



# Türk Ekonomi Bankası A.Ş.

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Earnings Presentation

March 31, 2009

## Overview

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Makro Economic Environment and Banking Sector

# 2008 Macro Economic Developments

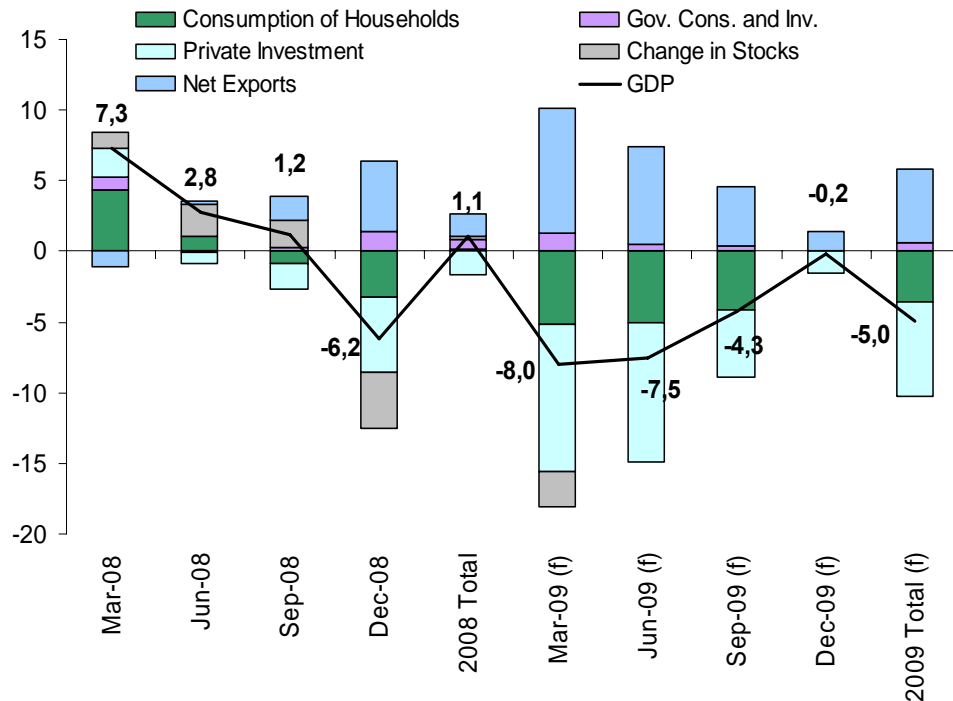
<p>1st quarter</p>	<p>GDP growth: 6.7 %            USD/TRY (eop): 1,2827                      benchmark interest rate :%18.6            Due to the uncertainty stemming from AKP's closure case, foreign portfolio lost its share and TL lost value. USD/TL was around 1,16 at new year's.            JP Morgan, overtook Bear Stearns.</p>
<p>2nd quarter</p>	<p>GDP growth : 2.3 %            USD/TRY (eop): 1.2296                      benchmark interest rate :%22.5            Political uncertainty has been lifted by the Constitutional Court decision as not to close AKP, TL gained value. With the affect of increasing commodity prices, yearly inflation reached to 10.7% in May. CBT revised its inflation target rate to 7.5% from 4%, interest rates were increased by 1.5%.</p>
<p>3rd quarter</p>	<p>GDP growth : 0.5 %            USD/TRY (eop): 1.2316                      benchmark interest rate :%19.4            Fannie Mae and Freddie Mac were nationalized by U.S. Government . Lehman went bankrupt and global markets started to fluctuate in mid September</p>
<p>4th quarter</p>	<p>GDP growth: 6.2 % contraction            USD/TRY (eop): 1.5218                      benchmark interest rate :%16.5            The effects of global economic turmoil got worse, especially exports and international funding suffered most. Industrial production contracted 12%. CBT cut interest rates by 1.75 % to vitalize the economy.            In the US the rescue plan for the banking sector (TARP) passed. FED rates were down to zero. Central Banks worldwide started to loosen their monetary policies.</p>

# 2009 Macro Economic Developments

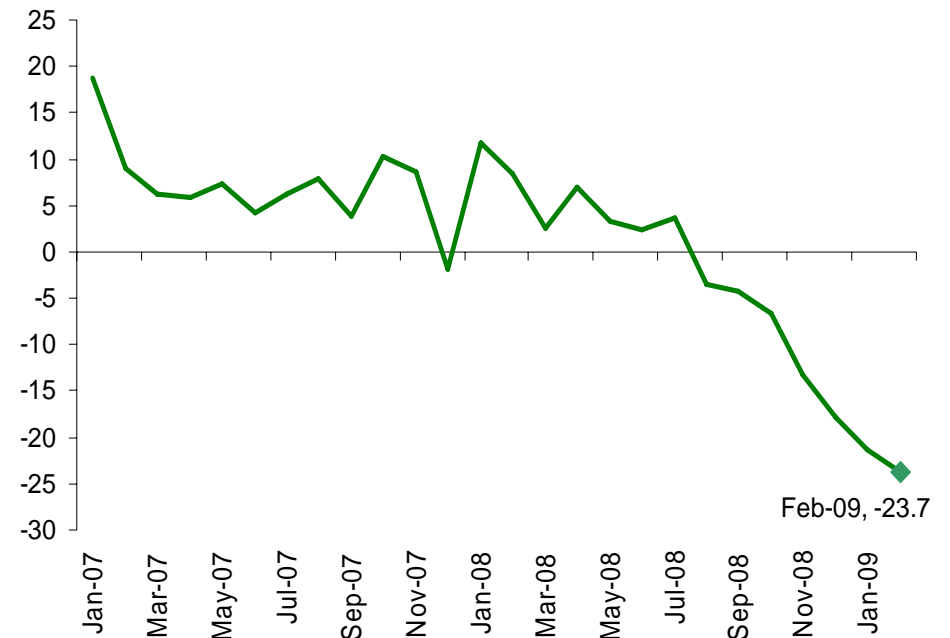
1st quarter	<p>GDP growth: 8 % contraction expected (TEB's expectation)</p> <p>USD/TRY (eop): 1,6682</p> <p>In the first quarter of 2009 the contraction in the Turkish economy was very strong. Due to the decrease in demand and the falling oil and commodity prices in the world economy, the CPI inflation was 7.89 (y/y). The Central Bank suprised the market with dramatic interest rate cuts.</p> <p>Unemployment increased very rapidly and reached 15.5% in January.</p>
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# Macro Economic Developments

## GDP Growth (% yoy)



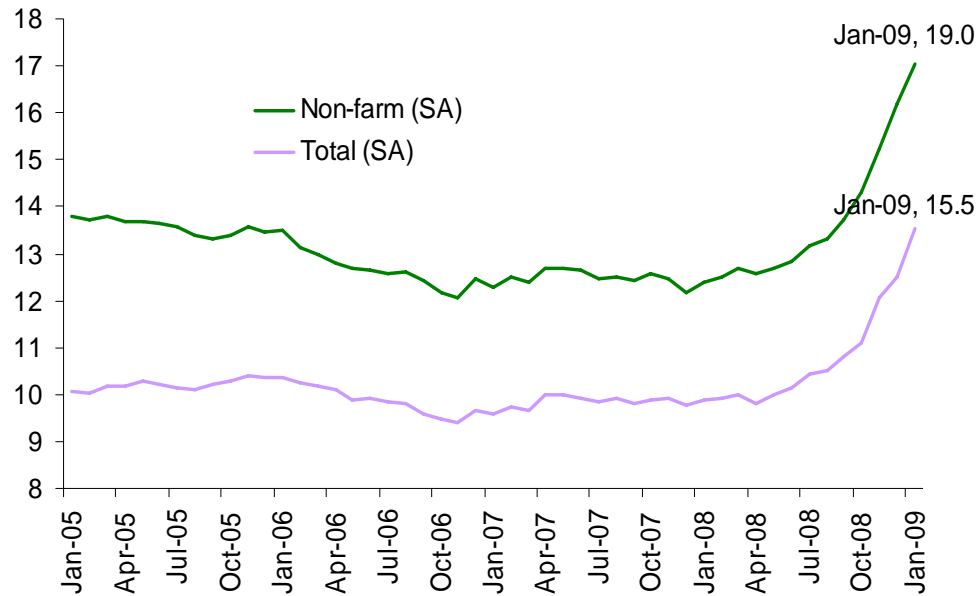
## Industrial Production Index (yoy, %)



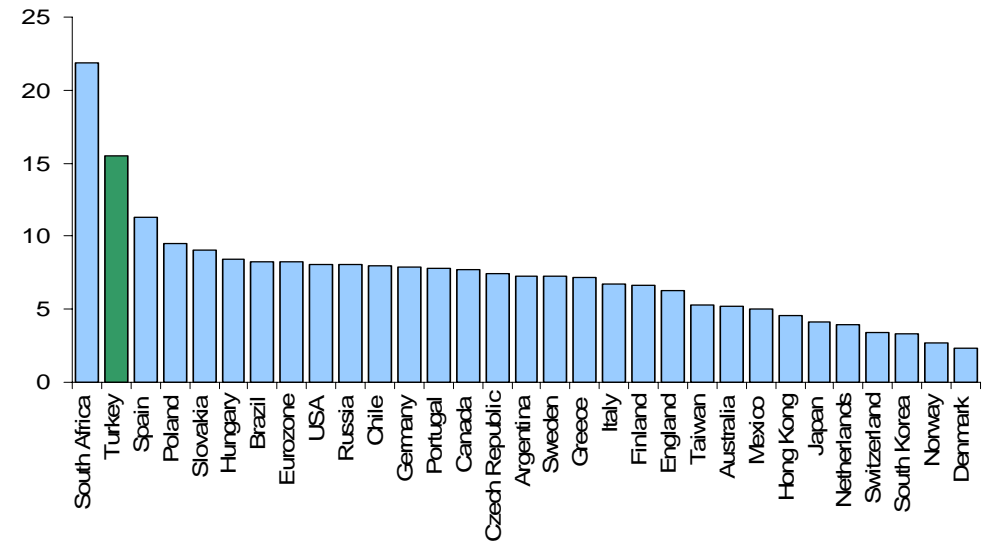
The slow-down that started in mid-2008 turned into a substantial contraction in the last quarter. Yet the 1st quarter/half of 2009 will probably be the most severe period in terms of the effects of the global turmoil hitting Turkey.

# Macro Economic Developments

## Unemployment (%)



Source: Turkstat; TurkeyDataMonitor; TEB.

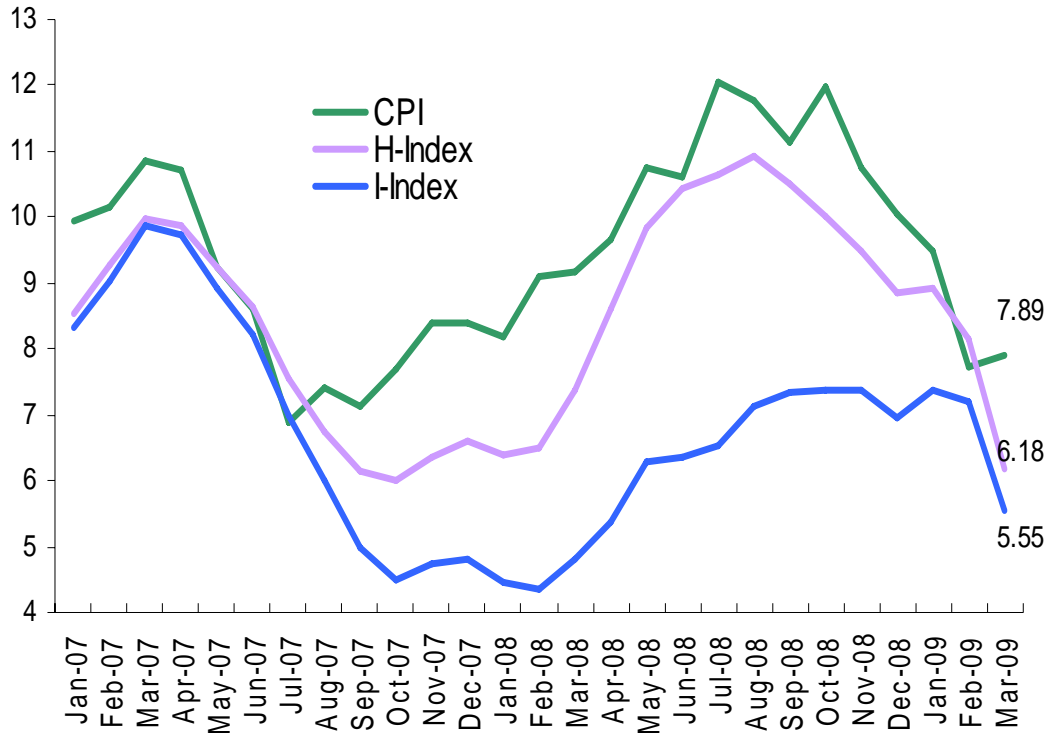


Source: Turkstat; TurkeyDataMonitor.

Unemployment rate continued its steep rise in 2009 placing Turkey in the second highest rank among the selected countries above.

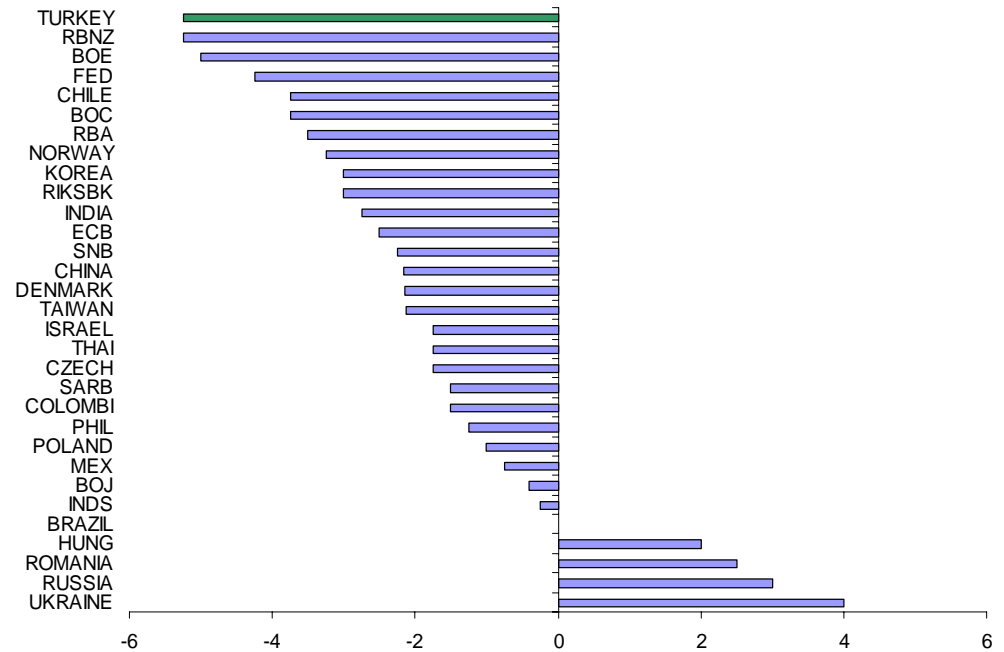
# Macro Economic Developments

## CPI Inflation and Core Inflation (% y/y)



Source: Turkstat.

## Changes in Policy Rate (End 2007 to 16.04.09)



Source: Reuters.

2008

# Developments In Banking Sector

<p>1. quarter</p>	<p>Turkish banking sector was not affected by the global turmoil in the 1Q. There was strong growth.</p> <p>New Branches: 234                      Employment: 4,761</p> <p>Credits and deposits increased by 11.2% and 8.0 % respectively</p> <p>NIM: % 4.96                                  NPL:% 3.00</p>
<p>2. quarter</p>	<p>Though slower than first quarter, the sector continued to grow, there was no significant deterioration.</p> <p>New Branches : 322                      Employment : 3,527</p> <p>Credits and deposits increased by 7.8% and 5.4 % respectively</p> <p>NIM: % 4.80                                  NPL: %2.99</p>
<p>3. quarter</p>	<p>Increasing cost of international syndications and decreasing rollover ratio marked the Q.</p> <p>New Branches : 370                      Employment : 3,603</p> <p>Credits and deposits increased by 6.5% and 3.4 % respectively</p> <p>NIM: % 4.72                                  NPL:%3.02</p>
<p>4. quarter</p>	<p>The global crisis hits: Increase in the cost of deposits, Decrease in NIM, asset quality deterioration, decrease in profits ,high volatility in interest and exchange rates.</p> <p>New Branches : 247                      Employment :1,171</p> <p>Credits and deposits increased by 1.6% and 7.9 % respectively</p> <p>NIM: % 4.60                                  NPL:%3.51</p>



2009

## Developments In Banking Sector

1. quarter	Turkish banking sector to feel the effects of crises, there was further deterioration in asset quality (NPL.4.24) Due to the easing in the interest rates, the banks enjoyed some margin improvements and trading gains in fixed income securities.
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## 2009 Makroeconomic Indicators



BNP PARIBAS JOINT VENTURE

	2008	2009F	2009F revised
Real GDP, (yoy)	%1.1	% -3.0	% -5.0
CPI,% (eop)	%10.1	% 7.0	% 6.5
Policy Interest Rate (eop)	%15.0	% 10.0	% 9.0
Benchmark Bond Yield (eop)	%16.5	% 14.2	% 12.
USD/TRY (eop)	1.52	1.78	1.75
Deposit Growth	%27	-	-
Loan Growth	%29	-	-
NPL	%3.6	%7	%9

We expect 8% contraction in GDP in the first quarter 2009. The contraction will probably continue into the 1st half of the year and we will probably see some improvement in the economy in the 2nd half of the year and overall 5% contraction.

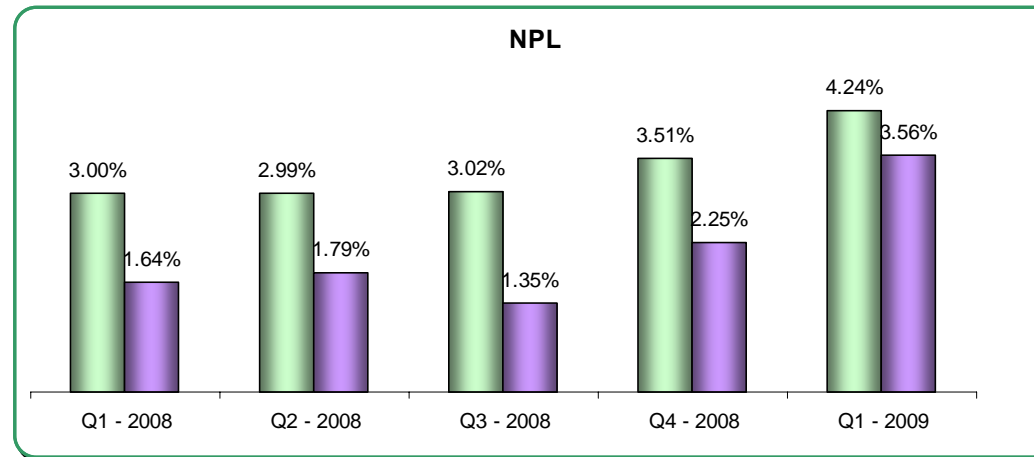
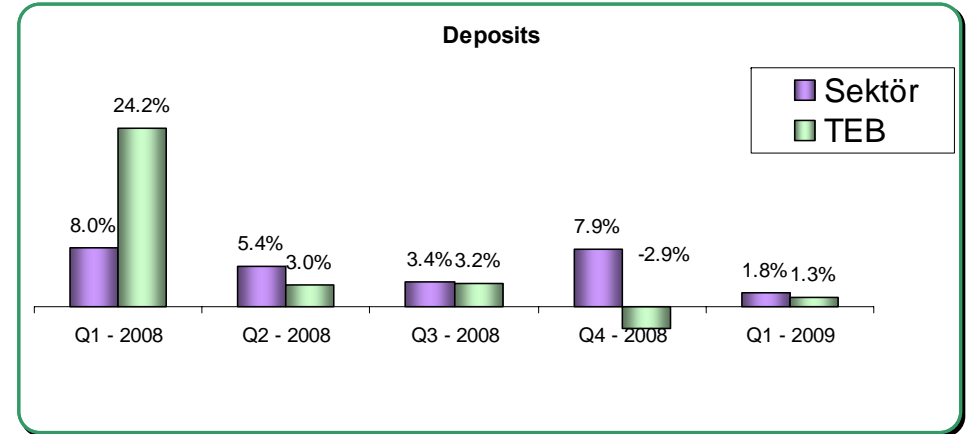
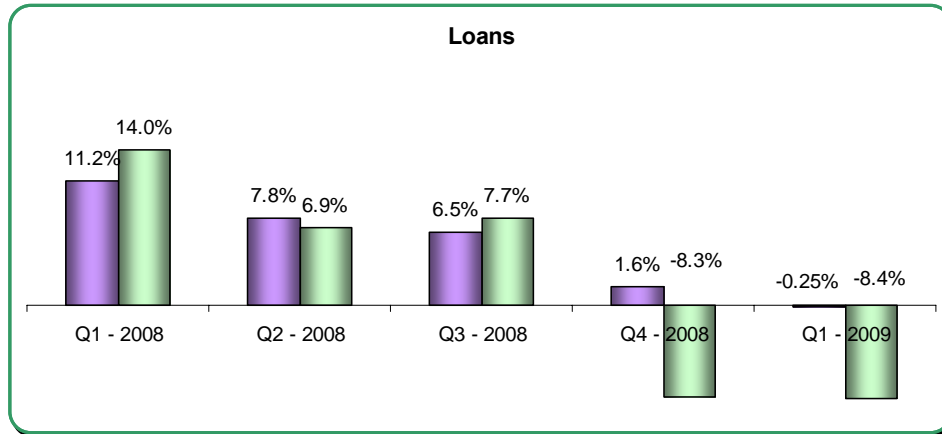
CPI will be around 6.5% with the decrease in the local demand and the decrease in the energy & goods prices. The first half of the year would see a sharp decrease in the inflation with a somewhat stiff trend in the second half resulting from the expected increase in local demand and the effect of exchange rate.

Following the fall in inflation and slowdown in economic activity, Central Bank will probably lower the policy interest rate to 9% in the first half of the year and keep it constant from then on

With the squeezing credit markets and increasing demand for bonds along with the CBT's rate cuts, we foresee the contraction of the bond yields.

We do not expect any increase in the loans or deposits in real terms for 2009 and the NPL ratio to go up to 9%.

# Developments In Banking Sector



2008

## Developments in TEB

Growth and Branches	63 new branches were opened. Credits increased by 21%, deposits increased by 28% on a consolidated basis.
Liquidity and Funding	Successful rights issue in the amount of 345 million TL, CAR was 13.99%. As a precaution to economic crises high liquidity was maintained. NIM was effected negatively by cost impact. Syndication completed by 80% roll over ratio and with a reasonable cost of Libor +200bps
Expense Management	Although Cost reductions projects were put into effect and results were obtained especially in the last quarter, cost of new branches negatively affected profitability.
Asset Quality	Became the number one priority, numerous measures were taken including restructuring within departments and implementation of new credit policies.

## General Credit Policy:

The credit policies for all business lines are revised considering the effects of financial turmoil. It is decided that the strategy will be reviewed quarterly regarding the eventual effects of the crisis.

## Restructuring:

Legal Action Department which was formerly a part of Credit Monitoring Division is now under Legal Affairs Division

Retail loans became a separate division with its own Assistant General Manager. This reorganisation is due to the specialization required for the monitoring of commercial vs. retail loans and has already increased the effectiveness of both divisions.

## Corporate and Commercial Banking

- Cash management of credit clients is targeted.
- Cut off levels are redefined for both firms' and collateral ratings. Exposure in these alert areas are avoided.
- A more liquid collateral policy has been adapted.

## Retail and Small Business

- Controlled growth
- Low debt/equity ratio and high repayment capacity obligations for credits
- Targets on branch level to be monitored on a monthly basis
- Assessment and cut-off strategies based on scores
- Risky Sectors were defined and exposure is avoided
- Focus on cash management and client penetration.

## Corporate and Commercial Banking

- Scoring of Branches
- Reviewing of firms with risk exposure exceeding a certain limit
- Reduction of risk and credit limits according to ratings
- Increasing required collaterals
- Decrease of alert area ratio for each business line

## Retail and Small Business

- Implementation of Scorecard model for credit cards, consumer loans, and Small Enterprises
- Increase in number of staff in Credit Collection Division (shifting from Credit Allocation Group)
- Centralisation of retail credit operations
- Revision of “cut-off” levels for each major retail product category



2009 1Q

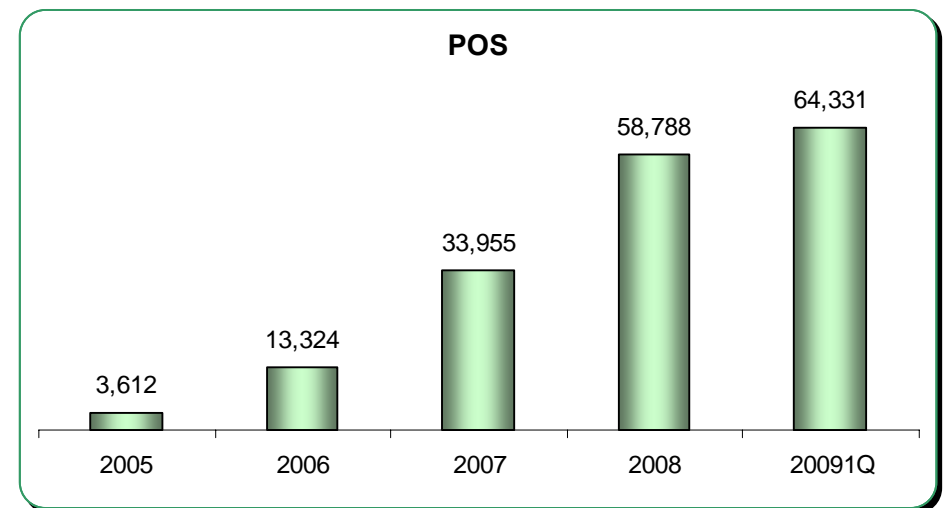
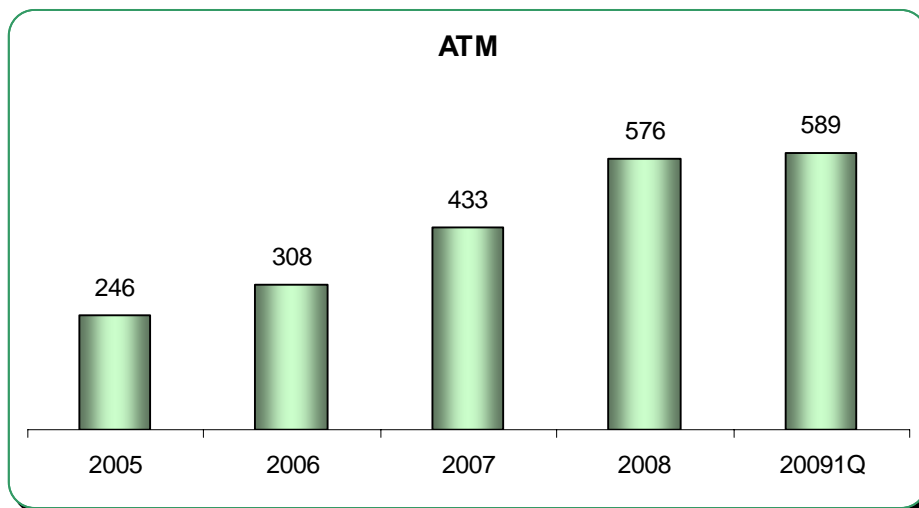
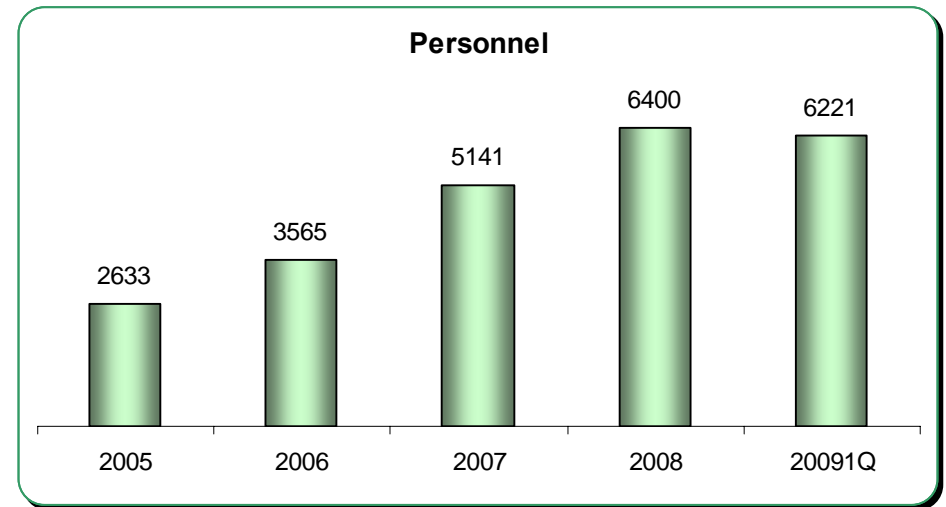
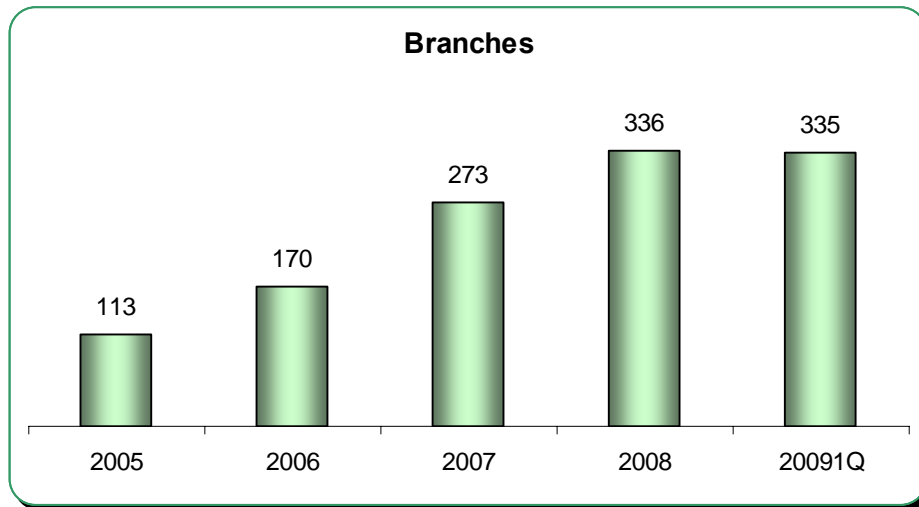
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TEB's Performance – Financial Results





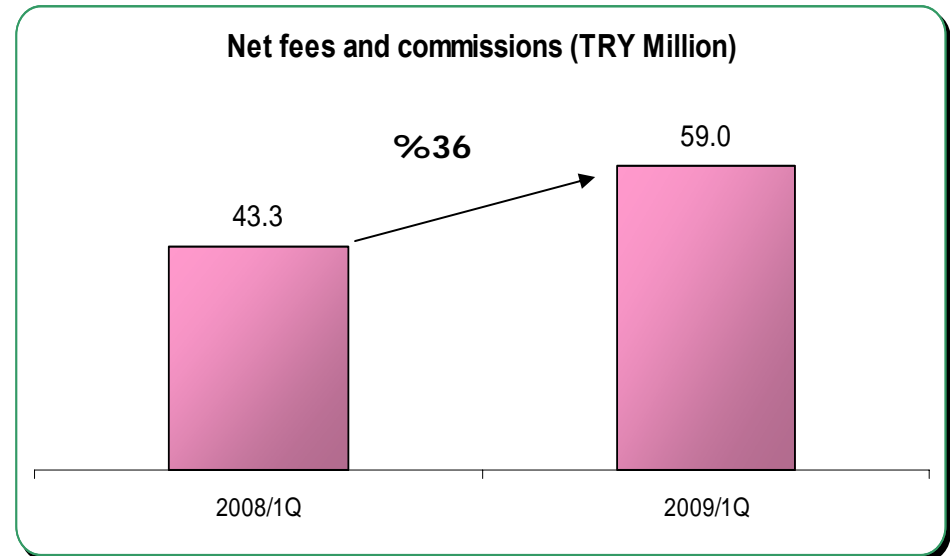
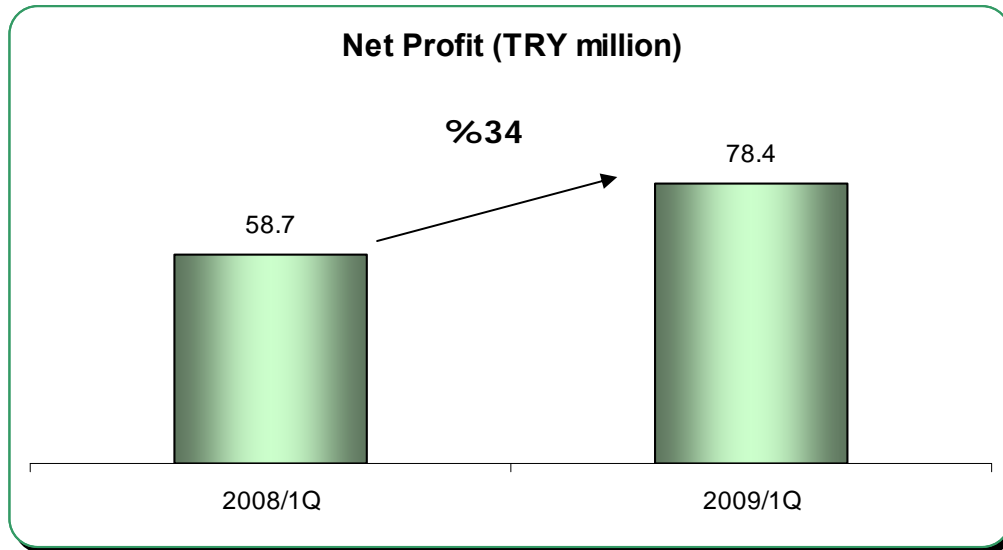
# Growth Performance



# TEB Consolidated Income Statement

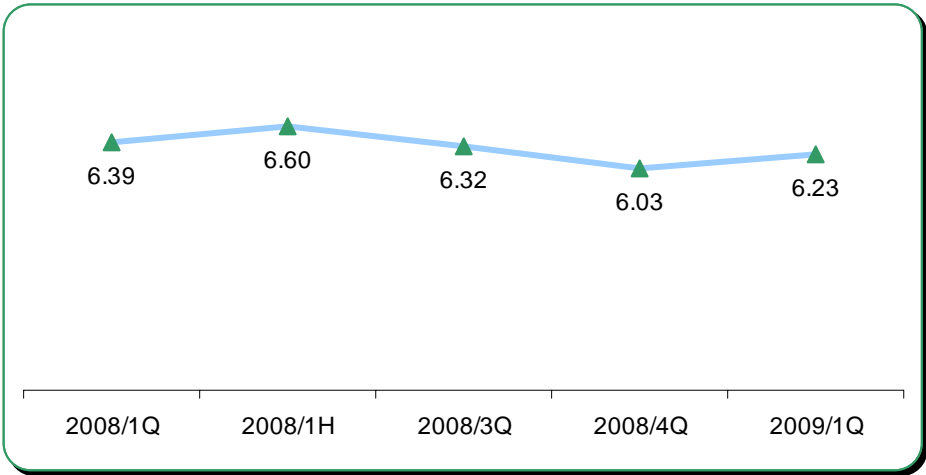
<i>Million TL</i>	Reviewed	Reviewed	Change
	31.03.09	31.03.08	
Net Interest Income	204.1	211.4	-3%
Marketable Securities Revaluation Differences	-1.8	-10.8	-83%
<b>Adjusted Net Interest Income</b>	<b>202.3</b>	<b>200.6</b>	1%
FX Gains (Losses)	67.9	-67.2	201%
Derivatives Trading	-46.3	62.2	-174%
Securities Trading Income	26.1	-10.9	340%
Net Fees and Commissions	67.4	53.0	27%
Other Income	8.7	54.3	-84%
<b>Net Banking Income</b>	<b>326.2</b>	<b>292.0</b>	12%
Loan Loss Provisions	-44.9	-25.9	73%
<b>Net Operating Income</b>	<b>281.3</b>	<b>266.1</b>	6%
Dividend Income	0.0	0.0	<i>nm</i>
Other Operating Income	-186.1	-195.5	-5%
Provision for Taxes on Income	-16.9	-11.9	41%
<b>Net Income/ (Loss)</b>	<b>78.4</b>	<b>58.7</b>	34%

# Improved Profitability

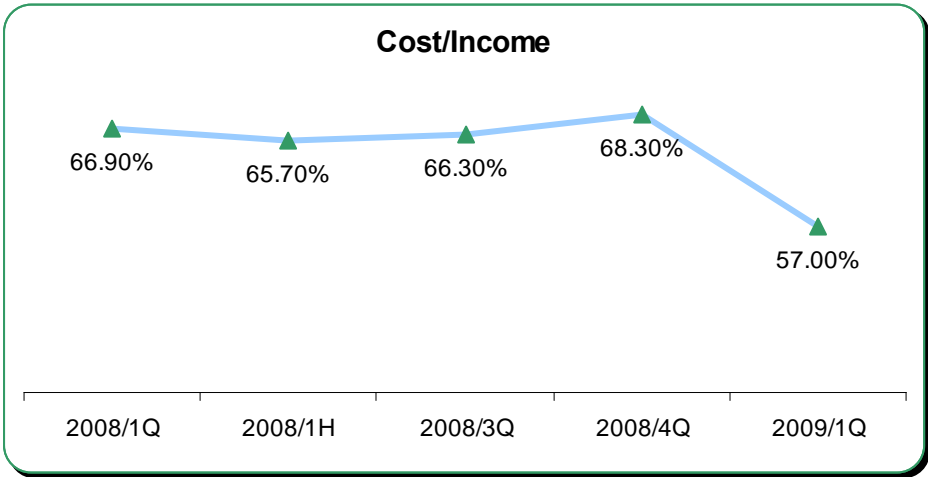


# Improved NIM and Cost/Income Ratio

### Net Interest Margin

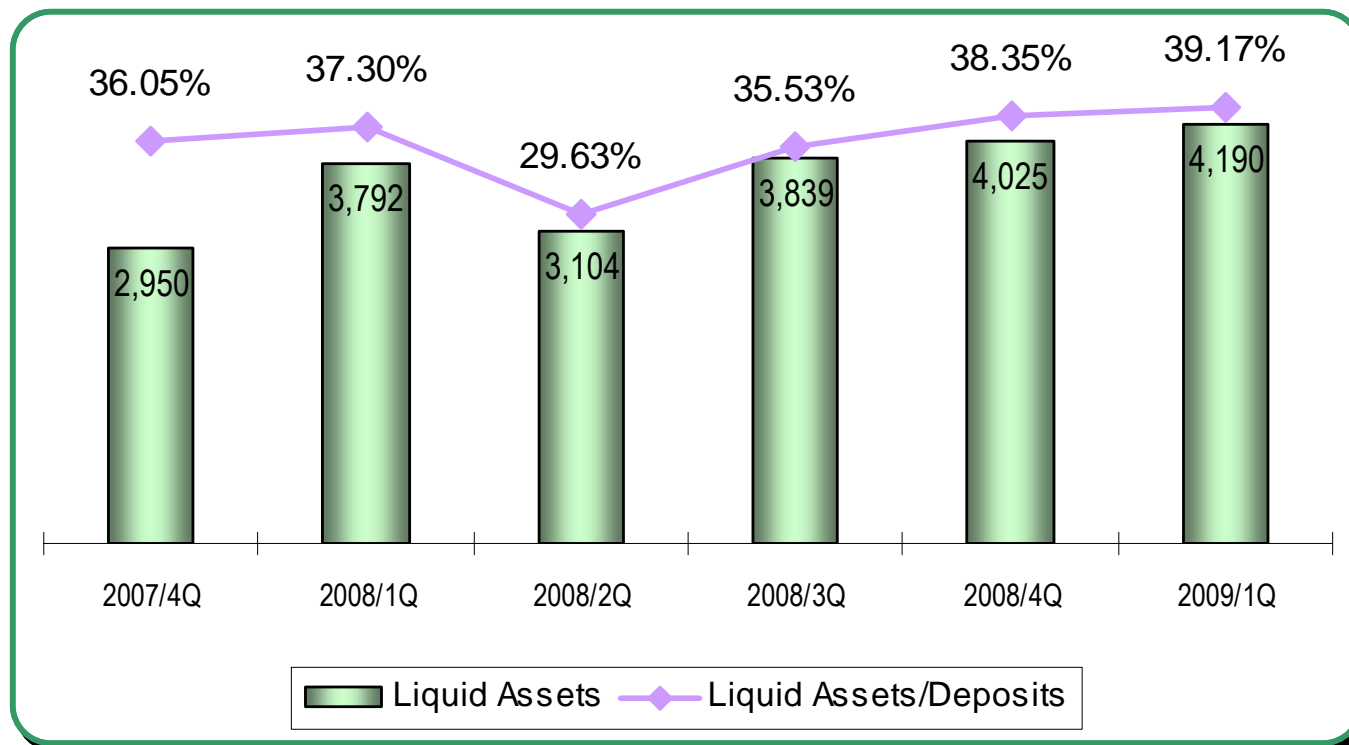


### Cost/Income Ratio

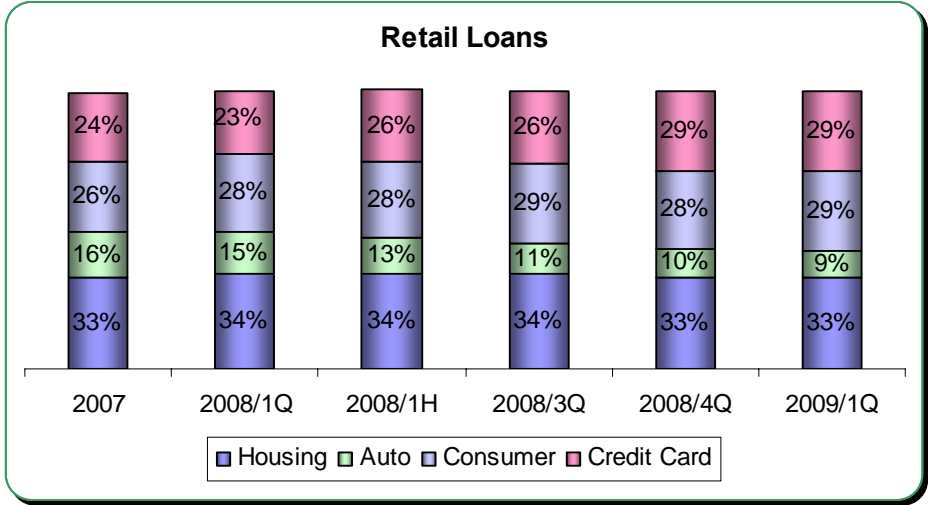
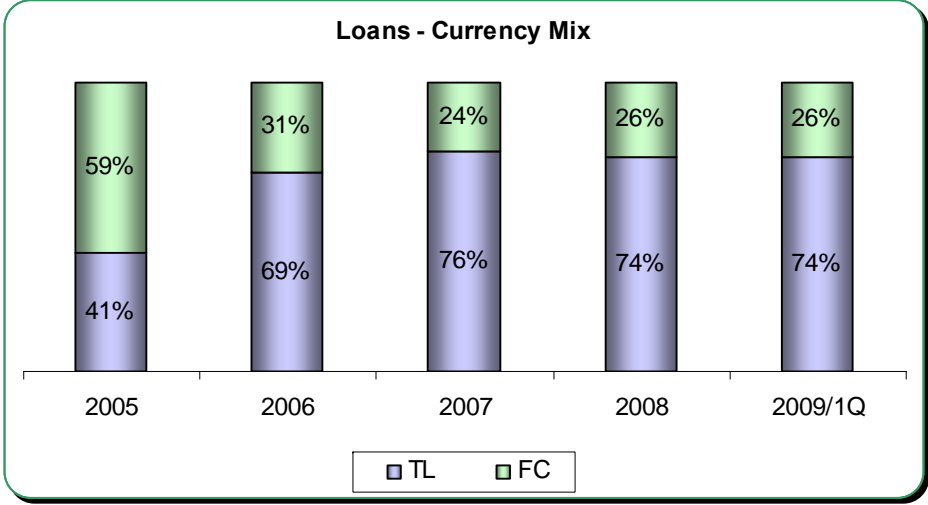
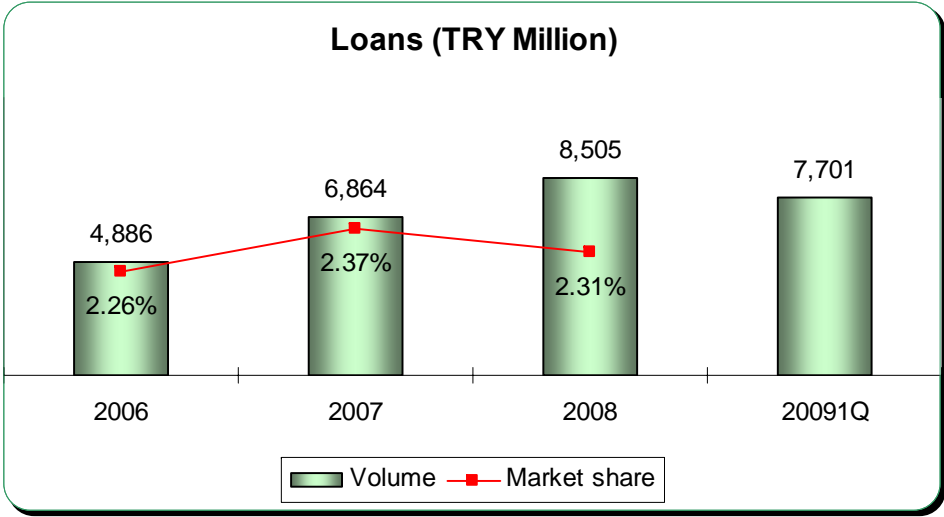


Net Interest Margin:  $(\text{Net interest income} + \text{Net FX gains/losses} + \text{Derivative Gains}) / (\text{Liquid Assets} + \text{Marketable Securities} + \text{Credits})$

# Liquidity



# Structure of Loans - Bank-Only



Source: BRSA, TEB BRSA Bank-Only Financials

# Breakdown of Loans



BNP PARIBAS JOINT VENTURE

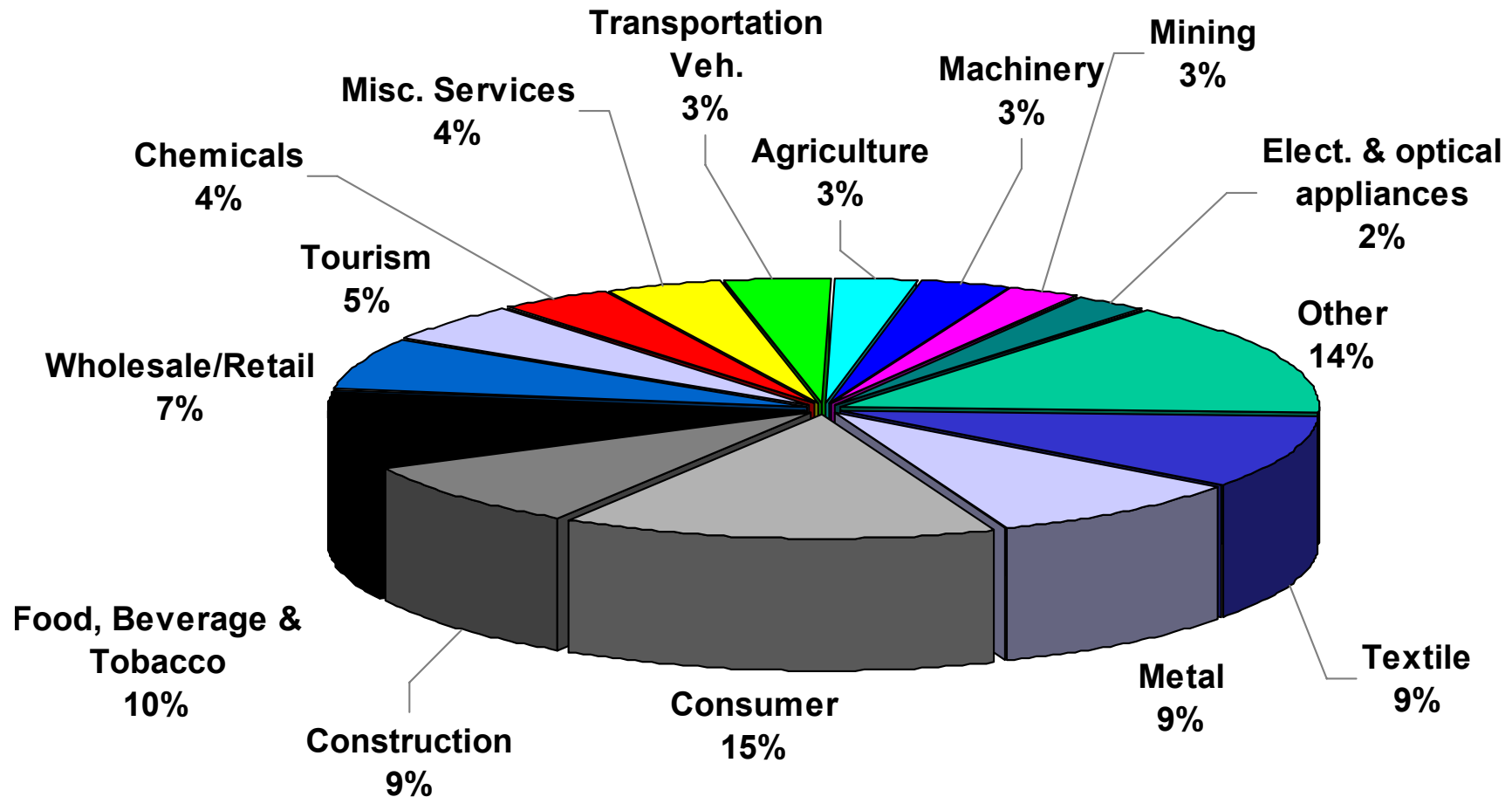
	2009 1Q		2008		Δ Volume
Corporate	1,814,599	24.9%	2,135,457	26.3%	-15.0%
Commercial	3,118,576	42.9%	3,442,980	42.4%	-9.4%
Big Commercial	1,509,824	20.8%	1,680,841	20.7%	-10.2%
Medium Commercial	1,608,752	22.1%	1,762,139	21.7%	-8.7%
Small Business	1,051,008	14.4%	1,056,590	13.0%	-0.5%
Retail	1,281,322	17.6%	1,473,913	18.1%	-13.1%
Private	10,211	0.1%	19,160	0.2%	-46.7%



# Bank-Only Loan Portfolio

Loan Portfolio by Industry 31.03.2009

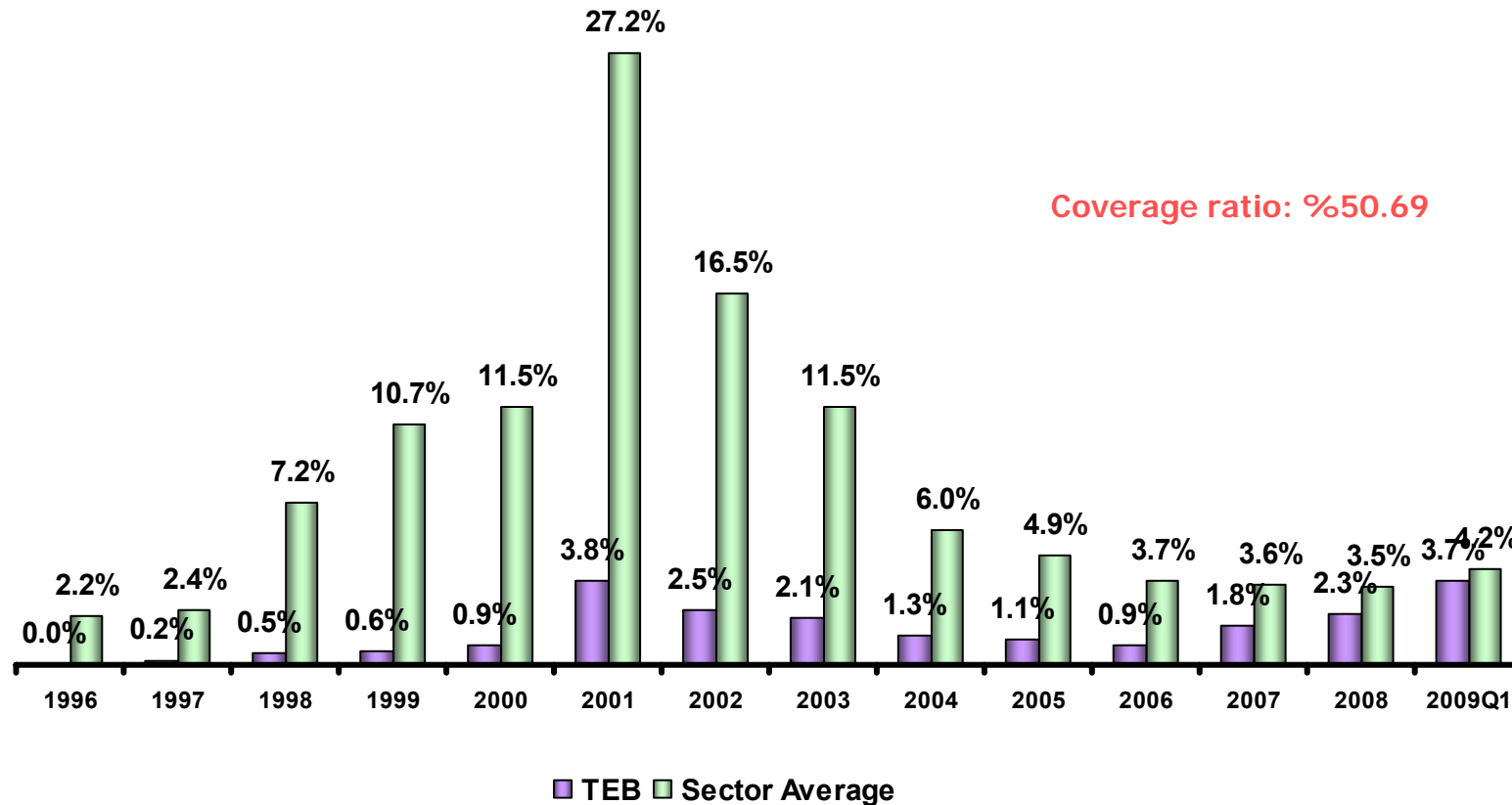
Well diversified loan portfolio



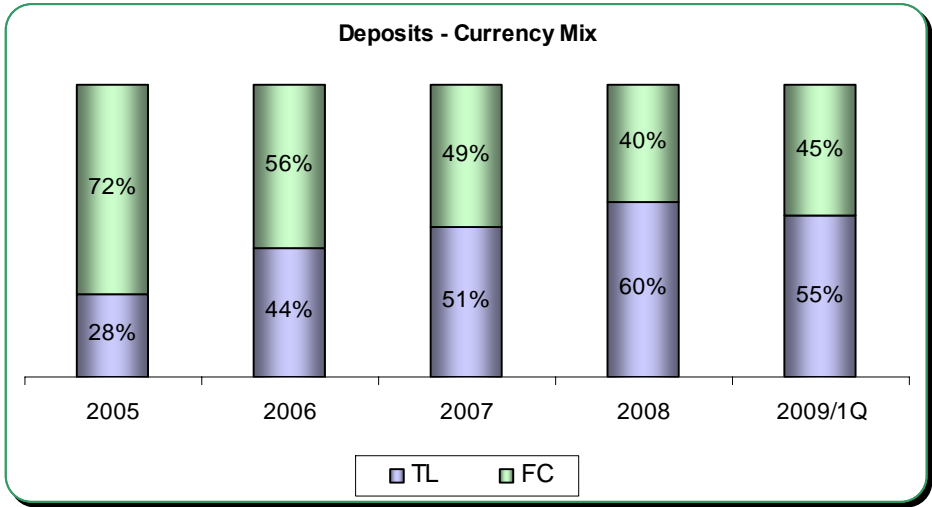
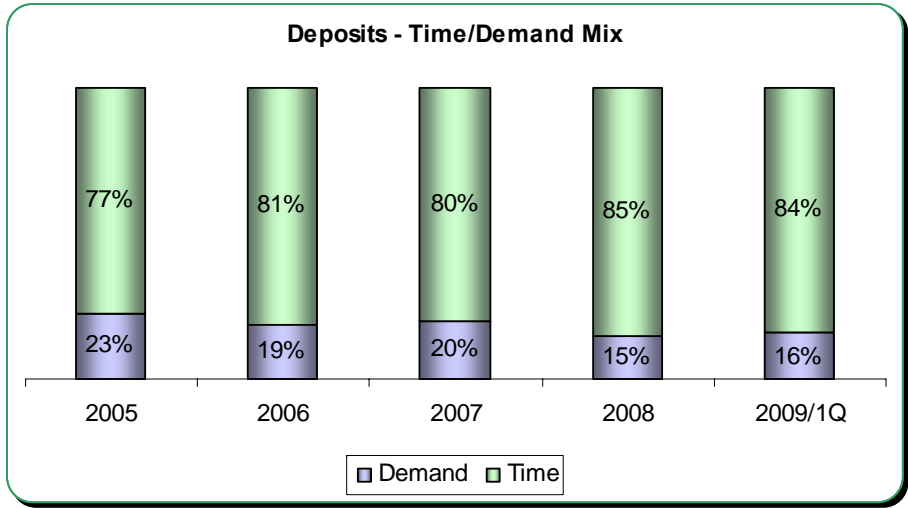
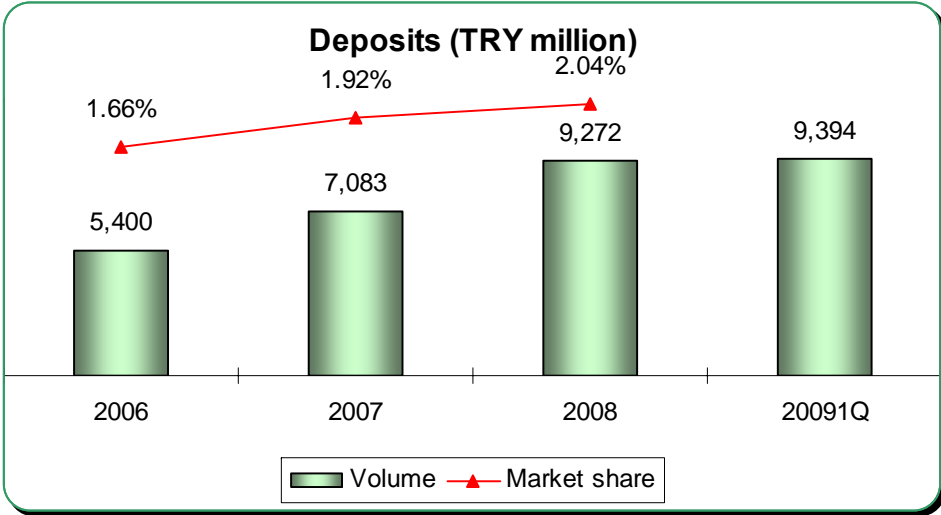
Source: TEB, BRSA Bank-Only Accounts

# Non Performing Loans

## Non-Performing Loans as a % of Total Loans



# Structure of Deposits – Bank Only



# Breakdown of Deposits



BNP PARIBAS JOINT VENTURE

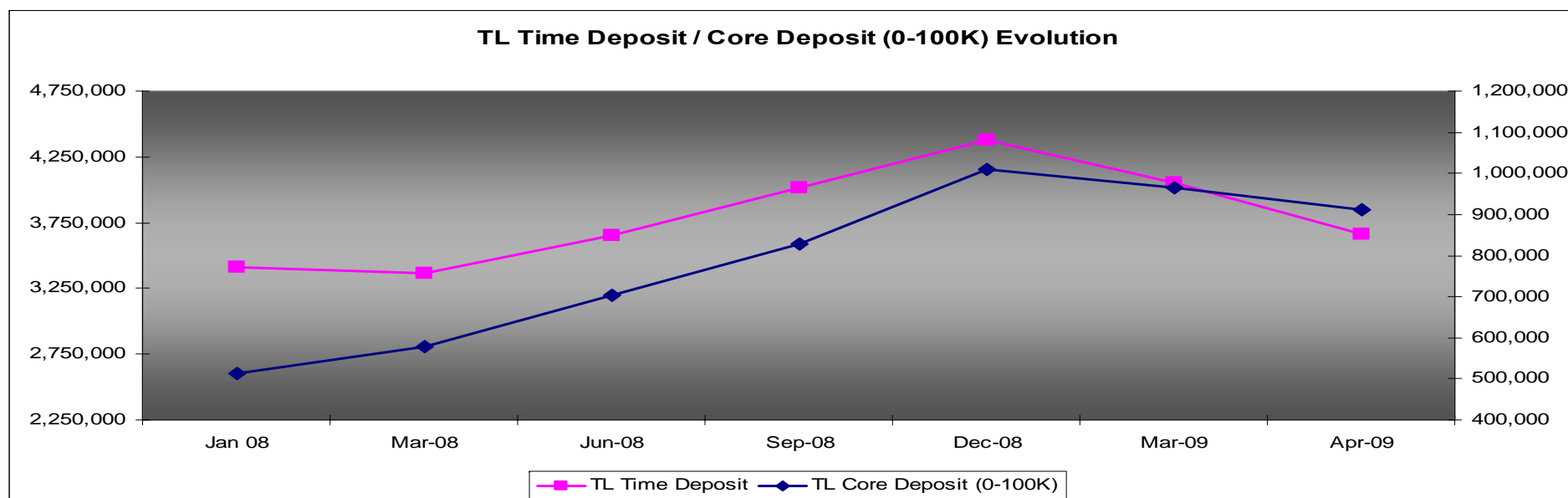
	2009 1Q		2008		Δ Volume
Corporate	2,350,149	25.2%	2,133,614	23.2%	10.1%
Commercial	1,230,880	13.2%	1,177,260	12.8%	4.6%
Big Commercial	695,800	7.4%	643,915	7.0%	8.1%
Medium Commercial	535,080	5.7%	533,345	5.8%	0.3%
Small Business	677,483	7.3%	654,236	7.1%	3.6%
Retail	3,280,246	35.1%	3,291,546	35.8%	-0.3%
Private	1,803,539	19.3%	1,950,380	21.2%	-7.5%

# TEB HAS STEADILY INCREASED ITS CORE DEPOSIT BASE



BNP PARIBAS JOINT VENTURE

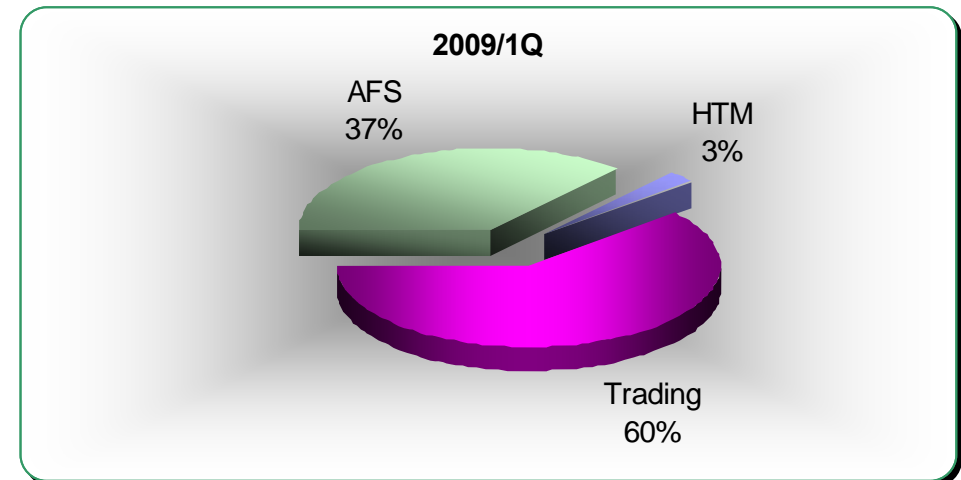
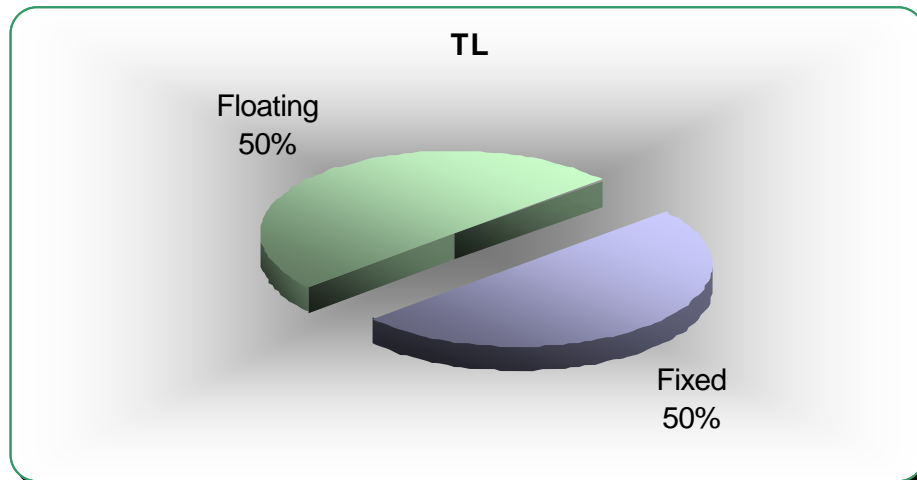
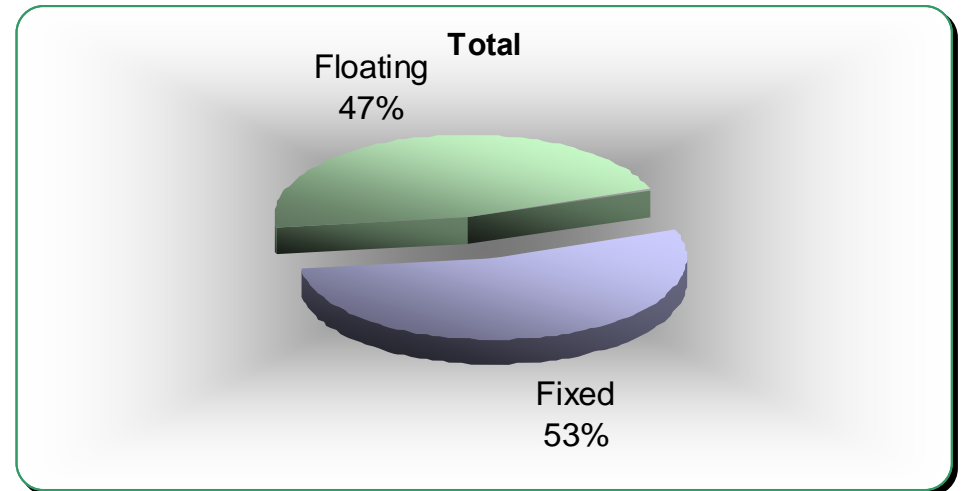
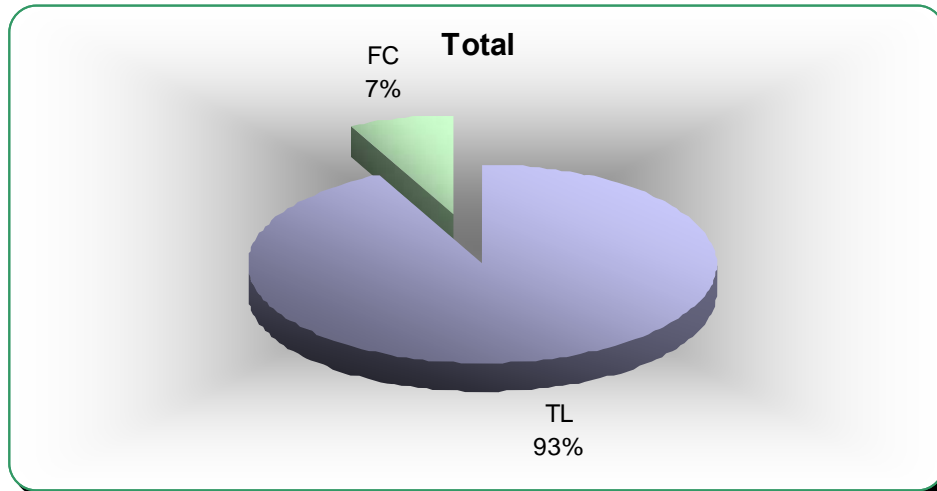
## Total Term Deposits / Core Deposits (0-100K)



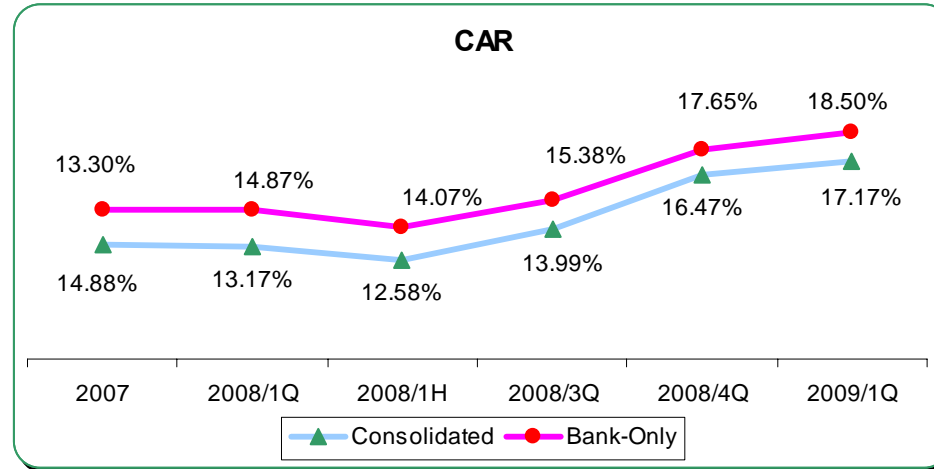
TL (1000 TL)	Jan 08	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Apr-09	Change
<b>TL Time Deposit</b>	3,409,087	3,366,102	3,650,190	4,017,723	4,374,869	4,053,295	3,664,050	7%
<b>0-100K Deposit</b>	513,159	578,685	701,985	828,405	1,009,007	965,343	912,853	78%
<b>Share</b>	15.05%	17.19%	19.23%	20.62%	23.06%	23.82%	<b>24.91%</b>	

Deposits between 0-100 thousand TL were 15% of total deposits while this rate increased to 25% by April 09.

# Marketable Securities



# Capital Increases and CAR



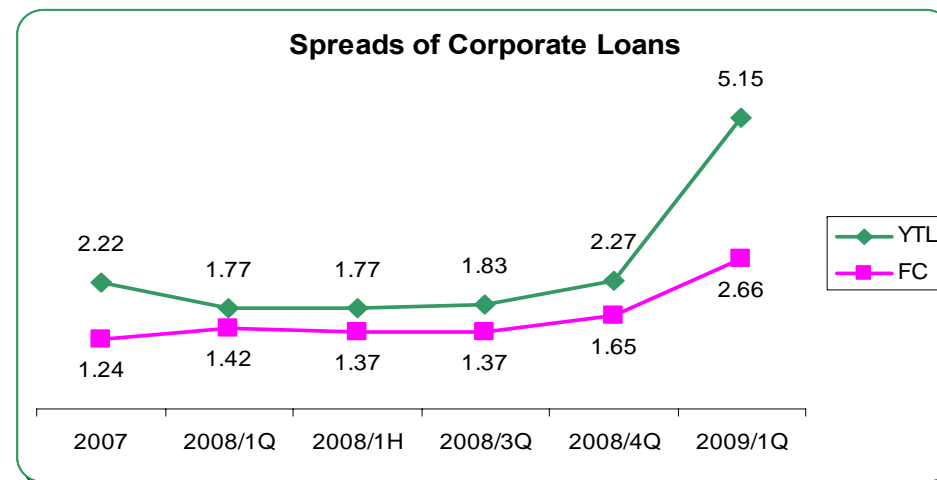
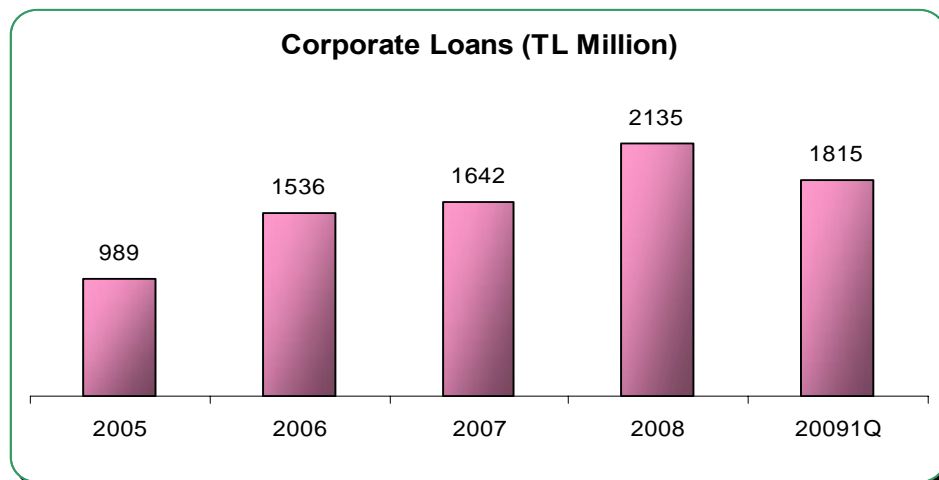
## Capital Increases (Thousand TL)

Year	2005	2006	06/2007	11/2007	2008
<b>Bonus Issue</b>	-	-	23,500	445,000	-
<b>%</b>	-	-	30.71%	445%	-
<b>Rights Issue</b>	-	18,700	-	210,000	345,000
<b>%</b>	-	32.35%	-	210%	45.69%
<b>Previous Paid-in Capital</b>	57,800	57,800	76,500	100,000	755,000
<b>Current Paid-in Capital</b>	57,800	76,500	100,000	755,000	1,100,00.00

# Business Lines- Corporate Banking



BNP PARIBAS JOINT VENTURE

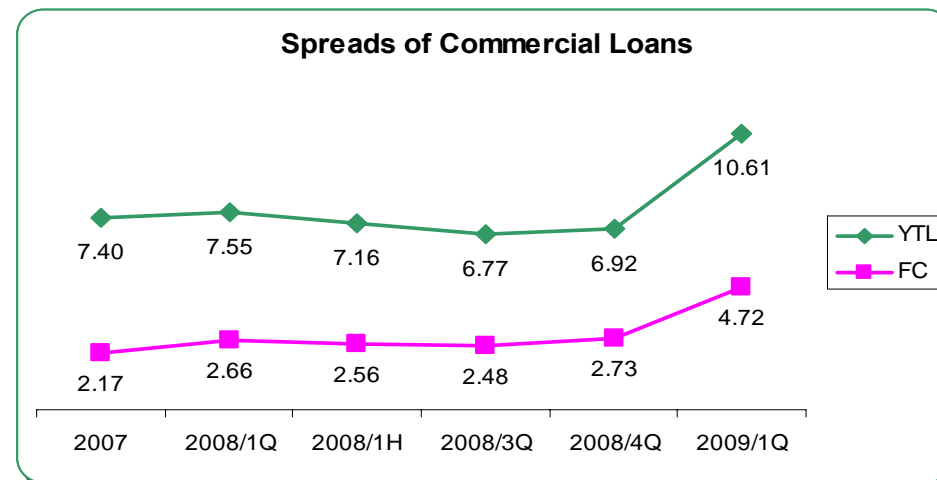
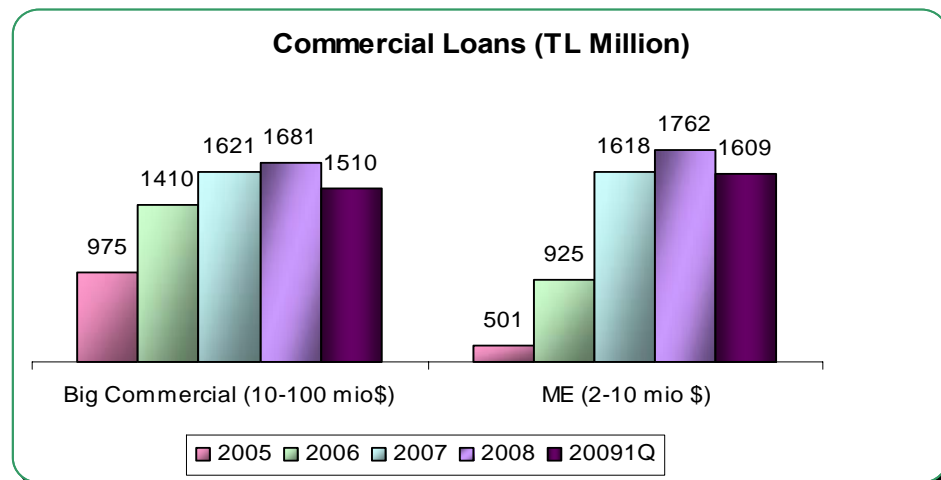


- Contribution to results (as of 09 1Q):
  - 24.9 % of loans
  - 25.2 % of deposits
  - 14 % of customer contribution

- Cross-sell ratio : 5.52x
- NPL ratio : 0.40 %



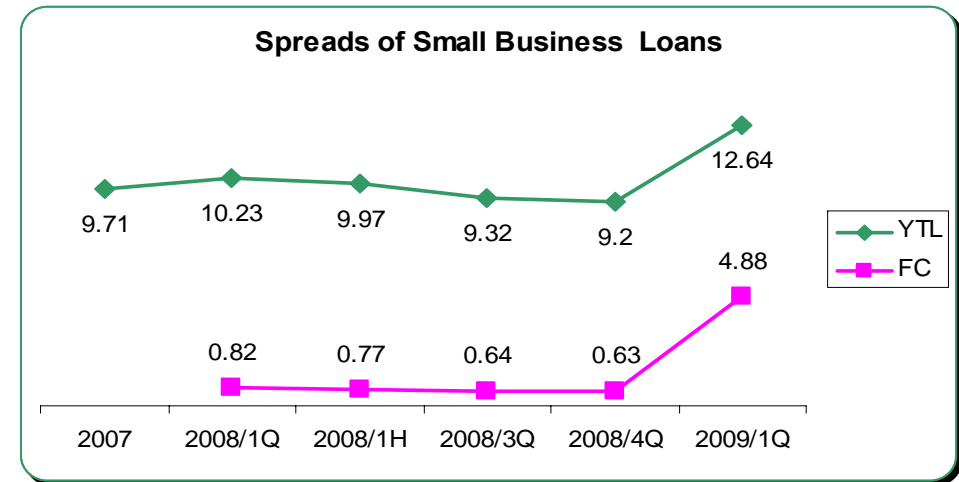
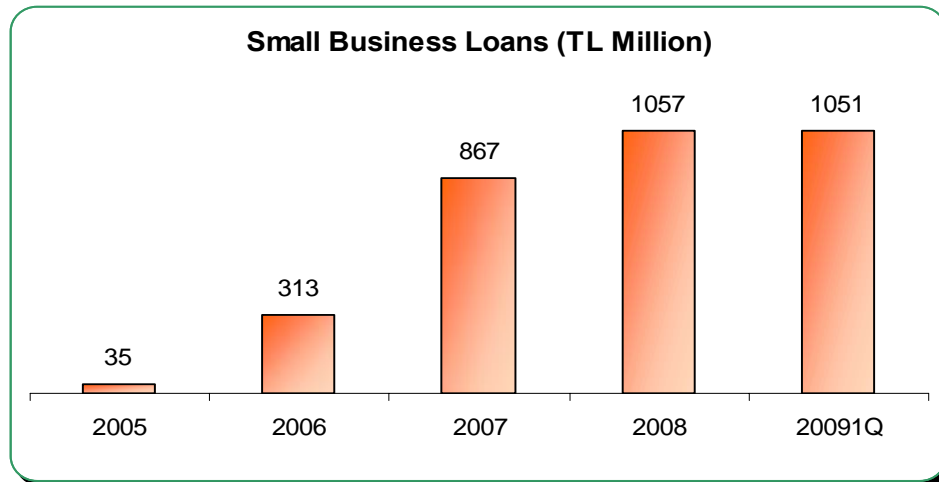
# Business Lines- Commercial Banking



- Contribution to results (as of 091Q) :
  - 42.9 % of loans
  - 13.2 % of deposits
  - 44 % of customer contribution

- Cross-sell ratio : 6.45x
- NPL ratio : 3.46 %

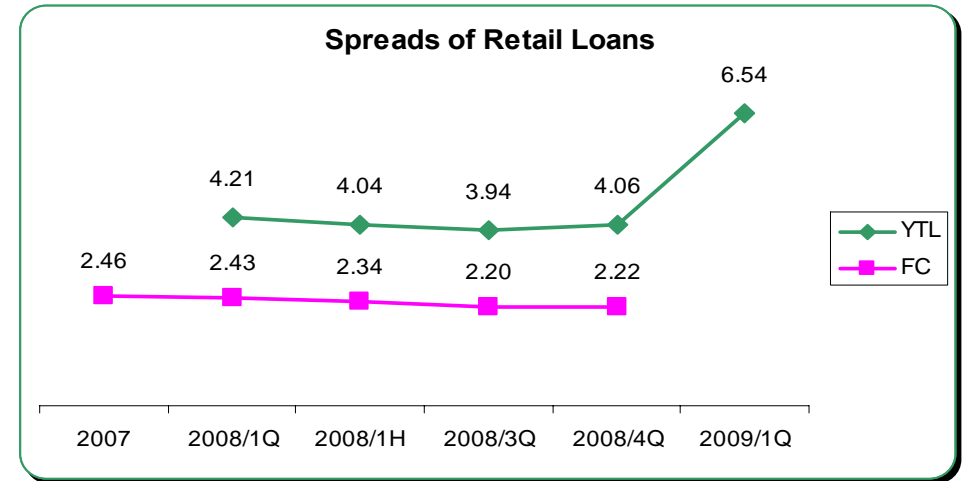
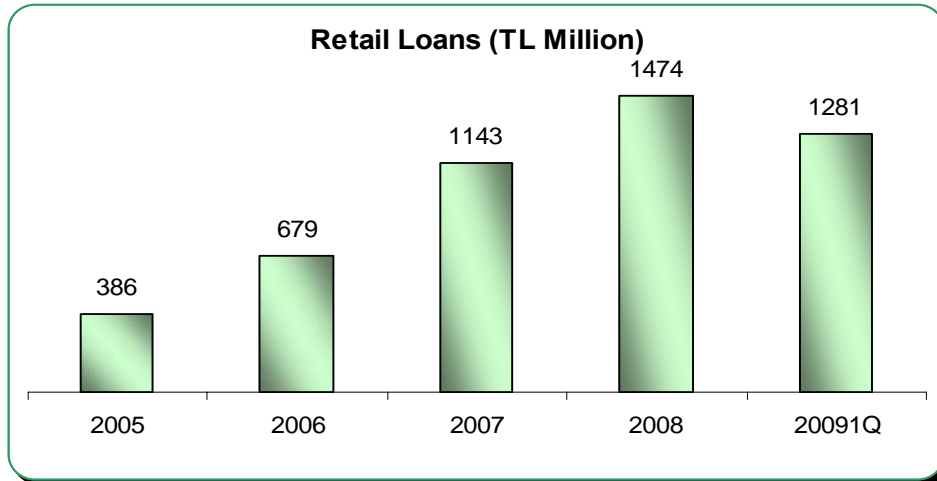
# Business Lines- Small Business



- Contribution to results (as of 091Q):
  - 14.4 % of loans
  - 7.3 % of deposits
  - 23 % of customer contribution

- Cross-sell ratio : 3.77x
- NPL ratio : 6.9 %

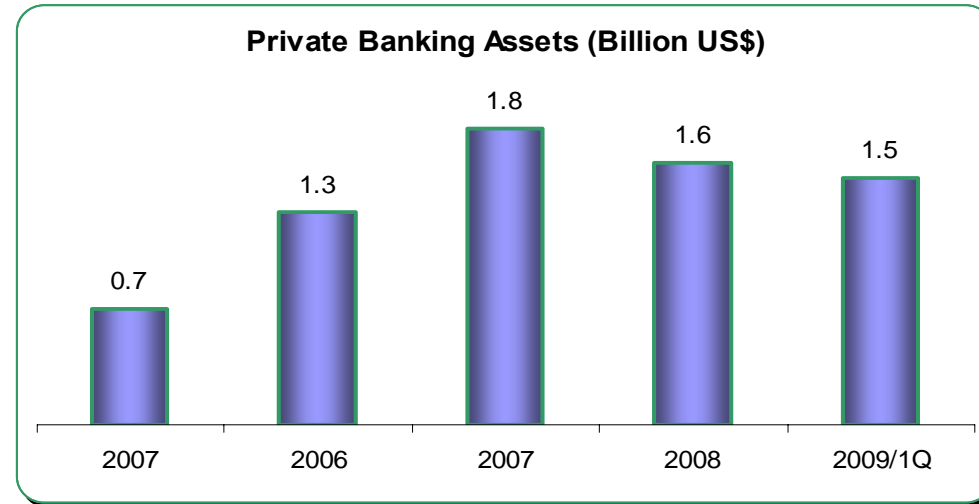
# Business Lines- Retail Banking



Credit card loan spreads are not included.

- Contribution to results (as of 091Q):
  - 17.6 % of loans
  - 35.1 % of deposits
  - 16 % of customer contribution

- Cross-sell ratio : 3.79x
- NPL ratio : 2.28 %



- Contribution to results (as of 09 1Q):
  - 0.1 % of loans
  - 19.3 % of deposits
  - 2 % of customer contribution
  - Cross-sell ratio : 4.34x
  - NPL ratio : -

## TEB Financial Group of Companies

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**TEB Investment:** 8<sup>th</sup> largest brokerage and investment house of Turkey with 3.8% market share as of 2009/1Q.

**TEB Asset Management:** 4.29 % market share with EUR 559 mio of AUM as of 2009 1Q. Number one in Capital Protected Funds with 26% market share and number 2 at Special funds with 40% market share as of 2008 YE.

**TEB Leasing:** 3.30% market share, 11th largest leasing company in Turkey as of 2009/1Q.

**TEB Factoring:** 4<sup>rd</sup> largest factoring company in Turkey with a 7.0% market share in the sector as of 2009/1Q.

**TEB NV:** “Turkish specialist” in the EU market, total asset size is EUR 691 mio. as of 2009/1Q

## 2009 Outlook

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### Objectives and Priorities

# 2009 General Strategy and Objectives

- Flexible Budget: Quarterly budgets will be prepared and reviewed It will be subject to change each quarter.
- Unless subtle signs of recovery are observed;
  - Asset quality will continue to be the priority
  - Optimum liquidity level with a focus on cost of liquidity will be targeted.
  - Improvement of Cost/Income ratio through cost saving projects will be another priority.
  - Controlled growth; although the long term growth plans are intact, opening new branches will be on hold and evaluated quarterly.
- Growth in non-credit products and client penetration through cross-sells
- Enlarging the deposit base

## Contact Details

Investor Relations

+90 212 2512121

<http://www.teb.com.tr>

- Çiğdem Başaran (ext. 1532)  
[Cigdem.Basaran@teb.com.tr](mailto:Cigdem.Basaran@teb.com.tr)



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