

# Turkey 2009 Campaign



**Interview Transcript:**  
**Dr. Önder Halisdemir**  
Chief Executive Officer of Aktifbank

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**PM Communications:** Today's global financial landscape poses a lot of uncertainties and challenges to countries around the world. What are Turkey's competitive strengths within that landscape? And in that context, what is Turkey's recovery potential relative to its neighbors?

**Dr. Önder Halisdemir:** After the crisis of 2001, Turkey's banking sector went through a period of recovery. Turkey faced a decentralization period for the first time. The Turkish banking sector faced two banking activities under this decentralization. First, Turkish banks explored real customers. Before 2001, the Turkish banking sector's lending was mainly government focused (government bonds). The treasury departments were very active. Customer departments and corporate loan departments were not important. We were collecting deposits and we were placing them in government bonds. It was very easy for us. We opened branches just to take deposits. We did not have so many products, especially customer products. We only had deposit products, some credit cards, and some corporate loans (but mainly, government bonds).

After the crisis in 2001 and following the process of disinflation in Turkey, the banking sector explored the consumer market. The government decreased their borrowing needs (now, it is all right as it has come to Maastricht Criteria). We used to collect deposits and placed them anywhere. It was a gamble because we had to meet the overhead and still make a profit. This meant that we had to change the system or our banking approaches to become more customer-based. Our move to become more customer-oriented started with the disinflation process in Turkey in 2004. Some of the big banks saw the opportunity in this approach and developed their CRM technologies. They redefined themselves to become more customer-based. Banks mostly changed after 2004.

After that period, real interest rates began to decrease very dramatically. Customer credits became very important for the banks. In 2004, all mortgages compared to the GDP was about 0%. Now, it is about 4.5%. It is still very small. It is almost the same as with the Czech Republic. If you see the potential in Turkey, the figures are very small. Nonetheless, it continues to be important.

We began to have an increased focus on the customers and SMEs. From 2005 onward, Turkey's FDI increased dramatically. Prior to that, we didn't have a significant amount of FDI. Those developments were very important for us. Our market is not yet mature so there is no boom. Nonetheless, this is something good for now.

On the other hand, if you compare the major markets with the Turkish market, all deposit and lending multiples were about eight times. However, if you compare it to the whole market, from having more than 30 times, it has reached 60 times. The Turkish banking multiples were very small and this works for us. These days, the main problem is the leveraging. There are huge multiples for everybody, but we do not have that kind of leveraging problem.

Funding from outside the Turkish banking sector is almost \$15 billion, which is not important for the Turkish market. That is very small compared with the Turkish banking sector balance sheet.

The disinflation period has pushed us to gain a new focus on the customers. Because we are still at the early stages, we don't have any home-equity line of credit. The payment-to-income ratios are lower than the EU averages because they have just started extending credit in banks, offering consumer loans, mortgages and other such products. We also had the regulation agencies. With the lessons learned from the previous crisis, they were very cautious and have played a very important role in the Turkish banking sector. They were probably more stringent than some EU legislations in some cases. This is quite normal as the 2001 crisis greatly impacted the Turkish banking sector in those days.



If you look at the banking balance sheets, you do not see investments in derivatives, toxic investments, or huge lines of credit. Our priorities lie in meeting the needs of our individual and corporate customers. This move has proven to be quite profitable and serves as a major protection for the Turkish banking sector.

The credit-to-deposit ratio for the Turkish banking sector is only 85. If you compare it to the developed markets, it is very small. Our main funding is still through deposits. So far, we have not had huge opportunities to heavily participate in the securitisation markets and the like. These things have protected us from the current global crisis.

**PM Communications:** The year 2008 was a volatile year for the world. For Aktifbank, it was a very seminal year. You have rebranded the company, you completed a restructuring programme and you achieved a very high JCR rating. You have also developed the 3-pillar strategy. Can you tell us about this strategy and the new shape of the bank?

**Dr. Önder Halisdemir:** I transferred from Çalık Bank in March 2007. I look after markets, especially the boom of international markets. We were seeing a lot of foreign investors coming to Turkey, which meant that the competition was becoming harder. I was coming from one of the biggest banks in Turkey and we saw that there were a lot of commercial banks. The market did not need more of the same. There was an opportunity to develop good financial products in the Turkish market for alternative delivery channels. In Aktifbank, my team and I developed mobile credit. It was an innovation in retail banking for 2005. We focused on alternative distribution channels. We saw that we did not need any branches to do something for the market, so we focused on direct banking. I am highly interested in smart-decision technologies.

There is no doubt that we could open branches, as well. In 2007, we only had one branch and we had the opportunity. We could have pursued commercial methods that didn't add extra-value to the market. But there is also the absence of a direct bank model. Most of the direct bank products in Turkish markets have been developed by my team. It's a wonder we don't have the credit factor in the Turkish banking sector when we have a great trove of experience from Akbank and the like. We have built such great credit automation centres. We have established this kind of approach for Aktifbank.

Our goal was to be the only direct bank in Turkey that is like Capital One or ING. Turkey has a younger population and a rapidly growing consumer sophistication. People don't want to go to branches. In the past, it was acceptable to go to the branch to do transactions for 15 to 20 minutes. Now, people want to do their transactions remotely. Furthermore, we don't want to set up in a location where people don't want to go. We have technologies and systems packaged in such a way that the customer does not have to physically go to the branch frequently to complete transactions. It is all geared towards the customer's convenience. It's an innovation that we have created in the past. We have such information, and we tested the Turkey data.

We created cellular credit to get credit information and assess it in milliseconds. It was very easy. We got an award for that.

We looked at Post Offices. We knew that Turkish banks back then did not have any deals with post offices despite being very important bank channels for Europe and America. We saw the need for these areas and decided to create them for the Turkish market.

We follow the philosophy of direct banks. We have cell phone credit and post office credit. These are all huge distribution channels. We bring our service through many different ways. We have started to build core-banking systems and some additional units.



Oyster Card was introduced by this American company that manages the London transportation system. In 2006, there was a project with Barclays Visa offering a second chip interface for those who have used up the credits of their Oyster Card.

We have a good relationship with Barclays. When I visited them two or three years ago, they showed me their projects. I was able to localize many of those approaches. There were some automated-fare collection companies in Turkey, and we bought the biggest one. Around 150 people work there right now. I think we spent around \$10 million. We thought that we can bring banking services with those cards.

With Oyster cards, there was no allowance for Barclays or transport for London for the single chip because the first chip belongs to Cubic Corporation. There is no right to any intervention or anything like that. We, however, do not have that kind of restriction because we bought the transportation rights of Bursa. We could develop everything on a single chip. Today, around a million people carry our cards. We call it Bu KART. If you have an Oyster Card, you can use it in Starbucks. Our cards, on the other hand, can be used to make small payments, not to buy coffee. We are creating a special line for supermarkets – like a pay-pass or a show-and-pass system. There is no need for authorisation.

For other areas like parental control, we have a prepaid card that can be used for transportation, in supermarkets for small payments. Perhaps, if you are a parent you can give this prepaid card to your children for transportation or for buying food at the school canteen. We are developing these kinds of products for the family. Now, we are managing bank insurances, which is very important.

We also bought another company in Gaziantep, which is the sixth-largest city in Turkey. Now, we are the most private transportation-operator in the country. Our bank is small but our subsidiary is the biggest transportation operator in Turkey. For 2009, we will merge banking-sector products and transportation-sector products. That has very important potential for us. In London, for instance, can you believe that all Oyster cardholders have an account in Barclays? If you are in London, there is no way for you to go about the metro without an Oyster card because there is a huge difference in fare tariff.

We are talking with the cab companies, zoos, etc. in Bursa and Gaziantep. We got the tender for Kayseri. Now, we own E-KENT Electronic Fee Collection Systems, the largest transportation automated fare collection company. It is very good for us.

The Çalik Group has two gas distribution companies in Bursa and Kayseri. It was very strategic for us. We have E-KENT and gas distributors there. We are bringing those strategies for 2009.

We support all direct bank philosophies. That is the first pillar of our strategy. The second one is to use the right banking approach for the Turkish communities. Albania was a chance for us because Banka Kombetare Tregtare (BKT) belonged to another group. After the 2001 crisis, they had to sell their bank and we got it after that.

We have a good relationship with Albania. We were able to turn BKT into a good bank. We are interested in markets where the banking sector or the economy is not developed, but is very close to Turkey. Albania is at most a two-hour flight from Turkey, allowing us to fill up those geographical areas from Turkey. Compared to those areas, the Turkish banking sector is very developed. Turkey has also some historical ties with those areas and that is a plus factor. Some of them speak Turkish.



In 2007, we entered the Kosovo market. When we launched our branch there, I delivered my speech in Turkish because the President there then was Turkish. We were having talks with the authorities from Macedonia, Azerbaijan and others. We were planning to apply new banking license but after the crisis, we saw a good opportunity to take a bank, not a new license. Now, we are looking for such an opportunity. These strategies are for our aim to be a regional power. Our strategy is to establish synergies with good companies in other areas. Synergy is very important.

Our group is the owner of the second-biggest corporation in Turkey. They have a huge distribution channel with 25,000 dealers (i.e., small groceries, small shops, etc.). It's very good for cash-management. It's a huge distribution channel for us.

Now we are bringing products for networks. On the other hand, the group has gas distribution companies and they pay big attention to electricity distribution. It has very good potential for us to develop.

**PM Communications:** Besides, the BKT bank, you also have a telecoms company in Albania? What role does this play in your strategy to become a regional power?

**Dr. Önder Halisdemir:** That is right, we have the Eagle Mobile and GSR telephone operator. Group companies have great synergic areas. We focus on such kind of areas. We also have corporate business and so far, this has funded and financed all our activities. We are very happy with our corporate banking areas. We also want to dominate the retail areas. We have built our project finance department. This is also very important for us because for Albania and Kosovo, there is no such kind of project finance approach. They don't have that many experienced bankers.

There are a lot of European banks, but it is not really a competitive market. Our team also focuses on these kinds of markets. They have privatization programs. They have European Union funds, etc. They are working on it. I have noticed that there is a lack of attention in those markets.

This is something they should focus on (i.e., how can they bring EU funds to Kosovo or Albania, how can they finance infrastructure projects or road works, etc.). They lack information on these areas. We are lucky and grateful that we have experience in that area. We are very hopeful for their activities.

That is our three-pillar strategy. All of our businesses are based on our strong company philosophy. We are highly dynamic and entrepreneurial. We are not just bankers, we are also businessmen. Our team is extremely hard working. What we do is not just a job, it is a passion.

**PM Communications:** You mention you team as being one of the most crucial of your competitive advantages. Can you tell us about the steps you have taken towards improving your human capital?

**Dr. Önder Halisdemir:** We have a good reputation in the retail banking industry so it was not difficult to get good retail bankers (for other areas, people do not know us that well). We look for the right people. Once we target the right people, the rest comes easier.

In 2007, we were only 25 strong. Now we have 160 people. We aim to reach 250 by the end of 2009. My target is 300 but our budget is only for 250.

Most major positions of Aktifbank are for 400 people (especially now that we are opening branches). The average age of our friends coming from nine different branches is 32 years old. Together with my friends, we are able to manage the bank very well.



When it comes to people, if you establish a positive environment, they are inclined to add value. Everybody in our team is highly positive. There are no internal competitions. We are very proud of our colleagues.

**PM Communications:** Can you tell us about your own background and how it shapes your current vision for Aktifbank?

**Dr. Önder Halisdemir:** I began my banking career in 1995 as a management trainee in several departments including audit, corporate banking, and retail banking. I have played an instrumental role in introducing innovation in the Turkish banking industry. I have won some Turkish and international awards for the banks that have I worked for.

In addition to my banking experience, I have also served on the board of directors of insurance companies. I chaired the Banks Association of Turkey and served as the association representative in the legislation process. I also continue to serve on the board of the Financial Managers Foundation and the Real Estate Investment Trust Association.

I got my PhD from Marmara University at the Institute for Banking and Insurance, Department of Banking. Before that, I took various subjects at Marmara University, Pennsylvania University and New York University. I do lectures about banking at Marmara University. In March 2007, I was appointed CEO of Çalik Bank. I also serve as the vice chairman of the bank's subsidiary, Banka Kombetare Tregtare (BKT). Overall, I have 15 years of first-hand banking experience.

**PM Communications:** Can you tell us more about your role in introducing innovation in the Turkish banking sector.

**Dr. Önder Halisdemir:** A milestone of the Turkish banking sector was when we built the online credit base decision system. With information from you, we work for creditisation in milliseconds. After 2005, other banks in the Turkish banking industry started online credit. It was good for the Turkish banking industry. Together with my team, we built dealer's credit. I also created a programme for a declining interest rate product. Because of the high interest rates in Turkey, people think that interest rates should be decreased. I created a programme where if I get credit now, and if the credit decreases, this will be reflected on the previous credits. An example would be if the people in Turkey get an interest rate of 2% a month, I promise them that the interest rate will be 19% per month, I decrease their interest rates and reflect half of it. This means your credit payments will decrease. People thought that they are offering the same 2% credit rate, but only one bank can decrease the credit rate. That is why most people come to our bank. Because of that, we increase our market shares.

I have been with Aktifbank for one year because the Çalik Group offered a new position. I was interested in the group because they want to be a regional power. I personally believe that Turkish banks can be a regional power. Akbank has no such kind of operation. They have operations in Holland, Germany and other markets. Çalik Group companies operate in Turkmenistan, Albania, Kosovo and others. That is a very good opportunity for us and for Turkey. We are producing new products for trade between those countries and Turkey. We have to be focused because we are very small.

**PM Communications:** What are your main goals for 2009?

**Dr. Önder Halisdemir:** We are focusing on the direct banking approach and introducing it to the market. We are ready, but now is not a good time to enter the market very widely. We are planning to enter the market on June 2009. We are planning to open branches, operate banking strategies.



By the end of this month, we are planning to open the Kayseri branch. In February we will open the Bursa branch, and in March, the Gaziantep branch.

We will not serve retail customers yet, only corporate customers. Apart from that, we also want to service companies in the field of receivables management. That will be very important for 2009 and we are now working on it. We are planning to establish a company that focuses on receivables management. We will also activate our core-banking system. These will be our priorities for 2009.

**PM Communications:** In conclusion, what message would you like to convey to the readers of *The Sunday Telegraph*?

**Dr. Önder Halisdemir:** First of all, Turkey has the highest population of young people among the EU countries. If you compare it to Germany, UK, France, and the others, Turkey has a very rich potential for investors. Turkey has a very large geographical area so there are a lot of good opportunities, as well, for companies. Good infrastructure is very important too for Turkey. A lot of companies bring their operations to Turkey. We have a very good relationship with the UK and a lot of UK companies. The EU anchor is very important for us and we are well aware of it (especially, when we look at the developments from 2002 until 2009). These developments in the economy give us confidence. We would like to invite the British to invest and work in Turkey.

**PM Communications:** Thank you very much for your comments.