In January 2009, Garanti joined hands with local banks, provided a guarantee facility of US$25 million, mobilising Turkish Energy Group and Ahiska-based Veremir’s acquisition of electricity distribution company Replas Elektrotakım Enerji by its US$25 million, the largest privatization transaction ever in the Turkish electricity industry.

Being a strong promoter of sustainable development, Garanti continued its support to renewable energy projects by providing a long term facility to the 29 MW Sarıkaya Wind Energy Project located by Demirer Group and located in western Turkey. Sarıkaya Project is the 13th wind farm project financed by Garanti.

Gaziantep Unveiled an Economic Stimulus Package Ahead of Municipal Elections including Special Consumption Tax cuts on passenger vehicles and fuel, reduction of corporation tax for companies, introduction of tax breaks for foreign investors under the law No. 5772, and a tax incentive for SMEs.

Starting from the beginning of March, Garanti started to ouperform MSCI EM since the beginning of March. A lot has changed after 1Q09. There will be further elections until 2011. The government will be evaluating the local elections results seriously and a return to fiscal prudence is inevitable.

The IMF deal in coming months is almost assured. Turkey’s Brady’s initially failed to provide any important bank in many aspects. Shariah compliant banks and foreign investors may be more interested in Turkey and access to large blocks in the local stock market. The fiscal discipline adopted in the budget of 2009 will continue to serve as an anchor to reassure foreign investors and will increase confidence in Turkey’s bright recovery prospects.
Turkish Banks received a total amount of USD 6.5 billion in securities in arrears in 2007.

The decrease in the Consumer Price Index (CPI) increased by 1% in the first quarter of 2009. The Central Bank of Turkey (CBT) continued to ease monetary policy in the first quarter of 2009 through reducing overnight interest rates (borrowing) by 450 basis points to 10.5% from 15% at the end of 2008. CBT stated that the trend in inflation is still downwards, indicating further rate cuts to come in the second quarter of 2009.

Due to concerns of capital adequacy levels of the banks after the crisis in NLRs during February, Head of BIS -Banque addressed that even if NLRs double the current limits, 11% of the Turkish banks would need recapitalization.

Two state banks announced their restructuring programs during 2009. Halkbank's new program aimed at non-performing loans, while the other's issue was to be submitted to legal proceedings. Silence Bank restricted and cancelled loans through extending moratoriums for working capital loans to two years and investment loans to seven to five years.

President Recep G. appointed the new bank, which would enable the bank to gain the interest on the removed from the bank list of CBT that is under par value in restructuring those annulled checks, protested bills, and credit cards within six months. Central Bank of Turkey decreased interest rate cap on credit cards from 4.39% to 3.96% effective as of April 1, 2009.

Developments and figures

The concerns regarding global financial markets and global economic as well as the risk of deflation in the first quarter of 2009 (Q1/09), leading major stock markets to continue to fall. In line with the several emerging market local currencies, TL has depreciated against USD, reaching 8.1 level in end-March. The risk scenario started to improve in late March trading (USD) to depreciation against emerging currencies, bringing G20/JSF below 1.7. In the first week of the second quarter, Tl fell below 1.6 on the back of the G20-20 decisions and proactive developments on the IMF front by generating a target.

In the first four quarters of 2009/2010, total consumer expenditure is expected to be 4.1%, bringing overall growth rate down to 1.7%. The inflation annual growth since 2001 GDP reached approx. 1.74%, while per capita GDP (SLE) US$ 540 in 2008. The contraction in personal consumption expenditures was significant at -4.4%, while government spending continued to expand by 6.1% in 2008. The contraction in gross investments was massive at 23.1% in 2008, due to demand for investment, the rise of inventory was very fast, pulling growth rate down by 0.7%. The negative impact of short domestic demand growth was the highest in seven years reaching 11.3 points. As the fall in imports was higher than the fall in exports in the first quarter of 2009, the contribution of foreign demand to growth was “plus” 9.3 points, becoming the negative impact of domestic demand.

The government is trying to demand-led exports to contain inflation by 4.4% in the first half of 2009, while the fall in exports was deeper than expected by 4.5%. The foreign trade deficit down sharply. Accordingly, current account balance is expected significantly, giving surplus in January, the last time since September 2004.

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Ak Investment
"management’s ability to sustain resilient income generation..."

BGC Partners
"among the outperformers in the deposit market, supported by its rapid branch expansion in the last few years..."

Cheuvreux
"gaining market share by capitalising on its long-term relationships...

Credit Suisse
"the strong position among its peers in terms of delivering consistent performance over the past several years...

Deutsche
"affirms the strong combination of growth and profitability among the Big 4 banks once the macro environment stabilizes towards the end of 2009..."

Fitch
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UBS
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