

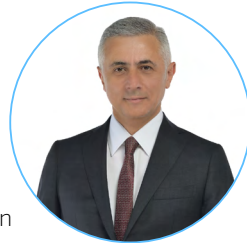
Letter from the CEO

 1,304  5 min  2  growth

Dear Stakeholders,

The overwhelming COVID-19 pandemic compelled global markets to inevitably focus on loose monetary policies and fiscal incentives in 2020. In 2021, we experienced the outcomes of these policies and witnessed the start of the recovery period enabled by vaccination. In fact, despite the persistent impact of the pandemic, economies were able to avoid extensive lockdowns resembling those enforced in 2020. A similar recovery took place also on the global trade side. Following a contraction above 15% annually in 2020, global trade is estimated to grow by 10.8% in 2021 according to the forecast of WFO. Acceleration in the vaccination process helped eliminate the restrictions substantially as the tourism season was opening. With the combined effect of all these factors, global economy registered a strong growth in 2021 following the shrinkage we have seen in the previous year. The IMF estimates a growth rate of nearly 6% for the global economy in 2021.

In a similar vein, the Turkish economy also achieved high levels, contributed by both the domestic demand and the increased external demand. The mostly domestic demand-driven character of growth and the volatility in the currency, especially later in the year, has put some pressure on inflation. Having started the year at 17%, the policy rate was increased to 19% in March with a 200 bps rate hike decision and ended the year at 14% following the gradual rate cuts that started in September. Decreasing funding costs in the last quarter of the year, coupled with the solid loan growth backed by domestic demand supported the banks' margins, especially in the last quarter. CPI linkers portfolio of the Turkish Banks have also



helped hedge their balance sheets against the surging inflation. Despite these tough circumstances that challenged both global and domestic economies in 2021, the Turkish banking sector and Garanti BBVA both proved their resilience once again. We ended the year with very successful results.

To this backdrop, Garanti BBVA continued growing while increasing its profitability by its dynamic balance sheet management, and continued to strengthen its capital and asset quality. As the Bank increased its consolidated total assets by 57% on an annual basis, bringing it to TL 849 billion, total performing loan growth reached 42%, whereas the securities portfolio recorded an annual growth of 34%. Garanti BBVA also has the highest share of interest earning assets in total among the peers, with 82%.

We have increased our market share in TL loans by 60 bps in 2021, with a 27% annual growth in TL performing loans. The TL loan growth has been balanced among the corporate and retail portfolios.

Our usual prudent and proactive approach and the accurate and transparent classification of our loan portfolio has made our asset quality extremely clear and visible. Going forward, even potential deteriorations in asset quality will be easily covered thanks to our high loan coverage ratios levels. This cautious stance and our solid capital enable us to grow while contributing to the economy uninterruptedly.

The pandemic triggered an extremely rapid progress in terms of digitalization in the sector. Over the last two years, Türkiye has been the scene to one of the fastest digital developments in the world. New customer acquisition of banks was digitalized, in addition to their products and transactions. We preserved our leadership position in digital banking owing to our long-lasting investments in this area. Making use of the power of technology, we kept standing by our customers and offering them life-easing solutions. Hence, the number of our active mobile customers increased by 38% from 7.7 million at the end of 2019, to 10.6 million at the end of 2021. The number of our active digital customers, on the other hand, exceeded 11 million.

2021 has been a year in which sustainable finance dominated sector trends in not only our country, but all around the world. As Türkiye, we signed the Paris Climate Agreement. The biggest players in sustainable development will undoubtedly be the banks that provide two-thirds of the global finance. While continuing our operations as carbon neutral since 2020, we also became the first and only bank from Türkiye to make a commitment to the UN Net Zero Banking Association this year. Prior to this commitment, we became the first bank in Türkiye to announce that it will not finance coal and coal-related activities. In the same year, we realized a first in the world in terms of innovative sustainable finance products and realized the world's first Green Public Offering. As a first in our country, we implemented the Garanti BBVA Climate Index and the Corporate Green Vehicle Package. Alongside the changes we are making to our own operations, we continue to encourage our society and our customers to make the transition to a greener future.

As we work to combat climate change and strive for a sustainable world, we introduced the Blue Breath Project in cooperation with the Turkish Marine Environment Protection Association/TURMEPA to undertake waste surface cleaning in the Sea of Marmara and carry out awareness trainings on sea cleanliness in provinces in the region in an effort to prevent sea pollution. Under the sea cleaning leg of the three-year project, two sea sweepers that will clean the Istanbul Strait will also be dispatched to other locations for mucilage and solid waste cleaning in case of emergencies. Through the awareness training programs that make the second leg of the project, we aim to raise awareness of sea cleanliness among future generations. We will contribute to increased awareness in the region by way of training to be offered primarily to 60 thousand students and 4 thousand students in the Marmara Region.

FOR 2022 AND BEYOND...

Amid this environment of economic recovery, our Bank will maintain its growth policy in line with its targets of helping our economy achieve sustainable growth and expand on a healthy and solid base. We preserve our target to outgrow the sector's average in lending. While we aim to attain growth in every segment,

we are anticipating a higher demand from the customer side. As we continue to manage the processes regarding non-performing loans and collections performances in order to protect both the financial health of our customers, and also the asset quality of the sector, we will also duly monitor and analyze the portfolio to provide the timely and right support to our customers.

Our strategic projects and efforts will also go on at full speed. We will keep working to optimally satisfy our customers' needs and demands with the aim of being their trusted financial partner. We will sustain our investments in our business model and digital infrastructure, and focus on broadening the service and product range offered on our digital and mobile channels.

As Garanti BBVA, we believe it is vital to care for the future of the nature and the planet we live on and to incorporate this notion in our business plans; we strive to be guided with this consciousness in our actions and operations. With our identity as the pioneer bank in sustainability, we will spend every effort to raise increased awareness of the issue, and to positively influence all our customers, employees, and stakeholders also in 2022.

I consider us to be an organization that makes a difference with our sustainable financial success, our leadership in technology and innovation, our qualified employees, our agile and transparent corporate culture. At Garanti BBVA, we attach importance to not just the impact we create in the economy, but also on the value we contribute to the environment, social life and technology and we act with this awareness. I thank all my colleagues who have devoted their hard work and commitment for making all these happen, and all our stakeholders and customers, who have joined us in this journey, for their continuing support and trust.

Sincerely,

Recep Bastuğ