



## INTERVIEW WITH MRS. ISIL EVLIOGLU

### INVESTOR RELATIONS

<Q – Handan Saygin>: Hello everyone. Today we have the honor to host our Payment Systems, Garanti Payment Systems CEO, Işil Evlioğlu. Işil, thank you for being with us. I'll start with my first question immediately. Please tell us the competitive edge of Garanti Payment Systems.

<A – Isil Evlioglu>: Thank you very much Handan, also for the invitation. Before I deep dive into the competitive edge maybe I briefly explain, you know, the size, the scale of our Garanti Payment Systems business. We are running both an issuing and acquiring business. We have more than seven million credit card customers, more than eleven million debit card customers. And on the acquiring side, we have roughly around 500.000 Garanti merchants.

<Q – Handan Saygin>: Which is significant, the largest network in Turkey.

<A – Isil Evlioglu>: Yes it is the largest network in Turkey and having both an issuing and acquiring business is also relatively unique in the global markets as well. And this reflects into a roughly 19% market share on both sides. Coming to the competitive edge, I think what I would say at the very, you know, top line message is our long term strategy and vision on the payment systems area. Garanti Payment Systems was established in 1999. So it's the 20th year, this year. And for those 20 years it has worked with a long term vision rather than short term, you know, priorities. And with that vision actually, it was established as a separate company to have a dedicated focus on a very, you know, detail-oriented business and an ecosystem. And in Garanti Payment Systems we are a separate company from the, as I said, very first day on. We have dedicated and experienced people on the payments area, not only on marketing and sales but also on the technology side as well. And this gives us, this gave us and still gives us an agile approach in the way we do our work for 20 years now. Our marketing teams and technology teams are actually working, all the time, together, on the new solutions. Coming to technology, I think we have a unique technology as an in-house asset that supports our payment systems. I mean, the very basic, you know, product characteristic of Bonus is to have instant bonus points accruals and redemption at the point of sale with every transaction. It's something...

<Q – Handan Saygin>: Instant cash.

<A – Isil Evlioglu>: Instant cash, exactly. It's relatively new or non-existent in many markets right now. So this is the essence and then we do develop a lot of new applications on that campaigns and so on. But this shows the strength of our technology and investments in this area. The next thing is obviously our customers. We are a marketing company. And we are a very customer driven organization, putting our customer in the center of our decisions. And to be very frank, this long term strategy helps a lot because it sometimes requires trade-offs with between customer choices and some other priorities. But that long term vision helps us to focus on the customer satisfaction as well. Finally, I mean, payments is so rich about data and that's why we have always been using that data. But I think going

forward it's going to be more and more critical because of the new tools and capabilities available in the market and as Garanti Payment Systems, as bank and globally as BBVA, we are investing a lot on data capabilities and I think that's going to help us even more on the competitive edge going forward.

<Q – Handan Saygin>: Great. Now I know that we offer wide variety of products, meeting the needs of different customer segments. Most recently we launched a travel and entertainment card, Shop&Fly. Would you tell us a little bit about that one?

<A – Isil Evlioglu>: We are very excited about the product. Because after a long while it was one of the, you know, new product launches to the market and also for our portfolio as well and end-to end proprietary new loyalty scheme that we put behind. But before that maybe I elaborate a little bit on the travel and entertainment segment of card business. We have been traditionally very strong on travel and entertainment segment in the card business, thanks to both our Miles&Smiles products and also American Express. On Miles&Smiles, we have been the first partner of Turkish Airlines exclusively for a very long while, in the last 19 years. And we keep up that partnership, at least, up until 2023 going forward. In addition to that, for a very long time now, we have been the sole exclusive partner of American Express in Turkey and those two products give us a lot of edge on this segment. But what we have seen from the customers side is, there is also a new segment growing in travel and entertainment. What I would call is more like mass affluent. They are more relatively on a budget but they like to travel, they like to try new things. But they prefer, relatively more, one stop shopping. So with Shop&Fly, we actually try to address that segment, those customers with some key product characteristics. Number one is it's a brand agnostic card program. Number two it's very straightforward in terms of earn and redemption rate. So what we tell the customer is, for every 1 TL transaction you get at least 1 miles and then you want to redeem that miles, for every hundred miles you get 1 TL worth of travel and entertainment, you know, either hotel or airline whatever. It's one stop shopping as I said; you can book your hotel, you can book your airline, you can rent a car or you can get your insurance. And finally one of the key characteristics, is actually with your accumulated miles you can also pay the taxes on the airline tickets.

<Q – Handan Saygin>: Oh, I hear this for the first time.

<A – Isil Evlioglu>: Which is the first time kind of unique now in the market. It used to exist but it disappeared for a long while. And now it's again back, is something back that we put into the markets.

<Q – Handan Saygin>: That's great. Now all this, also reflecting very well on the P&L. You know, investors notice the contribution to the net fees and commissions coming from the Payment Systems. It has exceeded 50%. So, could you tell us like, how sustainable this is, what this how this contribution to Garanti P&L will continue?

<A – Isil Evlioglu>: Sure. Top line message again, it is sustainable, we believe. And it again comes to my first answer in the first question, which is about this long term vision and strategy. Basically we are focusing a lot on growth and scale. And whenever you are more, you know, we have a scale advantage on the payment systems, you are actually more flexible in doing many things. And how do we ensure that growth and scale with that long term vision, which brings us a lot of you know agility in terms of investing on value added services to our customers. For instance BonusFlas is one of them like, which we launched almost like more than three years now. It has proven a lot, in terms of engagement with our customers. So for our customers who use BonusFlas, they use our card more, they bring more profits, they bring more volume, more importantly they are happier with us. And their engagement with us is much better. So..

<Q – Handan Saygin>: Maybe, just in parenthesis, reminding what BonusFlas is, it's an app, constantly in contact with the customer reminding the promotions in where they are.

<A – Isil Evlioglu>: Exactly. It is something between a banking app and a shopping app. But it's mainly driven around our campaign platform where we are running more down like 300 campaigns at a time. And it's both a lot of, you know, one to one interaction with our customers and this is one of our value added services that actually we provide for free to our customers. But then, these value added services help us on the flexibility of getting more fees and commissions that justify the service that we provide to our customers. Obviously the other critical component of fees and commissions is related to interchange. And interchange is regulated in Turkish markets, which is defined by a formula related to interest rates and also the minimal operational costs required to run a payments business. So there is no major change expected in the formula of interchange in the near future as well. So I believe this is a sustainable fee and commission structure that we have, in Garanti Bank.

<Q – Handan Saygin>: That's good. And are you expecting any new regulation changes?

<A – Isil Evlioglu>: We already have, you know, quite a few, so I don't expect new in the near future.

<Q – Handan Saygin>: How about the new regulation that recently passed around restructuring credit cards? Can you tell us a little bit about that one as well?

<A – Isil Evlioglu>: Sure. Maybe I briefly explain what that regulation change helps on first of all, then I explain the implications. This new regulation allows the customers to move their current credit card outstandings into a general purpose loan. So it's not a balance transfer of credit card from one bank to another, but actually it is from one product to another, to help the customer to extend the duration of the repayment. So on credit card, minimum payment start with 30%. So this means, on an average, you have like three months of payback periods. While it is up to five years with this new regulation change if you convert it into a general purpose loan. So in terms of implications, this did not trigger any market share changes on the outstanding balances of credit card business, but this reduced the credit card outstanding balance slightly because of this shift from credit card business to lending business, general purpose loan business in the overall ecosystem. But beyond that, you know, credit card business has unique characteristics in Turkey. Yes, it has an interest rate but the interest rate is also relatively low compared to other lending products that are available to retail customers. I think customers are well aware of it. But on top of that, beyond that interest rate, actually with our loyalty programs, we are providing a lot of, you know, free installments which is like zero percent interest rate funding, up until like 12 months to our customers. This regulation requires customers to close their accounts so that they could move the amount to a general purpose loan. And with that, what we realize is, customers are reluctant to close the accounts because they are actually enjoying zero percent interest rate on the free installments that we give to them. So obviously it had some impact for the customers who wanted to have a lending up until like five years but it is relatively very limited compared to what you would see in another payments market globally.

<Q – Handan Saygin>: I see. Actually from here on I'd like to ask another question like how, because like minimum payments being so high in Turkey also in terms of the asset quality, it helps the banks, right? Could you tell us a little bit about the asset quality?

<A – Isil Evlioglu>: Asset quality, I mean, normally in Turkish markets, the credit card business as I said, is highly regulated on key metrics that you could actually manage on the issuing side. So there are a few metrics that are critical to manage asset quality and also customer benefits that you give, which are like minimum payment ratio, interest rates and limits are the three key things that you could, you know, you could change. And these three are highly regulated, strictly regulated in Turkey, which helps a lot on the asset quality side. Because we cannot give beyond a certain limit, customer needs to pay at least a certain minimum amount.

<Handan Saygin>: And this is a system wide limit, right?

<A – Isil Evlioglu>: This is system wide limit. That's why customers are actually, limit wise, kept in the system regarding asset quality, that helps a lot on the credit cards side in terms of potential.

<Handan Saygin>: Lovely. Thank you so much Işıl for being with us.

<A – Isil Evlioglu>: Thank you very much for the interview.

<Handan Saygin>: And thank you all for watching us. Please keep following us at [garantiinvestorrelations.com](http://garantiinvestorrelations.com) and our application. Have a wonderful day.