

# What is the Power of Action?

**Aydın Güler**  
Executive Vice President  
Finance & Treasury



Video



Click/scan to watch the video and for information about our strategy, actions and contribution to Sustainable Development Goals.

Superior  
Performance

**Return on  
Equity 19%,  
Return on  
Assets 2%**

Action

Sustainable  
Growth

**Highest  
Interest  
Earning Assets  
Ratio among  
peers**

Action

Sustainable Income  
Generation

**Highest net  
fees and  
commissions  
base among  
peers**

Action

Choice of Customers

**Highest TL time  
and demand  
deposit base  
among private  
banks**

Action

# Operational Excellence - I

2,915 12 min 10 growth

Material Topics	Value Drivers	Indicators	2020	2021 Actual	2021 Revised Guidance	Actual vs. Guidance
<b>#1 CAPITAL ADEQUACY AND FINANCIAL PERFORMANCE</b>  <b>#2 CORPORATE GOVERNANCE AND EFFECTIVE MANAGEMENT OF ALL RISKS</b>  <b>#4 EASY, FAST SOLUTIONS AND DIY OPTIONS</b>	FOCUS ON SUSTAINABLE GROWTH AND USE OF CAPITAL EFFECTIVELY SO AS TO MAXIMIZE THE VALUE TO BE CREATED  CONSTANTLY IMPROVE AND ENABLE BUSINESS MODELS AND PROCESSES WITH AN OPERATIONAL EFFICIENCY POINT OF VIEW  ACTIVELY MANAGE FINANCIAL AND NON-FINANCIAL RISKS	Asset Growth (%)	26%	<b>57%</b>	-	-
		TL Loan Growth (%)	33%	<b>27%</b>	>20%	Beat
		FC Loan Growth (%)	-1%	<b>-7%</b>	Shrinkage	In-line
		NPL Ratio (%)	4.5%	<b>3.6%</b>	<4,5%	Beat
		Net Cost of Risk <sup>1</sup> (bps)	231	<b>107</b>	<150 bps	Beat
		NIM Including Swap Costs (%)	21 bp expansion	<b>85 bp contraction</b>	-100 bps contraction	Beat
		Net Fess & Commission Growth (%)	5%	<b>40%</b>	-30% growth	Beat
		OPEX Growth (%)	15% (Bottom line impact: <9%. Due to hedging mechanisms and pre-set provisions)	<b>28%</b> (Excluding currency impact: 22,6%. Since currency impact is 100% hedged, there is no bottom-line impact)	~CPI	Miss (Inflation-adjustment related additional provision to be settled in 2022 associated with employee benefits inflated 2021 base)
		Cost / Income Ratio <sup>2</sup> (%)	36.5%	<b>34%</b>	-	-
		Leverage	7.7x	<b>9.7x</b>	-	-
ROAE (%)	11% (adjusted with freeprovisions:14,4%)	<b>19%</b> (adjusted with free provisions: 22,6%)	16-18%	Beat		
CAPITAL ADEQUACY RATIO (%)	16,9% (Excl. BRSA temporary measures)	<b>14%</b> (Excl. BRSA temporary measures)	-	-		
CET-1 RATIO (%)	14,3% (Excl. BRSA temporary measures)	<b>11,3%</b> (Excl. BRSA temporary measures)	-	-		

1 Net CoR excludes currency impact, as it is 100% hedged, no bottom line impact.

2 Income defined as NII + Net F&C + Trading gains/losses excluding FX provision hedges + Other income excluding provision reversals + Income from subsidiaries

Contributed Sustainable Development Goals



## FINANCIAL PERFORMANCE

Financial performance, which is at the core of value creation at Garanti BBVA, is both the cause and the result of sustainable growth. The bank has an indirect and direct impact on the economy by offering its products to customers, investing in facilities and continuously improving its business model and processes from an operational and environmental efficiency perspective.

Aiming to allocate capital efficiently in order to maximize the value produced, Garanti BBVA focuses on disciplined and sustainable growth with its real banking principle that does not compromise its solid asset quality and prudent stance. It continues to support the economy with its effective balance sheet management, combining its unconditional customer satisfaction approach with a strong capital structure and efficiency focus.

## ASSESSMENT OF FINANCIAL POSITION, PROFITABILITY AND DEBT PAYMENT CAPABILITY

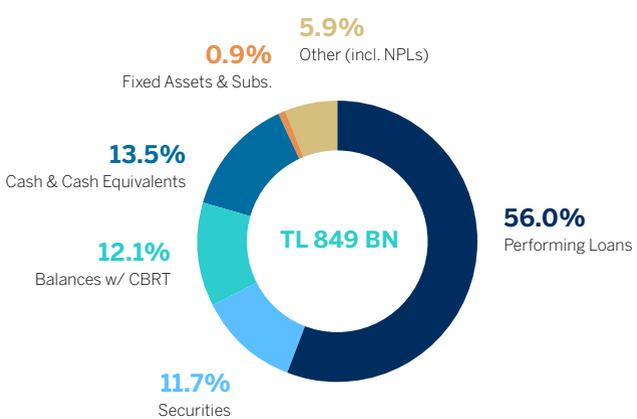
Due to the emergence of COVID-19 pandemic, loose monetary policies of global central banks and fiscal incentives applied have been the highlight in 2020. 2021, was a year in which we have experienced the impact and consequences of these developments, and the recovery process that started with the vaccination becoming widespread. Extensive impact of the lockdowns on the economy have been prevented as the vaccination process has gained speed, even though the case numbers continued to increase due to second and third waves of the pandemic. Recovery process on the global trade side has also

picked up in a parallel manner. Global trade, which contracted by more than 15% annually in 2020, is estimated to grow by 10.8% in 2021, according to forecasts of WFO. The acceleration in the vaccination process enabled the restrictions to be loosened to a large extent as the tourism season opened. In light of these developments, the global economy is expected to record a strong growth in 2021 after the contraction last year. According to the IMF's latest forecast, the global economy is expected to grow by close to 6% in 2021.

Growth in the Turkish economy has gained pace with the contribution of both domestic demand and increasing foreign demand. The fact that growth was mainly driven by domestic demand and the fluctuation in the exchange rate, especially in the last periods of the year, has put some put pressure on inflation. The policy rate started the year at 17%, increased to 19% with a 200 bps rate hike decision in March, and then ended the year at 14% following gradual rate cuts starting from September. The decline in funding costs in the last quarter of the year and the strong loan growth with the contribution of domestic demand supported the banking sector margins. The CPI-linker securities portfolios of the banks have also helped protect the balance sheets of banks against the rise in inflation.

Garanti BBVA continued to grow without compromising profitability, strengthen its capital and asset quality thanks to its dynamic balance sheet management in this environment. While its **total consolidated assets** reached TL 849 billion with an annual increase of 57%, total performing loans grew by 42%, whereas the security portfolio grew by 34%. Strategic purchases were made in the securities portfolio during the period, to support margin management. Interest earning assets' share in total assets is the highest among peers with 82%.

**Asset Breakdown**



**Performing Loans\***

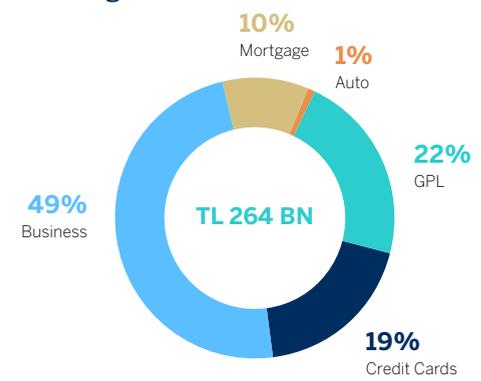
(TL, US \$ billion)

	2020	9A21	2021	QoQ	YoY
Total	335,0	398,4	475,3	19%	42%
FC (US \$)	\$17,3	\$16,5	\$16,1	(2%)	(7%)
TL	207,6	252,7	264,1	5%	27%

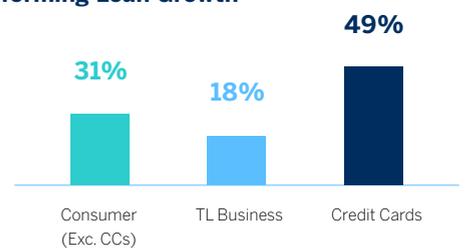
\* Excludes leasing and factoring receivables

Supported by strong domestic demand in 2021, Garanti BBVA has increased its market share in TL performing loans by 54 basis points since the beginning of the year and became the leader among private banks as of third quarter, with 27% annual growth. Growth in **TL performing loans** was balanced with parallel growth in both corporate and individual portfolios.

**TL Performing Loans**



**TL Performing Loan Growth**



**Securities**

(TL, US \$ billion)

	2020	9A21	2021	QoQ	YoY
Total	73,9	80,7	99,3	23%	34%
FC (US \$)	\$3,70	\$2,98	\$2,97	(1%)	(20%)
TL	46,6	54,3	60,4	11%	30%

The contraction in **foreign currency loans** continued due to the decrease in loan demand backed by the volatility in currency. Foreign currency loans recorded an annual contraction of 7% in 2021. 16% of unconsolidated foreign currency performing loans are export loans utilized to customers with FX income. 53% are project finance loans and the remaining 31% are business loans, mostly utilized to large corporate, commercial customers and multinational companies. While 84% of Project Finance loans are made up of loans utilized to customers with FX income or customers who do not have any currency risk, all foreign currency loans who bears a currency risk are classified under stage 2 or 3 with high provision levels.

The customer-focused deposit base continued to have the largest share in funding the asset growth. The 63% annual growth in the **customer deposit** base was supported by both TL and FX customer deposits. Bank's loan/deposit ratio also improved to 82% on a consolidated basis. The reasons behind Garanti BBVA having the highest net interest margin are:

- High share of demand deposits in the total and,
- Low-cost, sticky SME and retail customer driven deposit growth.

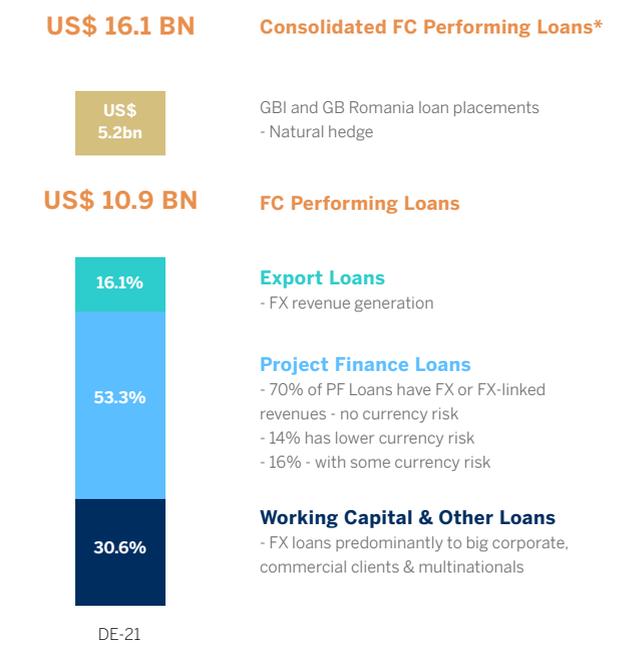
**Highest TL Deposit Base, Both in Time & Demand**

- Among private banks, as of Sep'21

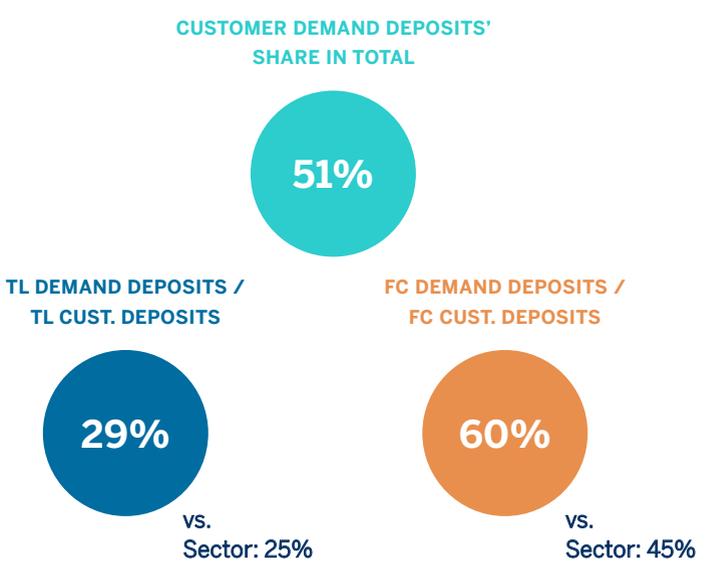
**Stickier & Low-Cost Deposit Base**



**FC Performing Loans**  
(44% of total performing loans)



**Expanding Zero-Cost Demand Deposits Base**



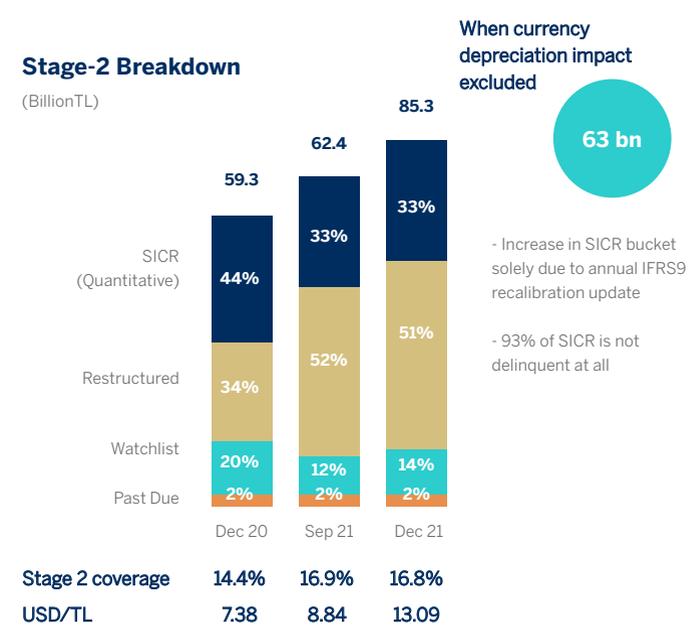
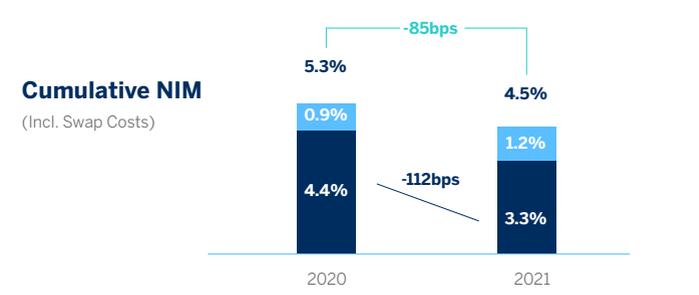
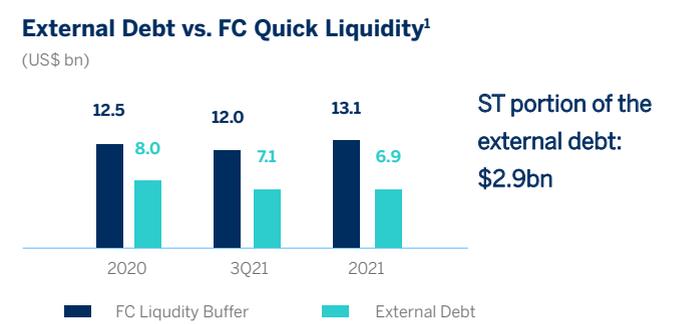
Garanti BBVA's need for external borrowing has also decreased significantly supported by the shrinking foreign currency loan book. While the **external debt stock** decreased from 8 billion USD to 6.9 billion USD in 2021, the **foreign currency liquidity buffer** level increased to 13.1 billion USD with the short term portion at only US\$2.9 billion.

Our TL loan yields have increased thanks to the balanced and timely loan growth. Repricing of our loans gained momentum, especially in the second half, supported by the short term nature of the growth. However, due to the rise in TL deposit costs, especially in the first half of the year, the loan to deposit spread contracted compared to the previous year. The increase in the cost of swap funding also put negative pressure on the margin. While some of the contraction in the loan to deposit spread was offset by the CPI linker income contribution, some of it was supported by the high demand customer deposit base. In 2021, our **net interest margin including swap costs**, contracted by a limited 85 basis points, outperforming our operating plan (approximately 100 basis points contraction) announced at the beginning of the year, despite the cost pressures.

We also supervise the health of our loan portfolio as we grow our loan book and we constantly take a proactive and prudent approach in terms of risk management. The performing loan book is followed under Stage 1 and Stage 2. **Stage 2 loans** are subjected to quantitative (Significant Increase in Credit Risk) or qualitative (Watchlist, Past Due and Restructured) evaluation with TFRS 9 models. In 2021, especially with the currency impact, the stage 2 loans increased to 85 billion TL, from 59 billion TL in 2020, however, if we would keep the 2020 exchange rate level constant, the stage 2 loans would have increased by only 4 billion TL. The increase in stage 2 is all from the Significant Increase in Credit Risk bucket, following an annual IFRS-9 calibration made with a proactive and prudent manner. 93% of the Significant Increase in Credit Risk (Quantitative) bucket is not delinquent at all. **FX sensitivity analyzes** are carried out regularly within the scope of proactive loan classification and loan provisions. In the most recent sensitivity analysis, corporate and commercial loan

1 FC Liquidity Buffer includes FC reserves under ROM, swaps, money market placements, CBRT eligible unencumbered securities

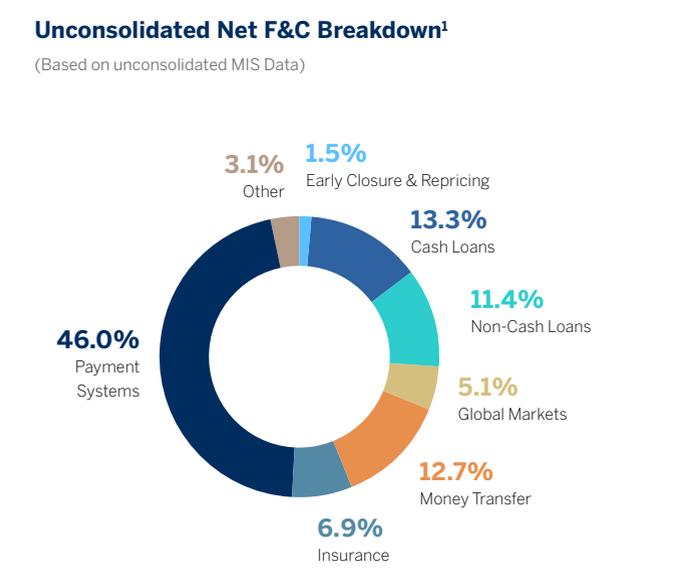
portfolios were examined and it was determined that nearly 90% of the companies that were determined to be currency sensitive were followed with high coverage levels under the stage 2 or 3. On the other hand, no payment problems were experienced in the 10% of rate sensitive loans that were followed under stage 1.



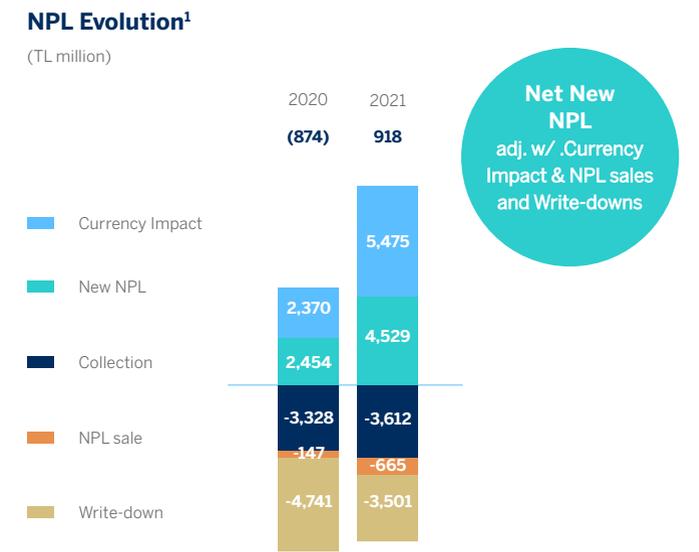
In 2021, **non-performing loans ratio** decreased to 3.6% from 4.5% in 2020 thanks to limited net inflows and write-downs. NPL ratio would have declined to 5.6% in 2021 from 5.9% in 2020, when adjusted with the impact of write-downs done in 2019, 2020 and 2021.

We have seen an improvement in the **cumulative net cost of risk** in 2021. The provisions we have set aside with our prudent approach since the implementation of IFRS-9 reduced our need for additional provisioning in this period of high economic activity. Combined with strong collection performance, the cumulative net cost of credit risk (excluding currency impact) came in at 107 basis points, below our operating plan guidance of <150 basis points.

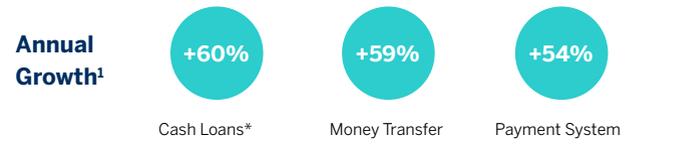
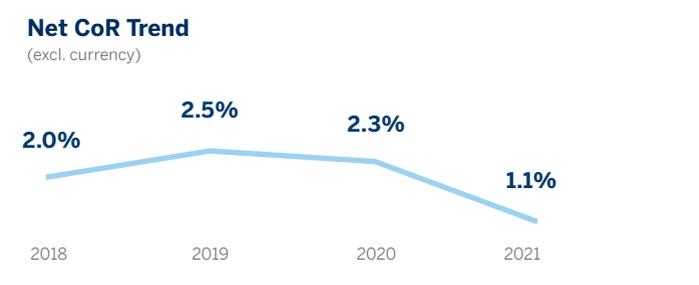
Garanti BBVA, grew by 40% in **net fees and commissions** 2021, on top of already having the highest base among peers, by maintaining its sustainable income generation, thanks to its diversified commission resources and digitalized processes. The factors that have contributed to the growth are the increasing transaction volume in credit cards and money transfers, our growing customer base and our developments in digital banking.



1 Net Fees&Comm. breakdown is based on unconsolidated MIS data  
\* Excludes LYY related dividend income



	2020	2021	2020 (adj. w/ WD)	2021 (adj. w/ WD)*
NPL RATIO	4.5%	3.6%	5.9%	5.6%
NPL COVERAGE	63%	66%	73%	79%
TOTAL COVERAGE	5.8%	5.8%	7.3%	7.7%



Expanding customer base with **more effective and broader penetration**

Boosted by growth in transaction numbers on top of the positive effects of 7/24 FAST system for local Money transfers.

**Digital empowerment and unrivalled customer experience** resulted in a 68% YoY increase in # of digital transactions.

Acquiring volume **grew by 56% YoY** thanks to our credit card customer and merchant base – **highest among private peers.**

### Sustainable & Improved Efficiencyratios

#### COST/INCOME



VS.  
Private peer  
avg. of 41%

#### BANKING REVENUE/ BRANCH<sup>1</sup>



VS.  
Private peer  
avg. of 16.4%

#### BANKING REVENUE/ EMPLOYEE<sup>1</sup>



Our **operational expenses** grew by 28% in 2021, above the average inflation. Factors in cost growth are:

- The additional 650 million provisions set aside, due to the inflation adjustment to be paid in 2022, increasing the 2021 base,
- Reduced costs with the transition to a hybrid working environment helped offset the inflation-driven expense increases,
- Increase in foreign currency linked expenses. TL depreciation had a negative impact of approximately 6% on operational expenses. However, the long FX positions that are carried against the exchange rate effect hedged this impact, so there is no impact on the bottom line.

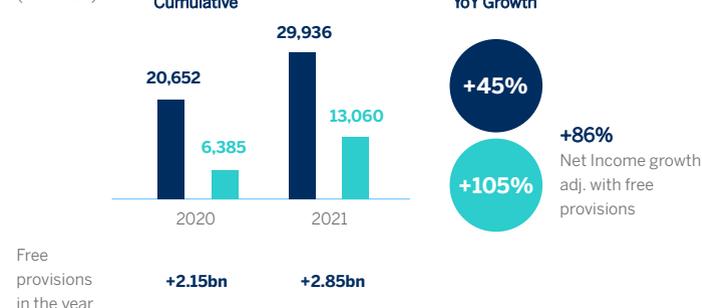
As a result of all these, Garanti BBVA managed to **increase its pre-provision income by 45%** year on year. Given the Bank's prudent risk approach, Garanti BBVA set aside 2 billion 850 million TL free provisions increasing its total free provisions in the balance sheet to 7 billion 500 million TL, and achieved a consolidated net income of 13 billion 60 million TL.

The Bank's **average return on equity** was realized at 19.0% and return on assets at 2.0%. When adjusted for free provisions, return on equity would have been 22.6% and return on assets 2.5%. **The Cost / Income** ratio also improved to 34% from 36.5% in 2020.

In 2021, the **capital adequacy ratio** decreased to 14.0% from 16.9% in 2020, mainly due to the depreciation in the currency. This ratio does not include the forbearance measures implemented by the BRSA during the year. This level is well above the Basel III minimum required level of 12.2% for 2021. According to the legal limits the Bank has an excess capital of 12.5 billion TL, excluding the BRSA forbearance measures.

### Pre-Provision Income & Net Income

(TL Billion)



### ROAE

ROAE Adj.  
w/ free provisions



<sup>1</sup> Per bank-only financials for fair comparison. Peer bank figures are as of September 2021  
Note: Income defined as NII inc. Swaps + Net F&C + Dividend Income + Subsidiary Income + Net Trading Income (excludes swaps & currency hedge) + Other income (net of prov. Reversals) Banking Revenue = NII - Swap Cost + Net Fees & Commissions

### THE GROUP'S PERFORMANCE IN 2021

Subsidiaries played a key role, as they did in previous years, in delivering the strong financial results at the end of 2021. The contribution of subsidiaries to the Group was not only limited to the net income figure but also to other financial performance metrics, enabled by the synergy captured with the parent Bank in all fields of activity as well as in management.

In 2021, major contributors to consolidated performance were brokerage & securities activities, which are also supported by the Group's banking investments abroad, and insurance & pension business.

In terms of brokerage & securities activities, year-end 2021 results were positive:

- In Domestic Sales, the acceleration of new customer acquisition continued at the same pace as in 2020, with the impact of both the ongoing effects of the pandemic and the public offerings in 2021. In parallel with this, as the number of customers making transactions increased by 66% and the commission income from Equity and Derivatives Market transactions enlarged compared to the previous year. In addition, the total revenue obtained from overseas transactions, FX and treasury increased by 30%.
- On the Corporate Sales side, the services provided to foreign corporate customers came to a standstill, in light of the regulation in short selling transactions, however managed to outperform its target.
- With the contribution of public offering services, Corporate Finance revenues increased by approximately a record high 138% compared to the previous year.
- Approximately 96% annual growth in treasury revenues was driven by positions maintained by the Bank aligned with the market conditions, improvements in market access and

market making structure, stock loan transaction revenues and the increase in transactions with investment branches.

- Garanti BBVA booked a net profit of TL 510 million among its subsidiaries and has a share of 3.9% in total earnings.

2021 has been a successful year for insurance and pension business, as demonstrated by the results presented below:

- Private peers market leader\*\* with 2.2 million participants in total covering both Voluntary PPS\* and PPS Auto-Enrolment.
- It was the choice of 30% of more than 836\*\* thousand new participants in the system in Auto Enrolment and ranked first as the company acquiring the highest number of new participants.
- Succeeded in winning the highest additional market share in PPS Auto-Enrolment in terms of the number of employers, number of participants, total funds and total contributions categories.
- Had a highly successful year with a cost/income ratio of 24%
- Celebrating its fourth year, the Fund Coach reached 155,381 users with a very successful return performance.
- Garanti BBVA's subsidiaries achieved a net profit of TL 635 million and had a share of 4.9% in total profits.

### GARANTİ BBVA'S TAX CONTRIBUTION

Having embraced transparency, prudence and honesty principles in tax matters, Garanti BBVA reports on the total tax contribution, both on its own and on behalf of third parties.

Please read more on tax strategy & reporting on Garanti BBVA Investor Relations website, Tax Strategy and Reporting Heading under the Environmental, Social, and Governance tab.

\* Private Pension System

\*\* Based on data published by the Pension Monitoring Center on 31 December 2021.

## 2022 OUTLOOK

## 2022 OPERATING PLAN GUIDANCE

TL LOANS (YOY)	>25%
FC LOANS (IN US\$, YOY)	Shrinkage
NET COST OF RISK*	<150bps
NIM INCL. SWAP COST	+50-75bps
CORE NIM (NIM INCL. SWAP EXCL. CPI)	Flattish
FEE GROWTH (YOY)	>25%
OPEX GROWTH (YOY)	~avg. CPI
<b>ROAE</b>	<b>&gt;20%</b>

\* Net CoR excludes currency impact, as it is 100% hedged bottom line

Garanti BBVA will continue to contribute to the economy in line with the goals of our country's sustainable growth and expansion on a healthy and solid base.

In this respect, the expansion in TL loans is projected to be over 25%. While growth is anticipated to be across the board in TL loans, demand is expected to be higher on TL business banking loans. On the retail banking front, Garanti BBVA will keep focusing on customer satisfaction and loyalty by deepening customer relationships while expanding the customer base. The Bank will continue to develop new instruments, channels and processes in keeping with this goal, carry on with big data oriented marketing activities based on an analytical approach while maintaining its profitability targets, and deliver tailored and fitting solutions for its customers' needs on site.

The contraction trend in FC loans that has been ongoing since 2013 is anticipated to persist also in 2022. FC loan volume is expected to shrink in USD terms. Limited demand is the primary cause underlying the said shrinkage.

Garanti BBVA intends to sustain its deposit-driven funding strategy in 2022. With the Bank's low-cost and sticky deposit base focus, the share of deposits in total assets is expected to maintain its high level.

On provisions, the Bank maintains its cautious approach. Net COR, excluding currency impact is projected to be below 150 basis points.

In 2022, with the support of the CPI securities portfolio, cumulative NIM including swap costs is anticipated to improve by 50 to 75 basis points. While maintaining its focus on sticky and low-cost mass deposits with respect to deposit growth, the Bank will also preserve its solid base of demand deposits. Cross currency swaps will continue to be opportunistically utilized for margin optimization.

Net fees and commission income is projected to continue its strong growth of over 25% in 2022, on top of the robust 40% growth in 2021. Cash and non-cash loan commissions is also expected to grow with the support of loan growth. Increasing digitalization will keep contributing to the growth of money transfer transaction volume.

The increase in operating expenses is estimated to be close to inflation in 2022.

In 2022, active assets and liabilities management that will result in high return on capital will be sustained along with the risk/return focus. In the light of its 2022 projections, Garanti BBVA aims to achieve an ROAE above 20% in 2022.

## EXPECTATIONS REGARDING THE GROUP IN 2022

Garanti BBVA operates as an integrated financial services group through its leading financial subsidiaries offering services in life insurance and pension, leasing, factoring, brokerage and asset management in Türkiye, along with its international subsidiaries operating in the Netherlands and Romania.

Garanti BBVA aims to make sure that the synergy captured with its subsidiaries will be powerfully sustained in 2022.

The biggest contribution to subsidiary profitability, is expected to come from Garanti BBVA Securities and Garanti BBVA Pension in 2022, just as it did in 2021.

Garanti BBVA Securities targets;

- To maintaining high income generated on equity and derivatives market products.
- An increased income to be derived on new products.
- On the corporate sales side to provide a brokerage service model for domestic corporate customers included in the definition of institutional investor, as well as for foreign institutional investors who have the opportunity to work within the scope of regulation.
- To maintain the leading position in public offering transactions on the corporate finance side and continuing to provide consultancy services.
- To make a significant contribution to the consolidated profit by increasing the revenues from treasury transactions

Garanti BBVA Pension targets;

- To sustain solid premium production on life insurance segment.
- Voluntary PPS to gain momentum.
- Increased market share in the Auto Enrolment System along with solidified position in the sector.
- Highest number of participants in PPS Auto-Enrollment.
- Garanti BBVA Pension is gearing up for the Complementary Pension System that is on the agenda, drawing on its robust infrastructure developed for PPS Auto Enrolment.

The Group aims to move forward its strong balance sheet structure by entering new business lines in the geographies where its subsidiaries operate in banking activities, and to increase their profit-making potential and make it sustainable.

Garanti BBVA and its subsidiaries will persist with its initiatives to create long-term value, as in 2021, moreover, will continue to keep operating expenses under control. Standing out with its robust capitalization, the Group will retain this quality as it moves forward. In the light of all of these, the Group will continue to generate sustainable profit on the back of its differentiated business model.

# Operational Excellence - II

3,884 16 min 8 digital

Related Material Topics	Value Drivers	Indicators	2020	2021
#1 SOLVENCY AND FINANCIAL PERFORMANCE	EFFECTIVELY MANAGE FINANCIAL AND NON-FINANCIAL RISKS	Number of projects subjected to Environmental and Social Impact Assessment System (cumulative)	81	<b>85</b>
		Site visits to customers regarding environmental and social issues	0	<b>4</b>
		Customers and financial institutions informed about environmental and social issues	7	<b>18</b>
		SDGs contributed via environmental and social risk management of loans	13	<b>16</b>
#3 CORPORATE GOVERNANCE AND STRONG MANAGEMENT OF ALL RISKS	INCREASE END-TO-END DIGITAL SOLUTIONS; CONTINUE TO ENHANCE EXPERIENCE WITH OUR INVESTMENTS IN DIGITAL PLATFORMS	Digital transactions in non-cash financial transactions (Retail)*	97.4%	<b>97.7%</b>
		Digital sales (share in total sales) (Retail)	57%	<b>57.5%</b>
#4 EASY, FAST & DIY	CONSTANTLY IMPROVE OUR BUSINESS MODEL WITH TRANSACTION CONVENIENCE, ENRICHED REMOTE SERVICES AND SIMILAR FACTORS	Number of Contacts handled by the Customer Contact Center (CCC) (million)	71.6	<b>60.6</b>
		CCC Service Level	76.8%	<b>84.6%</b>
		CCC Call Response Rate	96.7%	<b>98.9%</b>
		CCC Branch Calls Resolution Rate	65.7%	<b>72.6%</b>
		CCC Financial Product Range (Qty)	30	<b>27</b>
		CCC High Value-Added Financial Product Sales (millions of units)	2.6	<b>2.7</b>

\* It is calculated with the Product Relative Value (PRV) methodology, based on the weighting of each product category's contribution to digital sales according to their core economic values.

Contributed Sustainable Development Goals



Within the frame of its Operational Excellence strategic priority, Garanti BBVA targets to constantly improve its business model through **process automation, transaction convenience, enriched remote services** and similar factors, increase **end-to-end digital solutions**, continue to **enhance experience** with investments in digital platforms, continuously improve business model and processes based on **operational excellence** point of view, and **effectively manage financial and non-financial risks**.

Putting digitalization at the heart of its business model, Garanti BBVA targets to **lead the transformation** of the sector, to command **state-of-the-art IT infrastructure**, and to be **efficient and productive** in all its service channels. In this context, the Bank achieves **operational excellence** and **productivity** as it continues to **revamp, simplify and automatize** its business processes, **formulate organizational changes** with centralization perspective, and **enhance customer experience**.

Integrating the opportunities presented by advancing technology and data sources in its business model, Garanti BBVA **interprets big data clusters** and adopts a **more analytical approach** to customer management. The Bank also uses these outputs in its organizational model in elements such as **resource planning** besides **design, change and transformation**, thus carrying its business results to the analytical ground.

Adopting **agile method** approaches to execute its projects in order to **quickly cater** to evolving customer expectations and to accommodate advancing technology in its business model, combining the means technological infrastructure has to offer with its vast experience, and aiming to address everybody, Garanti BBVA now defines **productivity as the main pillar** of its business model. For this purpose, the Bank integrates all the possibilities handed by technological advancements and by the digital world into the ecosystem it has created, and addresses **innovative solutions using agile methods, and pioneers the industry in transformation projects**.

The Bank supports fulfillment of customer demands in the fastest manner possible through **consolidated teams that can**

**take action**, drawing on its business model driven by an **inspiring and innovative mindset committed to exceed expectations**.

The Bank supports fulfillment of customer demands in the fastest manner possible through consolidated teams that can take action, drawing on its business model driven by an inspiring and innovative mindset committed to exceed expectations.

Garanti BBVA maintains its focus on developing digital solutions and **investing** in digital platforms with the goal of delivering **unrivaled customer experience** and enabling banking transactions to be performed easily **any time, anywhere**. To ensure continuity of its **digital transformation strategy**, the Bank aims to bring end-to-end digital banking services to its retail and corporate customers through all digital channels with **easy and accessible** solutions.

Garanti BBVA creates solutions for its customers to deliver an **omni-channel banking** experience. These solutions are intended to bring the **transacting capabilities on digital channels** to the same level with the transaction sets offered in branches and by the Customer Contact Center. Additionally, it is also targeted to lessen customers' need to make a branch visit or call the Customer Contact Center and to enable them to perform all their transactions digitally. By making **Garanti BBVA Mobile the main contact center**, the Bank is endeavoring to let its customers transact without needing any assistance thanks to the easy experience offered. At any point customers stumble and need assistance, support is extended immediately again via Garanti BBVA Mobile; the Bank offers **features allowing customers to reach customer agents or customer representatives in branches through digital channels** and to remotely perform their transactions, and facilitates **solutions via the smart assistant** on the basis of proactive actions. Hence, the Bank designs a world where **Garanti BBVA Mobile is the first contact point for customers ensuring first contact resolution**.

Thanks to UGI, **Türkiye's first AI-based smart assistant** launched in this context, customers can **talk** or **write** to the virtual assistant when they have a problem while using the mobile app and easily find the necessary answer without leaving the platform. When needed, customers can exchange messages with customer representatives about many topics related to banking through the mobile app, using the **live support assistant** service, and perform their transactions. UGI determines the points at which customers need the live support assistant and connects the customer to the live support assistant to receive support, without exiting the app. Customers can **finalize a transaction they initiated on the Mobile app without going to the branch or calling the call center again on the Mobile app** and consummate their intended action in the fastest manner possible. Steps that would compel a branch visit for customers are identified and solutions adapted to the digital channels are developed for them. Branch-dependent procedures such as **getting a password, limit increase** etc. can now be **easily** completed digitally with technologies such as **NFC, video call**, and the like.

Customers can **finalize a transaction they initiated on the Mobile app without going to the branch or calling the call center again on the Mobile app and consummate their intended action in the fastest manner possible.**

Garanti BBVA Customer Contact Center not only facilitates customers' financial lives by offering them **fast, high-quality services focused on first contact resolution**, but they also improve processes using the Bank's **robust technology**, present **digital opportunities** and further improve the **productive and profitable structure through smart solutions.**

Having published its **Sustainability Policy** to embed Sustainable Development Goals and the Paris Agreement in its strategy and activities for building on its fundamental banking concept and having documented its **Environmental and Social Loan Policies** (ESLP) to minimize the indirect impact of its lending activities, Garanti BBVA assesses and manages its risk exposure

in lending processes such as environmental, social, governance and occupational health and safety, and the potential impact of these risks. **General Loan and Banking Service Agreements** incorporate articles stipulating commitment to **conform to ESLP**. Important developments regarding the relevant policies are monitored by the Board of Directors via Responsible Business and Sustainability Committee constituted by members from the Board of Directors and Senior Management.

Thanks to its effective risk management enabled by the world-class **integrated management of financial and non-financial risks** and its organizational agility in seizing new opportunities, Garanti BBVA creates sustainable value for all stakeholders.

#### WHAT WE DID IN 2021

##### Constantly enhanced customer experience on the back of end-to-end digital solutions:

- Enabling users to perform almost every transaction digitally without going to the branch, Garanti BBVA carries on with its innovations to increasingly refer its customers to digital channels. Following the introduction of **remote onboarding** in May 2021 upon publication of the applicable regulatory framework, people wishing to be a Garanti BBVA customer are able to open a **bank account on the Mobile** without having to go to a branch and to sign dozens of documents. Garanti BBVA continuously works to perfect the remote onboarding experience, which is one of the Bank's main focus areas, identifies improvement areas and develops **new solutions**. In the process, NFC technology is used for authentication, **and customers who do not have a phone with NFC capabilities are offered authentication through Money transfer as a solution**. Customers completing the onboarding steps on Garanti BBVA Mobile can view the **products that suit them** one by one on the screen and can easily apply for the products they need. Garanti BBVA makes the onboarding step available also at product application points and aims to support individuals **when they need.**

**Hosting more than 99% of all of its banking products on its digital channels,** Garanti BBVA carries on with **research and development** without letup to guarantee an **end-to-end smooth** digital sales experience.

- Aiming to fulfill customer needs in the fastest and most efficient manner, Garanti BBVA successfully implements this strategy also in its digital channels. **Hosting more than 99% of all of its banking products on its digital channels,** Garanti BBVA carries on with research and development without letup to guarantee an **end-to-end smooth** digital sales experience. Based on a holistic experience approach, products and transactions on different channels are offered to users so as to provide a similar customer experience. Users can view customized campaigns on all digital channels; they can **initiate a transaction on one channel and resume it on another.**
- Aware of the fact that user needs are not shaped only when on banking platforms, Garanti BBVA reaches its customers also via different platforms through **partnerships**. The Bank keeps expanding its sphere of influence by providing solutions such as **Shopping Loan to its users on non-Bank platforms.**
- Garanti BBVA intends to go beyond presenting products fulfilling customer needs through digital channels, and strives to **help users understand their needs,** and **offer them solutions** instantly upon the emergence of a need. To this end, the Bank increases its **big data and advanced analytics** projects in its product and service offers to understand customer demands and needs and to deliver the products they want at the right time, through the right channel. The Bank also works towards **presenting the offers consolidated by analytical tools to the customer at the most opportune time.** This lets the Bank present **cash banking solutions to users before the risk arises,** such as when there is the risk of incoming payment

being delayed until after the money transfer takes place. When a user's need for a specific product is noticed, **proactive** preparations are made, and **personalized products** are offered that can be benefited with minimum effort.

- The Bank keeps developing new projects every day to offer **the right product** solutions to users **at the right time** on digital channels and formulates **offers putting the user at the center.** As a result of these efforts, **product relative value of digital sales to total sales reached 57.5% in 2021.**
- At Garanti BBVA, the sales experience on digital channels is not restricted to the time of sales only; processes are designed to **optimally fulfill all needs of product owners during the course of their product ownership.** Thus, user needs were responded to with new products on digital channels during the pandemic, and existing product owners performed their transactions easily via digital channels.

##### The value created by 444 0 333 Garanti BBVA Customer Contact Center:

- Placed in **second place in the world** in "**Best Contact Center**" and "**Best Customer Services**" categories by the **Contact Center World**, one of the world's most eminent call center organizations, Garanti BBVA Customer Contact Center handled **60.6 million customer contacts** in total in 2021 by its **qualified team of over 1000 agents.** Upon normalization of the pandemic-driven 2020 boom of the call traffic and in the new world that was created with the technical developments it has undertaken, the Customer Contact Center got **12.7% share in all calls handled by the overall sector** and ended the year once again as the sector's leader.

Offering its customers fast and seamless experience, the Customer Contact Center captured a high service level by **servicing 84.6% of its customers in and under 30 seconds.**

- Offering customers fast and seamless experience with a call response rate of 98.9% in main service lines, the Customer Contact Center **captured a high service level by servicing 84.6% of its customers in and under 30 seconds.**
- With the **Artificial Intelligence** Project introduced, the Customer Contact Center began **predicting** reasons for incoming calls before the call and thus laid the foundation of the **new generation call center** concept.
- The Center **increased new customer acquisition** in the video call channel, a key component of customer experience, by nearly **4.5 folds** over the previous year. It eliminated the branch step and secured **new customer acquisition from a single channel** from **1 May 2021** and succeeded in offering an end-to-end digital experience that fulfills the needs of the age. Additionally, it made the **“Live Support Service” available to all its digital customers.**
- The Customer Contact Center continues to lead the sector in sales as it does in service. Based on value-added activities developed with new technologies, it **sold 2.7 million units of 27 different financial products** and remained adhered to its vision of being a profit center.
- Instantly fulfilling customer demands for **credit card application without visiting a branch**, the Customer Contact Center single-handedly carried out the retention efforts for all Garanti BBVA credit cards and **retained more than 1.2 million cards.**

#### Constantly improved business model with process automation, transaction convenience and enriched remote services

- In keeping with its Operational Excellence mission, Garanti BBVA continued to be **positioned as the business partner** of its customers also in 2021. In a bid to offer them **swift and high-quality service**, the Bank redesigned its **workflows as centralized seamless processes** and introduced technological infrastructure developments.
- Garanti BBVA authored major projects in 2021, benefiting from the means offered by the digital world and new technologies. The Bank designed a new **commercial loan platform** and devised a new architecture infrastructure reinforced with a

decision engine, BPM and microservices under which **fast risk assessment and loan disbursement project was enabled on a single platform**, which delivered an excellent banking experience to our sales and risk teams.

- In addition, the Bank launched a platform whereby its employees can perform all controls in a single place through **automatic checking of the drawers of customer cheques and bonds** received as collateral. On this platform integrated with cutting-edge technology, employees have the chance to monitor the decision outcomes of the transactions along with the details, while quickly carrying out their reviews.
- Also, the Bank continued to automatize **corporate processes, authorization and role management** functions **with respect to the needs of all stakeholders** in 2021.
- Having positioned sustainability as a main focus of its strategy, Garanti BBVA accordingly **keeps undertaking numerous activities targeted at all the components of the sustainability concept.**
- Based on the principles of location-independent service and **“paperless service”** aimed at preserving natural resources, **digital document approval structure** was added to Member Merchant, Credit Card and Salary processes. In addition, **customer contracts** that will continue to be used as hard copy were reviewed in terms of document design and were **redesigned in simpler formats that will consume less paper.** Furthermore, to facilitate corporate customers' experiences on digital channels, functions were added that **enable uploading financial data easily** through Internet Banking.
- During 2021, Garanti BBVA carried on with changes and improvements to the SME service models as well. **Winner of two international awards and launched in 2018 to offer a better banking experience, the C-CSR (Central Customer Services Representative) Project** allows operational transactions of SME customers in branches to be handled by a central expert team. While **operational transaction quality was enhanced** under this service model deployed across all branches with SME portfolios in 2021, **operational workload** on SME CRMs in branches is **alleviated**, customers are able to reach them every time they call, and receive support from the expert customer representatives. **210 C-CSRs servicing 753**

**branches** under the project **freed up their time to allocate it to analysis and marketing activities** of their SME portfolios and **further deepen in customer relationship management.**

#### Effective risk management through environmental and social impact analysis

Garanti BBVA developed **Environmental and Social Loan Policies (ESLP)** to minimize the indirect impact of the Bank's lending activities. First enforced in 2011, ESLP content was updated in 2016 with respect to projects subject to environmental and social impact assessment, and in 2021 with the addition of detailed content regarding

- Verification of Prohibited Activities and Customers,
- Preliminary Evaluation of Customer's Environmental, Social and Governance Performance,
- Carbon Pricing,
- Environmental and Social Impact Assessment Model (ESIAM),
- Occupational Health and Safety (OHS) Risk Assessment System,
- Deforestation Impact Management Process

based on Garanti BBVA's **sector-leading environmental and social risk management approach.**

You can access the [Environmental and Social Credit Policies on the Environmental, Social and Governance page of the Investor Relations website at \[www.garantibbvainvestorrelations.com\]\(http://www.garantibbvainvestorrelations.com\).](#)

For effective integration within the Bank and for promoting implementation of **ESLP**, Garanti BBVA provides information with the training video posted on its education platform, **Campus Garanti BBVA**. In 2021, **1,673 employees completed the training.**

At Garanti BBVA, **General Loan Agreements (GLA)** and **Banking Service Agreements (BSA)** of all customers, whether retail, SME, commercial or corporate, incorporate articles pledging **compliance with ESLP**. Commercial and Corporate Credit Risk Management, Retail and SME Credit Risk Management and

all associated business lines and/or Investment Banking and Finance Department are responsible for the implementation of ESLP.

**Demands for SME, commercial and corporate credits and project finance credits** received by Garanti BBVA are **first subjected to ESLP**, which are checked and handled in accordance with the Policy through the following steps:

- Information evaluation questions on the system is used to check whether the activity and customer for which credit is demanded is in the list of prohibited activities and clients and to verify their compatibility with **Garanti BBVA's Sector Principles.**
- Thorough assessment processes incorporating the **Environmental and Social Impact Assessment Model, OHS Risk Assessment System and Deforestation Impact Management Process** are carried out for financing activities meeting the defined amounts/transactions disclosed in the ESLP.
- **Environmental and social commitments** deemed necessary as a result of thorough assessment processes are **incorporated into the loan agreements, and periodically checked** to verify whether they are fulfilled.

Garanti BBVA implements an **Environmental and Social Impact Assessment Process (ESIAP)** within the frame of international best practices to drive improvement across its loan portfolios. This process is **totally compliant with international norms and best practices.** In addition, the Bank developed the **Environmental and Social Impact Assessment Model (ESIAM)** to classify projects according to their characteristic, scale, vulnerability, location, and E&S impact and to systematically evaluate them with respect to risk. In this scope, Garanti BBVA ensures that the projects financed by the Bank meeting the defined amounts/transactions satisfy the **social and environmental standards required by legislation and the Bank's policies;** that the project owners undertake an **impact assessment**, and take determined measures, if necessary, and establish effective control mechanisms.

In 2021, 4 projects with a total loan amount of USD 185 million were subjected to the ESIAM process. To date, projects that were subjected to ESIA numbered 85, and thanks to the action plans based on these assessments, Garanti BBVA minimized the indirect impacts of its lending.

To date, projects that were subjected to ESIA numbered 85, and thanks to the action plans based on these assessments, Garanti BBVA minimized the indirect impacts of its lending.

A limited number of site visits were undertaken due to the COVID-19 pandemic. Site visits that could not be realized in 2020 were completed with four site visits in 2021. The audit scope of physical site visits is achieved by establishing more than 100 virtual meetings per year. In addition to that, Garanti BBVA contributed to improvement of environmental and social performances of various customers and financial institutions through providing 18 briefings about environmental and social issues in 2021.

## OUTLOOK

Carrying on with research and development without letup to guarantee an end-to-end smooth digital customer experience, Garanti BBVA brings products and transactions on different channels to users so as to provide a similar customer experience in keeping with its holistic experience approach.

The Bank designs a world where Garanti BBVA Mobile is the first contact point for customers providing first contact resolution. Garanti BBVA continuously works to perfect the remote onboarding experience, which is one of the Bank's main focus areas, identifies improvement areas and develops new solutions. By making Garanti BBVA Mobile the main contact point, the Bank is working to let its customers transact without needing any assistance thanks to the easy experience offered.

The Bank will continue to develop new products to understand customer demands and needs and to deliver the products they want at the right time, through the right channel and to increase its big data and advanced analytics studies to device suggestions centered around the user.

Targeting continued improvement of its analytical capabilities and real-time offer structures, thus increasing its solution delivery efficiency in 2022, Garanti BBVA aims to increase referrals from non-banking platforms. Thanks to UGI, Türkiye's first AI-based smart assistant, customers can talk or write to the virtual assistant when they have a problem while using the mobile app and easily find the necessary answer without leaving the platform. When needed, customers can exchange messages with customer representatives about many topics related to banking through the mobile app using the live support assistant service and perform their transactions. UGI determines the points at which customers need the live support assistant and connects the customer to the live support assistant to receive support, without exiting the app. Customers can finalize a transaction they initiated on the Mobile app without going to the branch or calling the call center again on the Mobile app and consummate their intended action in the fastest manner possible. Steps that would compel a branch visit for customers are identified and solutions adapted to the digital channels are developed for them. Branch-dependent procedures such as getting a password, limit increase etc. can now be easily completed digitally with technologies such as NFC, video call, and the like.

In 2022, Garanti BBVA is planning to launch My Banker SME remote service model which will allow fast and uninterrupted solutions by way of remote portfolio service.

In 2022, Garanti BBVA is planning to launch My Banker SME remote service model which will allow fast and uninterrupted solutions by way of remote portfolio service. The service model is intended to eliminate SME customers' need to make a branch visit, let them remotely handle their marketing activities and

banking transactions, and ultimately, enhance the experience delivered to customers and increase their product usage.

In 2022, the Customer Contact Center targets to enrich its portfolio with new products, to launch new structures focused on profitability and productivity while preserving Garanti BBVA's operational strength in addition to further improving the entire customer experience, in particular the Interactive Voice Response System. The Center also plans to act as a versatile support channel at any point needed by customers. In this process, the coming year will be a period of enhanced efficiency at every contact point making use of the sales potential, and further increased service efficiency and speed by capitalizing on digital opportunities entailed in the video call service. Garanti BBVA Customer Contact Center will also take its first steps in terms of structuring and processes in 2022 for creating the call center of the future through a completely remodeled perspective.

Garanti BBVA's operational excellence mission is to constantly improve and develop its business model through process automation, transaction convenience and enriched remote access services, and to keep introducing groundbreaking innovations for the employees, society, and the environment.

Shaping its operations based on the principles of location-independent service and "paperless service" aimed at preserving natural resources, Garanti BBVA will keep developing the designs facilitating digital experiences of its customers that it deems as business partners. The Bank will offer a more digital and leaner experience also on physical channels and will also add another link to its sustainability-oriented initiatives.

Aware of the important role operational maturity and excellence plays in the Bank's position in the sector, Garanti BBVA will carry on in 2022 with its initiatives to automatize processes, authorization and role management functions so as to cater to the needs of all its stakeholders.

Acting with operational excellence priority, Garanti BBVA is planning to work on alleviating the workload on customer

representatives within commercial banking service model, free up time to deepen in customer relationship management, and increase accessibility of branches by customers in 2022 under its strategy to centralize operational transactions via specialized teams.

In 2022, Garanti BBVA will continue to diligently implement the Environmental and Social Loan Policies (ESLP) designed to minimize the indirect impact of the Bank's lending activities in parallel with its commitments, and to evaluate and monitor compliance of all its customers.