



REPUBLIC OF TURKEY
PRIME MINISTRY
UNDERSECRETARIAT OF TREASURY

DECEMBER 10TH, 2009

PRESS RELEASE

**TREASURY FINANCING PROGRAM:
2009 REALIZATIONS AND 2010 PROJECTIONS**

Within the framework of transparency and accountability of the debt management, 2009 financing realizations, expectations for 2010 and borrowing strategies for 2010 are given below.

I–Financing Program: 2009 Realizations and 2010 Projections

Global financial crisis which has become deeper after September 2008, has negatively affected all economies through expectations, trade and financial channels and global economy has shrunk for the first time since World War II.

As a result of the slowdown in economic activity, as in many countries, the need for public financing increased due to the increasing budget deficit. Despite the fact that the realizations of external borrowing and other financing facilities are in line with the projections, due to the deviation of primary balance, domestic borrowing is realized significantly above the program. In this context, total domestic debt roll-over ratio and market roll-over ratio are expected to be 103,4 percent and 108 percent respectively in 2009.

2009 financing program realizations are given below:

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In 2009,

- TRL 138,9 billion of domestic borrowing and TRL 11,2 billion of external borrowing have been realized totaling TRL 150,1 billion.
- 56,4 percent of total domestic cash borrowing has been realized through zero coupon bond issuances. In this period, the share of floating rate notes, fixed coupon bonds, CPI linked bonds and Revenue Indexed Bonds have been 22 percent, 4,8 percent, 15,9 percent and 0,9 percent respectively.
- With the aim of increasing domestic savings, diversifying borrowing instruments and broadening the investor base, Revenue Indexed Bonds, of which coupon payments are indexed to the transfers of State Owned Enterprises, Turkish Petroleum Corporation (TPAO), State Supply Office (DMO), State Airport Authority (DHMI) and Coastal Safety (KIYEM) to Budget as “Revenue Shares”, were issued to an amount of TRL 1,24 billion.
- US Dollar 3,75 billion of external finance has been maintained via three US Dollar denominated bond issuances in international capital markets.
- US Dollar 2,1 billion amount of program and project financing credits from World Bank, European Investment Bank and other international institutions were provided.
- In line with the decisions taken by the G-20 Leaders at the London Summit in April 2009 the International Monetary Fund (IMF) made a general SDR (Special Drawing Rights) allocation equivalent to SDR 883,1 million and a special one-time SDR allocation equivalent to SDR 75,9 million totaling 959 million SDR (approximately USD 1,5 million) to Turkey.

TREASURY FINANCING PROGRAM (*)

(Billion TRL)

	2008 (Realization)	2009 (Year-end estimate)	2010 (Program)
I-TOTAL DEBT SERVICE	146,5	148,9	200,3
Principal	96,9	96,4	149,6
Interest	49,5	52,5	50,7
Domestic Debt Service	129,6	134,3	182,6
Principal	86,0	88,1	138,4
Interest	43,6	46,1	44,2
External Debt Service	16,9	14,7	17,7
Principal	11,0	8,3	11,2
Interest	5,9	6,4	6,5
II-FINANCING	146,5	148,9	200,3
Financing Other Than Borrowing	33,9	2,1	5,0
Primary Surplus (**)	24,0	-7,3	-4,3
Receipts From On Lending & Guar. Debt	0,6	0,9	0,6
Other	9,3	8,5	8,7
Total Borrowing	107,2	150,1	195,3
External Borrowing	10,9	11,2	13,7
Domestic Borrowing	96,3	138,9	181,6
Use of Cash Account	1,7	-4,0	0,0
Currency Valuation of FX Deposit (***)	3,6	0,7	0,0
TOTAL ROLL-OVER RATIO (%)	74,3	103,4	99,5
<i>Memo (Billion TRY/TRL)</i>			
NET BORROWING (Borrowing - Principal Paymen	10,2	53,7	45,7
Net Domestic Borrowing	10,3	50,8	43,2
Net External Borrowing	-0,1	2,9	2,4

(*) Cash based.

(**) In this table, Privatization receipts, Unemployment Insurance Fund revenues and SDIF property sale revenues are shown under the "Other" item.

(***) Figures reflect the changes of FX deposits due to exchange rate. Positive sign indicates an increase whereas negative sign shows a decrease of FX reserves in TRY/TRL terms.

Financing Program for 2010

Taking into account expectations of gradual global economic recovery financing program for 2010 has been prepared with a prudential approach. Within the context of financing program for 2010, the debt service and financing information are as follows;

In 2010;

- Total amount of debt service is projected as TRL 200,3 billion, comprising the payments of TRL 149,6 billion principal and TRL 50,7 billion interest. Total domestic debt service is expected TRL 182,6 billion, while total external debt service is expected to realize TRL 17,7 billion.

- The total domestic debt service consists of repayments to the market amounting TRL 153,6 billion, repayments of non competitive sales to public institutions with the amount of TRL 20,4 billion and TRL 8,6 billion payment to the Central Bank.
- An amount of TRL 8,7 billion financing source from privatization revenues, The Unemployment Fund and The Savings Deposit Insurance Fund transfers and an amount of TRL 0,6 billion receipts from on-lent and guaranteed debt have been planned.
- Financing through bond issuance in international capital markets is expected to be TRL 8,4 billion. In addition to this, TRL 5,3 billion external financing is programmed to be provided from World Bank, European Investment Bank and other international financial institutions via project and program loans.
- Regarding total debt service, financing source other than borrowing and external borrowing projections, total domestic borrowing is planned as TRL 181,6 billion. Thus, total domestic debt roll-over ratio is expected to be 99,5 percent in 2010.
- In 2010, privatization revenues are projected prudentially lower than the budget figures. If so called sources are realized higher than the estimated budget figures, these additional sources will be used for strengthening the Treasury cash reserves and/or decreasing domestic debt roll-over ratio.
- Similarly, if additional financial sources are to be provided from international institutions or additional financing is provided from other sources depending on the developments in the external borrowing markets, use of cash account and/or composition of borrowing will be changed.

II – 2010 Borrowing Strategy

Since 2003, debt and risk management policies are implemented through strategic benchmarks aiming at effective management of the risks which

Treasury debt portfolio is exposed. With the help of macroeconomic stability and strategies implemented through 2003-2009, liquidity, interest rate and currency risks of Treasury's debt portfolio have been substantially decreased.

Within this framework, the share of FX denominated/linked debt in total debt stock has decreased to 30 percent as of October 2009 compared to its 58 percent at the beginning of 2003. Similarly, the share of debt of which interest payment is to be refinanced within one year in total TRL denominated debt stock has been 74 percent as of October 2009, compared to its 94 percent level at the beginning of 2003. In the same period, the share of debt due in one year in total domestic debt stock has been reduced to 36 percent as of October 2009, compared to its 42 percent level at the beginning of 2003.

Debt management policy to be pursued in 2010 and basic instruments in line with it are outlined below:

1. The domestic borrowing in year 2010 will be conducted via six month reference T-Bills, zero coupon short term bonds/T-bills, zero coupon "benchmark bonds", fixed rate bonds, floating rate notes, revenue indexed bonds and inflation linked bonds.

In that regard, issuance plan of the borrowing instruments are as follows:

- 6 month reference T-Bills will be issued in January, February, March, July and September.
- Depending on the redemption profile and market conditions, short term discounted TRL instruments will be issued.
- TRL denominated zero coupon "benchmark bonds" will be issued in January, April, July and October and each of these bonds may be reopened in the following two months according to the market conditions and Treasury's borrowing requirement.

- In order to enhance the liquidity profile on the yield curve and diversifying the borrowing instruments, the Treasury will begin to issue 3 year fixed rate bonds in January, February, April, May, July, August, October and November depending on the market conditions.
 - Depending on the market conditions, the Treasury will continue to issue 5 year fixed rate bonds in March, June, September and December.
 - Depending on the market conditions, the Treasury will continue to issue floating rate notes and inflation linked bonds.
 - Treasury will continue to issue Revenue Indexed Bonds in TRL and/or in FX.
 - Depending on the market conditions, 10 year TRL denominated bonds may be issued.
 - The FX denominated domestic borrowing will be maximum 50 percent of FX denominated domestic debt redemptions.
2. According to market conditions, new external or domestic debt instruments may be issued.
 3. Financing instruments specified in the “Regulation on the Treasury Financing Through Money Market Cash Operations” may be used for cash management purposes when needed.
 4. According to market conditions, buy back and switching auctions will continue to be used to ensure a balanced debt redemption profile and to increase the price efficiency of secondary market.
 5. The borrowing strategies, including the domestic debt redemptions, the auction calendars, the auction dates and securities to be issued will be announced on the last day of each month which will cover following three months. However, according to market conditions,

the auction calendar may change. If so, these changes will be announced.

6. As before, auction details will be announced on the last day of the week prior to the auctions.

Appendices:

App.-1: Currency and Interest Rate Composition of 2010 Debt Service

App.-2: Currency Distribution of 2010 Debt Service

App.-3: 2010 Debt Service Distribution by Lenders

APPENDIX - 1: CURRENCY AND INTEREST RATE COMPOSITION OF 2010 DEBT SERVICE(*)

(Billion TRL)

	TRL Denominated	FX Denom./Indexed	Total
I) Domestic Debt Service	167,0	15,6	182,6
<i>Fixed</i>	109,0	8,3	117,3
<i>Floating</i>	58,0	7,3	65,3
Principle	123,4	15,0	138,4
<i>Fixed</i>	85,1	7,9	93,0
<i>Floating</i>	38,3	7,1	45,4
Interest	43,6	0,6	44,2
<i>Fixed</i>	23,9	0,4	24,3
<i>Floating</i>	19,7	0,2	19,9
II) External Debt Service	0,0	17,7	17,7
<i>Fixed</i>	0,0	12,0	11,9
<i>Floating</i>	0,0	5,7	5,8
Principle	0,0	11,2	11,2
<i>Fixed</i>	0,0	6,1	6,1
<i>Floating</i>	0,0	5,1	5,1
Interest	0,0	6,5	6,5
<i>Fixed</i>	0,0	5,9	5,9
<i>Floating</i>	0,0	0,6	0,6
III) Total Debt Service	167,0	33,3	200,3
<i>Fixed</i>	109,0	20,3	129,3
<i>Floating</i>	58,0	13,0	71,0
Principle	123,5	26,1	149,6
<i>Fixed</i>	85,2	13,9	99,1
<i>Floating</i>	38,3	12,2	50,5
Interest	43,6	7,1	50,7
<i>Fixed</i>	23,9	6,3	30,2
<i>Floating</i>	19,7	0,8	20,5

(*) Program.

APPENDIX - 2: CURRENCY DISTRIBUTION OF 2010 DEBT SERVICE(*)

(Billion TRL)

I) Domestic Debt Service	182,6
<i>TRL</i>	167,0
<i>FX Denominated</i>	15,6
<i>FX Indexed</i>	0,0
Principal	138,4
<i>TRL</i>	123,4
<i>FX Denominated</i>	15,0
<i>FX Indexed</i>	0,0
Interest	44,2
<i>TRL</i>	43,6
<i>FX Denominated</i>	0,6
<i>FX Indexed</i>	0,0
II) External Debt Service	17,7
Principal	11,2
Interest	6,5
III) Total Debt Service	200,3
<i>TRL</i>	167,0
<i>FX Denominated</i>	33,3
<i>FX Indexed</i>	0,0
Principal	149,6
<i>TRL</i>	123,4
<i>FX Denominated</i>	26,2
<i>FX Indexed</i>	0,0
Interest	50,7
<i>TRL</i>	43,6
<i>FX Denominated</i>	7,1
<i>FX Indexed</i>	0,0

(*) Program.

APPENDIX - 3: 2010 DEBT SERVICE DISTRIBUTION BY LENDERS (*)*(Billion TRL)*

	Principal	Interest	Total
I) Domestic Debt Service	138,4	44,2	182,6
Market	116,2	37,4	153,6
Public (Non-competitive sales)	14,2	6,2	20,4
CBT	8,0	0,6	8,6
II) External Debt Service	11,2	6,5	17,7
Eurobond	4,2	5,0	9,2
IMF	3,5	0,3	3,8
Other	3,5	1,2	4,7
III) Total Debt Service	149,6	50,7	200,3

(*) Program.