



INVESTOR RELATIONS

INTERVIEW WITH MR. MAHMET AKTEN, EVP, RETAIL BANKING

<Handan Saygin>: Welcome everyone. Today, we're with Executive Vice President in charge of Retail Banking, Mahmut Akten. Mahmut has nearly 20 years of experience in Retail Banking across the world in Europe, US and Turkey. Most recently in the last 6 years, he has been with Garanti. We're great to have you here Mahmut.

<Mahmut Akten>: Thank you for inviting me Handan.

<Q - Handan Saygin>: My first question to you will be what are the strategic priorities in retail banking of Garanti and the challenges ahead you see and basically the main initiatives for retail banking this year and the near future?

<A – Mahmut Akten>: Thank you Handan, it's a great question to start. In retail banking, we had another very strong year and we have been doing this in a sustainable fashion. The reason behind this is 3 key pillars of our strategy. Number one: Customer comes first. We are people serving people. So it's very important to maintain high customer satisfaction, that's number one. Number two is, in this era with utilization and efficiency is very important for retail banking dynamics and environment to get ready for the future. Third is to maintain our sustainable growth, while maintaining market share to grow profitably. I can double click on all of them, if you like.

Let's start with customer satisfaction. On customer satisfaction, what we really care about is how do they think about our bank vs. competition. We have been in the last two years, doing an open market survey with a third-party – complete confidential – as we rank #1 in two years in a row and we get a lot detailed information as well. For the last two years, in parallel to that, we are also doing a bottom up NPS right after customer being served in a branch. We are doing bottom up NPS as well and we make this part of our performance system and we create a lot of awareness as it is coming from CEO himself, but we have a lot of events to create more awareness on customer satisfaction. We have a new portal, for instance, we call Garanti Empati. People share their stories with customers, so that is one of the key areas that we have been spending quite a bit of time on, that's number 1. Also along these lines, we are also changing a bit of our strategy from more product oriented to a customer oriented strategy. What I mean by this, to support this, you can't just change awareness, open market NPS, these types of things are good. But also the other part of it is, in retail banking, products always come typically still in performance management as first. We are changing that a bit as well, not just putting a measure for customer satisfaction but also trying to understand customer needs and offer what is more important for the customer, those products. So it is less product focused, more customer focused performance management that also supports and enables better customer satisfaction.

<Q - Handan Saygin>: Excellent, so that leads to the customer penetration further, right? Would you like to dwell more on that?

<A – Mahmut Akten>: I mean you also mentioned about challenges. In this retail banking, it is always challenging across all the geographies as you know. Different countries are at different stages but in

Turkey, there is significant young population and still quite a bit concentration of our customers, our relatively young, millennium type of customers, so it is very difficult to serve them. Their expectation is even higher, they are more digital. So for that reason, focusing on the customer satisfaction and meeting their increased needs and expectation is important and very difficult for all the banks. Those also are very critical input for the other efficiency and digitalization. Those are all linked actually. So there is a bit profile is changing in Turkey, you know.

<Q - Handan Saygin>: Now that you mention digitalization. I know that there is internal digitalization in progress and external digitalization. Where does retail banking stand?

<A – Mahmut Akten>: I believe we're far ahead of the competition. You know, the journey started 20 years ago. We have been celebrating 20th year of digitalization in Turkish banking sector as a leading bank. But last two years provided more challenges and opportunities as well. Two years ago, regulation led actually customer to do more digitally on product sales and transactions that became an opportunity and expectation is also from customer satisfaction standpoint, digitalization is very important. I would separate two initiatives we have actually. One is ongoing and running the business we are continuing to invest in digitalization in all of our transactions and sales. What I mean by this, for instance, one of the key mass product in retail banking is general purpose loan. Two third of our GPL today is sold digitally. That is one of the striking numbers and we are investing in that front continuously. So you make the process a lot faster. But also we use digitalization as an opportunity to change our business model as well and we are investing in that front. We have just started to do some work on that. How can we better serve in our branches, digitally and faster to our customers. For that we are changing the service model such that to also improve employee engagement and satisfaction through iPads, more digital sales and more face to face.

<Q - Handan Saygin>: It is empowering them, right?

<A – Mahmut Akten>: Both empowering and also we have been trying and doing some pilots in some of our branches. Customers feedback is significantly positive because it makes their life faster as well as they do get a better service. So that is an area in terms of efficiency, it will help us a lot. For poolings for some of our roles in our branches and providing a digital service.

<Q - Handan Saygin>: This will definitely help the ongoing efficiency improvement.

<A – Mahmut Akten>: Yes, absolutely. This is an area we need to continuously invest. For instance onboarding process, digital onboarding is very important. It takes substantial time for any bank, in terms of customer satisfaction. That is the first time they are meeting with you as a bank and your bank representative. So if you do onboarding digitally, because of the speed, because of the information provided through e-mail, through channels they prefer to have, it improves. We are investing in e-commerce, for instance, in Turkey. We are trying to do e-commerce, not just through credit card but credit providing and enabling that for e-commerce player is important and share of e-commerce is significantly increasing. You may say what is the challenge. It is very challenging. Digitalization also commoditizing a bit service model as well like any area. But I believe if we are ahead of the competition, if you provide a better service and we see that from our mobile branch as well, customer will continue to prefer our bank.

<Handan Saygin>: Right, and then with this new service model, basically you are helping to increase the relationship with the customer.

<Mahmut Akten>: Absolutely deepening the relationship

<Handan Saygin>: On one side there is commoditization but on the other side there is keeping the relations active is very important. Definitely helpful for the deepening the relationship.

MA: We see significant difference if a customer is an active digital customer, their attrition rates is significantly lower from our bank as well as overall satisfaction and cross-sell is higher.

<Q - Handan Saygin>: Do you want to talk more about the cross –sell?

<A – Mahmut Akten>: I would say we are maybe one of the single bank in Turkey doing this omni-channel as well. So a customer could start from any channel whether it is a call-center, our public web page, internet or mobile and we ensure that customer actually completes its transactions or gets its product. So that is an area we also invest quite a bit.

<Q - Handan Saygin>: It's wonderful. The digitalization part is very clear, well on track. How about the third pillar? You mentioned the profitable growth strategy which is the pillar that I'm sure our investment community would love to hear.

<A – Mahmut Akten>: Yes. That is a key challenge because on the consumer lending front, we are #1 among private banks, close to 22% market share. Our objective is to maintain that market share while growing profitably. For that, I think deepening customer relationship is one front but if you look at product by product actually, we try to innovate and be ahead of other players. As long as you continue to do that, I think you will be easily maintaining market share as well as growing. What I mean by this, for instance, take credit card. In credit card, we are even stronger than past. On Miles & Smiles program, we are #1 in the country, in terms of flying card program. We can get our customer fly two times more with the same amount of spent vs. other banks, because of the scale and other reasons. But we create more value to our customers which credit card is a single product. I'm not even talking about Bonus program for mass segments. That is substantially better than our competition, in terms of number of merchants we have, number of installments we do.

<Q - Handan Saygin>: We license to 10 other banks, right?

<A – Mahmut Akten>: Yes. That's one of the key reasons. But with other products as well, for instance payroll is an important factor, for sure we take into account. They are leveraging our other strong LOBs, whether SME, commercial, corporate relationship there, in terms of cross-sell there we are part of their strategy as well, so we are the leading bank and number 1 bank if you exclude retiree in terms of pay-roll customers and that relationship brings even further penetration to our customers.

<Q - Handan Saygin>: It is the main source of demand deposits, right? It definitely contributes to the bottom-line.

<A – Mahmut Akten>: That relationship and cross-sell of other LOBs with us is significant. If you take GPL, I mentioned about digitalization for instance. But if you look at all products, we are #1 or #2 in terms of market share and #1 in overall consumer lending. While we are doing that, we are creating relevance with our customers and it is very critical. What I mean by this is we look at our customers life time journey very closely. Everybody is talking about it but big data is very good buzz word as well but we have been investing quite a bit in the data front to understand our customers, to increase relevance, to do good top up of our customers for instance, in consumer lending. We are really approaching them at the right time with pre-approved loans and with other products. That is very critical. What is their next product to buy? That stage of their life is very critical and we have invested quite a bit in the branch front as well, not just digital. What is their next product? And we link that with performance management as well. So from that front, I believe, if you look at the past 6 years as well, we have been gaining market share, but improving margins as well and I think it is the credit from our customers that we are doing it right.

<Q - Handan Saygin>: Of course in this result, I'm sure customer satisfaction lies wrapping up all this actually, Garanti Retail Banking team got the highest NPS score. Few words on that would be a good wrap up.

<A – Mahmut Akten>: Sure. Our strategy is to expand our customer base, under this profitable growth, efficiency and everything. We could do this better than any other bank. But if you are expanding your scale and customer base, in retail banking we have 13 million customers and customer satisfaction is key because attrition rate vs. other markets is high. Knowing this, as I said, open market NPS gives us a good detailed information on which channel they like, what are the key attributes they like about us vs. competition and where do we lack, that's #1 input. #2 input is we do bottom up NPS in our branches. We have a lot of information not only us but branch manager and sales representative as well. They understand how they are pursued by customer. We ensure that, in our bottom up NPS, we have provided enough information to our customer about the product and full transparency is critical. We are providing very valuable product credit card. If we are charging a customer a credit card fee, we need to be very transparent about it upfront. So that trust with the customer is very critical especially in this era. So that is something to invest. It is big data etc. but beyond this, the key enabler all of the processes we continuously, in every three months we even meet with CEO, we look at every processes in a systematic fashion from customer perspective where are we lacking what can we improve in the process, where is the key customer complaint, so we map all products from beginning to end where we have the key issues, challenges how can we invest further in technology or where we are lacking, where we need to correct. It might be outside of the technology as well but the process itself, how we can improve? So you need to do all those, I mean you need to hear from customer corrected in branch level, in micro level as well as macro level, but also you need to put the investment behind the customer satisfaction behind your processes and I think that will enable us if you continue to do this, that would enable us sustain this.

<Q - Handan Saygin>: This is all wonderful, this is a great insight. Thank you for being with us Mahmut.

<A – Mahmut Akten>: Thank you for inviting.

<Q - Handan Saygin>: Today, we had the pleasure of hosting the head of Turkey's best retail bank, Mahmut Akten. Please keep following us on garantiinvestorrelations.com and IR applications. Have a wonderful day.