

PM COMMUNICATIONS
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Turkey

Going global



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**TURKEY
PROJECT TEAM:**
Leland Rice and
Natalia Mroz

A confident nation bolsters its global role

A resilient economy, sound private sector, fiscal discipline and political stability raise the nation's international profile

Turkey's banks are proving tough. In the midst of the worst global economic recession since World War II, the country's lenders reported second-quarter earnings that grew on average by 33 per cent, according to the Banks Association of Turkey.

The main cause for the profit surge was the Turkish central bank's aggressive reductions in its key interest rates to record lows, as it attempted to prop up the economy.

Turkey is also underleveraged compared with other emerging economies. Turkey's loan-to-gross domestic product ratio is 36 per cent, against about 80 per cent in neighbouring Romania and Bulgaria, *Global Finance* reported.

"We are in a better position at the moment vis-a-vis many countries," says Zafer Kurtul, vice-chairman of Akbank, Turkey's biggest bank by market value. "You will see the difference in terms of balance sheet strengths. We have enough capital."

The government expects GDP to contract by around 6 per cent in 2009 while the International Monetary Fund forecasts shrinkage of at least 5 per cent. Turkey's GDP fell 13.8 per cent year-on-year during the first quarter of 2009.

Turkish banks also learnt their lesson from the banking crisis of the recession in 2001. They remained cautious lenders even as the economy grew by more than 5 per



Recep Tayyip Erdogan, Prime Minister of Turkey

cent annually from 2002 to 2008. The number of banks active in Turkey declined from more than 80 to 45 today, as weaker lenders were taken over by the stronger rivals. Regulators in Turkey enforce a capital adequacy ratio – the proportion of a bank's capital to its risk-weighted assets, including its loan book – of around 18 per cent. That compares with an 8 per cent requirement in Western Europe.

FACTS & FIGURES

- ▶ **GDP:** \$906.5 billion
- ▶ **GDP per capita:** \$12,000
- ▶ **Inflation:** 10.4 per cent
- ▶ **Labour force:** 24.06 billion
- ▶ **Imports:** \$193.9 billion
- ▶ **Exports:** \$140.8 billion
- ▶ **External debt:** \$276.8 billion

GAP: a massive regional project for sustainable development

The Southeastern Anatolia Project (GAP) is an integrated regional development project that extends across the wide plains of the lower Euphrates and the Tigris river basins – an area often coined as the 'fertile crescent'. The project spans nine provinces and covers a wide range of areas, including human and social development, health, tourism, education, infrastructure, culture, industry, transportation, agricultural mechanisation and the environment.

The project entails the construction of 22 dams and 19 hydroelectric plants. Upon completion, facilities on the Euphrates and the Tigris,

through which flow more than 50 billion cubic metres of water a year combined, will bring 28 per cent of the total water potential of Turkey under control; annually produce 27 billion kWh of hydraulic energy with an installed capacity of 7,476 megawatts; and introduce irrigated farming to more than 1.7 million hectares of land.

Furthermore, the agricultural and industrial potential of the region boosted through

the GAP will raise the income level of the region fivefold and create employment for about 3.8 million people in the region.

Sadrettin Karahocagil, president of the GAP Administration, says, "Ultimately the goal is to raise living standards in the region to match the rest of the nation. We

believe this project will bring social stability to Turkey and beyond. Plus, a food crisis is coming and this project could have implications for the entire region."

Ahmet Zahir Erkan, GAP's general coordinator for economic development and entrepreneurship, says, "We have extensive experience

in hydropower and we are determined to develop our capacity in solar, wind and thermal energy generation. Numerous investment opportunities are here, particularly in agriculture, agribusiness, livestock and meat production, mining and textiles. Prices are very high in organic agriculture and, because of the Ataturk Dam project, experts estimate that organic material production will double over the next decade."



Ataturk Dam is the centrepiece of the GAP and was built for electricity generation and irrigation

The fabric of steady expansion

Sanko Holding A.S. can look back at over a century of steady expansion. The conglomerate with interests from textiles to yacht building has no plans to rest on its laurels.

"We never think that our current position is our final goal," Abdulkadir Konukoglu, the company's chairman says on Sanko's website. "Our goal is to grow, progress continuously and get stronger every day."

The family-controlled group of companies was incorporated as Sanko by

Sani Konukoglu in 1977. However, its roots in Gaziantep in the southeastern Anatolia region go back to 1904, when Mr Konukoglu's father began weaving cloth with a simple handloom.

In the early 1990's Sanko commenced to diversify its business. The group now employs more than 14,000 people and is also active in construction, finance, packaging, energy, food, construction machinery, climatization, information technology, health care and education areas.

TEXTILE - CONSTRUCTION - CONSTRUCTION MACHINERY - PACKAGING
CLIMATISATION - ENERGY - FINANCE - INFORMATION TECHNOLOGY
HEALTH - YACHT BUILDING - EDUCATION - FOOD



Sanko Group, which started its operations with a simple hand-loom in 1904, is continuing its business activities with the same energy and confidence of the first day.

www.sanko.com.tr

Staying strong with a robust capital base

Istanbul-based Akbank continues to maintain its position as one of the leading banks in Turkey with solid returns

Akbank, the largest Turkish bank by market capitalisation, has come through the global financial crisis triggered by last year's US housing market crash with its leading position in the country reinforced.

With the rate of contraction of the Turkish economy slowing, and after the central bank cut interest rates to a record low, Akbank chairman Suzan Sabanci Dincer anticipates that Turkey's gross domestic product will begin to expand again moderately next year, after contracting in 2009.

An economic recovery would set the stage for further growth at Akbank, which is poised to build on its solid capital base and increase its domestic market share, expand international activities and partnerships.

"I think that things will start to pick up again in 2010 depending on the growth of the international markets," says Ms Sabanci Dincer, who was appointed chairman last March year after 19 years of working for the Istanbul-based lender.

The government recently revised its macro-economic forecasts and now sees GDP contraction in 2009 at 6 per cent. The IMF is expecting that the contraction will be at least 5 per cent. This implies expectations for an improvement in the economy in the second half of 2009, given that the contraction in the first half of 2009 has exceeded 10 per cent.

Turkey's central bank cut its benchmark interest rate by 50 basis points to 7.25 per cent in September in an attempt to boost the economy and signalled that rate cuts

could continue in the following months. The bank's monetary policy committee has also said that while there are signs of a partial economic recovery, it is still unclear how strong it will be.

The central bank has trimmed its key interest rate by 9 percentage points in ten months to support the economy, which is in its first recession since 2001. As the largest private-sector holder of Turkish lira bonds, Akbank has benefited from the rate cuts, which have brought down bond yields and reduced deposit costs.

Akbank reported in July a 30 per cent increase in second-quarter profit to 739.9 million Turkish lira (£300 million), exceeding analysts' expectations. Total assets, deposits and loans all fell as of the end of June from a year earlier, a sign of both Turkey's shrinking economy and Akbank's prudence in reducing its exposure to risky assets.

The bank also reported a net profit of 1.3 billion Turkish lira (£534 million) for the first half of 2009, representing a year-on-year increase of 32 per cent, after deducting extraordinary revenue in the same period of last year.

Akbank's consolidated capital adequacy of 19 per cent is among the highest ratios in the sector and also has the highest credit ratings of any Turkish bank. It was voted Turkish Bank of the Year in 2009 by London-based *Euromoney* and Best Bank in Turkey for 2009 by *Global Finance* of New York.



Suzan Sabanci Dincer
Chairman of Akbank



Lauded by *Euromoney* and *Global Finance*, multiple award-winning Akbank has the highest credit ratings of any Turkish bank. Its consolidated capital adequacy of 19 per cent is among the highest ratios in the sector

Founded in 1948 as a regional bank, Akbank now has more than 850 branches in Turkey and around 15,000 employees. It is a part of the Sabanci family's company, Sabanci Holding, which is one of Turkey's biggest industrial groups.

"Akbank has seen tremendous growth over the past five years," says Ms Sabanci Dincer. "It's almost as if we have been acquiring a mid-sized bank every year."

Citigroup, which required billions of dollars in US government aid last year, bought a 20 per cent share in Akbank for \$3.1 billion (£1.89 billion) in 2007. Ms Sabanci Dincer says that Akbank's partnership with Citigroup is yielding benefits and she is convinced that the measures taken in the US to stem the financial crisis will succeed.

Moreover, while Turkey, as an emerging market economy, is highly dependent on a global recovery and foreign direct investment, Ms Sabanci Dincer also believes that the country draws domestic strength from its imperial history, its cultural diversity and its geographic location as a conduit between Europe and Asia.

"Turkey is a very promising country with a vital economy, an enormously powerful, entrepreneurial private sector, and a young and dynamic population," says Ms Sabanci Dincer. "It is easy to conduct business and create partnerships here. It is unique in terms of secularism, demography and lifestyle. Turkey is a very promising and sound partner in the European zone."

Confidence in times of crisis

Zafer Kurtul, Akbank's vice-chairman, believes that Turkey's banking sector may be better placed than that of many other countries to ride out the global financial crisis thanks to its lenders' low leverage, high capitalisation and generally sound balance sheets.

Mr Kurtul says that Turkish banks' leverage – the ratio of borrowings to assets – of about eight times compares favourably with many international banks' leverage of 30 to 40 times. Capital adequacy ratio averages are over 15 per cent for Turkish banks. Akbank's ratio is 19 per cent.

"The origin of the problem was sub-prime lending, and banks around the world have a lot of these toxic assets," says Mr Kurtul. "But in the Turkish banking system

we do not have these types of assets. Turkey's banking system, at the moment, doesn't really have a major problem when you look at our balance sheets, which are very transparent."

Free from toxic sub-prime assets, Turkey's banking sector has much to offer investors and Akbank, like Turkey itself, is a good investment'

Turkey's economy is faced with falling exports because of reduced global orders and a decline in domestic demand. The danger to the country's financial sector is that the economic slowdown could eventually cause a rise in banks' bad loans.

While Mr Kurtul anticipates slower growth in Akbank's assets in 2009, he foresees renewed expansion, also in lending, in 2010. He expects that the bank's stock market value, already the highest among Turkish lenders and among the top 20 banks in Europe in the first half of 2009, will continue to increase next year.

"Turkey has a lot to offer investors. For instance, when we look at stock market valuations, it is very cheap," says Mr Kurtul. "With the current exchange rates Turkish lira assets are good investments. There are opportunities in banking, real estate, energy, telecoms and tourism. Akbank, like Turkey itself, is a good investment."



Zafer Kurtul
Vice-Chairman of Akbank

A banking partnership that signals confidence

Eurobank Tekfen has ambitious plans for expansion and long-term relationships with its customers and also with Turkey

Eurobank Tekfen represents a strategic partnership between Tekfen Holding Co, one of Turkey's most respected family-owned conglomerates, and Eurobank EFG, the second largest bank in Greece and part of one of the world's most prominent international banking organisations, controlled by the Swiss-based Latsis family.

Established in 1956, Tekfen Holding, with its primary interest in construction, founded Tekfenbank in 1989 partly as a means of financing its own projects.

Over the past 20 years Tekfen has been involved in corporate banking with a focus on the high-end segment of commercial banking. Following its decision to move forward with a strategic partner, Tekfen united with Eurobank EFG in 2007, with its new partner acquiring a 70 per cent stake.

"Our fundamental goal is to create a bank that earns the respect of its customers, is admired and actively supported by its employees, and is held in esteem by society both for the services it provides and for its sense of social responsibility," says Mehmet Sonmez, the partnership's CEO.

Eurobank EFG's foray into Turkey is part of a broader regional strategy, which has seen an investment of almost £1.75 billion in "New Europe". Headquartered in Geneva, the EFG Bank European Financial Group is Switzerland's third biggest banking group (after UBS

and Credit Suisse) with a presence in more than 30 countries. Eurobank EFG, a member of this group, is active in Greece, Bulgaria, Romania, Serbia, Poland, Ukraine, Luxemburg, and the UK, as well as now in Turkey.

With more than 22,000 employees, Eurobank EFG is an international banking group with a network of 1,500 branches and points of sale. Eurobank EFG's investment in Tekfen in 2007 followed on the heels of a move by the state-controlled National Bank of Greece (NBG) for a controlling stake in Finansbank, Turkey's eighth-largest bank, a deal valued at £2 billion.

The two transactions mark a departure from the historically hostile relationship between these two Aegean states and signal European confidence in both the Turkish banking sector and the Turkish markets and economy. Eurobank Tekfen has ambitious plans for expansion.

"We are hoping to move into small businesses and high-end household banking," says Mr Sonmez. Noting that of the 18 million bank account holders in Turkey, the top two tiers

together represent 20 per cent of the bank account holders but fully 67 per cent of the country's wealth, Mr Sonmez suggests that Eurobank Tekfen will concentrate its efforts on what he terms "affluent banking" customers, or the second of the top two tiers of banking.

Turkey boasts highly advanced banking technologies, particularly in e-banking, ATM platforms, call centres and alternative channels. "We are more advanced than any other European country. You can get personal loans of up to 10,000 Turkish lira (£4,000) through your mobile phone, even if you are not a customer of that specific bank. We have a highly advanced credit bureau and credit card/debit card infrastructure," says the CEO.

As part of its strategic five-year plan, the bank restructured in 2008 in order to achieve its goal of shifting up from a small to a mid-sized bank by 2013. Eurobank Tekfen today provides commercial banking products and services to customers across the country through its 42 branches, 19 of which are in Istanbul.

Eurobank Tekfen advertises itself as "a so-

lution partner" for customers, emphasising its commitment to honesty, trustworthiness and ethical principles of banking. Eurobank Tekfen is aiming to establish and develop long-term relationships with its customers based on an approach that stresses excellent customer relations, consistency and quality.

Despite the global economic woes, 2008 marked a year of expansion for Eurobank Tekfen, which posted a 40.1 million lira (£16.1 million) net profit for the year, while staff grew by 22 per cent. Last year the bank raised total capital of 150 million lira (£60.3 million). It also increased the amount of its paid-in capital from 230 million lira (£92.5 million) to 380 million lira (£152.8 million).

The bank posted a non-consolidated net profit of 21.9 million lira (£152.8 million) for the second quarter of 2009, with an increase of 66 per cent over the same period last year.

With a capital adequacy ratio of 26 per cent, Eurobank Tekfen has the strongest funding base in Turkey, a country whose banks' capital adequacy ratios leave its European counterparts in the dust. "We have one of the strongest capital adequacy ratios in this country," says Mr Sonmez. "According to the regulations, any bank in the country should have a minimum capital adequacy ratio of 12 per cent. The average ratio is around 18 per cent. We increased our capital to invest in infrastructure and expand the bank."



Mehmet Sonmez
CEO of
Eurobank Tekfen

Eurobank Tekfen

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Southeastern Anatolia Project
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www.gap.gov.tr

Barter: a model for the future of business

Turk Barter is pioneering the rapidly growing barter system of doing business in Turkey

The global financial crisis and the worldwide credit crunch it unleashed are helping to highlight the benefits of business-to-business direct trade and barter systems, where companies exchange their products and services for other enterprises' offerings.

Turk Barter International A.S is the Istanbul-based company that pioneered the modern trade and barter system in Turkey. It has grown rapidly in its eight years of existence, attracting more than 10,000 members, mostly small to medium enterprises (SMEs).

SMEs, hard-hit by banks' tighter lending practices, are particularly drawn to participation in Turk Barter. More than 90 per cent of Turkish companies are SMEs and Turk Barter's rapidly growing number of market participants is from a widening range of industries including insurance, media, textile, construction, real estate and tourism, according to Mehmet Sirri Simsek, president of Turk Barter.

"Barter is the way of the future," says Mr Simsek. "Last year we saw a 25 per cent increase in members. We can be of service to companies in all sectors and we believe that Turk Barter will become the most important company for the future of Turkey."

A barter market is a platform for finding



Mehmet Sirri Simsek, President of Turk Barter

interim finance, new customers and for selling excess inventory as well as underperforming assets. It can help a business to operate closer to its full potential capacity. When a participant sells its goods and services to other members in the system it earns trade credits, which it can then use to purchase goods and services from other members.

The barter companies or exchanges in

turn provide organisation, record keeping and brokerage services to each member. They typically charge commissions of between 8 per cent and 15 per cent of a transaction's value.

Working within the barter market is possible only after a firm becomes a member of the system and joins the barter common market. New memberships are decided according to the balance of supply

and demand in the system. If there is a market for the potential member company, then the new membership is approved.

The International Reciprocal Trade Association (IRTA) estimates that the global trade and barter system, used by approximately 400,000 companies and served by about 700 barter companies or exchanges, generated around \$10 billion (£6 billion) in revenue last year.

Turk Barter was founded by Mr Simsek and group of Turkish entrepreneurs in 2001. Mr Simsek, who has been involved in barter since 1995, is the author of a book entitled *Moneyless Trade: Barter* and also sits on IRTA's global board of directors and its ethics committee.

In 2008, Mr Simsek was inducted into IRTA's Barter Hall of Fame for his services to the international development of barter. Mr Simsek says he is not done with spreading the system. He plans to bring the Turkic countries of Central Asia, including Azerbaijan, Kazakhstan, the Kyrgyz Republic, Turkmenistan and Uzbekistan into one common barter system with Turkey.

"Sirri Simsek has truly contributed to the modern trade and barter industry in a universally recognized manner," Ron Whitney, IRTA executive director said on the occasion of Mr Simsek's induction. "The industry is very proud to honour him."

Active regional banking

Turkey's first direct bank, Aktif Bank is poised to embark on its second decade in business with ambitious plans to expand domestically and internationally to become a leading regional bank.

Based in Istanbul, Aktif Bank was founded as Calikbank in 1999. It is a subsidiary of Calik Holding, a conglomerate with interests ranging from the oil sector to the textile industry. It adopted the name Aktif Bank last year as part of a major restructuring programme that included a sharp-

ened focus on the region's corporate banking sector.

In 2006, Aktif Bank, together with Turkish rival Sekerbank, bought the Albanian lender Banka Kombetare Tregtare (BKT). The acquisition marks Aktif Bank's first international foray. In 2008, BKT opened its second branch in neighbouring Kosovo.

According to its website, Aktif Bank more than doubled assets to 251.7 million Turkish lira (£101 million) in 2008 and was the fastest growing bank in the country's banking sector last year.



USE YOUR MIND, NOT YOUR MONEY

In times like these, sometimes it's best to go back to the basics. And when budgets are limited, what better way to do business than by bartering? Introducing Turkbarter, the smart system that helps you mobilise your goods and services, expand your client base, and last but certainly not least, free up your cash assets. Turkbarter offers an alternative model for a market that is based firmly in the real economy.

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www.aktifbank.com.tr

TOKI: building a nation with homes for all

Turkey's rapid growth and urbanisation drive has seen the Housing Development Administration play a vital role in the country's future

Turkey's constitution states that "every citizen has the right to live in a healthy and balanced environment." Moreover, the country's basic law provides that "the State shall take measures to meet the needs of housing within the framework of a plan which takes into account the characteristics of cities and environmental conditions and shall support mass housing projects."

The country's instrument for achieving these lofty goals is the Housing Development Administration of Turkey (TOKI). It was founded in 1984 and has been headed for most of the last seven years by Erdogan Bayraktar, an internationally admired and decorated administrator.

TOKI plans to emphasise two major initiatives over the next two years, namely the rehabilitation of urban slums and the construction of coastal holiday centres designed to attract foreign tourists and retirees as well as Turks, according to Mr Bayraktar.

"Our transformation projects, especially between 2009 and 2011, will be a really

big improvement for Turkey," says Mr Bayraktar. "One of our aims is to remove as many of the illegal tenements in our cities as possible. Our second substantial development is in the Aegean region, towards the Mediterranean part of the country."



Erdogan Bayraktar
President of
TOKI

TOKI has built more than 370,000 housing units since 2003, according to the agency's website. Its social projects have been particularly beneficial to low-income segments of society. By offering convenient payment terms, the agency has opened access to housing that was previously considered to be out of reach. This has gone a long way to contributing to social stability.

TOKI has also built a wide range of non-housing facilities including hundreds of hospitals and dozens of libraries, trade centres and sports complexes, increasingly in collaboration with the private sector. Profits from such public-private projects are crucial to subsidise social housing and move urban squatters into legal, improved living quarters.



TOKI's developments are designed with Turkish citizens and EU holidaymakers in mind

Turkey is among the world's most rapidly urbanising countries. Faced with a shortage of 2.5 million housing units over the next five years, TOKI is seeking to build between 5 and 10 per cent of Turkey's residential needs. To fulfil this mission, the administration has created financial subsidiaries and affiliates to provide housing credit and interest subsidies.

TOKI reports directly to the Prime Minister's office rather than being part of the general administrative bureaucracy. TOKI must submit monthly reports to the Prime Minister's office, which can also appoint inspectors for the agency if necessary. TOKI's accounts are audited by the High Council Audit Office, which is attached to parliament.

Though it is a non-profit government administration, TOKI has earned money for the last six years. The capital generated from not-for-profit projects is essential for the financing of TOKI's future low and middle-income housing projects.

The plan to develop holiday centres is also part of Turkey's policy to create closer ties with the European Union, which it is a candidate to join.

"Targeting countries such as Germany, Holland, Switzerland, the UK and some Scandinavian countries, we are building holiday destinations and dwellings for the sake of creating our own resources as well as integrating with the European Union, similar to the Spanish model," says Mr Bayraktar.

Giving all citizens A HEALTHY AND BALANCED ENVIRONMENT

Giving all citizens A HEALTHY AND BALANCED ENVIRONMENT

TOKI built 370,000 homes between 2003 and 2009 to accommodate our rapidly urbanising nation. And as our nation continues to grow and prosper, we plan to build another 130,000 by 2011.

TOKI keeps pace with Turkey's growth, creating homes for all citizens, no matter their income level. We employ innovative financial mechanisms to stimulate the economy in a sustainable matter. TOKI HAS BEEN BUILDING OUR NATION FOR 25 YEARS, ONE HAPPY HOME AT A TIME.



Uniting Turkey's farmers for a diversified future

Pankobirlik, the country's largest agricultural organisation, brings the sugar beet industry together to enter the biofuels market

Pankobirlik is Turkey's largest civil society organisation within the agriculture sector, overseeing supply, distribution, supervision and coordination of the beet industry in Turkey with no support from the government. Today, after 37 years of dedication to the sector and to the farmers of Turkey, with its cooperatives and affiliates, Pankobirlik is one of the strongest examples of agricultural and industrial integration in the sector, having \$1 billion (£616 million) in working capital in 2008/2009, providing \$170 million of capital and in-kind endorsements annually, employing 9,000 people and having approximately \$1.68 billion in turnover.

The organisation was established in 1972 as a result of market studies on one of Turkey's strongest and most versatile crops, the sugar beet. After a period more than two years, Pankobirlik comprised 19 beet cooperatives. It is currently an enormous establishment, with approximately 1.7 million individual beet-growing partners, which sow sugar beets in 64 cities of 81 across Turkey. It also features seven cooperative sugar factories and more than 50 agricultural participants.

"Together with the executive board, we include all the cooperative groups, representing the entire supply chain, and we operate in a completely democratic way, electing all the leadership positions," explains chairman of the board of directors Recep Konuk. (The chairman is well versed in the industry, having formerly served as chairman of the board

of directors for the Konya Sugar Beet Cultivators Association.)

Pankobirlik effectively functions in both economic and social aspects across the country with all its affiliates, either partnering or owning more than 50 industrial enterprises. The organisation strives to act as an example for all entities and organisations engaged with business in the country.

"We can see Pankobirlik as a community of producers, but in addition to producers, we represent industrial and economic activities related to the sector in many cities, not just Konya. Our success comes not from the administration but from everyone involved, from farmers to businessmen," says Mr Konuk.

'We have to handle food, agriculture, and energy production in parallel to each other, and these industries should support each other'

Among all these growers, producers and other members of Pankobirlik, Konya Seker is one of the standouts.

"Konya Seker, which is the largest member of Pankobirlik, is the largest sugar manufacturer in Turkey. Its success represents the success of Pankobirlik," says Mr Konuk. "Konya Seker is 52nd among the top 500 industrial businesses in Turkey. We are happy about the joint venture between Konya Seker and BMA Nederland for the supply of an ultra-modern potato processing line. This has created economic opportunities for farmers in terms of seasonal crop rotation."

Other successes in recent years include a liquid sugar plant, which is the first in Turkey, as well as a flat pipe for a drip irrigation factory, a bioethanol factory, a hard confectionery



Sugar beet farming and processing creates the jobs that maintain 450,000 families across Turkey, and increased supply to the growing bioethanol market means even more jobs

plant, a chocolate factory and an animal feed processing plant. Pankobirlik has also renewed two of Turkey's older sugar factories with new technologies.

Pankobirlik has been successful largely because of its powerful organisational and executive structure, and also because the sugar beet has been an important, and in many cases pioneering, industrial plant. The production of sugar beets creates jobs, income and value addition in sowing regions of Turkey that would otherwise have limited agro-industri-

al potential. Additionally, the plant has a trickle-down effect into other sectors, such as transportation, and also may even prove to be a valuable source of green energy as a raw material for bioethanol.

"Social concerns remain central to our vision," says Mr Konuk. A focus on contributing to the bioethanol industry is paramount for the future of Pankobirlik, and the organisation has also worked to plant trees, reduce water waste and supporting its farmers through education and sports initiatives.

'We must all work together to think about the future of the world'

Pankobirlik has made a name for itself in agriculture, but its vision for the future is set on ecologically friendly energy and building a better, more efficient world overall. Recep Konuk, chairman of the board of directors at Pankobirlik, discusses the company's 'green' accomplishments, as well as the diverse uses of Turkey's sugar beets.

What have been Pankobirlik's major successes, particularly since your tenure as chairman began in 2000?

Ecology has been one of our concerns since 2000, and this has been one of our successes. We want to make sure that our industry does not hurt the environment. One area of focus has been the responsible use of discharged water for irrigation.

We have also launched a tree-planting program, which is part of the Clinton Global Initiative. We have planted five million trees. We grew these trees ourselves from the seeds, which in this area requires a lot of work, irrigation and equipment because of the lack of rain. This is also economical



Recep Konuk
Chairman of the Board of Directors

to us as beet growers because the humidity level is increased.

Another environmental project is bioethanol production from beets. We have a factory with a capacity for 84 million litres available for the production of bioethanol from sugar beet. Relative to this, as you know, in England there are now measures to mix petrol with bioethanol. This is a means to reduce fossil fuel use, reduce the emissions of greenhouse gases and save money.

What are the competitive advantages of sugar beets over other agricultural products as a form of bioethanol?

In Turkey, the most favourable product for the climate and conditions is sugar. To gain 150 units of bioenergy, you have to use 100 units of energy for beet farming. This is an efficient ratio. The potential of photosynthesis is high in sugar beets, therefore they produce less carbon emissions. Sugar beets produce half the emissions of wheat, for example. The remains of sugar beets is mo-

lasses, which also can be used for bioethanol.

Finally, compared to agricultural products in Europe, we have achieved equal productivity levels per square metre of sugar beets.

What is your vision for the future of the sugar beets in industry in Turkey and in Konya?

People must recognise the importance of plant products. They must look at them as natural resources – and how much you can get per unit area. When you look at all the factors and products, beets are extremely efficient. For that reason, we think the future of sugar beets is strong.

One issue that we will have to deal with is the allocation of water. This will become an important question in the future. We are currently addressing it through measures such as the water system. There is a project regarding the water supply in which the government is currently investing. This project will use the Gurksu River to supply nearly two billion cubic metres of water to the farming area.

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PROFITABILITY

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One of the most profitable banks in Europe.

* Istanbul Stock Exchange, as of August 28, 2009

**Nielsen Turkey - Top of Mind Survey, 2008

***By Moody's Baseline Credit Assessment, as of August 28, 2009

**** As of August 21, 2009