

## 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 Kızilot provided comprehensive information on the scope and effects of the "Bag Law", Asst. Prof. Korkut Özkoruk 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 A\$ 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.