

### 2.2.4. Turkey



- Focus on profitable growth, driven mainly by business banking loans.
- Net interest income growth driven by price management and activity.
- 2016 costs evolution in line with inflation.
- Risk metrics reflect good management in a complex environment.

#### Definition of the area

This area includes BBVA's stake in Garanti, which has been 39.9% since the third quarter of 2015, when Garanti was incorporated into the Group's financial statements by the full integration method. Consequently, the year-on-year rates of change of the earnings in the area have been affected by the change in the scope of consolidation. In order to make the comparison against 2015 easier, some rates of change are shown considering the stake in Garanti in comparable terms, i.e., including the stake in Garanti as if it had been incorporated by the full integration method since January 1, 2015 (Turkey in comparable terms).

**Garanti** is a banking group with 23,678 employees that provides a wide range of financial products and services to its 14.6 million customers through an extensive distribution network, with 959 branches in Turkey, 7 in Cyprus, 1 in Luxembourg and 1 in Malta. It has 3 representative offices in London, Dusseldorf and Shanghai, in addition to a presence in other countries, with 85 offices in Romania, 1 in Holland and 74 offices in Turkey dedicated to other activities such as leasing, factoring, and securities trading.

Garanti Bank footprint in Turkey



#### Management priorities

Garanti has continued to work on a series of initiatives in line with the Group's six Strategic Priorities. The following is a summary of the most relevant initiatives undertaken in 2016.

- A. Improving **customer experience** is a key aspect for Garanti. The goal is always to provide a service above and beyond the customer's expectations, seeking to offer an excellent customer experience through all the channels. To do so, Garanti is putting special emphasis on being a more transparent bank with clearer processes, and one that behaves responsibly to its customers.

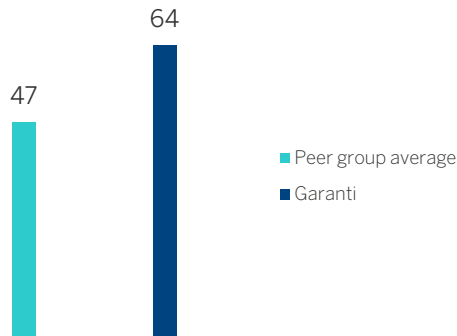
To this end, Garanti has launched the CX platform (Garanti Empati). In addition to ensuring that all employees are better informed regarding all the work and projects underway, it allows them to:

- Share best practices in customer experience.
- Work on building a relationship of trust with customers, in which better communication is crucial.

In addition, there is a mobile platform designed to empower sales force, "STEP", designed as a seamless workspace with the slogan of "a bank in a tablet". Employees can keep up with all customer information, transactions, product usage and customer requests from a single, easy to use interface. It also enables video communication with product / subject matter experts; that is to say, it provides expert level information to our customers from first hand.

As a result, Garanti is ahead of its competitors in the NPS index.

Net Promoter Score (NPS) (Turkey, Percentage)



Peer group average: Akbank, Isbank, YKB, Deniz and Finanz.

Efforts to improve customer experience will continue throughout **2017** with a view to making further improvements in areas considered to be critical for the entity, as well as in the complaint-handling processes.

Garanti has also worked in 2016 to expand the **customer base** effectively, and will continue to do so in 2017 through:

- Continuous efforts on new customer acquisition and retention.
- An increase in cross sales.
- Use of big data as an effective way to identify customers.

B. To drive **digital sales**, Garanti has positioned mobile banking at the center of its omni-channel strategy, investing in digital channels with a view to achieving sustained and profitable growth. It is worth mentioning that the vast majority of non-cash financial transactions are conducted through digital channels, which are thus assuming a very prominent role in terms of what they represent for the bank's total sales.

**92%**  
Of all **non-cash financial transactions** go through digital channels:



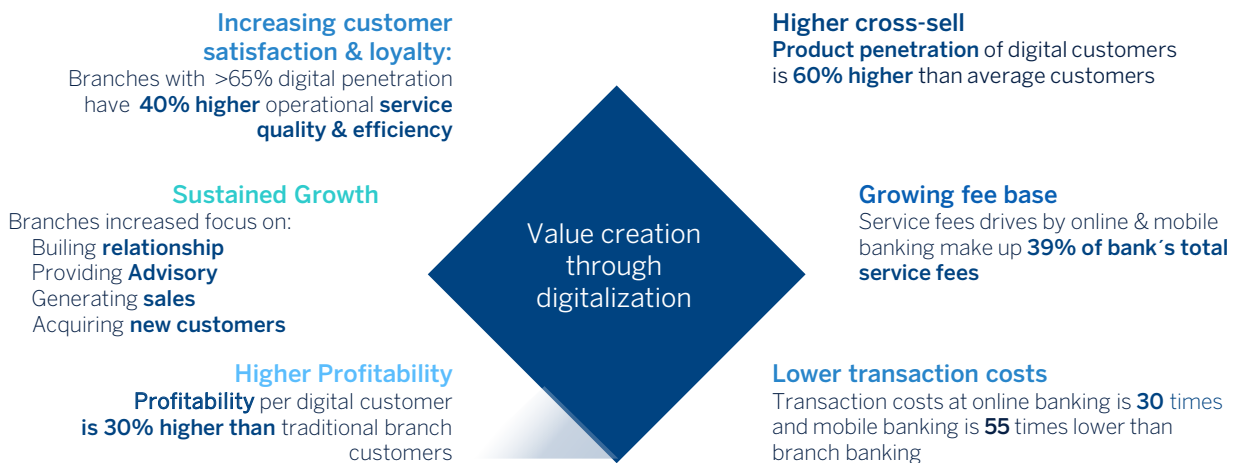
With increasing weight in **mobile**

Mobile transactions:

- **70 million** in 2015
- **>111 million** as of December 2016

The bank is convinced of the possibility of value creation through digitalization and is pursuing a more productive use of digital channels, improving existing services, incorporating new features and developing new applications and products for the digital environment.

Investments in digital channels. Feeding the sustainable and profitable growth model



Some examples of the new mobile apps and functionalities that have been launched include:

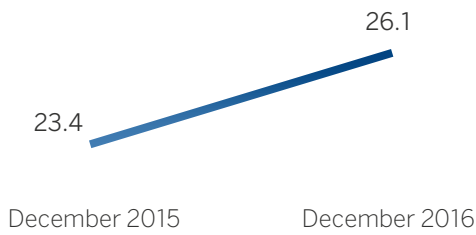
- Bonus Flaş (BBVA Wallet), which has already reached a broad user base with 2.8 million downloads in 2016.

- The launch of "mobile appointment", by which customers can get prioritized queue numbers and are allocated to less busy branches. This has allowed customers to be served quicker and easier, thus improving the customer experience.

- Individual meetings with consultants via video calls.

In addition to providing customers with innovative solutions that best meet their needs, Garanti has redesigned its digital platforms to offer an incident-free experience. These initiatives have resulted in a significant increase in online sales.

Digital sales (Percentage of total sales YTD, number of transactions)



C. **Optimization of capital allocation** is yet another strategic priority for Garanti to ensure sustainable growth and achieve optimal profitability. This requires alignment of decision-making with capital consumption and business return, as well as a precise calculation of the risks assumed. In this regard, tracking capital consumption for the historical portfolio and new customers alike is an essential part of the decision-making process. To achieve sustained profitability, the focus will continue to be on diversifying the sources of income from fees and commissions. Effective spread management, prudent risk management and policies designed to improve **efficiency** are further key factors

for maintaining and improving the profitability of the business.

D. **Human capital**, in other words employees, represents Garanti's most valuable asset. This is demonstrated by the investment figures in training and the recognition obtained, which proves the bank's standing among the leaders in terms of quality standards in personnel management.

The most valuable asset: human capital

Training hours per employee:  
36 hours/year

- 542 thousand hours of in class training
- 113 thousand hours of digital training
- IIRP Gold certificate in 2015:
- Received first Gold in Turkey in 2012

Garanti Leadership Academy

- 85% of our Bank's directors graduated from these programs
- Ambassadors of our common culture of management
- Best Talent Management in Turkey

1st company from Turkey to earn "Gold Certificate" from Inverstors in People for the second time

The [Management Report](#) provides more details on the macro and industry trends, activity and earnings of this business area.