

# LETTER FROM THE CHAIRMAN



Dear Stakeholders,

2018 was marked by increased uncertainties in global politics and decreased risk appetite in financial markets on the back of political and macroeconomic developments. Continued normalization in developed countries' monetary policies and the expansion of protectionist measures that was led by the US can be mentioned among the factors that reduced the risk appetite. Increased market volatility and perception of uncertainty in the developing countries in an environment of rising vulnerabilities around the globe, resulted in net fund outflows from these countries, causing their currencies to depreciate.

With respect to the Turkish economy and banking sector, 2018 has been a year of high volatility. Following the first half of the year when growth was vibrant, we have observed rebalancing tendencies gain the foreground in economy. Turkish banking sector has been the enabler of the healthiest economic stabilization possible, by maintaining its solid stance despite the vulnerabilities that stemmed from global and regional risks. Turkish banking sector preserved its robust balance sheet structure, comfortable liquidity base and strong capitalization, once again successfully proving that it has a solid foundation. As Garanti, being aware of the targets and priorities of our country and economy, we have also collaborated efficiently with all our stakeholders and as well as all the actors of the economy, as has always been the case.

Regardless of the temporary macro developments, we keep leading the transformation in the sector with investments in our business model and with our customers that make up the pedestal of our strategy. As we carry on with uninterrupted service delivery, we continue to upgrade our products and service model so as to take care of our customers' financial health. Everyday, we are working hard to deliver perfect customer experience to our 16 million clients. We are intending

to be transparent, clear and responsible towards our customers. Placing our customers at the heart of our activities in a bid to exceed their expectations and enhance their satisfaction, we are designing our processes through their perspective. We are targeting to build long-lasting relationships that rely on trust, and to be differentiated and to be stronger through these relationships.

The environment we operate in is evolving rapidly. To make the most of the age of opportunity, undertaking a transformation process becomes more and more important for the entire banking sector. From our standpoint, the transformation of the sector is shaped by three main factors that interact with each other: continuous development in technology, customer expectations that are redefined everyday by these developments and the needs of the changing world, a competitive environment that requires better understanding of customers than ever before and highly skilled Garanti employees capable of offering the right service in a timely manner by closely monitoring their changing expectations. In such a dynamic environment, each part of the banking value chain is being redesigned within a structure that is integrated with the new technologies. Garanti, having correctly envisioning the future of banking, embarked on a transformation journey, which is continuing. The new service model introduced at our branches was a major step in this journey. Our purpose is to “bring the age of opportunity to everyone”.

We are putting great emphasis on integrated management of financial and non-financial risks through effective risk management. Rapid changes in the world are introducing new risk factors to be considered in investment decisions. Investors now need to assess the impact of global warming, changing demographics, privacy concerns and regulatory framework on their investments. This awareness gave rise to an increase in Environmental, Social and Governance-focused (ESG) investing. As Garanti, we are aware of the increasing demands of the ESG investors. Being a company listed not only in Turkey but also in the UK and the US, it is a set target for Garanti to operate within globally recognized high standards. In this sense, in a bid to better address the needs of our diversified shareholder base, we have been publishing our Integrated Annual Report prepared in line with IIRC standards for all our stakeholders for two years. To tackle the new risks presented by the new world, we must focus on positive impact and responsible investments.

Thanks to our pioneering role in the area of sustainable banking, as Garanti, we are representing a good role model for other banks, and further increasing our multiplier effect in terms of contributing to sustainable development.

The path to achieving all of our goals passes through investing in the development and satisfaction of our employees. Our efforts for ensuring equal opportunities and professional development contribute to our high employee engagement score and low employee turnover. We believe that digitalization is a great opportunity to allocate our human capital to more creative projects and this will result in further enhanced employee satisfaction and customer experience.

The synergy we have with our majority shareholder BBVA keeps getting stronger. Pioneering projects creating value for the society and the economy are being accomplished with the sound partnership and collaboration of BBVA and Garanti in the international arena.

While determining our roadmap, we are always striving to correctly interpret and thoroughly analyze the trends that shape the banking business in the world and in Turkey, as well as global and regional macroeconomic events. Apparently, 2019 is set to be a year of continued rebalancing that is ongoing in the global economy. We are fully confident in our country's potential in regards to the achievement of our goals. We will continue to stand by our customers under any circumstance by means of our proactive balance sheet management and competent human resources, and we will keep contributing to the society and the economy, thereby creating value for all our stakeholders.

Sincerely,



**SÜLEYMAN SÖZEN**  
*Chairman*