

## TÜRK EKONOMİ BANKASI IN 2011

### GENERAL OVERVIEW

**TEB successfully closed the 2011 operating year with a pre-tax profit of TRY 283.3 million and a net tax profit of TRY 206.7 million.**

As the legal entity of Fortis Bank AŞ was terminated on February 14<sup>th</sup>, 2011 within the framework of the merger procedure, all rights, receivables, payables and liabilities of Fortis Bank AŞ were universally transferred to TEB and the merger of the two banks was thus completed. The two banks' balance sheet sizes in 2010 were taken as a basis to evaluate and compare the balance sheet sizes of both banks. Similarly, TEB's growth rate in 2011 was calculated based on the total sizes of both banks in 2010.

In the evaluation which we conducted based on our Bank's performance in 2011 and the sum of both banks' performances in 2010, our Bank's net profit is found to have grown by 86% year-on-year when the following are excluded: restructuring costs incurred by the merger in 2010 and 2011, profits generated from activities which ceased in 2010 and income generated from the exclusivity contract signed with Cardif Hayat Sigorta AŞ.

At the end of 2011, TEB chalked up 29% year-on-year growth in its credit portfolio, in parallel with the credit volume growth of the deposit banks in the sector.

In expanding its credit portfolio, TEB always attaches priority to the portfolio quality. The non-performing loans ratio, which had stood at 3.68% at the end of 2010, fell to 2.78% by the end of 2011.

Customer deposits, which are the primary funding source of our Bank, grew by 31.0% in 2011 – considerably higher than the average 12.7% deposits growth rate among other deposit banks in the industry. This stands as testament to the importance that our Bank attaches to its deposit base.

## TEB'S POSITION IN THE SECTOR

TEB's financial highlights, its market shares and the indicators regarding the developments in these market shares as of December 31<sup>st</sup>, 2011 and December 31<sup>st</sup>, 2010 are given below.

(TRY million)	31.12.2011			31.12.2010		
	TEB	Sector	TEB's Share (%)	TEB	Sector	TEB's Share (%)
Total Assets *	38,092	1,217,620	3.13	19,031	1,006,667	1.89
Total Loans *	25,652	686,821	3.73	11,753	529,012	2.22
Total Deposits *	22,887	695,501	3.29	11,999	617,037	1.94
Number of Branches **	507	9,834	5.16	335	9,465	3.54
Number of Personnel **	9,356	181,443	5.16	5,646	178,504	3.16

\* Source (sectoral figures): December 2011 Monthly Bulletin, Banking Regulation and Supervision Agency

\*\* Source (sectoral figures): Banks Association of Turkey

Similarly, the composition of TEB's balance sheet and the banking sector's overall balance sheet composition are compared as follows:

% of Balance Sheet Total	31.12.2011		31.12.2010	
	TEB	Sector*	TEB	Sector*
Liquid Assets	12.8	13.7	14.3	11.6
Marketable Securities	14.7	23.4	19.6	28.7
Loans	67.3	56.4	61.8	52.7
Fixed Assets	1.8	2.3	1.3	2.5
Other	3.4	4.2	3.0	4.5
Total Assets	100.0	100.0	100.0	100.0
Deposits	60.1	57.1	63.1	61.3
Money Markets	2.9	8.4	0.4	5.8
Borrowings	17.9	15.3	18.9	13.1
Subordinated Debt	1.9	0.7	2.5	0.6
Other	6.1	6.6	5.6	5.8
Shareholders' Equity	11.1	11.9	9.5	13.4
Total Liabilities	100.0	100.0	100.0	100.0

\* Source: Banking Regulation and Supervision Agency <http://ebulten.bddk.org.tr/AylikBulten/Basit.aspx>

In an evaluation conducted in 2011 based on the two merged banks' balance sheet sizes in 2010,

- TEB's total assets grew by 22.2% in 2011.
- TEB's shareholders' equity reached TRY 4.213 billion.
- The share of total deposits in the balance sheet reached 60.1%
- The Bank expanded its credit portfolio by 29% year-on-year, while its loans/total deposits ratio rose from 64.1% to 67.3%.
- The Bank's non-performing loans ratio ended the year at 2.8%, a result of the bank's strong loan policies and cautious risk approach.
- The Bank's loans/deposits ratio stood at 112.1% at the end of 2011 with a capital adequacy ratio of 14.2% and return on equity of 5.36%.

In 2011, a total of TRY 67.8 million in merger costs were reflected to the financial statements at the highest level.

**In this period, TEB's performance results, summarized above, indicate that the bank completed 2011 with notable success.**

## AWARDS

TEB was deemed worthy of an impressive array of awards both in Turkey and abroad in 2011.

- The “Parvest Turkey” mutual fund, which TEB Asset Management provides investment consultancy services to, received the **“Best Stock Fund in Turkey”** award among European funds in 2010 by Lipper, a mutual fund rating institute.
- TEB received the winning award under the “One to Watch” category at the **“Adam Smith Awards”** competition held by “Treasury Today” in recognition of its “Mobil-ink” product which was designed in cooperation with Adidas Spor Malzemeleri.
- At the **Stevie Awards**, one of the most prestigious award ceremonies of the business world, TEB received the **“Winning Award”** and the **“Honorable Mention Award”** under the **“Best New Services of the Year”** category in recognition of its “TEB SME Consultants” and “TEB SME Club” projects.
- TEB Factoring was chosen as **“The Best Export Factoring Company in 2010”** by Factors Chain International (FCI), the world’s largest and most prestigious factoring organization.
- Launched in December 2009, the “Green Trumpet”, which is TEB’s credit promotion platform, received the **“The Best Customer Satisfaction Award”** by BNP Paribas.
- Within the scope of **Financial World Innovation Awards**, the TEB SME Academy was deemed worthy of the award of excellence under the SME Customer Services category.
- In a world first, TEB’s “Screen Bank Card” received the **“Innovative Card Award”** in the 2010 Publi-News Innovative Card Awards.
- The TEB SME Consultants project won an award under the social responsibility category at the **Active Academy 8<sup>th</sup> International Finance Summit**, an organization which keeps a close view of the finance and banking sectors.

### 6 Awards from Web Awards to TEB

With its 5 internet branches, TEB was deemed worthy of an award by the Web Marketing Association in 6 different categories at the 15<sup>th</sup> of Web Awards, which is one of the most prestigious awards of the internet world:

- The Financial Services Excellence Standard and Banking Excellence Standard Awards for the Bank’s corporate website, [www.teb.com.tr](http://www.teb.com.tr);
- The Financial Services Excellence Standard Award to TEB Bonus Card’s website at [www.tebbonus.com](http://www.tebbonus.com), the TEB Yıldız (Star) Banking website at [www.tebyildiz.com](http://www.tebyildiz.com) and its University Banking website at [www.universiteb.com.tr](http://www.universiteb.com.tr); and
- The Distinct Website Award to [www.aztuslupiyano.com](http://www.aztuslupiyano.com), the website of Az Tuşlu Piyano, the advergence of TEB’s Handy Internet Branch.

### Other web awards

- Designed to offer customers a unique internet banking experience, TEB's Handy Internet Branch was selected as the 3<sup>rd</sup> Best Website in the Internet Banking category at the 9<sup>th</sup> Golden Spider Web Awards, but ranked in 1<sup>st</sup> place in the public vote.
- At the 2011 Interactive Media Awards, an organization which awards websites deemed to be of a high standard in terms of design and application, TEB received a total of 4 awards in total: two "Best in its Class" awards for its corporate website at [www.teb.com.tr](http://www.teb.com.tr) and the TEB Yıldız (Star) Banking website at [www.tebyildiz.com](http://www.tebyildiz.com); and two "Excellence" Awards in recognition of TEB'S Private Banking website at [www.tebozel.com](http://www.tebozel.com) and University Banking website at [www.universiteb.com.tr](http://www.universiteb.com.tr).
- At the 2011 Davey Awards, the TEB Bonus Card website at [www.tebbonus.com](http://www.tebbonus.com) received 2 Silver Awards in Financial Services and Microsite categories. Meanwhile, the TEB Handy Internet Branch's advergaming at [www.aztuslupiyano.com](http://www.aztuslupiyano.com) was granted the Selective Website Award in the Internet Advertising Competition.
- With the **practical banking solution for pensioners**, TEB was deemed worthy of an award by BNP Paribas under the "**Product and Service**" category within the framework of 2010 Group Innovation Awards.
- BNP Paribas handed TEB the "**Process Optimization Award**" in recognition of its **Blackberry service**, a banking solution offered in the field of technology.
- At the **Golden Spider Web Awards**, TEB's corporate website at [www.teb.com.tr](http://www.teb.com.tr) was chosen as the "People's Favorite" under the "Financial Services (Banking and Finance)" category; TEB SME TV's website at [tebkobitv.com](http://tebkobitv.com) was selected as "People's Favorite" under the "NGOs/Social Responsibility" category; and Az Tuşlu Piyano's (which is prepared as a continuation of the commercial related to the TEB Handy Internet Branch) website at [aztuslupiyano.com](http://aztuslupiyano.com) was pointed out as "People's Favorite" under the "Advergaming" category.

## CORPORATE BANKING GROUP

### INTERNATIONAL BUSINESS AND TRADE FINANCE

**Aiming to provide its customers with the most effective and flawless service in the fastest manner, TEB increased its contributions to our country's foreign trade through the presence of BNP Paribas - the world's 3<sup>rd</sup> largest bank and Europe's largest bank - in more than 80 countries, as well as with the support of BNP Paribas' network of Trade Centers that operate in 100 locations in 64 countries.**

TEB took steps to allow its customers to reach markets in Asia, the Middle East and Africa, where Turkey has recently developed commercial relations with; and was able to offer high quality and rapid services even in troubled regions.

Operational solutions like the Foreign Trade Legislations Consultancy Line and Letter of Credit Preparation Services were offered to customers.

TEB, in cooperation with more than 2,000 correspondent banks, develops new relations in line with its customers' needs. In 2011 TEB raised its market shares in various areas and strengthened its collaboration with international institutions. With its customer-oriented approach, the Bank continued to produce different solutions for various needs in international trade.

#### **In 2011 TEB succeeded in providing viable solutions for a number of exporters.**

TEB is today able to confirm the letters of credit of more than 100 banks in 13 countries in Middle East and a total of 164 banks in 44 countries in Africa, including some of the world's riskiest countries. The Bank also provides letters of guarantee against counter guarantees, discounts export receivables and offers factoring services.

According to the analysis conducted by the Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T SCRL), TEB holds a 9.04% market share in the number of letters of credit issued to Turkish companies and an 8.30% market share in the number of counter guarantees and Stand-By L/Cs given to Turkish companies (on the basis of the number of transactions).

**In 2011 TEB continued to be one of the leading banks in terms of providing long-term resources required by the Turkish business world, thanks to the relations it has built with international banks and financial institutions.**

Despite a sharp contraction in the volume of funding facilities abroad, TEB has continued to finance its customers' long-term investments at competitive costs, thanks to its close and long established relations with banks, as well as its cooperation with BNP Paribas.

#### **TEB commands a significant market share in foreign trade with its high-quality services.**

According to the data provided by the Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T SCRL), TEB holds a 16% market share in the number of letters of credit issued by Turkish companies and an 11% market share in the number of letters of guarantee and Stand-By L/Cs given by Turkish companies, on the basis of the number of transactions.

In 2011 TEB maintained its position among the top banks operating internationally with its flawless transfer rate.

Thanks to the 'Intraturkey' agreements that TEB entered into with its Euro and US\$ correspondents, special prices are applied to FX transfers within Turkey. As such, the transactions of TEB customers transferring money in € or US\$ terms within Turkey, are completed on the same day as the value date and in a cost-efficient way.

#### **Transferring money to more than 180 countries, TEB produces solutions in line with its customers' various needs.**

In order to meet its customers' money transfer needs in local currency because in connection with their investments in different countries, TEB offers the opportunity to send money to foreign countries in 135 different currencies through its correspondent banks.

### **TEB was the first bank in Turkey to perform financial transactions with the Chinese Yuan.**

Following the agreement reached by high level authorities with respect to the execution of trade relations with China through Turkish Lira and Yuan (Renminbi) , TEB signed an agreement with Bank of China (Hong Kong) Limited and became the first bank in Turkey to perform financial transactions with the Chinese Yuan. With this agreement, TEB offered its customers the opportunity to send and receive money from China through their Yuan accounts and carry out foreign trade transactions in Yuan terms.

According to data provided by the Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T SCRL), TEB holds a 9.28% market share in the number of money transfers from Turkey and a 4.24% market share in the number of money transfers to Turkey in terms of the number of transactions,.

The instability of global financial markets which flared up in 2008, and which still extends its negative impacts, caused borrowing levels to fall. In response to these developments, TEB renewed the syndication loan, which matured in 2011. Using this loan to support exporters, TEB this time received a syndication loan twice as large as the previous loan but at a lower interest cost. The renewal of the syndication loan at such favorable conditions once again reaffirmed market trust in the Bank.

In 2011, TEB issued bonds to international markets through BNP Paribas in order to raise its capital adequacy ratio. Totaling € 175 million, these bonds have a 12-year maturity and TEB has an early repayment option at the end of a 7 year period.

### **TEB Trade Centers**

TEB Trade Centers are located in Istanbul, Izmir, Adana, Ankara and Bursa, which account for almost 70% of Turkish foreign trade volume, and serve nearby cities from these central locations.

The Trade Centers in Istanbul are located in the Bank's Relations Department and Commodity Finance Department at the Head Office. Coordination and cooperation are provided

between the related departments regarding foreign trade and commodity finance, depending on the customer.

With the new structuring, TEB introduced the concept of the key trade client. Within the framework of this concept, specialized directors of TEB Trade Centers regularly visit their active and potential clients, who are in constant need of funds for foreign trade and trade finance transactions. Creative foreign trade finance models to best fit customers' needs are developed through the expertise and wide correspondent network of TEB and BNPP in the field of foreign trade finance.

In addition to the protocol signed with Türk Eximbank, short-term export receivables, as well as mid- and long-term export receivables are provided as loans and discounted within the framework of the Eximbank insurance.

Thanks to receivables finance, supply finance and stock solutions, which are the Supply Chain Finance products developed by BNP Paribas, customizable models are developed in line with the operating capital and balance sheet management needs of those customers with a high trade volume.

In addition to providing finance to hazel nut and tobacco producers, an area where the Bank is traditionally strong, solutions aimed at financing commodities such as grain, vegetable oil, synthetic rubber, plastic raw material, concentrated fruit and chrome ore are being developed.

Through its Foreign Trade Training programs, TEB provides its foreign trade customers with the basic foreign trade information required by these customers in executing their business reliably, as well as information on primary risks and technical data. These programs are organized in a customer-centric manner or with the participation of a number of customers.

## CORPORATE BANKING

Following the merger between TEB and Fortis in 2011, information pertaining to more than 8,000 corporate banking clients was transferred in a trouble-free manner, and innovations to increase the effectiveness of TEB's corporate segment were carried out.

TEB serves those of its customers with annual turnover equal to or exceeding TRY 30 million through a total of 20 Corporate Centers, 10 of which are located in Istanbul. TEB also offers its customers use of TEB's and BNP Paribas' products and services at the highest level.

Since 2008, when the economic crisis broke out, markets have become risk-sensitive. For this reason, TEB has focused on products that protect its customers against these risks. The Bank determined commodity, FX and interest derivatives as its primary products, in parallel with the risk perception that flared up in markets in 2011.

## CASH MANAGEMENT

Founded in 1997 to provide products and services that assist the Bank's corporate customers in making their payments and collections, the Cash Management Unit was repeatedly commended in international contests with the innovative products that it continually develops.

Having received an array of awards in various organizations in recognition of its products such as Quick Import Transfer Supplier Finance, Online DBS, Mobile DBS, MobiliteB and Mobil-Ink, the Cash Management Unit expanded its customer portfolio and further raised its capabilities with projects such as DBS and Tkart, which were added to the unit's product range this year.

**In parallel with developments in the mobile world, MobiliteB - a world first - was added to the product range of collection and payment systems offered to TEB customers.**

Developed with TEB's expertise and experience in cash management, MobiliteB was deemed worthy of the high honor award at the Florin Transaction Services Innovation Awards' award ceremony held in Amsterdam in April 2011. As the only bank in Turkey to offer cash management services on a mobile platform, TEB aims to maintain its leadership in innovative mobile products. Having built its leadership in this area, initially with Mobile DBS and MobiliteB, TEB is preparing to offer CEPPOS and Mobile Corporate Banking in 2012.

2012 is expected to be a year in which risks are kept under control and opportunities utilized with a proactive approach. The Cash Management Unit aims to raise its service quality through solution-oriented and innovative products that will be developed for domestic and multinational companies.



## TEB SME BANKING GROUP

**TEB SME Banking Group responds to its customers' various expectations and needs by offering them products and services of high added value and rendering services such as "consultant bank". Following the merger between TEB and Fortis Bank in 2011, the Group began to serve its portfolio of customers through a larger organizational structure.**

Believing that offering the right combination of products and services to the right customers is a fundamental principle of ensuring customer satisfaction, the TEB SME Banking Group renewed its customer segmentation accordingly and began to serve companies with an annual turnover of up to TRY 30 million. Through a range of products and services that facilitate customers' payments and collections, operational procedures were simplified and cash flows coordinated in an effective manner. In 2011, customer satisfaction was made sustainable through continuous improvements in collection and payment systems. Cross selling activities were conducted through projects developed within the framework of the Direct Debit System.

The rising penetration in the SME segment positively affected the Bank's market shares. According to end-2011 data published by the end of BRSA, the Bank commands a 5.39% market share in cash loans and a 5.63% market share in non-cash loans.

**In POS, which is an important product in terms of the management of cash flows of SMEs and enterprises, 2011 was a successful year both in terms of volume and the number of member workplaces. According to the figures for December 2011 released by the Interbank Card Center, TEB boasted a 6.11% market share to rank 5<sup>th</sup> among all banks in terms of transaction volume.**

Offering the opportunity for comprehensive cooperation as a bank that has adopted the principle of meeting all of the insurance-related needs of its customers, TEB offers the following insurance products and services to its SME Banking customers:

- Elementary insurance policies through Zurich Sigorta AŞ,
- Life insurance policies and private pension plans through BNP Paribas Cardif Emeklilik AŞ, and
- Receivable insurance through Coface Sigorta AŞ.

Within the framework of the protocol signed between the Undersecretariat of Treasury and the Bank, SMEs may receive, through TEB, some of the interest paid by the Undersecretariat of the Treasury for loans that they obtain in accordance with the conditions of the Investment Incentive Certificate. Loans were extended within this framework in 2011, allowing customers to benefit from this practice through interest payments.

**Having become involved in all KOSGEB (Presidency of Development and Support of Small and Medium-Sized Enterprises Administration) programs to provide interest payment support since 2008, TEB SME Banking Group began to extend loans within the framework of these loan programs that were launched in 2010, and continued to do so in 2011.**

This successful cooperation with KOSGEB continues with the "Emergency Support Loan 2011", the "Emergency Support Loan for the Province of Van" and the "Operating Capital Support Loan for the Province of Loan" programs. Launched by KOSGEB to provide financial support under viable conditions to enterprises which have been affected by situations such as natural disaster, war, general strikes, fire, civil commotions, terrorism, where these situations have been documented and certified by official authorities, and which are registered in KOSGEB's Database. The Emergency Support Loan was expanded with 2 loan interest payment support programs specific to the province of Van in the aftermath of the earthquake to affect the region.

The Credit Guarantee Fund (CGF), which TEB is a shareholder of, provides a guarantee to SMEs, paving the way for enterprises to take out more bank loans and allow them to benefit from long-term loans. As such, the TEB SME Banking Group encourages entrepreneurship and contributes to

economic growth and development by creating an additional opportunity on behalf of SMEs. Having also mediated in CGF projects during 2011, the TEB SME Banking Group became involved in the project entitled “Micro Loans to Micro SMEs”, which was implemented by CGF this year. Within the framework of this project, which aims to narrow the developmental inequalities between the poorest 43 cities by gross domestic product and the remaining cities, TEB customers were offered CGF-supported loans.

**The rollout of these services, designed for SMEs, as well as TEB’s special approach towards SMEs, has been considered a success story by the International Finance Corporation (IFC). In a worldwide case study initiated by the IFC with respect to “Offering of Non-Financial Services to SMEs”, TEB was the only Turkish bank to be cited for its success. Additionally, a new project was launched with the TEB SME Banking Group. Within this framework, a plan was drawn up to analyze the best practices and share them with the public.**

In another groundbreaking development in the Turkish banking sector, TEB SME Banking Group created “TEB is Wherever SME’s are” accounts in social platforms like Facebook, Twitter and FriendFeed and thus established more effective contact with thousands of SMEs in order to keep its SME segment up-to-date and to respond to the questions of SMEs as quickly as possible.

**Having adopted facilitating “information” access channels as the only way to differentiate itself from its rivals in the fiercely competitive SME segment, TEB SME Banking continued to improve its existing service channels, while demonstrating a socially sensitive approach by developing products and services in areas that are of primary importance for the national economy.**

Helping SMEs rise the forefront in domestic and international competition through the power of information, TEB SME Academy continued to organize training programs in 2011 and held special seminars in large cities like Istanbul, Ankara, Bursa and Adana in daily topics such as “Combine Law” Combine Law and the “New

Turkish Trade Code”. While TEB SME TV’s expert , Prof. Şükrü Kızılot provided comprehensive information on the scope and effects of the “Bag Law”, Asst. Prof. Korkut Özkorkut focused on the possible effects of the amended Turkish Trade Code on SMEs. Mardin was added as the 32<sup>nd</sup> city to host TEB SME Academy Corporate Development Training sessions, and more than 11,000 SMEs participated in classroom education programs.

Helping those who are instrumental in their sectors to shape the future of their own sectors, in 2011 the Future Strategy Conferences focused on the tourism sector, which is of great importance to the Turkish economy. In conferences held in Antalya on April 5<sup>th</sup>, 2011, the tourism sector’s 2- and 5-year development plans and targets were identified with the precious contributions of the members of public and private sectors, as well as NGOs.

**The first internet TV in the sector to serve SMEs, TEB SME TV reached broader masses in 2011 and became a significant brand in the sector more than 4.5 million visitors, over 100,000 members and an archive of around 5,000 videos.**

Also keeping a close view of technological developments, TEB SME TV stood at the forefront of mobile communications by offering its applications on the iPhone and iPad. Having repeated the success of previous years in 2011 with the Golden Spider Contest, TEB SME TV maintained its title as the “People’s Favorite” and ranked 3<sup>rd</sup> in the “best portal” category.

One of the services offering the most concrete contribution to TEB’s target to be a consultant bank is TEB SME Consultant, which once again won the approval of its customers this year. The number of SME Consultants reached 300 in 2011.

**The scope of information support provided to SMEs was expanded in 2011 by adding the Agricultural Banking Information Line and Corporate Social Responsibility Information Line to TEB’s SME Support Line (4440666), one of the most convenient methods of providing information to SMEs in an easy manner and at the requested time.**

In 2011, Bilginet and Bizfonik were added to the group of business partners of the TEB SME Club, which brings SMEs together under a single roof and combines their strengths in order to reduce their costs. Offering TEB's corporate clients discounts of up to 50% in their purchases, the TEB SME Club addresses more than 15,000 members and thus continues to play a significant role in SMEs' purchase decisions.

Applying its approach to social responsibility in all of the services it offers, TEB SME Banking launched the "TEB SME Employment Package" in 2011, demonstrating that the private sector – and not just public institutions or NGOs – can produce solutions to the unemployment problem. This package offers those SMEs seeking to hire new personnel a 1.5-point deduction in the interest rates of loans provided from TEB, as well as free-of-charge VIP membership of the TEB SME Club for one year. Moreover, various collaborations were established with non-bank corporations, paving the way for special advantages to be offered by Secret CV and Zurich Insurance to those customers making use of this package.

The "TEB Zero Interest Technology Loan" was developed for SMEs looking to undertake technological investments. Within the framework of this product, those of Arena Bilgisayar's dealers and SMEs who conduct purchases from these dealers are offered flexible maturity options of up to 12 months and the advantage of interest-free purchases of the products included in the campaign.

TEB SME Banking has responded to the elementary insurance demands of its customers in the SME segment through a single policy, with the SME Insurance Package, in addition to the SME Responsibility, My Office and Fire insurance policies. POS devices installed in TEB's member workplaces were assured with the POS Insurance against risks such as breakage, flood, theft and malfunction, etc. Other products include the Hotel Package Insurance policy, Engineering Insurance policies, Transportation Insurance policies and Executive Responsibility Insurance policies.

In 2012 TEB SME Banking aims to

- deepen relations with the existing customers of the merged bank and keep growing profitably by acquiring new customers;
- support investments, whose target is to improve the social life and future of Turkey, by means of social responsibility and energy efficiency projects as in the past;
- diversify the funding facilities it offers to SMEs by means of global collaborations like the one with the French Development Agency (AFD) and local collaborations like the ones with CGF and KOSGEB; and
- raise its market share consistently.

### TEB SMALL BUSINESS BANKING

**TEB Small Business Banking, with its wide product range, aims to produce solutions from a single location for all financial needs of its customers and to be the first bank remembered by its customers in the field of small business banking.**

TEB possesses a specific scale, a delivery network and a high technological infrastructure, which allow the Bank to offer its products and services to customers at the right time and the right manner. During the merger in 2011, TEB continued to offer solution-oriented products and services rapidly and with an approach that makes its customers feel that TEB always stands by them.

Having further improved its product range in 2011, TEB Small Business Banking added new products to its product portfolio of Overdraft Accounts (OA) and offered Super Accounts to those customers, who need short-term high cash finance. In addition to Super Account, new products like Source Account, POS Source and Check Source were developed, thus covering the short-term cash needs of enterprises and giving them the option to choose the most suitable overdraft account from a wide spectrum.

TEB Small Business Banking offered especially unique opportunities in commercial installment loans, both in Eid and the Festival of the Sacrifices in order to improve the holiday prolificacy of traders. TEB Small Banking continued to sign protocols with chambers of traders In 2011 and

mediate KOSGEB loans, ordering a wide variety of financial solutions to assist small enterprises in gaining a consistent income model.

TEB Small Business Banking continued to develop special products in 2011 to cover the insurance needs of customers in the small business segment; in addition to its existing products, TEB Small Business Banking began to provide insurance for the workplaces, goods and fixtures of small enterprises through its product entitled "My Workplace Is Secure", with special price advantages.

Breaking further ground in the sector in 2011, TEB Small Business Banking began to provide its small business customers with a service similar to "SME Consultants", a service offered only to SME customers. Within the framework of the project, "TEB Small Business Experts", which aim to more closely understand the fundamental dynamics of small enterprises and produce solutions for their problems, an intensive 1-year training program was provided for Customer Relations Directors serving small businesses at TEB branches. This program aims to ensure that Customer Relations Directors are better able to analyze the fundamental functions and needs of the Bank customers.

In 2012 TEB Small Business Banking aims to:

- deepen its relations with its existing customers and expand its client base with professional staff;
- support future-oriented investments through social responsibility projects like techno-enterprise;
- support and strengthen information access and the planned growth of small enterprises via "TEB Small Business Experts Project";
- diversify funding facilities through both global and local collaborations; and
- generate solutions in line with local and sectoral action plans.

## TEB AGRICULTURAL BANKING

**Offering one of the most comprehensive ranges of agricultural loan products among private banks, TEB achieved a 135% expansion in its cash loan portfolio in December 2011, when**

**compared to December 2010, according to BRSA figures. According to this result, the Bank's market share, which had stood at 1.08% at the beginning of 2011, rose to 3.25% by the end of the year.**

TEB Agricultural Banking aims to support manufacturers through a range of agricultural banking products that cover the needs of the sector and manufacturers, which are based on the conditions and dynamics of agricultural production. TEB Agricultural Banking carries out its activities with an understanding that pays attention to sectoral dynamics and with right products, right prices and right procedures, and sets up long-term relations with its customers by offering special forms of finance depending on the types of sub-production. TEB Agricultural Banking's competitive edge is driven by its specialized personnel, including agricultural engineers, and its information-based strategic approach.

**The number of TEB Harman Kart users rose by 371% in 2011 when compared to 2010, addressing a broader group of consumers.**

The TEB Harman Kart comprehensively meets all of the needs of agricultural manufacturers, in purchases ranging from seed to fertilizers and diesel fuel to feed, enabling manufacturers to meet their needs under viable conditions and complete their payments from harvest to harvest. Whenever they need cash for invoices, tax or insurance premium payments, manufacturers may apply for Agricultural Overdraft Accounts.

**The option to repay the loan after the harvest...**

The individual needs of manufacturers such as housing or vehicle needs are met through the Housing and Vehicle Loan for Farmers, a product developed by taking farmers' cash flows into account. Manufacturers are thus able to buy their desired home or vehicle when they want and under viable conditions, while completing their payments after the harvest.

**Discounts of up to 40% in agricultural loans**

Within the framework of the campaign, "Çiftçiye Çifte Bayram" (A double Holiday for Farmers), launched in 2011 to celebrate World Farmers' Day, all agricultural loans were discounted by up to 40%, aiming to ease the interest burden on

farmers. Within the scope of the collaborations entered into with agricultural unions and cooperatives, members of the chambers of trade and industry were offered an array of advantageous products ranging from loans to insurance services. In addition to the existing products, customers were also offered State-Funded Agriculture and Livestock Insurance policies.

#### **Activities that steer the sector...**

Organized by TEB, the Sectoral Future Strategy Conferences that aim to identify sectors' strategic targets continued in 2011 with the "Agricultural Sector". In the workshop attended by leading representatives of the sector, sectoral targets were determined and a wide information platform was set up. In addition, we continued to organize "Çaylar TEB'den" (It's on TEB), a series of events that we carry out by visiting villages, aiming to show that we stand by manufacturers, listen to them and produce solutions for their problems.

#### **TEB Agricultural Banking will focus on products and services of high added value in 2012.**

The agricultural sector is undergoing a period of rapid restructuring, consolidation and modernization. In line with this transformation, TEB has continuously updated its agricultural business models and expanded its organizational structure. By taking the entire agricultural value chain (production-industry-trade) into account, TEB Agricultural Banking will focus on products which cover all needs of agricultural enterprises and sectors that bring a high contribution to the national economy. As an important bank in the field of agricultural banking, TEB aims to be the sector's leading bank based on its sales targets that are defined in parallel with its strategies.

#### **TEB GOLD BANKING**

**According to data released by the BRSA in September 2011, TEB held a 31.73% market share in gold loans, again being the sector leader in 2011.**

One of TEB's most important characteristics that has differentiated the Bank from its rivals is that it is able to offer its Gold Banking products to its

customers throughout Turkey via its widespread branch network. TEB Gold Banking continued to provide financial support to the Turkish jewelry sector, which is the 2<sup>nd</sup> largest exporter of gold jewelry in the world, through products such as the "Gold Loan" and "Gold Installment Loan". With "Gold Collection System" solutions developed for the sector which offer convenient payment terms and guarantees for receivables, TEB Gold Banking maintained its vision-determining position in 2011.

#### **The target mass of the Gold Installment Loan, which has offered from April 2011, is jewelry retailers and small jewelry manufacturers.**

The Gold Loan with a maturity of up to 1 year, which can be extended on a gram-per-gram basis with a minimum of 250 grams, offers jewelers the opportunity to strengthen their operating capital. In a single policy, the Jeweler Package Insurance covers all the risks of wholesalers, retailers or sellers in the jewelry sector, such as risks related to their products or workplaces.

#### **Gold banking products for investors**

With the TEB Gold Checking Account, investors can open a gold checking account on a gram-per-gram basis through TEB branches and the TEB Internet Branch; gold can be traded in terms of 0.01 grams and multiples thereof. With the Gold Deposit Account, investors are even able to earn interest yields on a minimum of 1 gram of gold with a maximum maturity of 12 months. In addition, investors may place their savings in the TEB AŞ Type B Gold Fund and expect a steady income in the medium- and long-term.

**Having released the Final Report of the Future Strategies of the Turkish Gold and Jewelry Sector to the sector in February, TEB was also the primary sponsor of the 32<sup>nd</sup> Istanbul International Jewelry, Watch & Equipment Fair held at the CNR Expo Center between March 17<sup>th</sup>-19<sup>th</sup>.**

Believing that information is the most important commodity, TEB offered the "SME Support Line 444 0 667" to answer all kinds of questions asked by customers concerning gold, and thus continued to provide information support.



## TEB PUBLIC BANKING

**Attaching priority to municipalities in the field of Public Banking, TEB Public Banking differentiates itself in the sector by introducing a different and innovative point of view to both credit supply and collection methods within the framework of its strategies in this area.**

TEB Public Banking predominantly mediates the funding of the municipal projects and the collection of taxes for municipalities. TEB's alternative innovative and technological solutions help municipalities be supplied with loans that are financially structured.

### **Maintaining sector leadership and a pioneering position in Public Banking in 2011**

By extending financially structured credit products to municipalities, TEB allows projects to be implemented more easily by accepting, during credit supply, the current cash flows of municipalities as a guarantee rather than the collateral they present. For the collection of taxes, on the other hand, the products allow taxes to be collected online and in real-time by ensuring integration with the software systems that are currently used by municipalities. This way, all taxes and dues that are paid to municipalities, such as water, property and sanitation taxes, as well as advertising and billboard dues, can be collected via TEB branches throughout Turkey, saving a significant amount of time and labor for municipalities. Furthermore, within the framework of the Provincial Bank correspondent agreement that entered effect at the end of 2010, TEB began to mediate the collection of municipalities' legal shares and the repayment of the Provincial Bank loans received by municipalities.

In 2012 TEB Public Banking aims to double its market share in the areas of finance and collections of municipalities in line with its vision of becoming the primary bank of local administrations with the expectation that the pace of public investment will continue unabated.

## TEB RETAIL AND PRIVATE BANKING GROUP

### TEB PRIVATE BANKING

**TEB Private Banking compliments more than 20 years of experience and a deeply rooted service quality meeting international standards with new and appropriate products in parallel with the development of the Turkish and global markets.**

#### **Special approaches for the future**

The new approach developed by TEB in 2011 aims to understand the future potential needs of customers and their family members and provide consultancy in required areas, in addition to offering them the products and services that are necessary for the present. Specialized in their own fields, TEB Portfolio Managers conduct one-to-one meetings with customers and offer them detailed resolutions after conducting a special study.

Within this framework, TEB now offers customized consultancy services in the following areas, which had formerly been provided by BNP Paribas Wealth Management, to private banking customers worldwide: Art Consultancy, upper segment real estate consultancy as required in many European cities, philanthropy, viticulture and agricultural investments in France.

Moreover, with the advantage of BNP Paribas' global experience, TEB provides its customers with reports on the global economy and up-to-date information on the markets.

**Offering Commercial Real Estate Consultancy services, a first in Turkey, TEB offers its customers complimentary access to the knowledge and experience of Jones Lang LaSalle, one of the world's leading real estate consultancy firms with respect to commercial real estate, an important area of investment.**

With its Commercial Real Estate Loan Package , TEB Private Banking offers a solution package in the event that its customers require loans during their investments. Hence, TEB was the only bank in 2011 to consult its customers the luxurious on real estate investments.

#### **The first private banking application on iPad: "TEB Özel" (TEB Private)**

In 2011 TEB Private Banking launched the first private banking application on iPad for TEB Private Banking customers.

This application allows customers of the Bank to read special articles and comments on the markets from their mobile devices and to instantly access the headlines of daily developments in the world and in Turkey.

TEB plans to offer the private banking products and services, developed with the global expertise and experience of BNP Paribas, to the private banking world in coming years as well through various approaches, most of which will be firsts in Turkey.

## TEB RETAIL BANKING

**2011 was a year in which TEB made significant achievements in the area of retail banking.**

Having further strengthened after the merger, TEB will continue to build on its achievements in retail banking in 2012 with its customer-oriented approach, ability to take action rapidly in response to varying dynamics and needs, its innovative range of products and services, continuously improving technological infrastructure and a highly qualified and good humored team of human resources, all specialized in their own fields.

TEB possesses just the right scale, delivery network and high-tech infrastructure to allow the Bank to offer its products and services to customers at the right time and in the right manner. Proper, planned and effective use of its retail banking capabilities have strengthened TEB's ambition and market share in the area of retail banking.

**Having also maintained its significance in 2011 as well, the salary payment service is an important channel when gaining new customers and in becoming the primary bank for customers.**

Within the framework of the salary payment service program that includes special privileges and exceptions for those customers who receive their salaries through TEB, special continuous campaigns were extended to customers, who were contacted on a regular basis every month throughout the service lifecycle.

**In 2011 TEB began to provide special service to physicians and dentists by adding them as a new segment to its portfolio of retail customers.**

Within the framework of the efforts aimed at easing both banking transactions and the daily lives of physicians and dentists, the TEB Physicians Package and TEB Dentists Package, which is unique in Turkey, was offered to customers of the Bank in 2011. Meeting the needs of physicians and dentists in Turkey with BNP Paribas' expertise in the international healthcare sector, from 2012 TEB aims to be the bank of choice for physicians and dentists. With this package, TEB provides a

privileged service with its specially trained Customer Relations Directors, both through its branches and from its Physician Service Line at 444 90 50.

Through the TEB Physician Package and TEB Dentists Package, the following products were offered to physicians and dentists: MEDILEASE, a product originally developed by BNP Paribas Finansal Kiralama (Financial Leasing) AŞ; the Turkish Dental Association Group Pension Plan, a product originally developed by BNP Paribas Cardif Emeklilik AŞ; and Compulsory Financial Responsibility Insurance for Medical Maltreatment, a product originally developed by Zurich Sigorta AŞ.

**TEB has a competent segment that offers an array of products and services to Bank customers aged 18-25 and university students.**

TEB offers credit card services to the respective customer mass through the ÜniversiTEB Bonus Card and the TEB 18+ Worldcard. Working to a principle of standing by young people, TEB provides special advantages in banking transactions and private products and services to its customers using ÜniversiTEB.

### Star Banking

**TEB Star Banking continued to provide its customers with primary and privileged services In 2011 through its experienced portfolio representatives, a diversified internet branch and a call center.**

### Star Pro

Designed in 2011 especially for TEB Star customers, "Star Pro" - a unique service in Turkey, offered product diversity to its customers by issuing the TEB Bond and 15 Capital-Guaranteed Funds.

Star Banking, which will be renewed in 2012, will continue to offer new products and services that designed with a customer-oriented approach and maintain a privileged service approach with competitive pricing support.



## Product Development and Management

Having become a more important player in personal loans after the merger, TEB offers special payment plans to its customers and has thus gained prominence in the sector by implementing the flexible payment plans system in 2011.

### Continued collaboration with real estate agencies and construction firms

Having activated the online dealer system in order to accept the applications from estate agents, the Bank has continued to stand by its customers whenever they need help. The “TEB Home Support Package”, launched in 2011, represented the first time a bank in Turkey offered a combination of an assistance package and a support package for official procedures to customers taking out housing loans. Under this package, TEB customers taking out housing loans assigned a firm to offer assistance, free-of-charge, to perform the official procedures that must be completed when purchasing a new home.

Payment plans and attractive campaigns prepared in line with customers’ demand for consumer loans increased the number of TEB customers throughout 2011, becoming one of the most important ways for the Bank to acquire new customers interested in consumer loans.

With the TEB Handy Consumer Loan launched in September 2011, TEB began to instantly respond to its customers’ applications for consumer loans with nothing other than their national identity card number through SMS text message, the internet branch, the web, IVR, Call Centers or ATMs.

The Western Union service offered to TEB customers in all our “Hybrid Banking” branches was integrated into TEB’s banking system in 2011. In 2011 TEB actively conducted field marketing work for Western Union throughout Turkey and TEB was handed the “Western Union “Yes” Campaign “Use of The Best Alternative Channel” Award.

Boasting one of the largest product portfolios in the market in deposit and investment products,

## TEB launched the groundbreaking Skillful Saving Account in December 2011.

Designed to promote saving, the Skillful Account pays interest to Bank customers on a daily basis, offering them the flexibility to draw or deposit money without closing their time deposit accounts. Moreover, customers who used the Skillful Accounts for 6 months and maintained a specific average amount of money in these accounts were paid additional interest, a first in Turkey. TEB will continue to offer diverse products and services in 2012 in order to encourage its customers to save.

### Multichannel customer relations management

TEB not only meets the needs of its customers in all of the segments that it operates in; it also conducts work supported by advanced analytical modeling and tendency analysis in order to offer customers the best customer experience. TEB aims to offer its customers the right product and service at the right time and through the communication channels preferred by the Bank.

Supported by the foundations laid down in early 2011, the “Campaign Desk” allowed TEB to effectively manage its relations with its customers and from a single point and to provide the right message to its customers.

During this period, such channels as branches, call center, internet banking, SMS and e-mail were integrated, while the Bank plans to complete the integration of ATM and IVR in 2012.

In order to ensure that our customers are informed about our products and services and able to effectively use them, TEB launched its efforts to specify a detailed communication strategy, which is planned to be fully implemented in 2012.

### Card Payment Systems

2011 was a year in which the achievements of TEB Card Payment Systems were crowned with important awards. The website, Tebbonus.com, received the “Award of Excellence Standard in Financial Services” at the Web Awards in 2011,

**while the TEB Screen Card won the BNP Paribas 2011 Award for Innovation.**

After the merger, TEB began to manage two card programs – TEB Bonus and TEB World – in 2011. Besides Bonus and World campaigns, TEB also intensively undertook campaigns specific to TEB.

A total of 190,000 Total Cards were offered to customers under the cooperation with Total Oil AŞ, rendering it as one of Turkey’s most successful co-branded card programs.

**Debit cards were opened to e-commerce transactions in April 2011. The Bank achieved a 31% expansion in its debit card shopping volume during 2011.**

**TEB also continued to strengthen its position in member workplace activities in 2011 and the total number of terminals reached 131,000.**

By improving its POS performance, the Bank was able to provide a faster and better service to both card users and member workplaces. As such, the number of banks with which TEB carries out joint POS work rose to five. In 2011, the practice known as “messaging between workplaces through POS”, a first in the sector, was implemented. Notifications were made to workplaces through POS devices.

**Alternative Delivery Channels**

**TEB positions its alternative delivery channels as a branch-complementing channel that provides an opportunity to establish contact with customers.**

The Bank hereby aims to raise its cross-sales and net commission incomes and reduce its operating costs.

Serving with the motto, “A Bank That Makes Life Easier”, the Bank employs the latest technology, providing its customers with innovative and high-quality services through all channels.

TEB’s alternative delivery channels are as follows:

- TEB Internet Branch
- CEPTETEB Wap Banking
- TEB ATMs

These are the primary non-branch channels through which TEB serves various customer categories with comprehensive transaction options.

The Bank is focused on interactivity, which will shape the future and evolution of internet banking, designing its internet branch functions under this point of view. The “Online Help” practice, which works on a web chat basis in order to ensure that customers instantly receive support, was integrated into the TEB Corporate Internet Branch, allowing customers to receive assistance from customer representatives whenever they need help in any topic while using the internet branch.

In 2012, the Bank integrated its “Online Help” practice into a video chat infrastructure, aiming to ensure that TEB customers submit their banking requests to the Bank through audio and video communication. This was part of the “Personal Finance Management” practice, which will assist customers in their financial decisions while offering mobile banking applications for widely used mobile platforms.

**TEB announced its priority in ATM Banking for 2011 in a bid to raise customer satisfaction and the utilization rate of this channel, by investing in these areas.**

At the end of 2011, TEB began to offer customers the money deposit function at its ATMs in all of its branches. This rollout involved the replacement of ATMs at about 200 branches. Moreover, ATMs were installed in nearly 170 non-branch locations to meet customers’ needs and expectations.

Considered an important channel in communication with customers, TEB made intensive use of ATMs in 2011 for one-to-one campaign management. Accordingly, ATMs were used for customer-specific campaigns for many of the Bank’s products. These campaigns produced successful results.

**TEB ranked 2<sup>nd</sup> among all the banks in terms of the volume of ATM utilization by foreign card users.**

By taking advantage of its partnership with BNP Paribas, the Bank meets the banking

requirements of not only its customers in Turkey, but also foreign card users. Under the DCC (Dynamic Currency Conversion) practice launched in late 2011, the Bank aims to increase its revenues in this area.

The most important three targets for the ATM channel in 2012 are:

- To reduce crowding at ATM machines and increase the efficiency of the ATM channel by installing ATMs with an instant money deposit function at all branches;
- To utilize the potential of the ATM channel in generating revenue by increasing the number of such practices; and
- To develop procedural practices that improve user experience.

## Insurance

### TEB Bancassurance

TEB offers life-elementary insurance policies and private pension plans to its customers through its branches and call center, as well as the insurance companies that it works with.

TEB offers its customers

- Life, debt protection and unemployment insurance policies and private pension plans through BNP Paribas Cardif Emeklilik AŞ; and
- Personal accident and elementary (non-life) insurance products through Zurich Sigorta AŞ.

The Bank has been working with these two companies over the fully integrated bancassurance model since the beginning of 2011. In 2011, the TEB Bancassurance produced innovative products that will make a difference to its customers' lives. TEB will continue to expand the guarantees and scope of these products in 2012, while offering new products to its customers.

**TEB offers life and non-life insurance products that provide collateral against risks which could be encountered by Bank customers, while also developing the right products for the right customers by customizing long-term savings products and private pension plans according to the segment and needs of its customers.**

Understanding that different customers may require different products, TEB offers innovative insurance products that make a difference. The Bank keeps a close view of developments as well as new products and services both at home and abroad, seeking to put the best innovations into practice in Turkey, while supporting them with the experience of strong global insurance companies.

### Alternative Sale Channels

**In 2011 TEB increased the number of its personnel commissioned in its Call Center and Mobile Direct Sales teams, in order to provide a better service to its customers and promote the Bank products and services to its customers on a face-to-face basis.**

Under this approach, the Bank contributed to employment and took concrete step towards raising young and dynamic bankers for the sector.

In order to better serve its customers in 2012, TEB will undertake efforts to

- increase the number of services provided through Interactive Voice Response and by customer representatives through the web chat infrastructure;
- ensure the Interactive Voice Response is more customer-oriented;
- continue to invest in technology, thus ensuring that Bank customers feel that TEB is always supporting them; and
- promote products and services offered by TEB through Direct Sales Teams which are on duty in all regions of Turkey.

## TEB ASSET LIABILITY MANAGEMENT AND TREASURY GROUP

**One of the most important issues in the global banking sector is the effectiveness of asset liability management and how the sustainability of a bank's general liquidity can be protected.**

**What sets TEB apart in the sector is that it has restructured the Asset Liability and Treasury Department as the backbone of its balance sheet management, thus rendering it as one of the most effective departments.**

In order to better serve its customers, the Bank gathered conventional customer transactions under the Financial Markets Department, leaving the remaining balance sheet responsibility to the Asset Liability and Treasury Department.

Asset Liability and Treasury Department's primary goal is to manage the Bank's interest, country, structural FX and liquidity risks in its balance sheet in an optimal manner within the framework of the Bank's growth strategies and the limits defined by the Board of Directors and legal authorities, in order to maximize the Bank's risk-free capital.

During 2011, a year which marked a relative worsening in the global risk environment, the bank's Asset, Liability and Treasury Management succeeded in helping the Bank become more liquid, while ensuring that this liquidity was managed in a more profitable way for investors and shareholders by:

- managing the interest risks in the Bank's balance sheet, in the most effective manner,
- raising the interest rate differential between assets and liabilities despite the conditions introduced by the merger, and
- significantly improving the loans/deposits ratio, which is the leading liquidity indicator of the Bank.

By keeping a close view of the monetary policy being applied by the Central Bank of Turkey, the Asset Liability and Treasury Department models account for various balance sheet items under the financial engineering approach. In order to minimize all risks and maximize the Bank's revenues, the department undertakes a variety of financial transactions in foreign and domestic markets ranging from repurchase-reverse repurchase transactions to complex derivatives transactions in accordance with appropriate legislation and regulations, and by taking into account the Bank's utmost care to its traditional risk approach.

The Asset Liability and Treasury Department broke new ground by issuing the Bank's first bond, differentiated itself by offering customers various deposit products and maintained its position as the market leader in gold banking and effective management.

## CORPORATE INVESTMENT BANKING

**TEB offers its Turkish customers a wide array of products in corporate investment banking.**

The Corporate Investment Banking Department, which combines TEB's ability to accurately analyze the domestic market with the expertise and experience of BNP Paribas in international markets, can completely cover any needs of a corporation in the field of investment banking. TEB Corporate Investment Banking offers innovative products in the following segments:

- FX and Interest Markets
- Stocks & Commodity Derivatives
- Restructured Finance
- Corporate Finance

International and domestic financial markets underwent serious volatility in 2011, which set the stage for a fall in the Turkish Lira. TEB Fixed Income Securities groups provided their corporate and individual customers with solutions which produced high added value in order to minimize the risks associated with these fluctuations. Moreover, TEB and BNP Paribas provide analysis and consultancy services to a variety of infrastructure and energy projects that will contribute invaluable to Turkey's development.

Companies are able to increase their competitive strengths in the global arena, thanks to the corporate investment finance services jointly provided by TEB and BNP Paribas.

In October 2011, TEB became the primary sponsor of the Bonds and Loans Conference, attended by Turkey's largest companies and financial institutions. The conference represented the clearest proof of the tremendous potential promised by the Turkish capital markets and the degree of investor interest in Turkey.

TEB will continue to contribute to the Turkish economy in 2012, by preserving its leading position in the domestic markets in the field of corporate investment banking.

## TEB SECURITIES SERVICES

**The TEB Securities Services Department entered service in 2007 as TEB became responsible for the settlement and custody services, which had been provided by BNP Paribas in Turkey since 1990s.**

The department serves its customers with a specialized team at the head office and with the support of BNP Paribas Securities Services, which is Europe's largest custody bank.

In addition to the settlement and custody services provided to foreign and domestic corporate investors, the department also develops capital market and banking solutions for financial institutions, corporate investors and exporters to cover their needs arising after their investment and funding decisions.

TEB Securities Services Department offers:

- short-selling transactions,
- brokerage house "outsourcing" services,
- safekeeping services,
- borrowing instrument issuance and payment services, and
- services for access to the Central Registry Agency (CRS) for exporters.

**TEB Securities Services Department added new global brands to its customer portfolio in 2011.**

In 2011, the department added leading global brands to its customer portfolio in securities settlement and customer services were provided to international financial institutions. The department achieved significant success in the services that it provides together with TEB Investment to foreign investment banks who are especially eager to access the Turkish Derivatives Exchange.

New products were added to the portfolio of products offered directly or through BNP Securities Services to asset management companies founded in Turkey, as well as the main shareholders of domestic and foreign companies or similar asset holders and stock- or bond-issuing companies.

**Its high-quality services and customer-oriented approach placed TEB as a preferred solution partner in the Turkish market.**

TEB was deemed as “Top Rated” in 2011 by the Global Custodian Magazine, the sector’s leading media organ, in a survey which evaluates those banks that provide custody services in emerging markets on the basis of customer reviews.

**In 2011 TEB became the sector leader in access to the Turkish Derivatives Exchange, thanks to its creative solutions.**

In 2011, TEB raised its market share in stock and/or treasury bond/bill custody services offered to foreign investors abroad and pioneered the sector with respect to accessing the derivatives exchange through creative solutions.

## TEB INFORMATION TECHNOLOGIES

**By using its own resources, TEB Information Technologies develops revenue-enhancing or cost and/or risk-reducing projects required by the Bank in line with its tactical and strategic targets.**

Applications are offered to the Bank and its customers on with uninterrupted, 24/7 services. By keeping a close view of technological developments, TEB Information Technologies plays a key role in the development of new products and services to be offered to customers and in the improvement of the Bank's processes.

The basis of the efforts of the TEB Information Technologies Group in 2011 was the integration of the TEB-Fortis system.

**In order to ensure system integration, a variety of projects were conducted in the legal and brand merging of the two banks. While the legal merger had been completed by February 2011, the system merger was completed, with great success, in July 2011 in a rapid, well-planned manner at an intensive work pace, having predicted the advantages to be introduced by the rising synergy.**

During the merger, TEB Information Technologies focused not only on ensuring a technically seamless system migration, but also on the management of customer experiences in all delivery channels in the best possible way. The system merger was gradually realized group by group (by groups of branches), while the effective completion of all preparations was coordinated and the integrated operation of both systems was ensured until the whole merger was completed.

Under the Business Processes Management, improvement work on critical business processes were performed in line with the Bank's "Practical Banking" vision and by employing the Lean Six Sigma methodology, which is also used by BNP Paribas.

Within the framework of business continuity, the new emergency center was established and entered operation as a professional service in a manner that meets the needs of the merged bank.



## TEB HUMAN RESOURCES GROUP

### Human Resources Policy

The underlying objectives in TEB's human resources activities are to be one of the best examples of excellence in human resources practices in the financial services sector, to manage all human resources related processes actively so as to provide itself with a competitive edge and to support the Bank's human resources performance through coordination of the overall effort.

TEB's Human Resources group strives to

- ensure that the TEB Group is always prepared for change, while maintaining its organizational structure dynamic in line with the Group's strategic plans and targets,
- ensure that the TEB Group, within the framework of TEB's Talent Pool, recruits individuals of the highest level of education with entrepreneurial talent and potential to develop themselves and their jobs, and who are well trained, innovative and like change, who are energetic, dynamic, adaptable to teamwork and able to adopt and lay claim to TEB's corporate values,
- support the personal and professional development of TEB employees through development programs determined in accordance with their career roadmaps in order to ensure the use of the Bank's human resources in the most effective and efficient manner, in line with TEB's targets and strategies,
- contribute to the development of Bank employees in line with TEB Group's targets and strategies within the framework of the approach entitled "continuous learning and development with the TEB Formation Academy", which considers training and development as an investment in human resources,
- raise Bank executives from within TEB and preferentially evaluate in-house applications for new positions,
- focus on various systems of awarding with the Performance Evaluation System by improving individual and team performance through processes and systems that increase quality at all times, and

- offer equal opportunities and facilities to everyone in line with their career roadmaps.

With these practices, TEB Human Resources provides swift and effective support to all employees in all human resources related matters, while playing a key role in further raising the efficiency and performance of TEB branches.

### In striving to achieve its strategic targets, TEB's most important asset is its human resources.

At the end of 2011, the Bank had 9,356 employees on its payroll and a total of 507 branches. Of TEB's employees, 61.2% are university graduates, 5.4% hold a master's degree and 0.1% have a doctorate.

An average of 40 hours of training was provided per employee in 2011.

### We have combined our strengths

Following the TEB-Fortis merger in 2011, human resources practices and processes were reviewed so as to provide maximum benefit to employees. New HR principles and policies that are objective and comply with business legislation were determined by listening to the opinions of people and institutions that are experts in their own areas. The new HR regulation was shared with all employees. Employees were supported with training on the new system and practices, while close contact was established with employees to create the new TEB spirit.

A list of measures was set out to prevent any problems for customers of the Bank that might have arisen in adapting to the new organizational structure. Within this framework, all work related to titles, duties, authorizations and signatures were successfully completed.

The "Mobility Center" entered operation, matching the positions required by the new organization with employees' capabilities and expectations from a single point and in an effective manner.

Thanks to the E-jobs application, open positions in BNPP and TEB were shared with employees and new career opportunities were offered.



Information related to all employees within the new organization was fully gathered in a single database.

### Competence Management and TEB Competency Model in 2010

In 2011, the follow-on development of employees who had demonstrated high potential and performance within the framework of Competence Management processes was specially conducted through Competence Management, in conjunction with the employee's manager and TEB's Training & Development unit.

Individual training plans contributed significantly to the development of TEB employees which were prepared in accordance with employees' needs. These plans were complemented with mentoring work and other developmental instruments.

### TEB Competence Model

With the purpose of sustaining a high level of performance, TEB continued to apply its TEB Competence Model in 2011, which plays a key role in the development of employees in accordance with TEB's vision, mission and corporate values. The TEB Competency model has four main headings and 12 Competencies, which can be measured on a staff position basis.

<b>Leadership</b>	Vision & Change Leadership
	Influencing & Leading
	Innovation & Creativity
<b>Think the Business</b>	Entrepreneurship and Business Acumen
	Performing with Excellence / Customer Orientation
	Generating Strategic Business Relations / Create Synergy
	Commitment
<b>Drive Results</b>	Problem Solving & Decision Making
	Planning & Organizing
<b>Maximize Yourself</b>	Continuous Learning
	Self Confidence / Flexibility / Strength
	Professional Expertise

Competence evaluation is performed annually at TEB through "Competence and Development Report Cards". The impact of employees'

individual and professional development on their performances was objectively measured by ensuring system integration between "Competence and Development Report Cards" and "Performance Report Cards".

### Celebrated every year, this year's Traditional Talent Day was celebrated on April 13<sup>th</sup>, 2011.

On the Talent Day, those employees with high potential who have demonstrated a high performance were brought together and the Bank's vision and common targets were shared with them. In the meeting held on the Talent Day, new ideas were created and group work was carried out through the method, "Excellence in Customer Experience". The meeting was attended by the senior management of TEB and senior executives of BNP Paribas. Following speeches by senior managers concerning the Bank's vision and targets, some of our talented employees provided presentations to the senior management with respect to their projects on various issues related to the banking sector.

The Bank continued to assist talented individuals seeking to work abroad in line with their career targets.

### Projects undertaken by the Human Resources Group in 2011

#### Innovation in TEB

Winning the admiration of the Gartner Group in 2009 thanks to its efforts in innovation, TEB continued to foster a culture of innovation in 2011 by encouraging its employees to create innovative and creative ideas through internal initiatives, and offering innovative and creative products to its customers.

TEB began to provide consultancy services in the establishment of an innovation model in Poland, which is a pilot country for the "E.M Innovation Excellence Center" project. The Bank plans to support other countries following in Poland's footsteps.

### The 5<sup>th</sup> TEB Smart Ideas Competition, a reflection of TEB's efforts in innovation, was held in 2011.

Facilitating its customers' lives with innovative and creative services offered to them,

TEB deems innovation as one of the most important instruments in its strategy of making a difference. The competition also includes social targets such as

- cooperation with universities,
- increasing innovation-related information and competencies of university students and young people,
- the recruitment of talented young people by TEB and
- ensuring that products and services offered to customers are shaped by them personally.

Ideas that won the competition in 2011 were, as in previous years, presented to customers as products and services; five of the finalists were recruited by TEB. TEB Dwelling Support Services and Sticker Promotions on Receipts are some of the ideas from the contest which were implemented in 2011.

#### **TEB continues to evaluate its employees' ideas for innovative products and services through the In-House Kivılcım Portal.**

Recently hired bank employees were provided with training on the kivılcım portal, innovation and techniques on how to produce ideas within the framework of the Change Management Project, which was carried out after the merger.

Held in 2010 for the first time, in-house innovation contests which aim to raise employees' awareness encouraged them to generate ideas with employees from other departments, creating an enjoyable competitive environment where innovative projects compete. Two of the projects, which ranked highly at the "Rifat Taranto Banking Contest", the first in-house innovation contest, held in memory of Mr. Rifat Taranto – a board member– were implemented in 2011 by SME Banking: "Gold Installment Loan" and "House and Vehicle Loan for Farmers".

In the contest with the theme, "Excellence in Customer Experience and Practical Banking", the project entitled "Hattan Düştünüz Biz Sizi Tutarız" ("The Line Dropped, We Will Hold You") ranked 1<sup>st</sup> and was put into practice.

#### **"TEB Smart Ideas Conferences" – Innovation Summit**

"TEB Smart Ideas Conferences", which are organized every year with the participation of 1,500 employees and 500 customers, again brought international lecturers, TEB customers and employees together in 2011.

In this traditional event whose theme in 2011 was "Excellence in Customer Experience", international lecturers expanded participants' vision with their presentations on "Innovation in Customer Experience"; awards were handed out to the most creative employees who submitted their ideas to the Kivılcım Portal, as well as customers, university students and new graduates who had ranked highly in the "Smart Ideas Competition".

#### **2011 BNP Paribas Innovation Competition Award Ceremony**

TEB's journey of innovation, which all started with the idea of creating a working environment in which innovation and creativity are encouraged, was again crowned with various accolades and awards in 2011. TEB repeated the success of the last 4 years in the 5<sup>th</sup> year of the "BNP Paribas Innovation Awards" held by BNP Paribas every year. During the Innovation Awards participated by projects from all countries where BNP Paribas operates, the "TEB Screen Debit Card" was deemed worthy of an award in the "Products and Services" category.

In the same contest, TEB Cetelem received an award in the "Processes" category with the project entitled "5 Saniyede Taşıt Kredisi Onayı" (Vehicle Loan Approval in 5 Seconds).

#### **Customer Experience at TEB**

In May 2011, TEB launched its project entitled "Excellence in Customer Experience", which aims to bring high-standard services to perfection.

Aware that success in Customer Experience Management comes only with the participation of all TEB employees, the Bank provided all managers and employees with training on Excellence in Customer Experience. The current situation analyses were made on customer

experience after the activities, which were performed to raise awareness of all employees – from security personnel to the senior management – on “Customer Experience”. A number of projects deemed to have a bearing on the customer experience were identified and implemented after performing various studies to ensure that all functioning parts the Bank act synchronously and with a customer-oriented approach. TEB will continue to implement these projects intensively in 2012.

### Quality at TEB

Having received the ISO 9001:2008 Quality Management System certification in 2009, the Human Resources Group continued to pursue its quality-related activities in 2011 in order to unstintingly raise its service quality. Within this framework, training programs on quality were provided to TEB employees.

### Customer Communication at TEB

The Customer Communication Department is a unit, which conducts its operations under the title, “TEB –, Customer First Line”, and was founded to

- receive and evaluate customers’ complaints, recommendations and acknowledgements,
- inform the respective department / branch of unresolved complaints and
- resolve problems and inform customers of the results.

All messages with respect to TEB, its products/services or processes submitted by customers through any communication channel are recorded in the “TEB –Customer First Line” system through the menu no: TEBIS 7700. Through reports regularly received from the system, guiding statistical information such as repeated questions, customer satisfaction, source of the problems are obtained, helping our Bank in its task to continuously improve its products and services. TEB also takes corrective measures to improve the processes related to ongoing problems and develops preventive methods in coordination with respective units or departments.

Moreover, customers may forward all kinds of messages to TEB branches or any unit within the head office.

Customers may also submit their feedback to websites other than TEB, media-press organs or official bodies or institutions. Although feedback submitted to web sites and the press is not directly received by TEB, the “TEB –Customer First, Line” checks such feedback on a daily basis and returns to customers if necessary.

### University Activities – Smart Ideas Campus

In 2011, the TEB Human Resources Group continued to organize university campus activities aimed at identifying young, talented individuals and introduce them to TEB.

The Smart Ideas Campus, which was launched in 2008, was held twice in 2011: the first event was for club presidents, while 69 applications were accepted to the second organization.

### Training at TEB

Knowing that the most important difference-making element of the financial services sector is “qualified and well-trained human resources”, the TEB Human Resources Group – Division of Training and Personal Development aims to support the personal and professional development of TEB Group employees and thus play a fundamental role in ensuring the Bank reached its strategic targets. Some of the key responsibilities for this division include the training programs, which were organized with this aim of meeting the personal needs of our employees, projects for development and change which are conducted with in-house or external resources and the “determination of the service standards of training centers for domestic customers”.

**As an institution that attaches importance to continuous learning and development and prioritizes investment in its employees, TEB continued to provide comprehensive training during 2011, in parallel with its principle of offering everyone equal opportunities and facilities.**

63% of the training programs comprised of screen-product-process training sessions thanks to integration. Beside documents, instruction manuals and e-learning kits were prepared to support these training programs.

The TEB Performance Evaluation System was a kind of guidance for training and development activities, thanks to its structure aimed at measuring and improving individual and team performance. Within the framework of the system, evaluation results from the competency evaluation process were analyzed; competence development programs were prepared in parallel with employees' needs, and the participation of employees in these programs was ensured.

TEB's Talent Management program continued in 2011. "Individual development plans" were prepared for Bank employees who offered high potential and superior performance; also, special training programs were designed in line with their needs.

In accordance with the Bank's developing and changing needs, "Excellence in Customer Experience" training programs led by TEB Human Resources Group were organized, teaching our employees the strategies, methods and tools they need to establish long and profitable relations with our customers. All departments of the Bank designed and began to implement their own customer experience projects.

**Efforts aimed at raising Bank managers from within the Company continued in 2011. In addition, various studies were conducted by the Evaluation Center to measure the managerial capabilities of TEB employees and to determine their areas of development.**

As a key priority, the Division of Training and Personnel at the Human Resources Group worked to ensure that all Bank employees - each as a strategic partner of the Bank - would maintain an "uninterrupted and standard" quality in the services they offered their customers during TEB's transformation in 2011. Acting upon the fact that change essentially takes place in every moment of life, a "Change Management" program was designed specific to TEB. About 1,000 executives participated in the first program.

The project adapting the CIB Academy, Management Academy and Risk Academy – BNPP's subunits – to TEB was initiated. It is

targeted that in 2012, all TEB employees will effectively benefit from the Training and Development programs conducted by these Academies.

In order to serve customers in the best possible way during the integration process, a practice entitled "**Sister Branch**" was implemented to create a common language among all of the employees of the new Bank. Within the framework of this project, a sister branch was assigned for each branch, allowing branch employees to support each other with respect to the implementation of learned information by transferring information concerning processes and system applications among the Bank branches.

In October 2011, English training programs were launched for 190 TEB employees, who must be able to speak English as per their duties. In addition to classroom trainings, employees were supported with the "Global English" online training system.

2012 will be a year in which TEB employees support their personal and professional development with Group-specific actions, while TEB establishes stronger communication with the field and its business lines and aims to ensure its employees have a "perfect customer experience".

#### **Mentorship activities at TEB**

The TEB Mentor program contributes to the self-development of TEB employees and employees of other Group companies by benefiting from the professional knowledge and experience of mentors, who are more advanced in their careers at TEB and other Group companies.

A first in the Bank, the TEB Mentor program evaluated the requests of 250 employees and completed mentorship training by increasing the total number of mentors from 270 to 400. Requests from Bank employees seeking to benefit from the TEB Mentor program, but whose needs could be met through channels other than mentorship, were covered through different methods (training, rotation, career interview, etc).

## Communication

### Raising Awareness of the “We” (Corporate Culture)

Efforts to create corporate culture awareness were carried out by making use of change management tools in line with TEB’s vision and strategies.

#### HR Breakfasts

In order to inform all groups of our Change Management process in detail, we organized HR Breakfasts that bring HR managers and group managers together.

#### Leaders Are Teaching

We conducted various events in which senior managers shared their experiences in their business and private lives with Bank employees in a relaxed, fun-packed environment .

#### TEB Club

Sports, hobbies, art and entertainment as well as attractive discounts were offered to employees within the framework of the TEB Club. Events organized in 2011 included culture tours, charity runs, corporate basketball league, the TEB Bowling tournament, a windsurfing tour and regional football tournaments.

### TEB’liyim Gönüllüyüm (I am from TEB, I am a volunteer)

Both in-house and external volunteering activities were conducted by employees, who benefit from being a member of a Big Family.

### Breakfast Conversations with the Senior Management

Breakfasts were organized to ensure that employees become acquainted with and establish closer contact with the senior management.

### BNPP Communication Tools

BNPP’s internal magazine, Ambition, and the internet TV channel, Starlight, which serve about 200,000 BNPP employees in 80 countries, were presented to TEB employees in Turkish for the first time in 2011. Turkish became one of the 6 broadcast languages throughout BNPP.

### League of the Extraordinary and Extra Miles

A new platform was set up to honor and award those employees who best represent sound principles of governance and demonstrate extraordinarily high performance.

#### Avita Employee Support Program

A program was set up where employees can receive medical and psychological support and financial and legal consultancy on a 24/7 basis.

#### “HR is with you” Meetings

The “HR is with you” program, which was implemented with the belief that the way to support employee satisfaction and loyalty is to be closer to employees and to listen to their concerns, once again brought branch and headquarters employees together in 2011.

In “HR is with you” meetings held for the employees of the Bank and other Group companies, one-to-one interviews were held with all employees who wished to take part, in addition to interactively organized general informing sessions.