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## Agri Card

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Yapı Kredi Agricultural Banking  
29.04.2014

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## AGENDA

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- Strategy Behind the Card
- Card Mechanism
- Process and Flow for The Card



## Turkey appears to have comparative advantages in agriculture

	Total land area Thousand ha 2009	Share of land area			
		agricultural	Permanent crop	arable	pasture
		% 2009	% 2009	% 2009	% 2009
<b>WORLD</b>	13.003.468	<b>37,6</b>	1,2	<b>10,6</b>	25,8
<b>DEVELOPING REGIONS</b>	8.096.847	<b>43,5</b>	1,6	10,4	31,5
<b>TURKEY</b>	76.963	<b>50,6</b>	<b>3,8</b>	<b>27,7</b>	19,0

Source: FAO, Statistical Yearbook 2012

- Turkey's arable land ratio (28%) is nearly 3 times of the world average (11%)
- Turkey has one of the longest sunshine hours (7.2 hrs/day) in the Europe, two times longer than Germany
- Turkey has young and good quality agri lands compared with developed countries
- 25% of total labor force works in agriculture

## Turkey is the prominent supplier in a significant number of products

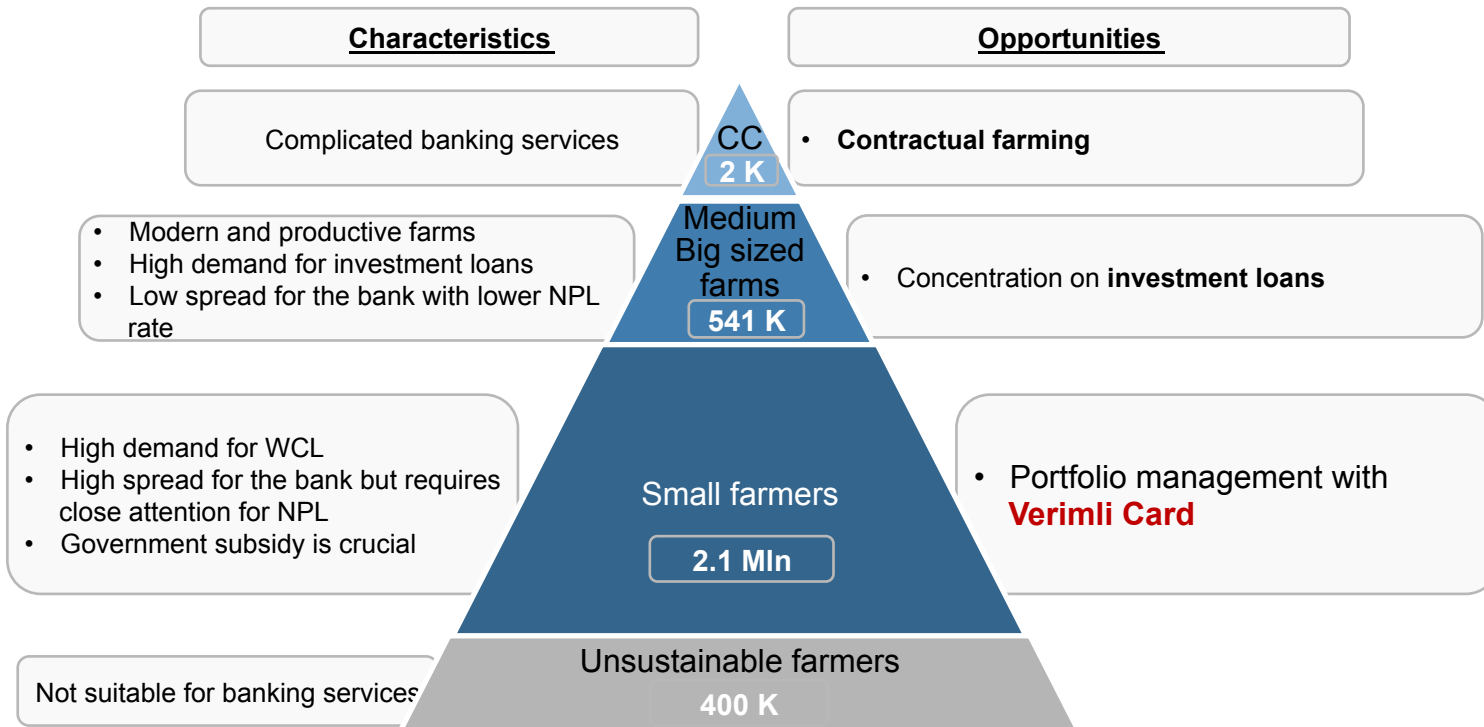
Product		Other Important Producers
Hazelnut	1	Italy
Apricot	1	Iran, Uzbekistan
Cherry	1	USA, Iran
Sour cherry	1	Poland, Russia
Opium poppy	1	Czech Republic, Spain
Cucumber	2	China
Water melon & melon	2	China , Iran, USA
Strawberry	2	USA, Spain, Mexico
Fig	2	Egypt, Algeria
Pea	2	India, Pakistan, Australia
Pistachio nut	3	Iran, USA
Apple	3	China, USA, Poland, Iran
Walnut	4	China, USA, India
Olive	4	Spain, Italy, Greece
Tomato	4	China, USA, India
Sugar beet	5	France, USA, Germany, Russia
Tea	5	China, India, Kenya, Sri Lanka
Grape	6	Italy, China, USA, France, Spain
Cotton	7	China, India, USA, Pakistan, Uzbekistan, Brazil

- In a few years, authorities expect higher records in tomato, olive and pomegranate
- Turkey is also a major exporter of most of these products
- Turkey is #9 at wheat production and #1 in wheat flour export.

# Turkish Agricultural Sector

## Specific Strategies in Each Sub-segment

### Agri Production Pyramid for Turkey (# of farmers)



Out of 3 million farmers, 2.6 millions are bankable. Total banked farmer size is around 1.5 million

# Yapı Kredi Agri Banking Product Universe

<p><b>Working Capital Loans</b></p> <p>Agri Production</p> <p>Greenhouse Farming</p> <p>TMO Grain Receipt</p> <p>Dairy Farming <b>New</b></p> <p>Livestock Farming <b>New</b></p> <p>Contractual Farming <b>New</b></p>	<p><b>Leasing</b></p> <p>Tractor</p> <p>Agri Equipments</p> <p>Harvester</p> <p>Irrigation Systems</p> <p>Greenhouse construction</p>	<p><b>Investment Loans:</b></p> <p>Greenhouse Construction</p> <p>Animal Purchase</p> <p>Tractor</p> <p>Agri Equipment</p> <p>Agri Investment</p> <p>IPARD <b>New</b></p>
<p><b>Cards</b></p> <p><b>Verimli Card</b></p> <p>TMO Card</p>	<p><b>Insurance</b></p> <p>Agricultural Insurance</p> <p>Tractor kasko insurance</p> <p>TARSİM</p> <p>Life insurance</p>	

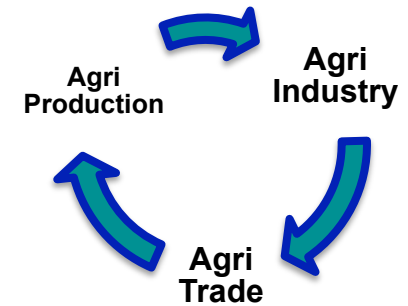


## Yapı Kredi Figures

Working Capital Loans (as of March)	#	Share of Agri in the Group
# of SME & Agri Group Customers	720K	
# of SME & Agri Group Customers with loan	336K	
SME & Agri Loans Volume	7.1 Bln USD	
# of Agri Customers	150K	21%
# of Agri Loan Customers	50K	15%
Agri Loans Volume	500 Mln USD	7%

## Yapı Kredi Agricultural Banking relies on...

- Dedicated organization in Head Office (marketing & sales & underwriting) in Regions, and in Branches
- Special underwriting system for agricultural loans
- Almost 250 branches segmented as “agricultural”
- Agricultural training for all agri-branches
- Special loan types & services for agricultural segment
- Concentration on models activating Agricultural Value Chain (production-industry-trade)





## AGENDA

- Strategy Behind the Card
- Card Mechanism
- Process and Flow for the Card

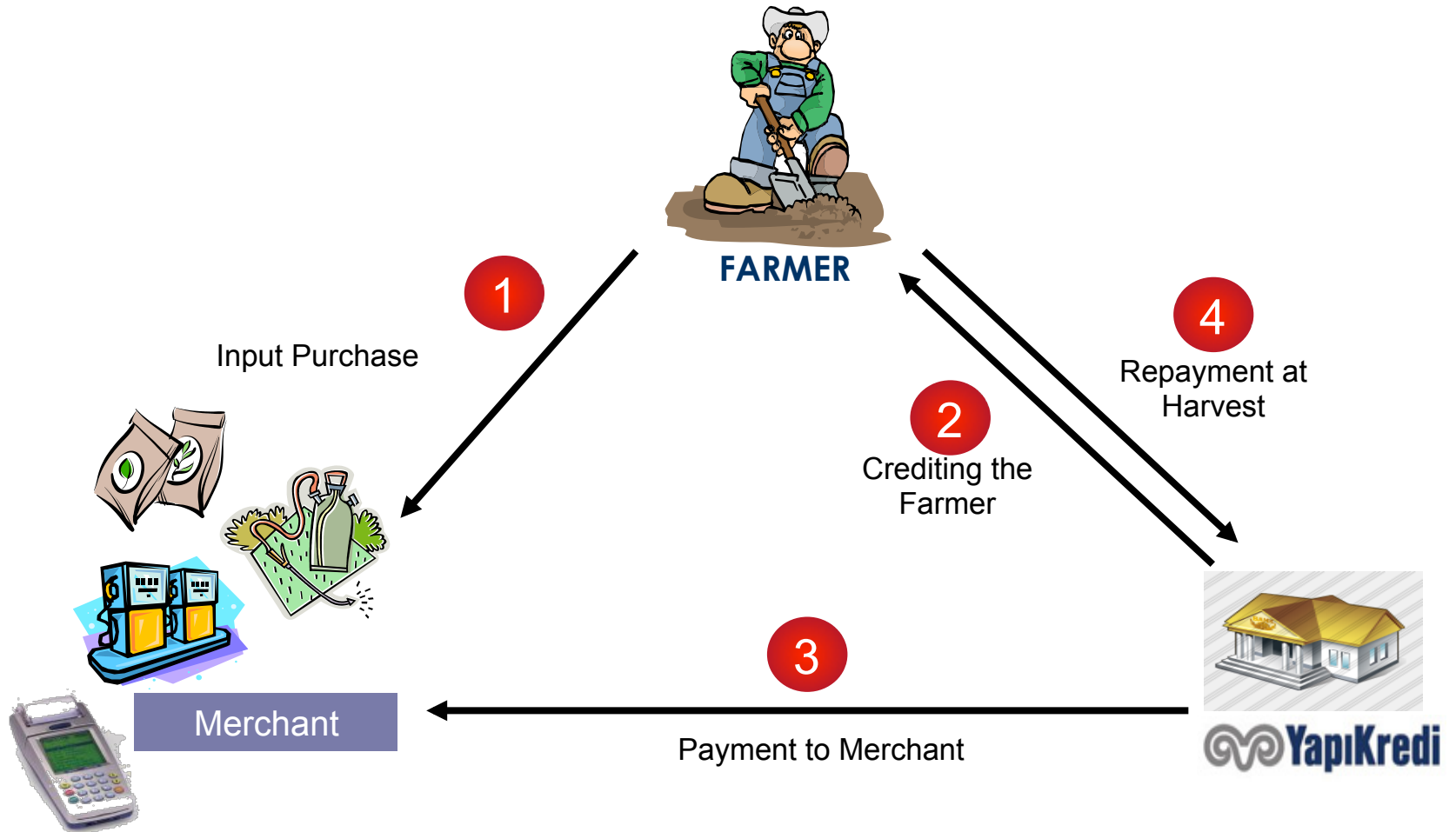


## What is Verimli Card?

- Verimli Card;
  - ✓ is used for purchasing agricultural inputs (gasoline, fertilizer, pesticides, seed, seedling, fodder, etc.)
  - ✓ offers interest-free periods (*main rationale & motivation of the farmer*😊)
  - ✓ maturity is suitable with harvest period
  - ✓ has ability for cash withdrawals from ATMS and branches
  - ✓ is a closed circuit system (does not operate on other banks POS/ATMs)
- The Card operates between three parties: Merchants (input supplier), Farmers & The Bank



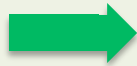
# How the Card Operates?



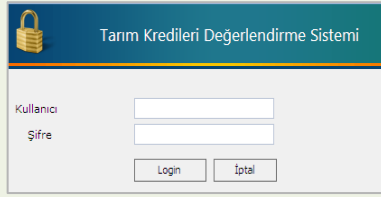
**1** Application Form & Contract



- The form completed & contract signed by the customer



**2** Underwriting System (ALES)




2 different Limits defined for customer:

- For input purchase: Shopping Limit
- For cash withdrawal from ATM: Cash Limit




**3** Bank's Operation System



Forms and contract scanned and transferred to central operation unit by RM




**4** Central Operation Unit



- Limits, credit requirements, contracts are checked
- Accounts opened for shopping and cash limits
- Limits are associated with the card.
- Card is created and sent to the printshop




**5** Yapı Kredi Branch



Card and password are sent to branch and ready to deliver to the customer



**6** Cardholder (Farmer)



Card is ready to use.

## Marketing and Application Process

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- National and Local TV Ads



- National and Local Newspaper Ads



- National and Local Radio Spots



- Outdoors Ads (Billboards)

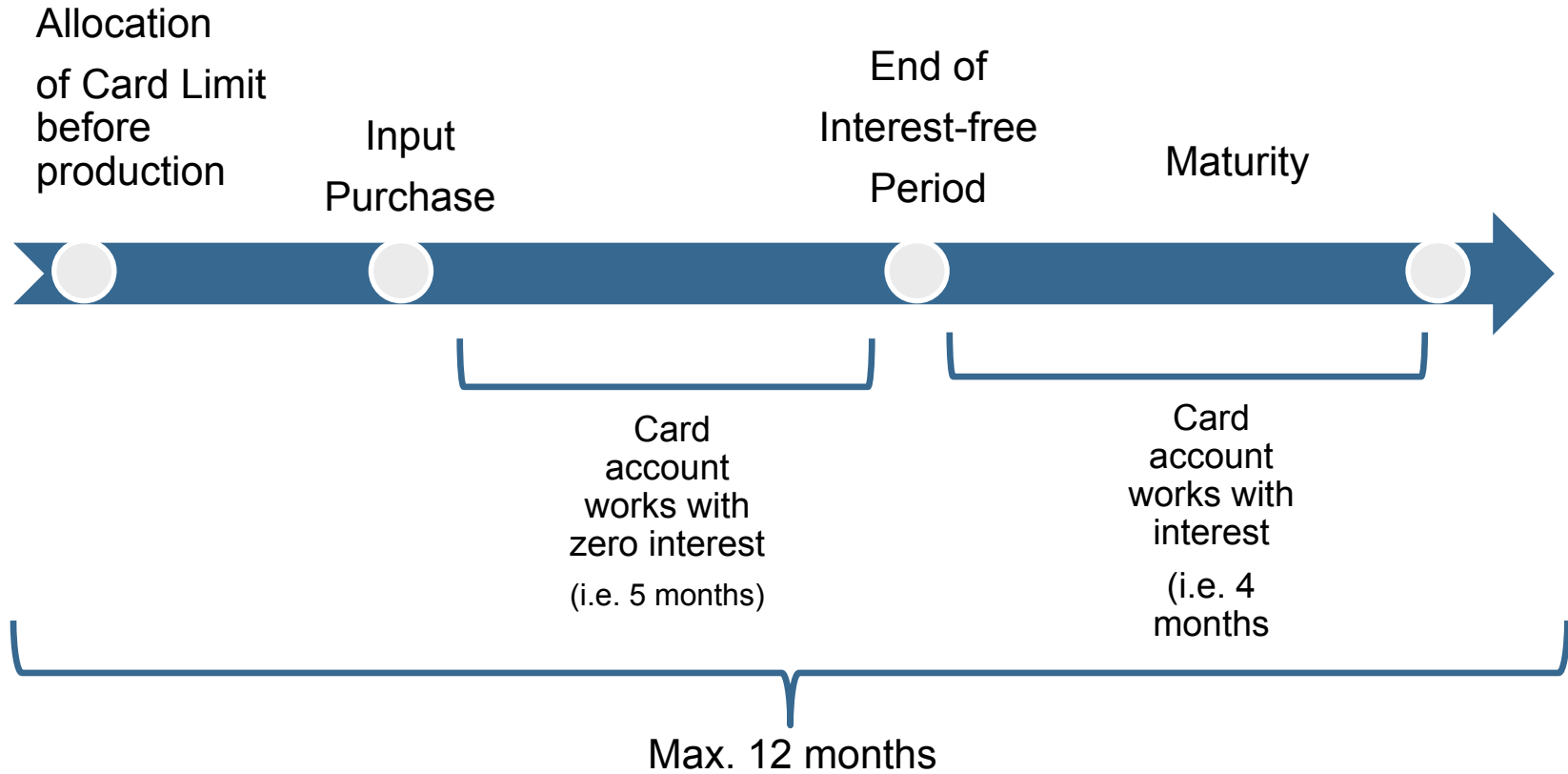


- Turkcell SMS in Farmer Package (1.2 Mio)



- Lead from current Verimli POS merchants

## Timeline within one Maturity Period



## Benefits of the Card for both parties

### FOR THE FARMER:

- Interest saving within the interest-free period
- Payment all of the card balance at harvest
- Cash withdrawals 7/24

### FOR THE BANK:

- Decreasing churn, increasing retention
- Customer loyalty
- Increasing cash flow and transactions from the farmer & merchant
- Better risk management for the farmer

### FOR THE MERCHANT:

- Collection problems for unsecured receivables
- Customer acquisition with help of card campaigns (esp. by interest-free campaigns)
- Increasing sales volume








## Card Sales started in March





# VERİMLİ CARD MERCHANT ACQUISITION FLOW


**1** Verimli POS



Verimli POS is marketed only to merchants which sell agricultural inputs.(fuel, fertilizer, agricultural pesticides, seedling, fodder, etc.)



**2** Application Form & Contract




Working conditions are determined between the merchant and the branch:

- 1) # of months for interest-free period
- 2) Disbursement type: Blocked or discount condition

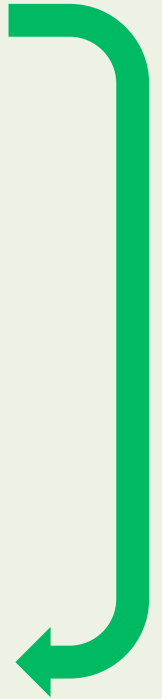


**3** Bank's Operation System




**İş Akışları Sistemi**

Terms and conditions, forms and contracts are sent to central operation unit by RM




**5** POS Field Team



- Post terminal is established to merchant by the POS field team
- Verimli POS is ready to use



**4** Central Operation Unit



- 1) Merchant account is opened
- 2) POS definition is made.

# Risk Management

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## - NOTIFICATIONS BEFORE MATURITY:

- ✓ **Account Statement:** Card Statement is sent 5 times in a year; in every quarter and 15 days before the maturity
- ✓ **POS Slip:** We print the maturity date and interest starting date on the slip

## - CONTROLS AFTER MATURITY:

- ✓ At the end of the maturity day, we close the limit.
- ✓ Until the total debt balance paid, we do not renew the limit and maturity.
- ✓ When balance not paid, we start to report and monitor as overdue loans

## - REPORTING:

- ✓ Undue transactions
- ✓ Overdue transactions

## Verimli Card Account Statement

Card Statement is sent 5 times in a year;

- In every quarter
- 15 days before the maturity

YapıKredi		ACCOUNT STATEMENT		
verimli kart				
Üretime Destek Olan Kart				
Toplam Borç: 69,383.50 TL Alışveriş Toplam Borç: 69,341.49 TL (Hesap No: 80629931) Nakit Çekim Toplam Borç: 42.01 TL (Hesap No: 83595152) Alışveriş Limit: 65,000.00 TL Nakit Çekim Limit: 5,000.00 TL TCKN/VKN: 2338006**** Müşteri V.D.: Marmara Kurumlar		HUSEYİN İLİK HUSEYİN İLİK TALATPASA CD. DERE SK. No:17 DA:4 KAGITHANE/İSTANBUL TÜRKİYE 34000		
Müşteri Numarası	Şube Kodu-Adı	Son Ödeme Tarihi	Ekstre Tarihi	
28084009	00050005/KARAKOY SUBESİ	25.03.2014	10.03.2014	
Alışveriş Hesap İşlemleri				
Hesap No	İşlem Tarihi	İşlem Açıklaması	Faiz Başlangıç Tarihi	İşlem Tutarı
80629931	09.07.2013	MIGROS ANONİM SİRKETİ	30.08.2013	10.78
80629931	10.07.2013	MIGROS ANONİM SİRKETİ	10.07.2013	1.07
80629931	10.07.2013	MIGROS ANONİM SİRKETİ	10.07.2013	1.07
80629931	10.07.2013	MIGROS ANONİM SİRKETİ	10.07.2013	1.07
80629931	10.07.2013	MIGROS ANONİM SİRKETİ	10.07.2013	1.07
80629931	10.07.2013	MIGROS ANONİM SİRKETİ	10.07.2013	10.78
80629931	10.07.2013	ADA AS. SALİH KARAMIKLI	17.12.2013	1.07

## Pricing

### Card Pricing:

- Card Interest Rate:
  - 2% per month
  - 0% in interest-free period (funding cost is covered with the commission paid by merchant)
- Commission: 1% of transaction amount
- Card Fee: None

### Merchant Pricing:

- 1,20% commission per month, if the transaction amount paid to merchant in the following day
- Zero commission if the amount remain (blocked) in the deposit account of the merchant during the interest-free campaign period

# THANK YOU

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