



INVESTOR RELATIONS

INTERVIEW WITH MR. MEHMET SEZGIN,

Head of Global Payment Systems, BBVA

Co-Chairman of Garanti Payment Systems

<Handan Saygin>: Hello everyone. Today we are with Mehmet Sezgin, who is a veteran of Garanti Bank for more than 15 years, who now is the Global Head of Payment Systems at BBVA and is the Co-Chairman of Garanti Payment Systems. Welcome Mehmet.

<Mehmet Sezgin>: Thank you.

<Handan Saygin>: Great to have you here.

<Mehmet Sezgin>: Good morning.

<Q – Handan Saygin>: Do you mind just briefly tell us about this global scope at BBVA?

<A – Mehmet Sezgin>: BBVA is a big bank as we all know. We have operations in more than 30 countries. But when it comes to card systems we have issuing and acquiring business in 13 countries, a lot of geography in Latin America, Mexico, U.S.A, Spain and Turkey and of course Romania. We have about 80million cards debit and credit in those countries. And we generate about 115 to 120 billion dollars charge volume and we try to offer the best services to our clients in every country.

<Q – Handan Saygin>: Excellent. Now I know that a lot of people are curious to know what synergies we are able to generate with BBVA. I know that there is a lot going on, best practice sharing, best man sharing. Do you mind telling a little bit about those, in your area?

<A – Mehmet Sezgin>: Sure, I think we can now talk about more than synergies; we can talk about solid projects. The first thing we did was, whether or not it was right to let's say export the business model we established in this country, which is basically looking at the card business, not just the card business but also including the acquiring business, so the customers are both card holders and the merchants. And that to us living in Turkey seems like a normal thing to do, but in many countries that is not the case.

So in most of the countries we operated in these past 3-4 years, we actually changed the business models, where we established payment systems divisions instead of card divisions in all of these countries, where issuing and acquiring together form payment systems. That requires a lot of organizational alignment, training, establishing of KPIs obviously, and also training people who are capable of dealing with such challenges.

So that was the first thing, in almost every country we operated, we now have a very similar organizational model like Garanti has, which takes again retailers and card holders as customers. But sometimes you need to do more on that. For instance our biggest bank as BBVA is in Mexico. It's called Bancomer, like Garanti it has its own name, BBVA Bancomer, and we have about 30 million cards there, it is by far the largest bank there. But they did not have the POS terminal capabilities, installments, discounts, cross sell functions like we had in Turkey. And rather than writing that software all over again, after we changed the structure of the organization; we actually gave them the software. So Garanti Technology prepared a special software package for Bancomer, and eventually we went

there, we installed the software, we again trained the people about how to use it. So it took like a year, year and a half as a project, but it was the first time that a major not only a business model transformation but also software going from one of its banks to another. Now Bancomer has all the abilities that Garanti was able to do in the past 15 years in Turkey, in Mexico offering those services to our Mexican clients.

<Q – Handan Saygin>: That's great. Recently we launched BonusFlash in Turkey. Is this product available in other, was it there in the past in other countries?

<A – Mehmet Sezgin>: That's a very important product. First of all I think it's a great success that Garanti was able to offer to more than half a million customers in less than a month. I think that is almost a world record. Because if you look at the bank applications, they usually seem like utilities. But in this case I think in the app store it even overtook Facebook messenger for like couple of weeks, in terms of number of downloads. So that was great. But that is a part of a global project, global initiative. What we are trying to do at BBVA is we are trying to lead the way from plastic to mobile. And it's actually a point of inflection, a turning point as we say in Turkish, which is a point of inflection in payments history. Because about 14 years ago, we had seen that plastic started to replace cash and now we are actually starting to see that the mobile payments are going to replace plastic. And as BBVA we are trying to lead that transformation.

We actually launched in 4 countries before we launched at Garanti. Because Garanti's POS functionality which I mentioned before was so big, that did not actually have the same capability set in many other countries. So we took the mobile application to offer additional services to our card holders. For instance installments, you know installments in Turkey are very common, same in Mexico; this is why we actually gave them the software.

But in Spain for instance, we don't have such infrastructure. So when we design the transformation we included instalment options in real time alerts. So anytime you use your plastic, you receive real time notification on your mobile, as the printer starts printing this POS receipt, you see that on your screen. And there we say ok, is this your transaction, is it good/secure etc, but also would you like to pay in installments. So all of a sudden we sort of replaced or upgraded the POS infrastructure with the mobile infrastructure. Obviously you can also pay with your mobile and you can see your transactions, change your pin open or close your cards. For instance women, you have a lot of purses, you change your stuff from one purse to another. So sometimes you say "Hey, is my card still safe, did I forget it at home or did I just lose it at a restaurant?" So you want to temporarily block your card, but usually you don't have that means. You got to call the call center and so forth. So we gave that ability, to temporarily block your cards.

So BonusFlash is another of these applications, now we have in 5 countries including Turkey, about 2 million downloads. And I think BBVA is the only country which has the same app and the same technology and let say mobile application that works as the same in 5 countries for more than 2 million customers. And it will be more than 5 million next year. So as BBVA and Garanti, we are actually leading this transformation.

<Q – Handan Saygin>: Wow that's wonderful, those are very big figures. How about the reflection on the P&L? Can you give us some numbers?

<A – Mehmet Sezgin>: Yeah of course exactly, of course we don't do those things only to transform business. Every transformation should offer additional revenue streams. So I just mentioned installments for Spain for instance, that is the case for some of the countries as well. In Chile and USA for instance, we have offered real time redemption. Again in Turkey we are used to seeing our points at the POS. Would you like to redeem bonuses here right? So the US doesn't have that. US has cashback for instance, which is credited to your statement 40 days later. So you almost forget about it.

So for the first time in the US BBVA Compass there is the only bank that offers real time point redemption, same thing in Chile. In Mexico, we are the only bank that offers a dynamic e-commerce platform. All these actually what they do is, they encourage customers to choose BBVA and Garanti cards more than the others, because a typical customer has more than a couple of cards. So every time you chose a card is a very important time for us. So if you have 10% 15% more transactions, that 115-120 billion dollars of charge volume goes up by 10% 15%. For instance in Spain we have seen people who actually use the mobile app are about 20-25% more active, not only 10-15, 20-25% more active than people without the app. So more activity on payments systems is definitely a revenue generator.

But we also try to come up with specific revenue enhancements such as in Turkey we enabled limit increases, so you can actually apply for additional limit, which opens up for more transactions. You can ask for additional cards. It also helps the bank, us, to lower the costs for our call centers, for our branches. Because these apps for the first time enable customers to be really at the steering or the driving seat of their cards world. So you don't have to call the call center or call your account manager that much. So we are expecting also that our costs at the call center, because typically about 70% of call center calls come from card customers, we are also trying to minimize that with this new application. So additional activity, which means additional volume, which means additional fee income, hopefully additional outstanding balances and interest income, plus lowering of costs both are going to help to enhance our P&L.

<Handan Saygin>: Excellent. Thank you for being with us. This is always great.

<Mehmet Sezgin>: Thank you, it is always a pleasure to be at Garanti again.

<Handan Saygin>: Thank you for being with us. Today we hosted Mehmet Sezgin, Global Head of Payment Systems at BBVA; and Co-Chairman of Garanti Payment Systems.

Please keep following us at Garanti Investor Relations Website and IR application.

Have a wonderful day.