

DIGITAL TRANSFORMATION



7,811 37.5 min 12 customers

Digitalization is one of the global trends deeply influencing every part of life. Digital transformation is driven by developments in many different areas from the internet of things to cloud technology, from big data to artificial intelligence. As internet access and smart phone usage become far more widespread, customers change their preferences to reach products and services in favor of simpler, more useful and time-saving channels which they can access from anywhere, turning away from traditional methods. It is now more important to deliver a customer experience where customized solutions are offered, going a few steps beyond just meeting customer expectations.

Constantly investing in digital platforms to provide unrivaled customer experience, transaction convenience, and pioneering solution suggestions, and to increase the share of digital channels in sales is one of the strategic objectives of Garanti BBVA. The Digital Transformation strategy is erected on delivering a full-fledged banking platform covering various banking transactions and services that are convenient, accessible and customized through all channels. Therefore focus is placed on omni-channel banking which enables customers to perform seamless transactions. Accordingly, the Bank's main concern is to listen to customers' needs

and answer them in a prompt manner. The goal is to bring the age of opportunity to everyone, and Garanti BBVA is aware of the fact that this process will commence at the branches.

Digital transformation led the banking sector to develop effective risk management tools in many areas including ensuring customer information security and privacy, and managing the increasing cyber threats. While continuously investing in IT systems guaranteeing information security, Garanti BBVA takes precautions against all risks that could prevent secure and uninterrupted service, and measures the results within the context of customer satisfaction on digital platforms.

For Garanti BBVA, digitalization is a key material topic, as identified by both our internal and external stakeholders. Therefore, technology is an integral part in the decision-making mechanism, which supports process efficiencies and continuously drives the Bank forward. With a single source of data and common understanding, technology is used within Garanti BBVA as an enabler for top-down fast decision-making and strong communication. It is reflected in the way we do business, from advanced CRM applications and segmentation, to innovative products and services, and to a

paperless banking environment. We want to offer an unrivaled customer experience by constantly investing in digital platforms.

Garanti BBVA supports the idea of all individuals, SMEs, entrepreneurs and corporations benefiting from the opportunities presented by digitalization, and develops solutions to enable use of banking services by more people.

By focusing on digitalization, the Bank actively contributes to Sustainable Development Goal 9: Industry, Innovation and Infrastructure.

VALUE DRIVER	INDICATOR	PERFORMANCE	
		2018	2019
CONSTANTLY INVEST IN DIGITAL PLATFORMS SO AS TO PROVIDE UNRIVALED CUSTOMER EXPERIENCE, TRANSACTION CONVENIENCE AND PIONEERING SOLUTION SUGGESTIONS EXPAND OUR DIGITAL CUSTOMER BASE AND INCREASE THE SHARE OF DIGITAL CHANNELS IN OUR SALES	Digital banking customers*	7.3 million	8.4 million
	Mobile banking customers*	6.5 million	7.7 million
	Digital transactions in non-cash financial transactions	95.5%	96.4%
	Digital sales (share in total sales)	44%	46%
	Number of cardless transactions via Garanti BBVA ATMs	33.7 million	44.8 million
	Amount of cardless transactions via Garanti BBVA ATMs (TL billion)	17.9	26.7
TAKING PRECAUTIONS AGAINST ALL RISKS, WHICH COULD PREVENT SECURE AND UNINTERRUPTED SERVICE (E.G. CYBER THREATS) ENSURING INFORMATION SECURITY	Programs organized to raise awareness on customer privacy and information security	13	5
	Hours of cyber security training per full time employee	1.11	1.19
	Employees who attended cyber security trainings	92%	72%
	Data breaches regarding customer privacy	0	0

* Digital and mobile customer figures are provided for "active customer" definition, which refers to at least one login in the last 3 months. 2018 figures are for Dec'18 & 2019 figures are for Dec'19.

DIGITALIZATION FOR UNRIVALED CUSTOMER EXPERIENCE

Strictly focused on offering a better experience on digital channels at all times and a follower of omni-channel strategy, Garanti BBVA aims to reach the users at the right time with the right message. The outputs from regular usability research conducted in cooperation with universities are used to constantly improve its platforms, thus ensuring sustainability of perfect experience. Customers are approached through the best-fitting channel by the use of smart decision techniques. Technology is utilized to upgrade customer experience. Developments continue on every possible platform based on the Bank's vision of being accessible by customers anywhere they need banking services.

Furthermore Garanti BBVA transforms digital channels into an environment where customers can receive financial consultancy. The Bank also contributes to its customers' preparation for the digital future by developing financial tools supporting digital transformation. Garanti BBVA aims to maintain its leadership in digital channels by continued monitoring and implementation of new technologies putting mobile channels at the heart of this experience.

The Bank targets to increase customer interaction and dialogue through efficient advertisement, innovatively designed competitions and campaigns on social networks, while using them in a creative and pioneering fashion. The Bank intends to make use of social networks both for promoting its products and services, and also as an active sales platform.

VALUE CREATION THROUGH DIGITALIZATION

Investing in digital channels feeds the sustainable growth model of Garanti BBVA. It leads to increased customer satisfaction and loyalty. Branches with above-average digital penetration also enjoy higher operation and service quality and efficiency than others. In addition, product penetration of digital customers is higher than average customers, an evidence of higher cross-sell. Service fees driven by digital channels make up 45% of the non-credit-linked commissions and support the growing fee base. On the other hand, transaction costs on digital channels are lower than branch banking, resulting in higher efficiency. Digitalization also leads to higher profitability. Through digitalization comes sustained growth: branches can increasingly focus on building relationships, providing advisory, generating sales and acquiring new customers.

The EVP in charge of digital banking responsible for digital channels, customer experience and satisfaction, and Customer Contact Center together with the EVP in charge of technology, operations, organization and process development, customer analytics, innovation and product development lead digital transformation within the Bank in collaboration with the senior management team. Furthermore, the Board of Directors closely monitors the progress and the performance.

WHAT WE DID IN 2019

Managing the largest digital customer base in Turkey, Garanti BBVA Digital Banking enables 8.4 million digitally active customers to execute any banking transaction anytime, anywhere, with 5,260 Garanti BBVA ATMs, an award-

winning Customer Contact Center, Garanti BBVA Mobile and Internet that have been leading novelties. While 7.7 million of these customers actively use mobile banking, 6.1 million customers use only mobile banking. Approximately 428 million transactions are performed through online and mobile banking channels annually. Utilizing digital channels effectively, 96.4% of all non-cash financial transactions go through digital channels. The number of monthly logins to Garanti BBVA Mobile also increases regularly, with 145 million logins reached in December 2019. Aiming to offer its customers an instant, convenient and uninterrupted experience, Garanti BBVA succeeds in remaining the leader of digital banking year after year.

With the objective of managing brand awareness and corporate reputation, Garanti BBVA takes place in social networks with accounts on Facebook, Instagram, Twitter, YouTube and LinkedIn. Aiming to provide direct access to innovative products and services addressing customers' and followers' needs, Garanti BBVA places social media as a digital channel. With over 2.5 million followers overall and more than 1.8 million followers on Facebook, Garanti BBVA is one of the financial institutions with the highest number of followers in Turkey and in Europe.

With "Garanti BBVA'ya Sor" (Ask Garanti BBVA), which is the first 24/7 social media customer satisfaction channel in the Turkish banking sector, the Bank offers an efficient customer satisfaction service. It designs special offers in line with the customers' profiles and needs. On social media platforms, Garanti BBVA carries out initiatives that support its corporate image, contribute to business results by offering a description of products and services, and

intended to make customers' lives easier with contents related to financial and digital literacy, which are at the same time aligned with the entertaining and dynamic nature of social networks.

Branches play an important part in digitalizing the customer base. Therefore, an important step was taken for digitalization of the branch network. Branches were vested in an innovative structure on the axis of digitalization, whereby customers will be able to receive a one-stop service as easily and quickly as possible. In this context, the transformation of all branches has been completed. While mobility increased, the new structure enables service delivery not just out of branches but anywhere. Moreover, as all business processes and operations have been simplified and digitalized, the quality and speed of the service rendered have also increased. The figures already reflect the positive outputs of the new service model as 88% of loans are approved in a paperless manner without signatures, and retail loan extension process is down from 25 minutes to 7-8 minutes.

Digitalization of the branch network is vital particularly for enhancing the service corporate customers receive from branches. In this context, internet user authorization process that creates a major operational workload on branches and causes loss of time for customers has been simplified and vested in a fully digital and dynamic flow. Once new developments are fully introduced, workload resulting from internet user definition and modification steps will be decreased by 60%.

Garanti BBVA Mobile and Internet feature informative videos that walk the customers through product application steps. This

allows users to easily access information about how to perform a given transaction on digital channels. At the same time, the renewed application page performs tendency calculation to present customized product offers. Seeing a maximum of three different products in this section, customers can easily reach the application step for the offers that interest them and complete the application process.

EMPOWERING CUSTOMERS

Garanti BBVA analyzes customer behavior for each platform and continuously develops them based on customers' needs along the cycle. Completely analyzing and understanding customer life cycle for every single platform is of paramount importance as customer needs vary depending on the platform.

Acting with the vision of making life easier for its customers wherever they may be, Garanti BBVA now offers service also via WhatsApp. Furnishing support to its customers through virtual assistants for a long time, the Bank also launched WhatsApp bot service in addition to the voice assistant Ugi, and the chatbot service on Facebook Messenger and garantibbva.com.tr. Customers can quickly find solutions to their problems and get detailed information about products and services by exchanging messages through the WhatsApp platform they heavily use in their daily lives. Working on smart bot technology, Garanti BBVA Corporate WhatsApp line is accessible 24/7 by saving the phone number +90 444 0 333 or from the "Contact Us" page on Garanti BBVA Mobile.

At Garanti BBVA, all products, infrastructures and services are designed according to the needs of digital channels

besides physical channels. On the other hand, products that are developed solely for the needs of the digital channel are also introduced. With the customer experience improvements launched in FX transactions this year and available only on digital channels, customers can now fix the exchange rate for 25 seconds and trade at the rate they see. This product also lets customers track the past changes in FX assets. Customers can access average buy and sell data at a given time interval up to last three years for each foreign currency. Made available on Garanti BBVA Mobile and Garanti BBVA Internet, the product enables customers to execute FX transactions faster using the buy/sell buttons.

Garanti BBVA does not convert traditional products on physical channels to digital channels with the same features. The aim is to create entirely digital products designed for the needs of digital channels. Modular Auto Insurance is a good example of Solely Digital products, where customers can determine their coverages by themselves and take advantage of discounts depending on the number of coverages they select. It was designed based on the analysis of customers' buying trends on digital channels and customers' pain points, etc. Features of the product were shaped based on this thorough analysis and needs of the customers. Therefore, it is available only on digital channels, and as such, it is a truly end-to-end digital product. The learnings from the Modular Auto Insurance were transported to the Health Insurance product, and Modular Health Insurance was introduced.

Garanti BBVA tries to be a part of every technological movement and to adapt its services or create new ones based on these technology trends.

Technology and the faster internet connections boosted video calls and video content consumption. Making use of technology, Garanti BBVA launched video call service to users for limit increase, unblocking etc. that used to require a branch visit, in a bid to make their lives easier. Another service is face-to-face loan service, whereby customers can interact with agents face-to-face while they apply for a loan on Mobile Banking. With the video chat technology, Garanti BBVA also made new customer process much easier. This capability provides a good example of human touch placement within digital experience.

Another digital innovation Garanti BBVA has implemented further extends this example. Garanti BBVA's Facebook Messenger Bot, and the WhatsApp bot launched this year, enable personal loan calculation in a conversational form. Users can run calculations through this platform and easily reach the information they need. The bot responds to personal loan related questions to a certain extent, and it guides the user to Garanti BBVA Mobile, website or other distribution channel when needed.

Garanti BBVA tries to position its channels in a way that they talk to each other. This applies not only to online experience; the Bank aims to connect online and physical experience. Transactions performed via QR code is a good example of this. Customers can easily deposit or withdraw money from the QR Transactions function on Garanti BBVA Mobile, without having to carry a card. Money transfer is also easy via QR code, as it does not require an IBAN number. Credit card debt payment and loan repayment transactions are also added to the set of QR transactions, thus expanding the set of cardless transactions. Another

example of this is the general purpose loan application process. Customers are able to perform loan disbursement through online banking irrespective of the application process's having been initiated online or otherwise. When developing products and services, all digital channels are taken into consideration. Garanti BBVA believes that customers would like to use the features that one tool offers also in all the other tools. For instance, they would like to approve a banking document using the mobile app when on the way or to do it on the desktop screen when at work. That is exactly why Garanti BBVA focuses on omni-channel banking.

Furthermore, in purchases from Garanti BBVA's in-network e-commerce websites, customers can apply for a loan via Garanti BBVA Mobile or Garanti BBVA Internet by selecting "Payment by Shopping Loan" option, and can enjoy shopping in the comfort of their homes without having to go to a bank. Moreover, Garanti BBVA Shopping Loan offers installment payment option on mobile phones or smart phones, eliminating the obligation to pay the full price outright on these products.

Garanti BBVA is able to offer most of the products and transactions in each channel with a similar customer experience and is capable of developing new platforms adaptive with other channels from the very first day. Customers can display the campaigns tailored for them in each channel, while they can inquire the transactions they made in a channel on another platform. Also every channel's own needs are taken into consideration. Garanti BBVA is well aware of the fact that the key to keeping customers engaged with each platform is to offer the same rates for banking products and transactions on each channel.

Garanti BBVA tracks customers' and their peers' financial habits and background data. Based on target-oriented research, customer-specific products and campaigns are offered to relevant customers. Furthermore, the Bank is working on offering one-click and proactive products to customers. These offers are customer-specific products that are available one-click away. Proactive offers are customer-specific offers prepared based on the customers' financial backgrounds. Advanced analytics and big data are considered within the products and services in order to understand customer needs and wishes, and to offer them desirable products at the right time from the right channel. Thus, analytic tools are highly used to offer proactive and customizable services to customers.

Real Time Offer Management Infrastructure was launched in the reporting period in order to deliver the real time offers backed by analytical tools to the customers at the right time, through the right channel. The new infrastructure works based on real time customer events and it is integrated with various channels of the Bank. This infrastructure triggers real time offers or referrals that will improve customer experience and so enables us to touch the customer instantly.

In addition, customers' channel usage is taken into consideration in order to keep customers engaged and to offer the services that best fit their needs. This is crucial in terms of migrating customers to digital channels. If a customer is a digital customer, tailor-made offers and features are proposed on digital channels. If a customer is a potential digital customer, Garanti BBVA draws a path to convert the customer to digital with smart offers at each level by starting to communicate with

the customer offline (at the branch) and then moving to online. Offers proposed to customers are shaped according to the segmentation model which is based on various criteria such as ownership of investment portfolio, deposit account, salary account, GPL disbursement, and so on. The smart combination of channel usage and segmentation model enables Garanti BBVA to decide what to offer, how to communicate, when to communicate and how to behave. This way, customers can benefit offers that best fit their needs on the channels.

To sum up, offering the best user experience across all channels, taking customer needs into consideration in digital channels and designing products based on those needs, leading innovation, being in the customers' daily lives and engaging with customers through smart offers are key in implementing the digital strategy for empowering customers through digitalization.

MOBILE BANKING

The number of monthly transactions carried out with Garanti BBVA Mobile surpassed 35 million. Active digital customers increased to 8.4 million while mobile-only customers significantly grew to 7.7 million. Garanti BBVA Mobile got 70% share of non-cash financial transactions. The number of active mobile banking customers grew by 18% in the twelve months to end-2019.

Aiming to offer all banking services through digital channels, enabling customers to perform transactions on self-serve basis, and delivering a perfect experience when doing that, Garanti BBVA further improved the available capabilities on digital channels and also added new solutions.

New customer process on Garanti BBVA Mobile has become much easier. After filling in the application steps, users have a video call with the customer agent for authentication, who are then invited to the nearest Garanti BBVA branch for completing authentication procedures. Once customer number activation and demand deposit account opening are completed at the branch, the new customer logs into Garanti BBVA Mobile or Internet, and begins using all Garanti BBVA products and services forthwith.

Smart Transactions added to Garanti BBVA Mobile application are intended to let users execute their daily banking transactions more easily and to gain awareness in relation to their finances. "Regular Deposit Order" rule prioritized with respect to its introduction within the scope of Smart Transactions allows customers to better manage their times and take their money under control. "Spend and Save" rule on the other hand enables customers to save up a given portion of their spendings with their credit cards without spending effort for it. Work is underway for adding new rules to Smart Transactions.

Acting with the vision of accompanying users at every step of their daily lives and making things easier for them, Garanti BBVA lets its customers make their transportation payments on Garanti BBVA Mobile with the İstanbulkart top-up step.

In addition to the available quick and secure log-in option to e-government gateway, customers can now do so also via Garanti BBVA Mobile.

Applications page on Garanti BBVA Mobile now allows making an application for Installment Advance Account, which is a

new capability defined on overdraft account and enables payments to be divided into installments. Customers can use this product either to make payments or to withdraw cash, which they can repay in installments with a term of up to 12 months.

From the Payment Promise step in Garanti BBVA Mobile app, customers can view their overdue credit, credit card and advance account payables, and make a payment promise for these debts.

Going beyond banking products and services, Garanti BBVA works to give advice to support the betterment of their customers' financial health, and to warn them at the time of an issue. Custom-tailored insight and action plans are planned to be presented by analyzing customers' behaviors and financials. Work is underway to roll out the project which is currently available to a small customer group of customers.

Garanti BBVA broadens its product and service array for its enterprise customers, as well as retail customers.

Money withdrawal, depositing and transfer via QR code, which were being used by retail customers, can now be easily executed by enterprise customers using Garanti BBVA Corporate Mobile. Hence, one more step has been taken by Garanti BBVA towards becoming a cashless society by enabling payments between buyers and sellers via QR code.

In addition, demand deposit opening function, which will make customers' daily lives easier, is made available on mobile banking and has rapidly become a favorite. Enterprise customers already began opening 35% of their demand deposit

accounts on digital channels using mobile banking.

With the addition of Garanti BBVA discount function to Garanti BBVA Corporate Mobile, the set of solutions provided via digital channels was further expanded.

As a result of all these developments, Garanti BBVA topped Forrester's mobile functionality benchmark in Europe with Garanti BBVA Mobile in terms of user experience, and ranked second in overall mobile category.

INTERNET BANKING

To enable its customers to manage their personal finances over the internet, Garanti BBVA offers interfaces which enable customers to follow their assets and liabilities in product-based graphs, and their income, expenditures and cash flows with need-oriented notifications and alerts through its Internet Banking website.

Garanti BBVA Corporate Internet is being revamped in line with the needs of customers.

The entire process of authorization forms, which posed one of the biggest difficulties against digitalization for corporate customers, was renewed in a simplified and user-friendly format, and offers features such as dynamic creation of custom-tailored, need-based instant and summary forms and automated setting of customer and user limits in line with the list of authorized signatures. Developments were made to let the

For enterprise customers, one of the greatest obstacles complicating digitalization was the great loss of time

caused by authority forms because of individual monetary or transaction limitation details. The entire process was revamped, and accordingly, need-specific, instant and summary forms for each customer is created dynamically. The forms automatically set customer and user limits in accordance with circular of signatures, producing a fast and user-friendly process for customers.

The authorization process experience was renewed all over so that the individual with the broadest authority of a company conveniently appoints authorizations digitally to employees according to desired limits and capabilities. Similar to authority description forms, the process of the main user to authorize other users provides a simple experience where the structure in the list of authorized signatures is automatically captured in the system and the customer does not need to enter these data thus, preventing waste of time.

"Tracking Report" was added to Garanti BBVA Internet to allow customers to follow up their FC transfers to domestic and overseas banks (Swift transactions). The Swift Tracking capability affords users the privilege to view each step from the moment the instruction is given until the moment transfer takes place. This allows to easily view all details including the status of FC transfer, the intermediary bank it is held with, and the total time until receipt by the receiver bank. In addition, instant notices regarding the fate of the transactions are sent within the scope of the notification function.

POS application step added to Garanti BBVA Corporate Internet lets sole proprietorships to digitally apply for POS without making a branch visit.

Infrastructure development was completed for sending push notifications related to banking transactions and offers to corporate customers. Hence, a new customer experience can now be offered to corporate customers making them feel that the Bank is with them whenever they need it, even when they are not using the mobile app or Internet banking.

All product pages on Garanti BBVA Internet feature a section viewing the most common Frequently Asked Questions (FAQ) along with a brief answer. These FAQ fields are automatically generated upon matching the labels of product pages with the questions (and updated when a new question is added to the database). A similar function is available also on the detailed question page where relevant questions are asked to the user. Under each detailed answer, there is a "Was this answer useful to you?" button, which is used to further develop the help and advice section based on visitor feedback.

BONUSFLAS

A first in the sector and allowing Garanti BBVA card holders to satisfy any card-related need, BonusFlas was revamped with a customer-friendly new design. Redesigned also according to new trends, the app makes it easier to follow up campaign and card information. The payment functions offered in BonusFlas were expanded with the addition of payment via QR and users were provided with the capability to make cardless payments on all IOS and Android phones even if they do not have their cards with them. E-commerce expenses were made faster and easier with the "Direct Link" property that allows users to be referred to the websites/applications of member merchants they are shopping from

with a single click when using BonusFlas.

GARANTI BBVA CEPPOS

Garanti BBVA CepPOS is a smart phone app allowing SME and micro businesses to quickly and securely receive payments through mobile phones. The app transforms Android mobile phones with NFC (Near Field Capability) function into a POS device, and thus enables easy payment up to contactless transaction limit from credit/debit cards or Android mobile phones possessing mobile payment capability at business places that own the app. Garanti BBVA CepPOS also lets instant tracking of sales and viewing the amounts received in the account.

After logging into Garanti BBVA CepPOS app with their Garanti BBVA Internet password, the sale amount is entered in the "Get Payment" screen by member merchants. The customer will then scan the credit/debit card or mobile phone to be used for payment at the back of the mobile phone installed with Garanti BBVA CepPOS used by the member merchant. Following the approval given by the member merchant's Garanti BBVA CepPOS app, the sales transaction is realized. Sale reversals or returns are also among the main conveniences offered by the app. The sale can be cancelled and/or returned with the same contactless transaction process.

GARANTI BBVA ATM

Garanti BBVA ATM network reached 5,260 ATMs in 2019. The ratio of cash deposits to cash withdrawals from Garanti BBVA ATMs was registered as 96%. While 390 million transactions per year were carried out from ATMs, more than 44 million transactions were carried out using the cardless menu.

The array of transactions via QR was expanded with credit card debt payment and loan repayment, thus expanding the set of cardless transactions. Having doubled the ratio of money withdrawal via QR in 2019, 18 thousand hours of ATM use time was saved on a monthly basis. Also, UK Sterling (GBP) can now be deposited from ATMs. Redesigned ATM screen makes it clearer for customers to understand when an ATM is out of order, and also highlights QR transactions.

GARANTI BBVA CUSTOMER CONTACT CENTER

In a repetition of its unchanged performance since its establishment in 1998, Garanti BBVA Customer Contact Center led the sector in 2019 drawing on its solid technology, dynamic and qualified employees, and innovative and customer-centric service approach in a bid to offer a seamless experience to customers.

Recognizing the importance of quality and consistent service delivery, Garanti BBVA Customer Contact Center analyzes customer needs timely and accurately, and offers its customers fast and easily accessible services targeted at first call resolution, while maintaining its dedication and contention in the sector with its financial products portfolio composed in line with the Bank's strategies. The Customer Contact Center also preserves its leading position, successfully handling 14.1% of all the calls in the financial sector with an average response time of 31.6 seconds via its qualified team of 1,085.

Garanti BBVA Customer Contact Center, Turkey's largest financial contact center with 70.9 million total customer contacts in 2019, made a major difference in its sector

with a call response rate of 98.3%, which is the key service performance indicator

Producing customer-centric solutions with the aid of new technologies, the Customer Contact Center reached a much broader customer group in 2019, making their lives easier with the Free Speech Project that provides a much higher protection than customary encryption methods and recognizes customers from their free speeches.

Taking an active role also in the digital transformation process with the "New Customer Acquisition through Digital Channels" introduced in 2019, the Customer Contact Center added a new link to its set of user-friendly services with Video Call, and secured faster and easier fulfillment of customer demands. The future plans include increased variety of services offered through this channel.

Centrally responding the calls placed at the switchboards of the busiest Garanti BBVA branches via "Branch Calls" team throughout the year, the Customer Contact Center introduced another remarkable initiative in 2019. Aiming to deliver a unique experience by providing one call solution to customers from the channel they connected, the team began responding to calls of all retail branch customer advisors in addition to branch switchboard calls within the system. While the response rate went above 91% with an average response time of 11 seconds, customer satisfaction was enhanced, in addition to numerous value-added products and services presented, and significantly reduced workload on branches.

Thanks to the Smart Sales and Dynamic Offer Management projects developed

based on the "Right Product and Service Offer to the Right Customer" concept, the Customer Contact Center kept fulfilling customer needs in the most efficient manner, by instantly bringing the customers together with the expertized sales and service specialists that customers were interested in. With 27 financial products on its portfolio, the Customer Contact Center broke new record with a powerful performance that surpassed the net financial income figure generated in 2018 and sold 3.3 million high value-added financial products in 2019.

A significant contributor to the Bank's total loan volume in the marketing and sales of general purpose, mortgage and auto loans through the dedicated hotlines at 444 0 335, 444 EVIM and 444 OTOM, the Customer Contact Center retained its long-standing title as the leader of the loan telesales.

Also in 2020, Garanti BBVA Customer Contact Center will enrich its service and product range that will offer powerful customer experiences and will remain committed to its mission of maintaining its pioneering position in the sector, while keeping its focus on the advancements in the digital world and its unchanging top priority, customer satisfaction and quality of service, with the target of further increasing the value it creates.

GARANTI BBVA'S NEW SERVICE MODEL

Garanti BBVA recently launched a new service model, which captures the benefits of the emerging digital world. With the pilot program started in May 2017, the project was rolled out in phases until the end of 2018. The transformation of the entire

branch network was completed within this context. In this new model, Garanti BBVA reflected digitalization in branches.

With the aim of creating seamless, omni-channel experience to reduce branch dependency and ensuring similar customer experience across all channels, Garanti BBVA also launched the "digital approval platform" where customers can approve product/service agreements with the Two Factor Authentication (via internet banking through corporate tablets or mobile devices) in branch processes as well, where paperwork and time spent to complete sales/transactions are reduced. (This service is available for General Purpose Loans, Overdraft Accounts, Account Opening for Real Person Customers, Insurance and Pension and Deposit Accounts.)

The Bank began providing seamless and transparent experience to customers across all channels with the Channel Transitivity Project that secures seamless execution of deposit transactions between branches and digital channels, which was introduced in 2019.

Garanti BBVA believes that acquiring/co-innovating with fintech startups is essential for Banking-as-a-Service (BaaS). Today, banks are no longer just financial players; they offer different services by establishing collaborations with third parties. Building a culture of innovation within the Bank is vital for an open innovation point of view. Thus, co-innovating with fintech startups is very important in terms of imposing startup culture into our and others' way of doing business. Therefore, Garanti BBVA acts in accordance with the notion of supporting new entrepreneurship, products and projects in all areas. The Bank believes that the market can be transformed and

external disruptions can be turned into opportunities, by collaborating with various third parties.

The change brought on by technology is picking up speed across all economic sectors, and banking is no exception. Open innovation is one of the key elements of the Bank's transformation to adapt financial services to customers' new needs. The concept stemmed from the necessity to keep up with the rapid pace of change that companies are undergoing. The connection with the innovation ecosystem and entrepreneurs is essential. At this point, Open Talent has evolved from a unified competition for technological companies to one divided into categories that supports all kinds of entrepreneurs in innovation from many countries. In the process, Garanti BBVA continues with collaborative efforts with BBVA.

The Bank's approach to internal innovation can be described as one that is inclusive and facilitative. The primary objective is to ensure conveyance of all employees' creative ideas and suggestions to the correct recipients by offering various channels. In this context, the employees can just communicate a concept for it to be implemented by related teams, or they can take the ideas they share to advanced stages and present their solution suggestions to the Senior Management personally.

Methodologies developed specifically for each channel paves the way for the conversion of bright ideas into real products in the most sensible and profitable manner. The different channels used and tailored methodologies employed enable Garanti BBVA to also address the entire innovation range. This allows simple but valuable

improvements on one side, and to carry out initiatives targeted at the bank of the future, on the other.

OUTLOOK

Offering pioneering digital solutions, Garanti BBVA Digital Banking provides users with convenience and speed.

Going forward, Garanti BBVA's efforts to increasingly expand the scope of application of digital channels will continue. With an End to End Digitalization perspective and a zero-based mindset, products are being re-invented within a digital context. Customer journeys will be continuously monitored to boost NPS and to offer best-in-class UX.

"e-loan", the credit solution enabling commercial loan disbursement to SME and Commercial customers through digital channels, is also one of the projects targeted to be introduced in 2020.

In addition, partnership opportunities will be pursued and a range of APIs will be created to integrate with 3rd parties. Not only will this expose the Bank to a much wider range of new technologies, but it will also help Garanti BBVA become the leading financial institution in the fintech ecosystem.

Taking the banking business beyond being a mere provider of banking products and services to offer recommendations to customers for enhancing their financial positions and warn them at times of difficulties will be much more important in the period ahead. Garanti BBVA is aware that acting as the customers' reliable financial coaches is critical for customer satisfaction and social responsibility. The Bank is also working to increase its

customers' financial literacy, to help them become more knowledgeable about their financial positions, and to improve their financial positions in general.

In addition, digital transformation also brings along the digitalization of the customer relationship initiation journey, and users can now initiate the new customer process on Garanti BBVA Mobile. The new customer journey is completed with the signature to be executed in the branch. Having made the process a much faster and easier one, Garanti BBVA targets to create an entirely digital experience following the necessary regulatory framework in banking legislation.

With the aim of reducing the effort users spend for their daily financial activities, the Bank is intending to offer a body of automated services. With the Smart Transactions available in Garanti BBVA Mobile, initially "Regular Deposit Order" and "Spend and Save" functions went live. Designed to reduce the time and effort customers allocate for realizing their daily financial transactions and to enhance customer experience, the service is being expanded with the addition of new functions.

Garanti BBVA has long espoused it as its responsibility to lead the expanded implementation of sustainability practices. The Bank aims to communicate its sustainability efforts also on digital channels, and thereby, to join forces with its users in order to grow this support.

Garanti BBVA will be touching the lives of enterprise customers digitally in 2020. The number of application and product sales functions available over Garanti BBVA Mobile and Internet are targeted to

be increased. Beyond just simple banking transactions such as money transfers and screening, for enabling enterprise customers to execute more sophisticated banking needs in an end-to-end "DIY-DoltYourself" way, necessary steps will continue to be taken. In this context, the top priority will be the disbursement of commercial loans through digital channels.

Moreover, the vision in 2020 will entail offering financial analysis service through digital channels in order to support corporate customers' financial lives, and stand by the customers acting as a financial advisor beyond being a bank providing solely products and services. The Bank also aims to be innovative on the basis of initiatives in open banking.

Garanti BBVA will maintain its leadership in digital channels by continued monitoring and implementation of new technologies, and will put mobile channels at the heart of this experience.

DIGITALIZATION FOR SECURE AND UNINTERRUPTED SERVICE

Increased digital use leads to greater exposure to cyber security risks, and the improved threat profile results in elevated effect of the diversified risks of the digital environment. Constantly investing in technology, uninterrupted processing capacity, infrastructure security, cost efficiency and energy saving in light of corporate governance and international standards; Garanti BBVA, through its subsidiary Garanti BBVA Technology (GT), sharpens its monitoring effectiveness since 1981. The company allows Garanti BBVA to put measures in place more rapidly and to become aware of global threats at an earlier time via networks that GT belongs

to. Accordingly, Garanti BBVA's internet access architecture is restructured with a risk-based perspective. With its strategy, "Better IT, Better Business", Garanti BBVA continuously invests in cloud technology and microservices in order to ensure cost saving and introduction of solutions at a faster pace, and positions its application architecture and security layers so as to support these technologies. Through these initiatives, Garanti BBVA targets to better adjust to the new business models presented by the constantly digitizing world, and to deliver its clients a better customer experience by transforming Big Data infrastructure investments into business intelligence solutions and open application platforms.

The opportunities offered by digitalization also transform issues regarding data protection and security into one of the most significant risks. Taking precautions against all risks, which could prevent secure and uninterrupted service, particularly cyber threats, ensuring information security and informing customers on related issues are among the material issues, both for Garanti BBVA and its stakeholders.

Garanti BBVA carries out efforts ensuring continued awareness of compliance with laws and corporate standards, and development of processes that guarantee management of IT/information security and IT related risks, in order to effectively manage reputational risk across the Bank. In terms of governance, the Information Security Committee headed by the EVP responsible for Engineering and Data coordinates all efforts within the Bank to guarantee information security and monitors policies, procedures, and regulations.

Adopting an "enterprise external fraud prevention" approach within the framework of customer protection principles, Garanti BBVA centrally monitors incidents of fraud involving card transactions, account transactions, POS transactions and loan product applications carried out through any branch or non-branch channel.

Garanti BBVA develops proactive strategies to monitor, detect, control and prevent evolving acts of external fraud. Made up of expert and experienced employees, Customer Security and Transaction Risk Management Department adopts emerging technologies and builds on its competency in fighting external fraud and takes action rapidly and effectively. Data-driven analyses of fraud trends and incidents of fraud, the Department works to minimize the potential losses of the Bank and the customers.

The Department formulates views and suggestions on the Bank's new product and service developments upon assessing the same with respect to external fraud risks. Monitoring new fraud methods and the changes in fraud trends both on a national and international level, the Departments makes necessary preparations and takes necessary steps to update the parameters employed in the Bank's anti-fraud systems. The Department also carries out all necessary examination and investigation about acts of external fraud, sharing related information within the Bank and with other banks. Garanti BBVA continues to cooperate with its stakeholders to increase anti-fraud initiatives across the sector, as well as those between different sectors, against fraud events. Furthermore, within the scope of training and awareness programs for the Bank's employees, a total of 96 training and/

or informative programs regarding external fraud were carried out in 2019, using various means including announcements/statements, virtual training and information meetings, emailing and live streaming.

The Customer Security and Transaction Risk Management Department closely follows up technological developments, makes assessments together with national/international various service providers and leads technological developments in order to carry out fraud risk management in the most efficient and effective manner, and to deliver the best experience to Garanti BBVA customers. In addition, necessary developments are carried out, which are also continuously followed up with respect to their effectiveness in fraud prevention and maximizing customer satisfaction. Also instant tactical updates are performed depending on the needs within the frame of strategies determined with a customer-focus.

WHAT WE DID IN 2019

Garanti BBVA secures all IT assets including people, processes and technology so that the organization can focus on business targets without suffering an interruption due to security related issues by concentrating on Confidentiality, Integrity and Availability. The latest and the most advanced security systems are followed up in an effort to offer the most effective security solutions to protect the clients' information. Regular penetration tests and vulnerability assessments are performed to identify and eliminate security risks. Garanti BBVA follows the COBIT (Control Objectives for Information and Related Technology) framework, internal security policies, procedures, and ISO 27001 with specific scope.

Garanti BBVA provides various security-building practices for its customers in line with its approach determined by security and privacy policies. Tokenization (Şifrematik application & device for generating one-time passwords), SMS OTP, Mobile Notification, Voice Biometric Verification and Eye Biometric Verification are used for the authentication of customers. In order to increase security of digital channels' usage; the Bank implements additional security measures on mobile applications. Transactions are automatically analyzed and if necessary, additional verification is implemented to prevent fraud events. As a result, Garanti BBVA has not received any verified data breach regarding customer privacy in the past four years. Garanti BBVA also supports safe execution of external projects that introduce novelties to the sector, in addition to its internal practices.

Through its website and Alo Garanti BBVA, Garanti BBVA offers its customers security information regarding digital banking. Warning its customers against possible situations, Garanti BBVA also explains additional security precautions that customers can take, particularly the "6 Golden Rules" for security, such as creating and protecting passwords, situations when private information is requested, viruses spread via e-mails, fake prize notifications or requesting personal banking information via SMS or by telephone, phishing attacks, suspicious money transfers and requests for information. Also, Garanti BBVA provides customers with information on the protection of mobile devices and computers on which they use Garanti BBVA's internet banking. Garanti BBVA furthermore advises to use utility programs such as anti-virus, spyware scanner and firewall. Garanti BBVA sends SMS and e-mail

messages at certain intervals in order to inform its customers about current and widespread attacks.

Work is carried out within the frame of DevSecOps in order to enhance secure software development process. Security evaluation approaches that are aligned with current software trends such as agile are being developed. Initiatives are being carried out targeted at best practices in data classification and data leakage prevention methods, in addition to efforts spent for regulatory compliance. Stricter rules have been introduced in related processes and platforms for the security of mobile market and social media accounts, and training programs were organized for enhancing awareness of the teams managing these accounts in the Bank. Garanti BBVA keeps improving its information security processes by also utilizing the know-how and global experience made available by the BBVA Group. The Bank also extends support to global projects carried out by the BBVA Group in this context.

Under the Decentralized Cash Management (DCM) project, cash deposited in DCM vaults set up at banks are deemed deposited in CBRT branches. While this significantly reduced the funding cost of idle cash, it also minimizes the operational risks involved in physical money transfer and extends support to CBRT operations. Under the DCM Project Garanti BBVA launched as the "first bank" in Turkey in 2018, 4 DCM vaults became operational as of December 2019.

In line with its strategy, Garanti BBVA focuses on dynamically monitoring and precluding fraudulent attempts that increased in 2019. In doing so, the Bank aims to prevent both the Bank's and

the customers' potential financial and reputational losses based on a frictionless and customer-centric approach.

In order to provide its customers with a more secure and more frictionless experience, the Bank continues to improve communication channels. New communication channels that have been integrated guarantee a more effective and more personal experience, employing customers' preferred communication methods. It is targeted to enhance customer experience and get customers on board while fighting against fraud and to manage the risk in a frictionless environment. In keeping with this, Garanti BBVA continued to enlighten its customers and to raise awareness about fraud trends and important considerations by using various channels.

OUTLOOK

In 2020, Garanti BBVA will continue to guarantee secure transacting for its customers, and will also continue to work towards ensuring its customers to transact in a convenient and frictionless environment and adopting a focus that will get customers on board while fighting fraud. Along this line, constantly enhancing customer experience through strengthening fraud risk monitoring systems with contemporary technology and analytical methods will remain among the most important targets.