

Slow-But-Sure Growth Based on Production and Sustainable Development

As we all know, the upcoming period will be one in which abundant and low cost funds will have been depleted and consumption while indebted and lacking in production will be more expensive, and therefore, countries that are accustomed to consumption more than production will face considerable difficulties. As the country on a whole, we must focus on supporting and increasing production. It must be our primary goal to secure slow-but-sure and healthy growth based on production and sustainable development instead of ensuring high growth rates based on consumption only."



Chairman of the Board of Directors. Şekerbank

As the final quarter of the year approaches, we see that the uncertainty in the global economy and the low risk appetite continues. Weak and unbalanced growth, or rather "inability to grow", is the most important challenge in front of us. In this current period, inability to grow has become a problem faced by the entire world and not only by developing countries.

Is the world heading to secular stagnation?

As is well known, a new question surfaced to the agenda when the FED's announcement of tapering of its bond-purchasing program in October 2014 more boldly underlined the end of the FED's

expansionary monetary policy. The question that arises is whether or not the global economy is facing the threat of "secular stagnation".

In this new era of changing global liquidity conditions, leading institutions forecast that achieving previous growth levels will be challenging for the world, and especially for developing countries whose average growth rate was around 6.5 percent in 2001-2007 period. The IMF's forecast for the average growth potential of developing countries in the years 2015-2020 is 5.2 percent. Not only the emerging countries will feel the pain with the shift in FED monetary policy but also a considerable slow-down is anticipated for the potential growth

expectations for developed economies as well. That is to say, the growth rate, which was 2.3 percent in the years 2001-2007, is expected anticipated to be 1.6 percent in the years 2015-2020, which represents a considerable slow-down.

To be brief, in spite of all of the extraordinary steps taken and such great liquidity support provided to survive the severest global crisis since the 1930s, the crisis in the year 2008 has unfortunately become a breaking point in global financial history. During this era, both nations' potential product levels as well as potential product growth rates were impeded considerably. More importantly, the dire straits caused by the structural constraints of abundant and cheap money, especially in developing countries, will appear as being the most important constraint to growth in the upcoming period. As we all know, the upcoming era will be one in which abundant and low-cost funds will have been depleted and consumption while indebted and lacking in production will be more expensive, and therefore, countries that are accustomed to consumption more than production will face considerable difficulties. Like the other emerging countries, Turkey on a whole needs to support and increase production.

We must grow slowly but surely by supporting production and sustainable development

Since May 2013 especially, when the first signals of the FED's policy change were sent out, we began feeling the effects of the



normalization process directly in the Turkish economy. The first reaction to the changing global financial conditions came from the financial markets. Although after some delay, we have started to observe the impacts of the depreciation in the Turkish Lira and the rising interest on the real economy.

In the upcoming period, Turkey, just like other developing countries, will continue to be

affected by the change in the monetary policies of leading central banks as it is to use foreign savings for growth due to the insufficiency of domestic savings. It must be our primary goal to ensure slow-but-sure and healthy growth based on production and sustainable development instead of high growth rates based on consumption only. Healthy growth, in the meanwhile, is possible with the complete support of



development not only in the economic field, but also by considering its environmental and social dimensions, that is, sustainable development.

And our banking sector, the proportion of whose total asset size to national income has reached 120 percent by doubling in the last 10 years in line with the high growth in the economy, must give priority to the financing of sustainable development in this new period.

Şekerbank, which is a bank established 62 years ago to support rural development and production and continues to finance sustainable development in accordance with the same mission today, provides an exemplary banking model in this context.

As an institution concentrating all of its strategies on supporting production, we apply lending processes, which are unique in Turkey, to the segments that cannot benefit from banking services; that prevent migration from village to city by supporting family farming; and provide loans for energy efficiency investments with favorable conditions. We work to increase social welfare by ensuring equal access to financial

resources as well as involving different segments in production.

In this period when the global economy is under the threat of 'secular stagnation' and thus, it is warned that the next generations' living standards will be lower than previously forecasted, we believe that sustainable development banking is what will guarantee Turkey growing slowly but surely.

We reach out to those segments that have never had banking

The research conducted reveals that there are almost 15 million people in Turkey today, who have never had banking services.

As Şekerbank, and in line with our community banking mission, we give our craftsmen and farmers, who have never worked with a bank before and had difficulty in accessing banking sources, loans by means of a microfinance model, which is the first and only one of its kind in Turkey. Within this project, we have introduced 28,000

craftsmen and farmers to banking services thus far, 42% of which are females.

In line with our sustainable development strategy, we are extending our microfinance project to reach out to more people who have never had banking services before in order to ensure equal access to financial resources.

We have been achieving firsts in financing energy efficiency...

On the other hand, we developed the EKOkredi product in the year 2009, which is a first in Turkey, to popularize energy saving and support the sustainability of natural resources in our country where 73 percent of energy is imported. With EKOkredi, we have provided almost TL 613 million in financial support in the area of energy efficiency, and have brought energy savings to over 69 thousand people. Thanks to the energy efficiency investments made with EKOkredi, 18.7 billion kilowatt-hours of energy has been saved and a total 4 million tons of carbon dioxide emission has been prevented thus far.

Within the scope of EKOkredi, through which we have achieved a first in the financing of energy



efficiency, we have been implementing projects setting an example for real sector-financial sector cooperation. In addition, within the scope of EKOkredi, which has allowed for the insulation of almost 95 thousand houses, 177 million cubic-meters of natural gas has been saved. Furthermore, we also represented the Turkish financial sector regarding the environmental dimension of sustainable development with EKOkredi in the Rio+20 United Nations Sustainable Development Conference.

We try to prevent migration from the countryside to the city...

Meanwhile, in the final months of 2014, we began the "Family Farming Banking" campaign, a first in the world and in line with our mission, to decrease migration from villages to cities and increase agricultural production, thus ensuring the sustainability of production. Within this scope, we provide opportunities with a



maturity up to 10 years, also provided for the first time in our sector, to farmers whose incomes have decreased and who leave their villages due to reasons such as agricultural lands being divided by inheritance and thus diminished, limited irrigation facilities and the inability to apply modern agricultural methods.

Within the scope of "Family Farming Banking", we have provided farming families with almost TL 78 million in funds thus far. Our bank, which financed almost 15,000 farming families all over Turkey for the first time in the first half of this year, continues to perform its foundation mission of financing agriculture by reaching

out to its almost 360 thousand farmer clients across Turkey.

Moreover, we try to prevent migration from the countryside to the city by supporting projects that will make our farming women, who constitute the majority of unregistered employment, entrepreneurs in the countryside. We create social platforms from which we invite the real sector, the public bodies and NGOs to create values beyond loans for our clients. We continue to support the producers of Anatolia with the products and solutions we offer for the growth of economy and the development of our country.

With our banking mentality based on social development, we will continue to further our foundation mission, support production and savings, and set a model for our sector in the upcoming period as well. In brief, we will continue to perform our mission of supporting production and sustainable development, which is exactly what we have been doing for the past 62 years.

