



# INTERVIEW

## A PARTNER FOR THE LONG RUN

**UFUK TANDOĞAN**, CEO, Garanti Bank România

### **1. Garanti Bank is doing business here for quite some time. What are the milestones of your presence here?**

We are here since late '90, more exactly since 1998. At the beginning, we had a license to do business as a foreign branch of Garanti Bank International N.V. In 2010, we transformed our business into a fully fledged Romanian bank, and we established three business lines: Retail, SMEs and Corporate. Some of the milestones to mention during our presence here in Romania are the launch of Bonus Card, in 2007, one of the most successful credit cards on the Romanian market, the launch of our internet solution Garanti Online in the same year and Mobile Me, our mobile app, in 2016. We are also proud to mention that we were the first bank to sign loan agreements with international organizations such as IFC for financing the women entrepreneurs back in 2011 and we were to first in Romania to launch an eco-affinity card WWF Bonus Card, in order to support WWF's nature preservation policy. At any purchase made with WWF Bonus Card, Garanti Bank donates 0.3% of the total purchase value on behalf of the card owner to WWF projects regarding conservation areas in the Carpathians, along the Danube and in the Danube Delta. The 0.3% is supported entirely by Garanti Bank.

In the past 21 years, Garanti Bank has managed to grow year-to-year above the market average, and it is currently a bank of systemic importance, one of the top ten largest local banks. Back in 2008, we were the 23rd bank in Romania. With a business model that has proven to be sustainable, Garanti Bank has managed in two decades to grow its loan market share to almost 3% and its deposit market share around 2.5%.

### **2. What are the main challenges of banking in Romania?**

The banks are in a delicate position in Romania. On one hand they should adopt new technologies as fast as they are launched to keep up with the fintech companies. On the other hand, they have to keep and optimize their brick and mortar branches for the clients that prefer the classic banking. And also, they have to find new clients, far away from the big, wealthy cities because the financial intermediation is still at a very low level. The banking sector's asset size is 95 billion EUR which is around 50% of GDP while the EU average is over 200% and CEE countries have an average of 100% or higher. Unfortunately, Romania has the last ranking in Europe in this regard. Here we have a vicious circle of unbaked people that cannot benefit of credit for basic appliances, housing and

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transport, but also probably hundreds of thousands of entrepreneurs that are still doing cash only transactions. Without banking, these consumers are using informal, high cost services to buy things while the entrepreneurs are keeping their business small, under their potential.

### **3. What does this mean for the economy, in general?**

The total loans volume in the sector is just EUR 55 billion. Romania has one of the lowest loan-to-deposit ratios in the region. Only 70% of deposits are converted to loans. In the EU this ratio is much above 100%.

So, there are funds to invest, but over 20% of banks' assets are state bonds, one of the highest levels in Europe. This means there are a lot of resources in the banking sector and banks are ready for financing the local private economy. But there are factors that put the brakes on financing businesses. Between 2011 and 2016 banks made 11 billion EUR provisions, and more than half was related to insolvency cases. This amount is more than the equity of the sector. So, banks are thinking twice before making a credit decision due to the bad experience of insolvency cases. Unfortunately, in recent years banking sector preferred to take sovereign risk much more than granting loans to entrepreneurs.

Other reasons for low banking activity is the shadow economy which is 28% of GDP, and limited number of eligible enterprises having sufficient capital and turnover.

### **4. What are your strengths on the Romanian market?**

Generally, in Romania the competition is price driven, there is no secret about this. Our prices are, of course, aligned to the market level, but our competitive advantages come from our brand, our technology, our human capital and our innovative products.

We are part of a great financial family, an advantage in this very dynamic banking environment. We have strong shareholder support and a strong

reputation locally, but also globally. Garanti Group Romania is held by Garanti BBVA, the second largest private bank in Turkey. In the first half of 2019, Garanti BBVA posted a consolidated net income of EUR 560.24 million and an asset size of EUR 64.48 billion, while its contribution to the economy through cash and non-cash lending totaled EUR 48.27 billion. Garanti BBVA serves over 17 million customers in corporate, commercial, SME and consumer segments, offering fully integrated financial services. Spanish financial group Banco Bilbao Vizcaya Argentaria (BBVA) is the majority shareholder of Garanti BBVA. In the first half of 2019, BBVA registered a net attributable profit of EUR 2.44 billion.

Secondly, we have highly centralized operations, which bring efficient processes and best customer experience. We also take pride in our technology and our state-of-the-art digital products – Garanti Online and Mobile Me. Also, Garanti Bank is one of the first and still few banks in Romania with a complete smart ATM network.

We are constantly increasing the operational efficiency of the bank, significantly over the sector average. We have been focused on improving the asset quality of the bank. Currently our NPL ratio fell under 4%, and it is significantly under the sector average.

### **5. Digitalization is the most important trend in banking right now. What are you doing to keep up with the new technologies?**

We are one of the pioneers of the digital banking in Romania. Currently, we are the 6th bank in Romania in terms of digital banking penetration. In 2018, the value of the transactions performed through our internet banking platform - Garanti Online, increased by 60%, compared to 2014. In the same year, we registered an increased volume by 60% of mobile banking transactions that were operated through our mobile banking application Mobile ME, compared to the previous year. About 47% of Garanti Bank's deposits are being opened through Garanti Online.

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We know that in the digital era, consumer banking habits continue to evolve and to diversify at a speed we have never seen before. The types of financial products and services have multiplied considerably in the past years, as customers' needs for efficiency and excellence have amplified at very high speed. Digital banking products gain more and more ground, as customers have shown an increasing preference in this direction. We at Garanti Bank try to permanently adapt to this technology driven changes.

Also, we try to customize our products and services to best fit the needs of our customers, because we strive to be a bank with a client centric approach. This is the reason why we always design new products and launch new campaigns. We want to make sure that our clients know they have in us a partner for the long run.

We have just been awarded for the 12th time in the past 11 consecutive years, by the worldwide-recognized Global Finance magazine, as "Best Consumer Digital Bank in Romania". We are the only bank in Romania to win such a prestigious award.

In developing our digital services, we benefit from the support and know-how of our shareholders. Garanti BBVA has over 7.5 million digital customers (67% penetration), while Banco Bilbao Vizcaya Argentaria (BBVA) reached 29 million digital clients. BBVA was recognized last year by Forrester Research as having the best mobile banking app in the world, in the top of mobile service offerings from 53 banks across the world.

## **6 ■ How do you see the context created by the new competitors, the so called fintech companies?**

Competition in the banking industry has refined throughout the years. But at least for now, for the Romanian market, banks have nothing to worry

from the fintech and tech companies as long as they constantly improve the delivery of financial services on digital channels, expand their presence online, and connect with people 24/7 through social networks. Some of the banks are developing their own products to compete with these new players, other banks are trying to buy them. We believe that collaboration, not the competition is the future in this field.

We benefit also from economies of scale, using the experience of Garanti BBVA and BBVA group in offering digital products to further innovate on the local market.

## **7 ■ What can you say about savings? Are Romanians putting money aside?**

We have noticed a new, emerging trend in Romania, where people are not just consuming more, but they are also showing an enhanced savings behavior. Our aim to attract savings, both from individuals and companies, led in 2018 to an important rise of the deposits volume. Thus, deposits grew primarily due to the Retail and SME segments, with a significant 60% increase in the individual deposits and 40% in the ones attracted from SMEs.

In 2019, we further strengthened our position in the market and attracted savings from individuals and businesses alike. Deposits continued the same ascending trend since the beginning of the year.

## **8 ■ As a conclusion, what do you think the coordinates for further development of your business here in Romania are?**

We come to age on the Romanian market. We are a mature, well established bank with strong shareholders and extensive know-how about our customers. We have a long-term commitment here and we will continue to develop our portfolio of products for our lines of business – retail, corporate and SMEs.