants. The company aims to reach 1,646 MW of production capacity by the end of 2012, after the fulfillment of other investments. The company's 5 year target is to increase its capacity to 3,000 MW with an investment of USD 3bn. We believe that Ak Enerji's new investments will shape the company's financials positively in the coming future. Ak Enerji plans to complete the construction of Uluabat HPP (100 MW) and Akocak HPP (81MW) in 2Q10. Thus, we expect Ak Enerji to expand its margins in 2H10, thanks to its new hydroelectric power plants. Following the take-over of SEDAS, Ak Enerji aims to add new Electricity Distribution district that will be open to privatization in the near future. We have derived TRY1.710mn 12-month target Mcap for Ak Enerji. While Ak Enerji's current Mcap is TRY1.475mn, our target value represents 16% upside potential. In this respect, we maintain our view for the company shares as **BUY**.

Turkish Airlines (THYAO.TI, Current Mcap: TRY4.463mn, Upside Potential: 29%) has currently a total of 134 aircrafts. The company has announced that its fleet expansion program will take place between 2009 and 2023 with a number of 105 aircrafts. THY also announced that they would buy 10 Airbus and 7 Boeing as part of its fleet expansion plan. The company stated that the planes would be delivered between 2010 and 2012. The currently established international destinations combined with new aircrafts will likely to increase the seat capacity and contribute positively to the company's revenues. However, we expect results of stronger dollar against Euro and expected rise in fuel costs to be reflected to the company's margins negatively in 2010. In that sense,

we expect Turkish Airlines to generate TRY8.04 bn net sales during 2010. According to our DCF analysis, our target market capitalization for THY stands around TRY5.775mn with TRY6.60 per share. Considering THY's current market capitalization which is around TRY4.463mn, our target value represents a %29 upside potential. We still maintain our positive view for THY shares as **BUY**.

TAV Hava Limanlari Holding (TAVHL.TI, Current Mcap: TRY2.488 mn, Upside Potential: 16%) TAV Airports Holding operates three of the four largest domestic terminals in Turkey: Istanbul, Ankara and Izmir. Recently, the company launched operations of Gazipasa-Alanya Airport, which will open up new opportunities for revenue growth. Due to the airport's proximity to Alanya, where many affluent Western Europeans live, this move provides potential for greater long-term growth. The Company also operates in Georgia's Tbilisi and Batumi International Airports as well as Tunisia's Monastir and Enfidha International Airport. Aftermath, we derive a (30% peer 70% sum of the parts) blended target market cap of EUR 1.443 billion, indicating a share price of TRY 7.90. We initiate a "**BUY**" rating for TAV shares, implying a 16% upside potential.

Ford Otosan (FROTO.TI, Current Mcap: TRY3.649 mn, Upside Potential: 23%) Since 2002 Ford Otosan has been the leading auto producer in Turkish Automotive Market with a market share of 15.2% as of YE2009. We expect Ford Otosan to continue its market leader position in 2010. We believe that the company will generate TRY 6.57 bn of net sales and TRY 387 mn of net income in YE2010. While the company's current Mcap which currently stands at TRY3.649 mn, our target value stays at TRY4.48 bn and represents a 23% upside potential. We maintain our "**BUY**" recommendation for Ford Otosan.

Is REIT (ISGYO.TI, Current Mcap: TRY792 mn, Upside Potential: 35%) Is REIT in terms of NAV is the largest listed REIT company in the ISE. The company's NAV as of YE2009 TRY1.250 million. Is REIT's portfolio are composed of office buildings, shopping centers & retails, hotels and land investments. Is REIT generates US\$50 million of rental income per year, nearly. Leasable portfolio's occupancy rate was approx. 100% in 2009. While the listed REITs currently trade at average discount of 17% to NAV, Is REIT trade well below sector average at discount of 35% to NAV. We booked TRY1.067 mn target Mcap for Is REIT and implying 35% upside to target Mcap.

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Notes:



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