

KGF in 41 Questions:

1-When was KGF founded? What does it do and what is the purpose of its foundation?

KGF was founded by Cabinet Decree numbered 93/4496 and dated July 14 1993. It started its activities by granting its first guarantee in 1994.

As a guarantee institution, KGF provides access to finance for those SMEs that can't benefit from bank loans due to insufficient collateral, by assisting them as a "joint guarantor".

As noted in the relevant Cabinet Decree, KGF was founded to ease access to finance for SMEs, farmers, merchants and craftsmen in need of collateral; in accordance with this mission, KGF was exempted from taxes and dues.

2-What is an SME?

SMEs are enterprises that employ less than 250 people annually and whose sales revenue and/or financial balance sheet doesn't exceed 40 million TL.

3-Is KGF a public institution, who are its shareholders, who are the partner banks?

KGF is a joint-stock company founded in accordance with Turkish code of commerce. Its shareholders include public entities and entities considered to be public such as KOSGEB (Small and Medium Enterprises Development Organization), TOBB (Union of Chambers and Commodity Exchanges of Turkey), TESK (Confederation of Turkish Tradesmen and Craftsmen), and Public Banks (Türkiye Halk Bankası A.Ş., Türkiye Cumhuriyeti Ziraat Bankası A.Ş., Türkiye Vakıflar Bankası T.A.O, Türkiye İhracat Kredi Bankası A.Ş., Ziraat Katılım Bankası A.Ş.). Remaining shareholders are Akbank T.A.Ş., Albaraka Türk Katılım Bankası A.Ş., Alternatifbank A.Ş., Asya Katılım Bankası A.Ş., Denizbank A.Ş., Burgan Bank A.Ş., Finans Bank A.Ş., HSBC Bank A.Ş., ING Bank A.Ş., Kuveyt Türk Katılım Bankası A.Ş., Şekerbank T.A.Ş, Türk Ekonomi Bankası A.Ş., Türkiye Finans Katılım Bankası A.Ş., Türkiye Garanti Bankası A.Ş., Türkiye İş Bankası A.Ş., Yapı ve Kredi Bankası A.Ş., MEKSA (Foundation for the Promotion of Vocational Training and Small Industry) and TOSYÖV (Turkish Small and Medium Enterprises, Self-Employed People and Executive Foundation).

4-Does KGF extend loans?

KGF is a guarantee institution. It doesn't extend loans. KGF, however, does make it easier for SMEs to acquire loans by granting guarantees.

5-Which loans does KGF provide guarantees for?

Guarantees are granted for any cash and non-cash loans enterprises need for operation and investment. Personal loans, consumer loans and chequebook loans are not included.

6-Is there any state support provided to KGF?

Universally, since services provided by guarantee institutions are for the public good, they have always been institutions supported by the state. In this regard, KGF is exempted from stamp fees, corporation tax and certain fees. Besides, presence of public entities in our shareholding structure should be considered part of the state support provided to KGF. In addition, the 2 billion TL counter-guarantee provided to KGF by the Secretariat of Treasury with the Cabinet decrees numbered 2009/15197 and 2015/7715 -in order to fend off the negative effects of the global economic crisis and instability- is another significant state support.

7-Are there different KGF guarantee schemes depending on support types?

KGF has –along with the guarantee schemes financed by its equity capital- guarantee schemes dependant on the funds and grants provided by other institutions and organizations such as the Secretariat of Treasury, BTC Co. (Baku-Tblisi-Ceyhan Pipeline Project) and EIF (European Investment Fund).

For example, in guarantee extensions dependant on Secretariat of Treasury support, KGF bases its evaluation on the creditworthiness rating done by the bank itself and doesn't conduct further evaluation of the subject SME within KGF. KGF makes its final decision by considering bank requests in terms of creditworthiness. In contrast, in guarantee extension dependant on equity capital, KGF evaluates creditworthiness of SMEs through its own specialists in addition to the banks'.

In Portfolio Guarantee System (PGS), on the other hand, KGF doesn't partake in the decision-making process. Banks have complete loan extension autonomy in that regard. For guarantees granted through EIF and BTC support, relevant protocols made with the corresponding institution and organization are taken as a basis. Risk share rates and guarantee limits may vary depending on the support types.

8-Are there any other institutions like KGF in Turkey?

KGF, making use of the examples of guarantee institutions operating in Europe, is the only institution in Turkey that provides guarantees to SMEs in order to ease their access to finance.

9- Does KGF grant guarantees to all that apply, who can benefit?

Creditworthy legal persons and entities facing difficulties in accessing finance due to lack of sufficient collateral can benefit from KGF guarantee. Also, shipbuilding firms and travel agencies that are not SMEs can benefit as long as they fit the criteria set by the relevant Cabinet Decree.

10-Can merchants and craftsmen, self-employed persons and farmers benefit from KGF guarantee?

Yes. Merchants and craftsmen, self-employed persons and farmers can benefit from KGF guarantee since they are considered SMEs.

11-Does KGF grant guarantees to cooperatives?

KGF provides guarantees -excluding construction, plot and building cooperatives- to associations and cooperatives belonging to associations.

12-Does KGF guarantee the whole loan?

KGF guarantees through banks are partial since KGF works with banks based on a risk sharing principle. In schemes involving TUBITAK, KOSGEB, TTGV and Türk Eximbank, however, KGF grants complete guarantees.

For public support programs to SMEs by institutions like TUBITAK, KOSGEB and TTGV, and loans extended directly by Türk Eximbank, KGF provides complete guarantees over the support/loan amount, on the condition that it doesn't exceed the guarantee limits. In contrast to that, KGF works with banks on a risk sharing principle and guarantees only a certain percentage of the loan. Since KGF depends on the bank's initial evaluation of the creditworthiness of the SME, it expects the bank to share some of the risk for the loan extended.

13-Is there a limit on KGF guarantee amounts?

Yes, there is. KGF guarantee limits vary depending on the type of support. Up to date information about guarantee limits can be found at www.kgf.com.tr and additional information can always be obtained from KGF branches or our headquarters in Ankara.

14-Can a business owner owning multiple firms benefit from KGF guarantees for each of his/her firms individually?

According to the banking law, firms belonging to the same risk group can benefit from guarantees provided that they applied for guarantees individually. There is a limit, however, on how much firms belonging to the same risk group can benefit from KGF guarantee. As follows:

Guarantee limit for firms belonging to the same risk group for guarantees dependent on equity capital is 1.5 million TL. Guarantee limit for firms belonging to the same risk group on T.Eximbank export loans, however, is 2.5 million TL.

For guarantee letters drafted for use in TUBITAK, KOSGEB and TTGV supports, guarantee limit for firms belonging to the same risk group is the same as the limit for guarantees funded by equity capital. On guarantees funded by the Treasury, guarantee limits set by Cabinet Decree for each risk group are taken as basis.

As evident above, a risk group can benefit from equity funded and treasury supported guarantee limits individually or together, on the condition that each SME is creditworthy and guarantee limits per SME is not exceeded.

15-Can an SME benefit both from KGF equity capital and Treasury support?

Dependant on its creditworthiness, an SME can benefit both from KGF equity guarantees and Treasury supported guarantees within the limits set.

16-Is there a maturity deadline for loans guaranteed by KGF, does KGF grant indefinite guarantees?

KGF sets guarantee maturity according to loan maturity. There are also arrangements where guarantee maturity is indefinite. Such arrangements are pursuant to the time indicated on letter of guarantee loans, tender specifications and certain contracts with the management. On treasury supported transactions, however, maturity terms set by Cabinet Decree are taken as basis. Up to date information about maturity terms on treasury supported guarantee schemes of KGF can be found at www.kgf.com.tr and additional information can always be obtained from KGF branches or headquarters.

17-Is there a deadline on when the guarantee granted by KGF can be used?

Guarantee granted by KGF must be used within 6 months for Treasury supported guarantees and within a year for equity supported guarantees, on the condition that the firm preserved its creditworthiness during this time.

18-Is there a lower limit for guarantee applications to KGF?

There is no lower limit in KGF guarantees. Due to the fact that low amount guarantee applications are costly for SMEs, we recommend that SMEs in need of small guarantees apply for the low-cost PGS (Portfolio Guarantee System).

19-Given the sum of guarantees doesn't exceed the guarantee limit; can SMEs apply for different guarantee amounts at different times?

An SME has the option to use the guarantee granted to it all at once or part by part within the guarantee usage period. In addition, an SME can demand the top guarantee limit part by part in time as needed or all at once right away.

20-Can new loan capacity be created with repayments of existing loans taken with KGF guarantee?

The SME can benefit from new KGF guarantee -based on the amount of repayments made for the earlier loan- by filing an application for the new guarantee. In revolving loans, reextension is possible without KGF's confirmation, on the condition that the process is within the limits of KGF guarantee.

21-Can the SME apply for new guarantees from the same bank (or another) before the loans extended through KGF guarantee resolve?

Within the general limits set, a beneficiary can apply to KGF through multiple banks simultaneously or in different time frames.

22-What should the SME do if it wants to get the loan from a bank other than the one he applied for the guarantee through?

Bank change can be done within 6 months for treasury supported guarantees and 1 year for equity funded guarantees, on the condition that there are written requests for the purpose by the SME and the Bank and that there are no changes to terms of allocation.

23-Which banks give loans with KGF guarantee?

Currently, loans are extended through Akbank T.A.Ş., Albaraka Türk Katılım Bankası A.Ş., Alternatifbank A.Ş., Anadolubank A.Ş., Asya Katılım Bankası A.Ş., Bank Pozitif Kredi ve Kalkınma Bankası A.Ş., Denizbank A.Ş., Burgan Bank A.Ş., Finansbank A.Ş., HSBC Bank A.Ş., ING Bank A.Ş., Kuveyt Türk Katılım Bankası A.Ş., Şekerbank T.A.Ş., T.C. Ziraat Bankası A.Ş., Tekstil Bankası A.Ş., Turkish Bank A.Ş., Türkiye İhracat Kredi Bankası A.Ş., Türk Ekonomi Bankası A.Ş., Türkiye Finans Katılım Bankası A.Ş., Türkiye Garanti Bankası A.Ş., Türkiye Halk Bankası A.Ş., Türkiye İş Bankası A.Ş., Türkiye Kalkınma Bankası A.Ş., Turkland Bank A.Ş., Türkiye Vakıflar Bankası T.A.O., Yapı ve Kredi Bankası A.Ş., Ziraat Katılım Bankası A.Ş. and their affiliate financial leasing companies.

24-Are there any institutions/organizations other than banks that KGF provides guarantees for?

KOSGEB (Small and Medium Enterprises Development Organization), TTGV (technology Development Foundation of Turkey) and TUBITAK (The Scientific and Technological Research Council of Turkey).

In addition, there are efforts to create a guarantee scheme that would benefit leading manufacturers in the sector, by preserving their bank limits and providing them with finances for raw material purchase.

25-Does KGF grant guarantees regardless of sector?

KGF grants guarantees to any sector not prohibited by the law.

26-Does KGF discriminate amongst banks?

KGF signs the same contract with all the banks. So, there is no discrimination in terms of guarantee policies when it comes to banks.

27-Can KGF make changes to loan conditions set by banks?

KGF can –after judging the suitability of loan conditions per SME operations with on-site visits- recommend changes to banks and provide guarantees to SMEs with certain conditions.

28-How does KGF handle and evaluate guarantee applications?

Guarantee applications are evaluated by two committees of 5 (one for treasury supported guarantees and one for equity funded guarantees), composing of competent representatives from KGF partners that specialize in creditworthiness and loan extension.

29-How do you apply to KGF? Is there a difference between an equity funded and Treasury supported project?

SMEs that would like to benefit from KGF guarantee for loans they are looking to receive from banks can apply for a guarantee through one of the banks that signed a protocol with KGF. The same process also works for financial leasing companies that signed a protocol with KGF.

For guarantee schemes funded by treasury support, the SME must apply to KGF directly.

30-Can the SMEs apply directly to KGF rather than through the banks?

SMEs can apply directly to KGF headquarters or branches for TTGV, TUBITAK, KOSGEB and Türk Eximbank supports and loans. In addition, they can also apply by filling the forms obtainable on www.kgf.com.tr as well as websites belonging to the aforementioned institutions and organizations.

31-Which cities are host to KGF branches? Where do you apply in cities without a KGF branch?

KGF provides services nationwide and has 37 branches in 32 cities for this purpose. In cities without a KGF branch, service is carried out by a nearby branch that is responsible for the area in question.

Our branches are; Adana Branch (Hatay, Mersin, Osmaniye), Ankara Branch (Ostim), Antalya Branch (Burdur, Anamur), Afyonkarahisar Branch, Aydın Branch, Balıkesir Branch, Batman Branch (Şırnak, Siirt), Bursa Branch (Yalova), Çorum Branch (Amasya, Kırıkkale, Yozgat), Denizli Branch (Isparta), Diyarbakır Branch (Bingöl, Elâzığ, Mardin, Tunceli), Erzurum Branch (Ağrı, Ardahan, Bayburt, Erzincan, Iğdır, Kars), Eskişehir Branch (Kütahya, Bilecik), Gaziantep Branch (Şanlıurfa, Kilis), Istanbul Branch, Kadıköy/Istanbul Branch (Anatolian side), İkitelli/Istanbul Branch (European side), Eminönü/Istanbul Branch, İzmir Branch, Kahramanmaraş Branch (Adıyaman), Kayseri Branch (Kırşehir, Nevşehir, Niğde), Karabük Branch (Bartın, Kastamonu, Çankırı), Kocaeli Branch, Gebze/Kocaeli Branch, Konya Branch (Aksaray, Karaman), Manisa Branch (Uşak), Malatya Branch, Bodrum/Muğla Branch, Ordu Branch (Giresun), Sakarya Branch (Düzce, Bolu), Samsun Branch (Sinop), Sivas Branch (Tokat), Çorlu/Tekirdağ Branch (Edirne, Kırklareli, Çanakkale), Trabzon Branch (Artvin, Gümüşhane, Rize), Van Branch (Bitlis, Hakkari, Muş), Ereğli/Zonguldak Branch.

One should not forget that branches of banks that signed a protocol with KGF are open to questions and requests of SMEs like any other KGF branch. SMEs wanting to benefit from KOSGEB supports can apply through KOSGEB city branches in addition to the relevant KGF branches.

32-What documents does KGF require during application?

KGF does not request any documents other than the ones banks require for a loan application. In case there are missing documents in the loan file sent to KGF by banks, KGF will only request the missing documents.

33-Can a recently founded firm apply for KGF guarantee?

One of KGF's main goals is the enhancement of entrepreneurship and fulfillment of the finance needs of new firms that banks are unwilling to extend loans to. To that purpose, KGF

accepts guarantee applications of new firms and –if found eligible- grants them guarantees without discrimination.

34-How long does it take KGF to decide on an application?

KGF's evaluation of applications depends on size of the request and finance structure of the firm in question and ranges from 1 to 15 days.

The recently implemented PGS applications take less than 1 day to conclude.

35-Does KGF charge beneficiary firms any fees?

A trivial evaluation fee is charged for applications. An annual commission fee, ranging between %0,3-2 of the guaranteed risk amount, is charged depending on the nature and type of loan extended.

36-Does KGF A.Ş. only support projects? Does it guarantee operating capital loans?

KGF A.Ş. grants cash or non-cash guarantees for both investment and operating capital loans needed by the SME.

37-Can firms that owe taxes and SGK (Social Security Institution) premiums apply for KGF guarantees?

Different policies are implemented in terms of outstanding taxes and SGK premiums when evaluating SME creditworthiness. In treasury supported guarantees, overdue taxes and SGK premiums are an obstacle for application. So, applications by SMEs with overdue taxes and SGK primes will not be accepted. On guarantees supported by equity capital, however, they don't cause an automatic dismissal of applications, since overdue taxes and SGK premiums are evaluated in terms of their significance in the overall balance sheet.

38-Can SMEs that had bounced checks before benefit from KGF guarantee?

Such SMEs can apply for KGF guarantee if they don't have any outstanding debts subject to legal action. Furthermore, the SME needs to prove -with documentation- that it paid any bounced checks and notes payable it couldn't pay before.

39-Does KGF –like banks- ask for collateral for the guarantees it provides?

KGF, in line with its mission, provides guarantees to SMEs that are creditworthy but lacking in sufficient collateral. In case our experts reach the conclusion that the SME bears unforeseen risks, KGF might request collateral in the form of movables and immovables that the banks do not consider to be collateral. KGF seeks to ease access to finance for SMEs with the provision of collateral variety for the SME by asking for hypothecs on enterprises, machinery, vehicles, brands, mining licenses, lands not subject to zoning, farmlands, OSB (Organized Industrial Area) lands without deed and cooperative shares, receivables, animals (cattle, sheep etc), insurance policies and receivable policies. Aforementioned assets are not considered collateral by banks.

40-What happens when the SME can't pay back the loan extended through KGF guarantee?

The bank requests compensation from KGF for the loan extended through KGF guarantee. KGF fulfills its responsibility on the guarantee by paying the bank for the amount it guaranteed; after which the bank and KGF take legal action against the SME and its co-signers. KGF collects the debt owed to it through legal proceedings.

41-Can SMEs that had their guarantee applications unconfirmed before apply for guarantees again?

For such SMEs to be available for reevaluation, 6 months need to pass since their earlier application in order to provide them the time to better their situation.