JIJI PRESS BUILDING
5-15-8 GINZA, CHUO-KU, TOKYO
104-0061. JAPAN
TEL. 81-3-3544-7448
FAX. 81-3-3544-7028

09-I-096
February 1, 2010

Press Release: Rating Action

JCR upgrades (FC/LC) ratings on Turkey to BB; Outlook Stable

Issuer: Republic of Turkey

<Description of Debts>

Issues	*Rating*	*Outlook*
FC (Foreign Currency Long-Term Senior Debts)	to BB from BB-	Stable
LC (Local Currency Long-Term Senior Debts)	to BB from BB-	Stable

JCR has upgraded its ratings on the Republic of Turkey's foreign and local currency long-term senior debts from BB- to BB. The outlook of the ratings is stable.

The ratings primarily reflect the improved resilience to external shocks the Turkish economy has displayed in the face of the global financial crisis. It can be pointed out that the two factors of the improved fiscal position and financial system in the recent years supported the Turkish economy in realizing an autonomous recovery from the influence of the global financial crisis. The government's fiscal position has significantly improved as compared with the one during the economic crisis in 2001, thanks to the structural reforms and efforts it made under its standby arrangement with the IMF. In addition, the stability of the financial system has been improved through the IMF-supported reforms.

The Turkish economy deteriorated sharply with its real GDP contracting 14.7% (y-o-y) in the first quarter of 2009 amid the impact of the global financial woes. However, it turned toward recovery soon afterwards thanks in part to the policy effects with the pace of contraction rapidly easing off. The country's standby arrangement with the IMF was wound up in May 2008. The fact that Turkey managed to tide over the global financial crisis, the worst in hundred years, without external aid can be evaluated as it means it has attained major improvement on its vulnerability to external shocks, the pending issue it had addressed in the past through the IMF-supported structural reforms and its own reform initiatives. Although the real GDP growth rate was estimated to have deteriorated to minus 5.0% in 2009 from a 0.9% growth in 2008, a growth higher than 5.0% may be within reach for 2010 thanks in part to the base effect. The Turkish government has been negotiating with the IMF for a new standby arrangement. However, they have apparently yet to reach an agreement due to differences over conditions pertaining to Turkey's fiscal policy. The current account deficit decreased largely in 2009 on a reduced trade deficit mainly brought by slower imports and declining oil prices. It is likely, however, to turn increasing again as the economy begins to pick up in and after 2010. With the economy's vulnerability to the external balance yet to be fully cleared, a new standby arrangement with the IMF would play an important role in further improving its international confidence.

On the political front, the government bared a democratization initiative in 2009, pledging its renewed efforts to address the longstanding Kurdish issue. JCR deems it crucial for the country to maintain its political and social stability as well as its international confidence by taking advantage of its new relationship with the IMF and through implementation of reforms geared for its EU membership as it seeks to realize sustainable

JCR distributes rating information through the international on-line network, Bloomberg (JCRA for Japanese, JCR for English), JIJI PRESS, Kyodo News-JLS, Quick (QR for Japanese, QQ for English), Reuters page EJCRA and Telekurs, Internet address: http://www.jcr.co.jp. Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied as to the accuracy, results, adequacy, timeliness, completeness, merchantability, fitness for any particular purpose with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind, including but not limited to, lost time, lost money, lost profits or goodwill, whether in contract, tort, strict liability or otherwise, and whether or not such damages are foreseen or unforeseen with respect to any use of such information. JCR's ratings are statements of opinion and not statements of fact as to credit worthiness or recommendations regarding credit decisions or decisions to purchase, hold or sell any securities. The ratings may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. As a general rule, JCR provides the rating services for a rating fee paid by the issuer, based on JCR fee schedules. Copyright ©2010 Japan Credit Rating Agency, Ltd. All rights reserved.

economic development in the medium and long term.

(1) The Turkish economy shows improved resilience to external shocks

The Turkish economy had grown an average 6.9% per year in real GDP terms for five years until 2007. However, it decelerated sharply in 2008 as the impact of the global financial crisis rapidly spread to its real economy. The first quarter of 2009 saw its real GDP growth rate plunge to minus 14.7% (y-o-y). However, the economy turned picking up afterwards thanks in part to the effects of the monetary and fiscal policies, with the contraction rapidly easing off. Although the economy shrank an estimated 5.0% in real GDP terms in 2009 after a 0.9% growth in 2008, it may grow more than 5.0% in 2010 as the normalization of the stock investment, which declined steeply in the first half of 2009, will prove effective in accelerating real GDP growth in the first half of 2010. The fact that Turkey overcame the impact of the global financial crisis on its own without external aid indicates that the economy has improved its resilience to external shocks.

Meanwhile, the government's fiscal position has significantly improved as compared with the one during the economic crisis in 2001, thanks to the structural reforms and efforts it made under its standby arrangement with the IMF. In 2009, the public debt/GDP ratio, which had been on the decrease until 2008, was seen to have turned upward again due to the fiscal measures implemented to stimulate the economy. However, the government will be able to keep the public debt position at manageable levels in the future, supported by the country's economic recovery. Moreover, the stability of the financial system has been improved through the IMF-supported reforms. The improved fiscal position and stabilized financial system are believed to be the two factors that have played a key role in helping the Turkish economy attain an autonomous recovery from the impact of the global financial crisis.

As for external balance, the widening current account deficit mainly caused by a bigger trade deficit had been one of concerns for the Turkish economy in recent years. In 2009, the current account deficit narrowed substantially on a sharply reduced trade deficit brought by slower imports amid the plunge of oil prices and a steep economic downturn in the second half of 2008. It is likely, however, to turn widening again as the economy recovers in and after 2010. In order for the Turkish economy to realize sustainable economic development in the medium and long term, it needs to make continued efforts to improve its resilience to external shocks. In particular, it needs to ensure a stable inflow of capital centering on foreign direct investment (FDI).

(2) IMF-supported economic reforms and EU membership talks remain crucial

The IMF standby arrangement was completed in May 2008 with the approval of the seventh review and the release of the relevant tranche. The Turkish government has been in negotiations with the IMF for a new arrangement. However, differences over conditions pertaining to Turkey's fiscal policy reportedly stand in the way as both parties try to reach an agreement.

Meanwhile, talks on Turkey's EU membership have been making progress except for some areas (eight of 35 policy areas) which the EU decided to freeze in December 2006. In its Progress Report released in November 2009, the EU made a generally positive assessment of the Turkish economy's improved stability while pointing to the necessity of further political reforms.

The Turkish economy's vulnerability to the external balance has not been completely cleared yet. In order for the economy to realize sustainable expansion, the country needs to maintain its political and social stability, a prerequisite for corporate investment and its international confidence. A new relationship with the IMF and implementation of reforms geared for its EU membership are expected to play a crucial role for that purpose.

Yoshihiko Tamura, Chief Analyst
Haruna Saeki, Analyst

JCR distributes rating information through the international on-line network, Bloomberg (JCRA for Japanese, JCR for English), JIJI PRESS, Kyodo News-JLS, Quick (QR for Japanese, QQ for English), Reuters page EJCRA and Telekurs, Internet address: http://www.jcr.co.jp. Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied as to the accuracy, results, adequacy, timeliness, completeness, merchantability, fitness for any particular purpose with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind, including but not limited to, lost time, lost money, lost profits or goodwill, whether in contract, tort, strict liability or otherwise, and whether or not such damages are foreseen or unforeseen with respect to any use of such information. JCR's ratings are statements of opinion and not statements of fact as to credit worthiness or recommendations regarding credit decisions or decisions to purchase, hold or sell any securities. The ratings may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. As a general rule, JCR provides the rating services for a rating fee paid by the issuer, based on JCR fee schedules. Copyright ©2010 Japan Credit Rating Agency, Ltd. All rights reserved.

The primary rating methods applied to the ratings are posted on JCR's website (http://www.jcr.co.jp) "Sovereign, Public Sector Entities and Multilateral Development Bank Rating Methodology." The rating methods are subject to change or addition. However, the changes and additions including those that have been made in the past are posted in chronological order. Please refer to the rating methods above after checking by comparing the date of press release about the ratings with the release date of the rating methods (effective date of each of such rating methods).

JCR distributes rating information through the international on-line network, Bloomberg (JCRA for Japanese, JCR for English), JIJI PRESS, Kyodo News-JLS, Quick (QR for Japanese, QQ for English), Reuters page EJCRA and Telekurs, Internet address: http://www.jcr.co.jp. Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied as to the accuracy, results, adequacy, timeliness, completeness, merchantability, fitness for any particular purpose with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind, including but not limited to, lost time, lost money, lost profits or goodwill, whether in contract, tort, strict liability or otherwise, and whether or not such damages are foreseen or unforeseen with respect to any use of such information. JCR's ratings are statements of opinion and not statements of fact as to credit worthiness or recommendations regarding credit decisions or decisions to purchase, hold or sell any securities. The ratings may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. As a general rule, JCR provides the rating services for a rating fee paid by the issuer, based on JCR fee schedules. Copyright ©2010 Japan Credit Rating Agency, Ltd. All rights reserved.

＜Bloomberg＞

Ticker: 114144Z@TI

Headline: TURKEY EUROPE MIDEAST BUD ECO ECOSTAT EM EMD FRX FX GBN GFX

JCR distributes rating information through the international on-line network, Bloomberg (JCRA for Japanese, JCR for English), JIJI PRESS, Kyodo News-JLS, Quick (QR for Japanese, QQ for English), Reuters page EJCRA and Telekurs, Internet address: http://www.jcr.co.jp. Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied as to the accuracy, results, adequacy, timeliness, completeness, merchantability, fitness for any particular purpose with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind, including but not limited to, lost time, lost money, lost profits or goodwill, whether in contract, tort, strict liability or otherwise, and whether or not such damages are foreseen or unforeseen with respect to any use of such information. JCR's ratings are statements of opinion and not statements of fact as to credit worthiness or recommendations regarding credit decisions or decisions to purchase, hold or sell any securities. The ratings may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. As a general rule, JCR provides the rating services for a rating fee paid by the issuer, based on JCR fee schedules. Copyright ©2010 Japan Credit Rating Agency, Ltd. All rights reserved.