

GARANTI BBVA PENSION

Annual Report

2019

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WE WORK
TOWARDS A
FUTURE WITH
LOTS OF

"We're glad"s.

Section 1

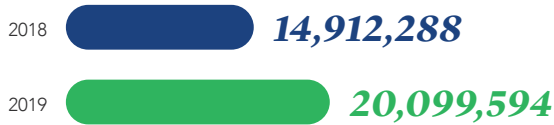
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MAIN FINANCIAL INDICATORS

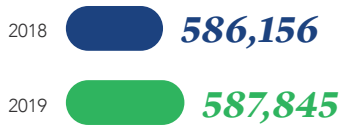
TOTAL ASSETS (TL THOUSAND)

In 2019, Garanti BBVA Pension reported total assets of **TL 20 billion**.



PROFIT/LOSS BEFORE TAX (TL THOUSAND)

Garanti BBVA Pension posted profit before tax of **TL 587 million** in 2019.



As of year-end 2019, Garanti BBVA Pension recorded approximately **1.8 million*** private pension customers and a fund size of **TL 17.8 billion***.

AVERAGE RETURN ON ASSETS (%)

In 2019, Garanti BBVA Pension's average return on assets was **2.65%**.



AVERAGE RETURN ON EQUITY (%)

Garanti BBVA Pension's average return on equity was **40.83%** in 2019.



Garanti BBVA Pension and Life maintains steady and rapid growth in the private pension and life insurance sectors. The leader in terms of number of PPS participants, Garanti BBVA Pension and Life serves as a model for the industry while further bolstering its financial strength.

NET PROFIT (TL MILLION)

Garanti BBVA Pension reported net profit of **TL 455 million** in 2019.

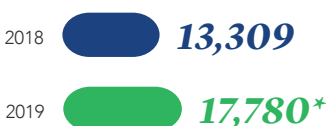


TOTAL NUMBER OF PRIVATE PENSION CUSTOMERS**

→ **1.8 Million**

TOTAL VALUE OF PRIVATE PENSION FUNDS (TL MILLION)

Garanti BBVA Pension's private pension funds totaled **TL 17,780 million** in 2019.



→ **33% Growth**

TOTAL NUMBER OF PPS PARTICIPANTS (THOUSAND)

Garanti BBVA Pension recorded over **1.8 million** private pension customers as of year-end 2019.



→ **6% Growth**

* Source: Pension Monitoring Center dated 12.31.2019.
** Total PPS: Includes overall number of Voluntary PPS and Auto Enrolment System participants.

ABOUT GARANTI BBVA PENSION AND LIFE

Garanti Emeklilik ve Hayat Anonim Şirketi (Garanti Pension and Life) was incorporated as “AGF Garanti Hayat Sigorta Anonim Şirketi” on July 24, 1992.

The Company’s trade name was changed to “Garanti Hayat Sigorta Anonim Şirketi” on May 18, 1999.

Following the decision to include private pension in its field of business activities, the Company applied to convert from a life insurance company to a pension company on November 14, 2002. The Company’s name was changed initially to “Garanti Emeklilik Anonim Şirketi” and then to “Garanti Emeklilik ve Hayat Anonim Şirketi”. Subsequently, the Company set up pension mutual funds pursuant to the Board of Directors resolution dated June 28, 2003 and obtained authorization from the Capital Markets Board on June 28, 2003.

On June 21, 2007, **15%** of the Company’s issued capital was sold to Achmea B.V. for **EUR 100 million**.

Garanti BBVA Pension and Life has always aimed for sustainable success and has consistently led the industry since its founding.

Working towards a futures with lots of “We’re glad”s, and embracing a customer satisfaction, employee-oriented and profitable business model approach, Garanti BBVA Pension and Life has always aimed for sustainable success and has consistently led the industry since its founding. The Company adds value to Turkey’s private pension and life insurance sectors with a focus on customer satisfaction in product and service offerings and dynamism that keeps pace with evolving needs. Garanti BBVA Pension and Life also has the capability to rapidly adapt to a changing legislative and regulatory landscape and maintain stability regardless of economic conditions. The Company implements pioneering practices by adopting innovations in both the life insurance and private pension sectors. Garanti BBVA Pension and Life broke new ground in the industry by restructuring its technological applications as part of its customer-oriented approach. As the most preferred company in the Private Pension System, Garanti BBVA Pension continues to serve as a model for the industry by maintaining steady and rapid growth.

COMPETITIVE ADVANTAGES

Garanti BBVA Pension and Life’s competitive advantages stem from the fact that it effectively utilizes the bancassurance channel and formulates the right strategies for ever changing market conditions. Focusing on operational efficiency as it benefits from economies of scale, Garanti BBVA Pension’s technical profit is on the rise.

The market strength, trust and synergy created with Garanti BBVA, the main distribution channel, provides leadership in the industry. The know-how and deep-rooted experience that comes from international collaborations – such as with BBVA and Achmea – take the Company to a higher level in the industry.

FROM PAST TO PRESENT:
GARANTI BBVA PENSION
AND LIFE

2003 INTRODUCING PENSION
PRODUCTS TO CUSTOMERS

Garanti BBVA Pension and Life entered the sector by offering pension products.

2004 INNOVATIVE APPROACHES FOR
CHANGING MARKET CONDITIONS

Marketing activities to promote corporate pension plans commenced.

Due to evolving customer needs, the Company updated its credit life products and added “*Guarantor Life Insurance*” to the product lineup.

2005 DIFFERENT SOLUTIONS FOR
DIFFERENT NEEDS

Garanti BBVA Pension and Life developed group funds to meet the needs of corporate clients.

The Company launched the “*Guaranteed Tomorrows*” insurance product which provides life and critical illness coverage.

2006 MARKET LEADER IN GROUP
PENSION PLANS IN ITS THIRD YEAR

Garanti BBVA Pension and Life became the market leader in group pension plans in its third year after entering the market.

Garanti BBVA Pension and Life has always aimed to maximize customer satisfaction since its establishment in 2003.

2007 STRONG INTERNATIONAL
PARTNERSHIPS

Fifteen percent of the Company’s issued capital was sold to Achmea B.V. for EUR 100 million.

2008 THOUGHT LEADER
OF THE SECTOR

The “*Garanti Pension Hobby Clubs*” project, which aims to add value to the social lives of customers, was launched.

The Company rolled out three different life insurance products with additional unemployment coverage.

2009 PIONEER IN
INNOVATION

Garanti BBVA Pension and Life achieved another first in the sector by launching the “*Flexible Alternative Fund*” which invests exclusively in income-indexed securities.

The Company became the first to launch *Pension Income Plans* and to make salary payments to retired customers under an income drawdown plan.

Garanti BBVA Pension and Life launched its mobile website – a first-of-its-kind in the sector – thus allowing customers to monitor their accounts via mobile devices 24/7.

The Company again served as a model for the sector by offering private pension contracts over the Internet.

2010 GARANTI BBVA PENSION GROWS
STRONGER WITH INNOVATIONS

The Company launched the “*Online Pension Advisor*” service – a first in the sector.

Private pension plans were developed especially for participation banking customers.

The Company launched the corporate social responsibility initiative “*Back to School*”.

The Social Security Advisor application was launched as another innovation in the sector.

2011 CUSTOMER-FOCUSED
INVESTMENTS AND PRACTICES

Garanti BBVA Pension and Life Flexible (TL), Garanti BBVA Pension and Life Domestic Government Debt Securities Income, Garanti BBVA Pension and Life Equity, and Garanti BBVA Pension and Life Group Equity and Pension Mutual Funds were launched.

The Company created a Facebook page to enable social media interaction.

2012 GARANTI BBVA PENSION AND
LIFE SPEARHEADS THE SECTOR’S
TRANSFORMATION

The Company set up a *Special Customer Relations* unit to offer customers a differentiated service point.

Garanti BBVA Pension and Life updated its credit life products in line with the changing needs of customers. Garanti BBVA Pension and Life launched unique

products specially designed for self-employed and young customers.

2013 SECTOR LEADER IN NUMBER
OF PARTICIPANTS

Garanti BBVA Pension and Life became the sector leader in terms of the number of private pension participants.

The Company revamped *garantibbvaemeklilik.com.tr* with an appealing visual quality, userfriendliness and advanced functionality to further improve customer accessibility and boost user satisfaction.

Having performed strongly in the compliance review by *Investors in People (IiP)*, the world’s only international human resources quality standard, Garanti BBVA Pension and Life became the first and the only company in the sector to be awarded “*Silver*” certification.

2014 “ALWAYS BY
YOUR SIDE”

Garanti BBVA Pension and Life maintained its market leadership in the number of participants throughout 2013 and 2014. Garanti BBVA Pension’s new communication concept is “*Always by your side*”.

The Company further bolstered its social media presence by adding Twitter and LinkedIn to its communication channels.

Garanti BBVA Pension and Life won the “*Highest Corporate Governance Rating Score*” award in the “*Private Companies*” category at the Eighth International Corporate Governance Summit.

2015 “WE ACHIEVE CUSTOMER SATISFACTION WITH HAPPY EMPLOYEES!”

Garanti BBVA Pension and Life was the first and the only private pension provider in Turkey to be awarded the “**Gold**” certificate by **Investors in People**, the only international quality standard in human resources.

Garanti BBVA Pension and Life signed the “**United Nations Global Compact**”, the world’s largest voluntary corporate responsibility initiative which is based on signatories’ commitment to implement universal sustainability principles. The Company also signed the “**United Nations Women’s Empowerment Principles**”.

Garanti BBVA Pension and Life became the sector’s first private pension company to accept PPS applications via Facebook.

As a pioneer in the digital world, Garanti BBVA Pension and Life launched an Instagram account, adding a new social media tool to its digital media portfolio. It also became the first company in the sector to use Periscope, Twitter’s video streaming app.

2016 FIRST COMPANY TO RECEIVE ISO 14001 ENVIRONMENTAL MANAGEMENT SYSTEM CERTIFICATION

Garanti BBVA Pension and Life became the first private pension and life insurance company in Turkey to obtain **ISO 14001 Environmental Management System certification** after being certified by TÜVSÜD in March.

In light of the “Women’s Empowerment Principles” issued by the United Nations, Garanti BBVA Pension and Life developed a life insurance product called “**Healthy Women**” for types of cancer afflicting women (e.g. thyroid cancer). The new product launched on March 8, International Women’s Day.

The Company provided support to the “**HeForShe**” solidarity campaign initiated by the United Nations Women in 2015 to emphasize men’s support for women’s rights and gender equality.

Garanti BBVA Pension and Life became the first private pension and life insurance company in Turkey to obtain OHSAS **18001 Occupational Health and Safety Management System certification** after being certified by the German institution TÜVSÜD in July.

Garanti BBVA Pension and Life issued a **Declaration of Human Rights**.

Garanti BBVA Pension and Life joined the **WWF Green Office Program**.

Garanti BBVA Pension **Mobile Branch** application was launched.

2017 FIRST COMPANY TO PROVIDE ROBOTIC CONSULTING SERVICES IN THE SECTOR

The new era of the **Auto Enrolment System** commenced on January 1, 2017.

Garanti BBVA Pension and Life won the “**Highest Corporate Governance Rating Score**” award in the “Private Companies” category at the Corporate Governance Summit, which is organized by the Corporate Governance Association of Turkey.

Garanti BBVA Pension and Life began supporting the “**Blue Cap**” project of the Spinal Cord Paralytics Association of Turkey (TOFD).

Garanti BBVA Pension began supporting the efforts undertaken by the Turkish National Committee for UNICEF to ensure that all children in Turkey and around the world can access development, health and education services, and have equal rights. As a result, the

Company was awarded the “**UNICEF Silver Wing**”.

The Company launched “**Sustainability Equity Pension Fund**” in another first-of-its kind effort in the industry.

Garanti BBVA Pension successfully completed WWF Turkey’s Green Office Program at its Head Office buildings and received the **Green Office Diploma**.

In October 2017, Garanti BBVA Pension introduced 11 another pioneering initiative, “**Fund Coach**”, to provide robotic fund consulting services to its customers.

The Corporate Website, which was revamped with a new design to serve both existing and new customers, was relaunched in December 2017.

2018 LAUNCH OF FUTURE COACHES

Garanti BBVA Pension and Life won the “**Highest Corporate Governance Rating Score**” award in the “Private Companies” category at the Corporate Governance Summit, organized by the Corporate Governance Association of Turkey.

The Company developed the “**Premium-Return Life Insurance**” product.

Fund Coach, a fund consulting service, started serving customers also on the Mobile Branch.

The name of Hobby Clubs was changed to “**Garanti BBVA Emeklilik Yaşa (Live with Garanti BBVA Pension)**”.

Garanti BBVA Pension and Life concluded all quarters of 2018 as number one in the sector on the **şikayetvar.com** platform, crowning this achievement with First Prize, which the company has received for four years.

Turkey Call Center Awards, organized by Call Center Life Magazine, named Garanti BBVA Pension’s Call

Center as the “**Inhouse Call Center with the Greatest Contribution to Female Employment**”.

Garanti BBVA Pension and Life launched a new, smart audio response system in July 2018 for the Auto Enrolment Line, which serves company representatives. The system helps develop and respond to customers’ requests **24/7** easily and rapidly.

2019 LAUNCHED THE COMMUNICATION PROJECT KNOWN AS “PARAYI TUTAMAYAN ADAM (THE MAN WHO CANNOT SAVE MONEY).”

Also in that year, Garanti BBVA Pension changed its tag line from “Garanti Emeklilik Yaşa (Live with Garanti Pension)” to “**Garanti BBVA Emeklilik Hayatı Yaşa**” (Live Your Retirement with Garanti BBVA Pension).

Garanti BBVA Pension and Life concluded all 2019 quarters in first place for its sector on the **şikayetvar.com** platform and crowned this achievement with First Prize which the company has been receiving for five consecutive years.

The “**Smart Fund**” was launched as the first absolute return fund in the industry.

The conversion of the **Third Variable Fund**, which enables investment in foreign shares, has been completed.

The integration of the new Campaign Management System, which focuses on personalized communication, has been completed.

The Interactive Voice Notification (IVN) System was introduced in customer communication.

In the last quarter of 2019, the **Robotic Process Automation Project**, which first began by automating the compensation unit, began providing more speed efficiency to the procedures required for creating death compensation notices.

OUR OUTMANEUVERING
ADVANTAGES

BRAND
EQUITY OF

"Garanti BBVA"

- Reliability provided by the Garanti BBVA brand
- Synergy and collaboration with Garanti BBVA

Customized and exclusive solutions
to meet the needs of customers ←

Continuous development
of after sales services ←

Practices that reinforce
closer customer relationships ←

Customer-Centric
SERVICE APPROACH

EFFECTIVE

Sales Force

- Effective use of bancassurance
- Superior alternative distribution channels and widespread distribution network

FINANCIAL
STRENGTH AND

an Advanced
Technology
Infrastructure

- Robust capital and stable financial structure
- Reinsurance capacity
- Profitable risk acceptance practices
- Continuously improving technology infrastructure

Organizational structure that enables
rapid adaptation to an ever-changing
market environment ←

Creative and highly competent
workforce capable of taking initiative ←

Emphasis on life-long development ←

Internal customer satisfaction effortsm ←

CORPORATE CULTURE AND

Human Resources

Sustainable

APPROACH

- Management systems in the areas of human rights, labor standards, environment and anti-corruption
- Communications on gender mainstreaming and empowerment of women
- Strong partnerships with leading organizations in sustainability
- Efforts to reduce consumption of natural resources

OUR OBJECTIVE AND
CORE VALUES

Maintaining robust growth,
Garanti BBVA Pension is aware of
its expanding responsibilities and
inspired by its core values to meet
society's expectations.

OUR OBJECTIVE

*We work
towards a future
with lots of
"We're glad"s.*

OUR VALUES

We understand customers ←
We act with integrity ←
and responsibility ←
We develop solutions ←

*1 Our Priority is
our Customers*

*We Think
Big*

2

→ We inspire
→ We are innovative
→ We exceed expectations

We are bonded with ←
our job at heart ←
We work hand in hand ←
This is our company ←

*3 We are
One Team*

GARANTI BBVA IN BRIEF

Established in Ankara in 1946, Garanti BBVA is Turkey's second largest private bank with consolidated assets totaling **TL 429 billion** as of December 31, 2019. Garanti BBVA is an integrated financial services group operating in every segment of the banking sector – including corporate, commercial, SME, retail, private, investment banking and payment systems – together with its subsidiaries in private pension, life insurance, financial leasing, factoring, investment, and portfolio management. Garanti BBVA's international subsidiaries are located in the Netherlands and Romania.

As of December 31, 2019, Garanti BBVA responds to all financial needs of over **17,6 million** customers, with more than **18,784** employees. The Bank's wide distribution network includes **904** domestic branches, eight overseas branch locations (seven in Cyprus, one in Malta), and two representative offices in Düsseldorf and Shanghai. Some **5,260** ATMs equipped with the latest technological infrastructure and an award-winning Call Center provide a seamless customer experience and the convenience of integrated channels over online, mobile and social banking platforms.

Aiming to achieve sustainable growth by creating value for all its stakeholders, Garanti BBVA builds its corporate strategy on the principles of “transparency,” “straightforwardness” and “accountability.” The Bank provides customers with products and services that meet their needs while continually working to improve the customer experience. Thanks to its skilled and dynamic workforce, continuous

Garanti BBVA addresses all financial needs of over 17,6 million people, with more than 18,784 employees at 904 branches in Turkey and eight branch locations abroad as of December 31, 2019.

investment in advanced technology, customer-focused service approach, innovative and high quality products and services, Garanti BBVA is an undisputed leader in the Turkish banking industry. Garanti BBVA strives to adopt the best corporate governance practices in accordance with its core values. Banco Bilbao Vizcaya Argentaria S.A. (“BBVA”) owns **49.85%** of Garanti BBVA shares. The Bank's shares are publicly listed and traded in Turkey with a free float of **50.07%** on Borsa Istanbul as of December 31, 2019. In addition, Garanti BBVA depositary receipts are traded in the UK and US.

Garanti BBVA's continuously improving business model is based on the concepts of responsible and sustainable development, customer experience, employee happiness, digitalization, optimal use of capital, and strategic priorities focused on efficiency. Custom-tailored solutions and a wide product variety play a key role in the Bank's **TL 322 billion** cash and non-cash loan portfolio. Garanti BBVA's disciplined and sustainable growth strategy ensures that the Bank moves forward without compromising asset quality, while strengthening the equity base. Thanks to an effective world-class risk management approach, focused on managing financial and non-financial risks in an integrated manner, and to organizational agility in seizing new opportunities, Garanti BBVA creates sustainable value for all its stakeholders. Furthermore, Garanti BBVA creates value and supports positive change, by forging strategic partnerships that add value, supporting social programs that focus on strategic priorities of both the Bank and stakeholders, and extending loans that target impact investments.

ACHMEA B.V. IN BRIEF

Achmea is a leading international insurance group with over 200 years of experience. Based in the Netherlands, Achmea is one of the world's largest cooperative insurance organizations, operating with **17,000** employees in six countries.

INNOVATOR AND LEADER

Achmea provides customers with products and services that are transparent, financially affordable and easily understandable. Achmea considers its customers as the actual owners of the Group and ranks them first among stakeholders. Believing that solidarity forms the basis of cooperative insurance, Achmea undertakes sustainable initiatives for its customers to achieve common goals by sharing strategic and financial risks. Achmea Group is widely known as an innovative employer, one of the best places to work in the finance industry, and a leader in boosting diversity.

BROAD INVESTMENT PORTFOLIO AND MICRO-INSURANCE PROJECTS

Achmea develops solutions for health-related issues when necessary; provides coverage and protection against damages resulting from fire, traffic accidents and theft; and ensures the long-term financial security of its customers and their families. Through its micro-insurance projects, Achmea also contributes to establishing economic stability in underdeveloped countries.

Achmea's annual solvency ratio stands at 202% in 2019. International credit rating agency Standard & Poor's affirmed Achmea's Insurer Financial Strength Rating as 'A+'.

ROBUST POSITION IN THE GLOBAL MARKET

Active in all insurance branches and distribution channels, Achmea is preferred by one in two people in its home market, the Netherlands. Outside the Netherlands, Achmea is the second largest insurance company in Greece; the Group also holds a strong market presence in Turkey, Slovakia, Ireland and Romania.

AN 'A+' FOR INSURER FINANCIAL STRENGTH RATING BY S&P

Achmea's gross premium production under contract totals **EUR 20 billion**, and shareholders' equity amounts to **EUR 9.7 billion**. Achmea's annual solvency ratio stands at 202% in 2019. International credit rating agency Standard & Poor's affirmed Achmea's Insurer Financial Strength Rating as 'A+'. Operating in the non-life insurance market, Eureko Sigorta is a member of Achmea in Turkey. It is the country's leader in bancassurance, thanks to its powerful partnership with Garanti BBVA. In March 2007, Achmea entered into a partnership agreement with Garanti BBVA in Turkey under the name Eureko B.V. to acquire an **80%** stake in Garanti BBVA Insurance's non-life insurance operations and **15%** stake in Garanti BBVA Pension's life insurance and pension operations. In May 2011, Achmea completed the share transfer process, which had started with the initial agreement in 2007. Pursuant to the initial agreement, Garanti BBVA Pension and Life acquired the remaining **20%** stake in Eureko Insurance held by Garanti BBVA to become the sole owner of Eureko Insurance.

CHAIRMAN'S MESSAGE



The efficient business models developed by Garanti BBVA Pension in its areas of operation continued to have a positive impact on its financial statements. It proved the success of its financial structure with a net profit of TL 455 million in 2019.

We have concluded a challenging year for both the Turkish and global economy. In 2019, we have had quite a busy economic and political agenda. The impact of repeated elections as well as Turkey's geographical and economic conjuncture has resulted in market fluctuations. However, the global economy has continued to grow despite geopolitical risks and investors' search for safe havens. During this difficult period, Turkey successfully navigated these unfavorable circumstances. The Turkish economy had been contracting each year since the last quarter of 2018. Yet, after a three-quarter lull, the economy switched to positive growth in the third quarter of 2019 and grew by **0.9%** overall.

Throughout the year, trade wars have been high on the agenda. Trade negotiations between the United States and China ended with a partial agreement. The prospect of a Phase One deal and the mostly positive statements from both parties supported the global markets; and the US economy grew by **2.3%** in 2019.

At meetings held throughout the year, the FED Chairman pointed out that neutral interest rates went down over the past seven years, noting that this, along with the low inflation rates, has formed the basis of the current level of interest rates. The minutes of the FED meeting showed that most FED members agreed that it was necessary to observe the impact of the three rate cuts made this year.

Moreover, recent data indicates that Asian economies are slowing down. In the last quarter of the 2019, the Japanese economy shrank by **1.6%** from the previous quarter, which was well above the expectations.

Turkey's economy started to grow year-on-year in the third quarter, while inflation rose below market expectations towards the end of the year. On the other hand, the Turkish lira continued to attract foreign investors owing to the current account surplus and the high risk-free yield of the Turkish lira as a result of the less volatile USD/TL rate despite interest rate cuts.

A downward trajectory was observed in the 2019 inflation figures. The annual inflation rates that reached double digits in the first two quarters of the year were announced to be **9.2%** in September, falling to single digits. The inflation measured by CPI fell to **8.55%** in October which resulted from the base effect, and rose again to double-digit levels in November, increasing to **10.56%** and finishing the year at **11.84%**. According to the forecasts of the Central Bank, the year-end inflation rate for 2020 was estimated at **8.2%**. In line with this forecast, we expect that inflation will return to single digit levels and stabilize in the medium term.

This optimistic expectation is aroused by the prediction that the Turkish lira will follow a more stable trend in the coming period and that the central banks in developed countries will follow expansionary monetary policies. But the fact that real interest rates will fall further in the first quarter of the year, the possibility that current account deficit may continue to increase, and the presence of geopolitical risks, including the S-400 and Syria issues, indicate that the volatility of the Turkish lira may relatively increase in the first quarter of 2020. As a matter of fact, the uncertainty caused by the pandemic that started in China and spread rapidly to other countries is also suppressing the risk appetite in general.

Looking at the market expectations in 2020, it is estimated that real interest rates will slightly decrease and that the current account deficit may increase, resulting in market fluctuations.

It has been 16 years since the voluntary Private Pension System (PPS) was introduced to complement the social security system and to boost individual savings in Turkey in 2003. In voluntary PPS, Garanti BBVA Pension maintains its leadership in the sector with **1.1* million** participants and a total saving size of **TL 14.5* billion**. The "Auto Enrollment System" was launched in 2017 to lend momentum to and mainstream the private pension system. Garanti BBVA Pension completed 2019 with **693,000*** participants and a fund size of **TL 632* million**.

"The Complementary Pension System" was on the agenda of the 2020-2022 New Economy Program. Introduced by the economy program prepared with the theme of "The Change Begins," the Complementary Pension System aims to expand the pool of those saving money for retirement while they are still in employment, as well as to support Turkish lira so that it is used in the development of the country.

While the Credit Guarantee Fund was high on the life insurance agenda in the first half of 2019, it was the personal loans that accelerated the sector in the second half of the year. As part of this growth, Garanti BBVA Pension has achieved significant success by increasing its year-end premium production by **73%** compared to last year to reach **TL 838** million**.

The efficient business models developed by Garanti BBVA Pension in its areas of operation continued to have a positive impact on its financial statements. It proved the success of its financial structure with a technical profit of **TL 230 million** and a net profit of **TL 455 million** in 2019.

* Source: Pension Monitoring Center, December 31, 2019

** Source: Insurance Association of Turkey (TSB), December 31, 2019

Garanti BBVA Pension plans to keep driving the sector, while recording new achievements in private pension and life insurance in the coming year. It will also continue to prepare for the Complementary Pension System which is on the 2020 agenda, with the strong infrastructure it has developed for the Auto Enrollment System. Additionally, it aims to expedite its premium production in life insurance and strengthen its position in the sector by increasing its market share in the Auto Enrollment System.

Garanti BBVA Pension intends to expand into new efficient areas with its expert sales team, robust systems infrastructure, process innovations, operational efficiency, and ambitious projects on smart business processes. With this approach, we want to ensure that all our stakeholders feel glad to be working with us and see themselves as a part of this growth.

I would like to extend my thanks to our employees, participants, and stakeholders for all the success we have achieved in 2019.

Sincerely,

RECEP BAŞTUĞ

Chairman of the Board of Directors

CEO'S MESSAGE



Garanti BBVA Pension always puts company values at the forefront while working to achieve success. By guiding our business with the mottos “We Think Big,” “Our Priority is our Customers”, and “We Are One Team”, we are happy to provide customer and employee satisfaction.

For Turkey and the world, 2019 was a year of significant developments. We had an economically and politically hectic and challenging year. While the geographical and economic conjuncture of our country led to fluctuations in the markets, current global growth continued to maintain its positive stance despite tough conditions. Despite the negative developments in Turkey, the country’s economy grew in line with expectations in the third quarter, and upward movements were observed in the markets. In 2020, we estimate that real interest rates will fall slightly, that the current account deficit will increase, and as a result, there will be fluctuations in the markets.

The Private Pension System was launched in 2003 to increase savings in Turkey, provide individuals an additional income during retirement, and to ensure that they maintain their current living standards. In its 16th year, the PPS reached a significant saturation level, reaching a fund size of **TL 119.1* billion** with a state contribution of **TL 17.3* billion** and a total of **6.9* million** participants. We can also say that 2019 was a year that made participants very happy with its high return on funds.

The Auto Enrollment System, which was another important step for the savings system in our country, was launched in 2017 to improve the saving habits and the retirement conditions of the Turkish society. The pension sector has gained a significant momentum with this system, which aims to provide Turkish pensioners with the life

* Source: Pension Monitoring Center, 31.12.2019
* Source: TSB, 31.12.2019
*** Source: TSB, 30.09.2019

they deserve while maintaining their living standards for many years. The growth posted in 2018 continued in 2019 and entries to the system have been completed. By the end of 2019, the fund size accumulated from **6 million** participants who continued to make savings through the Auto Enrollment System (AES) and reached **TL 8.2 billion**. It gives us confidence in our future to report that **80%** of the participants who continued to contribute did not previously have an private pension contract and had started to make savings for the first time thanks to the AES.

We assess the growth of the system by focusing on the Total PPS number, i.e. the number of Voluntary PPS and AES participants combined. The total PPS has created a significant pool of savings with approximately **12.9 million** participants and a fund size totaling over **TL 127 billion**. A new system such as the Complementary Pension System is expected to be introduced in 2020. We think that the pool of savings will expand even further with the launch of this system.

Garanti BBVA Pension continued to lead its sector in the Voluntary PPS in 2019 while also significantly increasing its fund size. With a robust number of participants in the AES, Garanti BBVA Pension provided a high value service to its participants and offered them the opportunity to direct their funds via its industry-leading digital infrastructure. The company retained its leading position in the sector in the Voluntary PPS with a market share of **16.1%*** and continued pioneering the sector with a **11.5%*** market share in the AES. In the Total PPS (Voluntary PPS and AES combined) pool of savings, we have gained significant momentum in this area in 2019 with **1.8 million** participants and a fund size of **TL 17.8 billion**.

In life insurance, another one of our business lines, the Credit Guarantee Fund was high on the agenda in the first half of the year and in the second half, there was a significant increase in personal loans. Garanti BBVA Pension managed to close the year with a significant premium generation.

We made a good start on Premium-Return Life Insurance, which we launched this year. Concerning the payment guarantee line, we achieved a premium production volume three times the level we had aimed for. Garanti BBVA Pension continued to create a difference in the sector with its strong service models and achieved significant success by reporting a premium production of **TL 838 million****, with a **73%** increase compared to last year.

WE WENT BEYOND EXPECTATIONS WITH OUR CUSTOMER CENTRICITY!

Garanti BBVA Emeklilik continued to place customer centricity at the heart of each project it developed and reached customer satisfaction levels well above expectation. In 2019, we celebrated the second year of the “Fund Coaches” we developed for our clients. This year, the average recommendations made by Fund Coaches outpaced all other investment tools, and we managed to serve our growing number of customers faster and with higher quality service.

Garanti BBVA Pension always puts company values at the forefront while working to achieve success. By guiding its business with the motto “We Think Big”, “Our Priority is our Customers” and “We Are One Team” the company is happy to see that its employees and customers “glad” after each satisfactory experience.

A DIGITAL FIRST: TWO APPS WITH A CLICK!

In 2019, we accelerated our efforts to maintain our digital leadership, continued to make investments in this field, and launched pioneering projects. We developed a new infrastructure to enable passing from the Bank’s mobile application to Garanti BBVA Pension Mobile with just one click. We made it possible for our customers to enter the Garanti BBVA Pension Mobile app directly from the Bank’s mobile application, without having to enter their password again.

WE LAUNCHED “SMART”, THE FIRST ABSOLUTE RETURN FUND IN TURKEY!

Garanti BBVA Pension launched the “Smart Fund” in 2019 to better serve its customers and to help them focus on making regular savings. Thanks to the “Smart Fund” - a flexible fund that contains investment instruments suitable to market conditions in its portfolio and which changes the rates in the portfolio according to customer needs - our customers can easily change their funds without having to constantly follow the market. We have launched the Smart Fund aimed at bringing a yield higher than the yield of the TL deposit over the medium and long term. We are proud to say that it has reached its intended target this year.

WE CONTINUE WORKING TOWARDS A FUTURE WITH LOTS OF “WE’RE GLAD!”

Garanti BBVA Pension works to hear more “We’re glad” in the future and to make its customers feel that they have made the right decision. It also aims to make its employees say “I’m glad” while realizing this goal and to carry out all human resource activities accordingly. While working for the future, BBVA Garanti Pension is aware that development-oriented, innovative, happier, and more creative human resources are its most valuable strength. Consequently, it plans its human resources strategies by focusing on its employees’ satisfaction and happiness and shapes them around medium and long- term plans, not on short-term goals. Garanti BBVA Pension regards the training activities that contribute to the development of its employees as investment tools and offers technological and innovative development opportunities with the vision of making the development continuous. With quickly adapting to constantly changing dynamics and HR practices with our flexible corporate structure and with our creative, proactive and competent human resources, we aim to pioneer this transformation in the sector.

CORPORATE SOCIAL RESPONSIBILITY: TEACHERS’ ACADEMY FOUNDATION

Education is one of the issues that Garanti BBVA

Pension and Life always prioritizes in its corporate social responsibility projects. Therefore, we continued to support the Teachers’ Academy Foundation (ÖRAV), established by Garanti BBVA in order to ensure the financial literacy of future generations. Aimed at the development of our teachers with its team of **250** educators, ÖRAV acted with social responsibility awareness by providing training to more than **179 thousand** teachers and training managers in **81** provinces and aims to continue these trainings into the future.

GARANTI BBVA PENSION BOOSTED ITS FINANCIAL STRENGTH EVEN FURTHER!

Continuing to increase its financial strength in 2019, Garanti BBVA Pension managed to achieve a technical profit of **TL 247 million** in life insurance and **TL 230 million** in pension operations. It continues to be the most profitable*** company in terms of technical profit in pensions in the last **5** years.

By digitizing its operational processes for its customers and employees by taking advantage of all the opportunities offered by technology, Garanti BBVA Pension also continues to maintain its high profitability by acting with an awareness of superior quality and favorable cost balance. The company maintained robust growth in its sector with a robust financial structure, effective balance sheet management, and use of advanced technologies and reported a net profit of **TL 455 milion** in 2019.

I wish for 2020 to bring success and happiness to all our participants and employees. Hoping to celebrate together all our achievements by quickly adapting to the new system that will shortly enter our lives.

Best regards,

BURAK ALİ GÖÇER

Member of the Board of Directors and General Manager

SECTOR DEVELOPMENTS AND GARANTI BBVA PENSION IN 2019

During the third quarter of 2019, Turkey’s economy grew by **0.9%** and managed to grow despite many uncertainties on the global and local scale. Together with the decline of interest rates, the year 2019, during which the CBRT continued its interest rate cuts, contributed to the yields of Garanti BBVA pension’s fixed income funds. The yield of the Borrowing Instruments Fund, which was founded by Garanti BBVA Pension and Life, was **27.5%** and the yield of the Money Market Fund was **21.27%**. In 2019, the dollar yield was **12.48%**. The effect of this appreciation of the dollar on the return of our funds, which have foreign currency investment instruments in their portfolio, was **25.89%** for the Foreign Borrowing Fund and **18.68%** for the Variable Fund. The Gold Fund, which was founded by Garanti BBVA Pension and is in high demand, yielded a **32.09%** return. The Gold Fund became the fund that attracted the highest number of new entries in 2019.

Among variable funds, which have a flexible portfolio structure, the conservative variable fund yielded a **22.18%** return, and the balanced variable fund yielded a **27.25%** return in 2019. The Conservative Variable Fund and Balanced Variable Fund yielded returns higher than term deposits and inflation.

With BIST 100 gaining an upward momentum in the last quarter of the year, Garanti BBVA Pension’s Share Fund, which was also founded by the company, yielded a **37.97%** return in the corresponding date range. While the BIST 100 yielded a **25.36%** return in the same period, our Share Fund performed well above the BIST 100 and provided profit for its participants.

The Private Pension System entered a rapid growth phase due to legislative changes made in 2013, particularly with the **25%** state contribution. The PPS penetration reached **6.8 milion** participants in 16 years. According to the 2019 year-end data, the total fund size in the Voluntary PPS amounted to **TL 101,883 milion**. Compared to the 2018 year-end data, the size of funds in the sector increased by **TL 24,921 milion** in one year. At the end of 2019, **113,302** people used their pension entitlement in the sector. At the end of 2019, Garanti BBVA Pension participants’ fund size amounted to **TL 17,796 milion**.

INDUSTRY LEADER: GARANTI BBVA PENSION

Although the number of participants decreased by **7,093** in 2019 compared to 2018, Garanti BBVA Pension continued to maintain its leadership.

The total number of participants in the industry decreased to **6 million 871 thousand** by the end of 2019. Garanti BBVA Pension recorded **1 million 105 thousand** participants in the Voluntary PPS and a **16.1%** market share in the number of participants.

Garanti BBVA Pension recorded 1 million 105 thousand participants in the Voluntary PPS and a 16.1% market share in the number of participants.

GARANTI BBVA PENSION FIVE-YEAR STATEMENT IN VOLUNTARY PRIVATE PENSIONS

	2015	2016	2017	2018	2019*
Pension Fund Size (TL million)	6,793.94	8,357.76	10,247.51	11,129.82	14,538.06
Pension Fund Size Market Share (%)	15.8	15.6	15.1	14.5	14.3
Number of Pension Participants	995,416	1,130,475	1,196,397	1,150,560	1,105,191
Pension Participant Number Market Share (%)	16.5	17.1	17.3	16.7	16.1*
Total Pension Contributions (TL million)	5,789.90	6,836.80	7,907.08	8,458.57	9,664.05*
Pension Contributions Total Market Share (%)	15.6	15.4	15.0	14.5	14.2*

*Source: Pension Monitoring Center, 31.12.2019

AUTO ENROLLMENT SYSTEM (AES)

In the Auto Enrollment System, which was launched in 2017, companies’ auto enrollment process was completed with the enrollment of firms with five to nine employees in January 2019.

According to the Pension Monitoring Center’s report, dated December 31, 2019, **17 million** unique participants were involved in the system. The total number of certificates that entered the system for reasons such as job changes and working in multiple companies is **21.5 million**.

AUTO ENROLLMENT SYSTEM 2019*

Pension Fund Size	TL 632,429,582
Pension Fund Size Market Share (%)	7.7%
Number of Pension Participants	693,362
Pension Participant Number Market Share (%)	11.5%
Total Pension Contributions	TL 495,293,446
Pension Contributions Total Market Share (%)	7.8%

* Source: Pension Monitoring Center, 31.12.2019

The AES’ total fund size in the sector reached **TL 8,194.4 million** by the end of 2019. Participants invested **TL 3,015.6 million** in interest-bearing funds and **TL 5,178.8 million** in non-interest-bearing funds.

In a related period, the return yielded by the Initial Fund was **20.09%** and the return yielded by the AES Standard Fund was **23.68%**.

According to the same report, Garanti BBVA Pension ranks first in its sector with a market share of **15.1%** in the number of executed contracts. Garanti BBVA Pension holds **3.3 million** of the total number of contracts executed in the sector.

FINANCIAL STRENGTH
OF GARANTI BBVA
PENSION AND LIFE

Driven by the strength it derives from the Garanti BBVA brand, from a robust financial structure, and from effective balance sheet management, Garanti BBVA Pension and Life boosted its operational efficiency and closed the year with solid achievements. The Private Pension System gained significant momentum in its number of participants with the introduction of the AES in 2017, increased its growth rate in 2018, and continued to grow even further in 2019. It has made investments, particularly in technology, human resources, and infrastructure, with the requirements brought by growth.

Working to hear “We’re glad” in the future and putting its values at the forefront, Garanti BBVA Pension and Life focused its strategies on happy customers, happy employees, and an efficient business model. Garanti BBVA Pension and Life continued to manage a robust operational efficiency process with investments in advanced technology. The Company also focused on process innovation and smart business processes by closely examining all expense areas. The company has managed to grow beyond expectations with a performance that exceeded its sales and profitability targets for 2019.

In 2019, Garanti BBVA Pension and Life reported total assets of **TL 20.1 billion**, up **35%** year-on-year. Its shareholders’ equity increased by **52%** to **TL 1.3 billion**. Further bolstering its robust financial structure with these results, the company reported a net profit after tax of

Garanti BBVA Pension and Life focused on process innovations and smart business processes, and has managed to grow beyond expectations with a performance that exceeded its sales and profitability targets for 2019.

TL 455 million. Once again, Garanti BBVA Pension and Life was the most profitable company in its sector. The Company continues to serve as a model for the industry with its financial strength.

A significant portion of Garanti BBVA Pension and Life’s profit originates from the technical profit generated by operations in the life insurance and private pension business lines. In 2019, the Company’s gross technical profit amounted to **TL 419 million**. The Company posted profit before tax of **TL 588 million**, **71%** of which was technical profit in 2019.

Garanti BBVA Pension and Life’s goals for 2020 include increasing customer satisfaction beyond expectations, strengthening employee loyalty, and developing new business models improving the efficiency of the Company. Already implementing projects to make life easier for its customers and designing new products to meet customers’ needs and expectations, the company will at the same time maximize business productivity and sustain its financial strength. One of the most important items on the new year’s agenda will be the introduction of the “Complementary Pension System”. With the launch of the Complementary Pension System, Garanti BBVA Pension and Life will adapt rapidly to this new system with a solution-oriented perspective and with technological investments that focus on the participant, and will continue to create value for the sector.

"It is easier to set priorities when the focus is on customers."
– Sam Walton

OUR PRIORITY IS
OUR CUSTOMERS.

WE UNDERSTAND CUSTOMERS,
WE ACT WITH INTEGRITY AND
RESPONSIBILITY, WE DEVELOP
SOLUTIONS.

**REVIEW OF 2019
OPERATIONS**

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REVIEW OF 2019 OPERATIONS

PPS

According to December 2019 data, the third tier of the private pension sector saw a decrease of **7,093** in the number of participants while the contributions and fund size improved by **TL 9.4 billion** and **TL 24.9 billion**, respectively.

The AES effect is coming to an end for now and high loan interest rates in the second half of 2018 and the first half of 2019 have led participants to meet their cash needs by withdrawing from the PSS.

All companies but two have recorded a decrease in the number of participants compared to last year due to this heavy withdrawal traffic.

MAINTAINING ITS LEADERSHIP IN NUMBER OF PARTICIPANTS, Garanti BBVA Pension has **1.1 million participants** in the third tier, as of the end of December. In 2020, as in 2019, retaining existing customers will be far more critical than new sales.

CONTRIBUTIONS, in contrast to the number of participants, was an item that Garanti BBVA Pension recorded increasing in 2019, although other companies shrunk in contributions. As of the end of December 2019, independent annual contributions collected in the sector increased by **16%** compared to last year, while Garanti

At the end of September 2019, independent annual contributions collected in the sector decreased by 13% compared to last year while Garanti BBVA Pension grew by 16% in the same period, surpassing last year's performance.

BBVA Pension grew by **14%** in the same period, surpassing last year's performance.

FUND SIZE depends on many variables in the sector and continues to be high on the private pension agenda thanks to its size and its benefits to company income. The sector increased its fund size by **32%** compared to the previous year, according to annual independent data. Garanti BBVA Pension, on the other hand, grew by **30%**. In 2018, the fund size increased by **TL 937.4 million** compared to 2017, while at the end of 2019 it rose to **TL 3.4 billion**. Cumulative fund size is **TL 14.6 billion** as of today. **TL 13.4 billion** of the total fund size of the company consists of Garanti BBVA distribution channel contracts and **TL 1.2 billion** consists of Agent and Broker contracts.

The revival of the conjuncture and the downward trend in credit and deposit interest rates will continue to benefit the private pension sector in 2020.

FINANCIAL HEALTH - PROJECT FOR DIGITAL PPS SALES ON RECOMMENDATION

As a result of Garanti BBVA Emeklilik's emphasis on digitization, the development of projects through digital platforms continues. A project similar to Garanti BBVA's Financial Health project will launch in 2020 in the PPS line. Considering many different criteria such as customers' spending balance, income, the company for which they work, etc., a push notification will be sent via mobile app. The notification will say "You're eligible to purchase a private pension, let's plan your savings together". It is estimated that this will accelerate digital sales into a different dimension.

LIFE INSURANCE PREMIUM PRODUCTION

Sector growth in life insurance premium productions in 2019 followed a hard-to-predict course compared to previous years, due to various factors.

Interest rates rose to **2.85%** in personal loans, which accounted for **80%** of premium production in the sector, resulting in a severe contraction in volume. Furthermore, the life insurance sector was also affected by this change.

Similarly, mortgage lending volumes also significantly declined across the sector, excluding state-owned banks, and this shift was also reflected in the figures. The decrease in Garanti BBVA's mortgage lending as of the end of December 2019, compared to the 2018 year-end, was **6%**.

Garanti BBVA Pension increased its total production by **73%** at the end of 2019 compared to 2018, reaching a total life insurance premium production of **TL 838 million**.

With the positive impact of Other Life Insurance productions and the Credit Guarantee Fund, 2019 has been a year in which the **TL 100 million** level was exceeded.

AUTO ENROLLMENT SYSTEM

Participation in AES ended in January 2019 after companies with five to nine employees were also included in the system. Garanti BBVA Pension has signed up **10,093** new firms in 2019. According to the Pension Monitoring Center's report dated December 31, 2019, Garanti BBVA Pension ranks first in its sector with a market share of **15%*** in the number of executed contracts.

Garanti BBVA Pension increased its market share by **47*** basis points, and now holds the contracts of a total of **693,362*** employees from **30,051*** employers.

With the start of employers' right to transfer between pension companies in 2019, the Digital Transfer Platform (DTP) was launched. In DTP, matches are triggered automatically, and company officials are notified about the necessary transactions. Once the company has completed the transactions, the fund transfer process starts automatically.

The AES Fast Entry screens launched in 2018 enable the exclusive AES contract to be printed readily and ensures that group definitions are made instantly and automatically. Another function added to the screens now enables group identification options for transfers from another company.

The Employer Tracking System (ETS) was established to ensure that employers meet their obligations to duly include their employees on schedule and to pay the contributions they are required to pay.

Garanti BBVA Pension has completed the authorization of all relevant persons for all employers and has sent all relevant information thereof. It has thus fulfilled its legal responsibilities to provide access to the ETS.

Explanations about the ETS were added to the AES Support Line IVR menus to help them find answers to their questions about the ETS.

As in the prior year, Garanti BBVA Pension and Life introduced innovations and adopted the latest technology for the Corporate Online Branch in order to respond to customer needs quickly and easily.

AGENCIES

By aiming to diversify its distribution channels, Garanti BBVA Pension has reached 36 agencies.

AES TABLE 2019*

	SECTOR TOTAL	GARANTI BBVA PENSION	MARKET SHARE
Contract Entries	21,524,294	3,260,350	15.1%
Current Contracts	6,389,681	721,571	11.3%
Fund Size	TL 8.194 billion	TL 632.420 million	7.7%
Number of Participants	6,003,414	693,362	11.15%
Contributions	TL 6.358 billion	TL 495.293 million	7.8%

* Source: Pension Monitoring Center, 31.12.2019

CUSTOMER-FOCUSED STRATEGIES

Garanti BBVA Pension and Life takes a holistic approach to customer experience, offering solutions that meet its customers’ needs throughout their journey.

Garanti BBVA Pension and Life aims to offer the best solutions to its customers in light of its indispensable motto: “Our Priority is our Customers”.

With this approach, it designs the customer experience from the outside to the inside and improves its systems and processes by following customer needs and opinions regularly. In 2019, Garanti BBVA Pension and Life pursued this vision in prioritizing its projects and in defining the kind of customer experience it aimed to deliver.

Customers want to experience short, trouble-free journeys that save them time. They seek smart solutions to improve their lives and personal touches to customize their experience. Garanti BBVA Pension and Life bases its customer experience activities on this notion.

The company accepts continuously evolving customer experience as one of the most important components of its sustainable economic performance, and leads the industry with its comprehensive business solutions that are structured around a customer-centric approach.

CUSTOMER CENTRIC PROJECTS AND COMMUNICATIONS

Garanti BBVA Pension and Life aims to provide its customers with a holistic experience by reaching them through different channels and providing them with the best experience in each channel. To this end, it continues

to make improvements in existing channels in order to communicate with its customers and to create new channels as well.

The notification feature, newly added to the mobile application, informs customers in line with their needs, improving their experience from beginning to end. Garanti BBVA Pension and Life also pays timely attention to its customers needs in order to provide the right information to the right customer at the right time. Surveys created using the Interactive Voice Notification (IVN) system enable customers to provide feedback directly and more easily.

Garanti BBVA Pension and Life continues to place customers at the heart of its business by reaching them at the right time with personalized content and by proactively delivering solutions tailored to their needs. Accordingly, it worked on new ideas and projects to protect the financial well-being of its customers in 2019.

Garanti BBVA Pension and Life aims to communicate transparently with its customers in all its sales and marketing activities and to convey all the information they require in a clear and easy-to-understand manner. The Company has implemented a single language and a single marketing model in all its marketing activities related to this goal. And projects related to this change have been successfully carried out throughout the year.

MEASURING EXPERIENCE

In addition to monitoring the overall Net Promoter Score, the NPS for critical points of contact has been measured since 2017. This effort aims to measure experience and identify areas for improvement for each point of contact. The Company regularly analyzes its measurement results and undertakes efforts to offer a better experience.

EXPERIENCE-FOCUSED SOLUTIONS

Garanti BBVA Pension offers a variety of suggestions to improve its customers' journeys and to ensure that they can maximize the benefits of the system. To this end, it puts the digital footprint as well as the past experiences of its customers at the heart of its projects. Garanti BBVA Pension and Life aims to take action before its customers encounter any problem in order to offer them a perfect journey.

It has also updated its indemnity procedures to ensure that the claims servicing process is not unduly long and that customers are provided support during this difficult time. With the power of its digital infrastructure, indemnity payment procedures have indeed been accelerated.

Garanti BBVA Pension and Life aims to continue producing new projects according to the needs of the changing world through different communication channels in order to offer more convenience to its customers.

WIDE RANGE OF PRODUCTS FOR EVERYONE

Thanks to its close collaboration with Garanti BBVA and their shared corporate values, Garanti BBVA Pension and Life adds to its achievements in operational areas while maintaining a high level of customer satisfaction. The Company effectively uses Garanti BBVA's extensive distribution network and offers its customers the opportunity to choose from a wide range of products with a one-stop shop approach.

PRIVATE PENSION PLANS

The private pension sector maintained the growth momentum it has gained following to the switch to the state-subsidized system.

Garanti BBVA Pension and Life places great importance on product diversity in order to meet the needs of its customers in its operational sectors. For that reason, the Company offers five different private pension plans. Garanti BBVA Pension and Life customers who want to start saving for the future can confidently choose from among these five private pension plans, each of which will ensure a happy and secure retirement:

- 1. Practical Pension Plan:** Targets participants who want to make advantageous investments with modest savings. Customers who make fast and easy applications over the Internet also take advantage of the exclusive features offered in this plan.

The Company effectively uses Garanti BBVA's extensive distribution network and offers its customers the opportunity to choose from a wide range of products with a one-stop shop approach.

- 2. Prestige Pension Plan:** Offers exclusive advantages for customers who prefer to make large contributions with a comfortable retirement in mind.

- 3. Select Pension Plan:** Designed for participants who would like to accumulate resources rapidly with the most advantageous plan.

- 4. e-Pension Plan:** Customers who apply via the Customer Communication Center take advantage of the exclusive benefits offered by this plan.

- 5. Select ABU Pension Plan:** Offers exclusive benefits to those who want to take advantage of the highest limit of state contributions. It is designed for participants who would like to accelerate their savings and enjoy a comfortable retirement.

Garanti BBVA Pension and Life's product line-up also includes group pension plans which enable employees to form a group and join the private pension system with or without contributions from their employers. Group pension plans offer special advantages to companies and their employees.

LIFE INSURANCE PRODUCTS

With the effective and extensive use of bancassurance, Garanti BBVA Pension and Life always takes into account the ever-changing circumstances and needs of its

customers, enhancing its insurance product portfolio accordingly.

Life Insurance

- Credit life insurance products
- Risk life insurance products
- Guaranteed Tomorrows Insurance, offering financial coverage against critical illnesses
- Education Insurance, for customers who would like to secure the educational expenses of their children and loved ones
- TL and FX-Denominated Life Insurance, for customers who would like to secure their loved-ones by taking out long-term risk insurance coverage
- Hospitalization Insurance, covering the cost of medical treatments in case of accidents or illness, within the coverage limits payable under the policy
- Healthy Women Insurance, providing coverage against life-threatening diseases for women
- Premium-Return Life Insurance, securing customers' loved ones in case of death during the policy term for long-term FX-dominated risk insurance, while also securing the policyholder with life coverage when there is no actualized risk of death

Payment Protection Insurance Products

- Loan Payment Protection Insurance, covering the customer's loan payments in the event of unemployment
- Garanti BBVA Credit Card Payment Insurance, paying customers' credit card debt in case of unemployment
- Income Protection Insurance, guaranteeing monthly income in case of unemployment
- Loan Payment Protection Based on Age for Mortgage loans in case of unemployment

FUND OPTIONS DEVELOPMENTS

ABSOLUTE RETURN VARIABLE FUND (SMART FUND)

The Smart Fund has been restructured in line with customers' demands and needs and has become more responsive to market dynamics. With its new structure, the Smart Fund aims to offer its participants a yield higher than deposits and inflation. In 2019, Smart Fund has been transformed into a new structure that is suitable for participants who prefer diversity in their investments and aims to bring positive yields in the medium and long-term.

The Smart Fund will be converted to the Absolute-Return Variable Fund in the sector on 02.01.2020. With the inclusion of the absolute return offered in fund management into the fund name, communication with our participants will become easier and the work initiated to offer the right fund to the right customer will be mainstreamed and improved. In the sector fund grouping, the fund will be on the same list as the funds that are in line with its investment strategy.

The Smart Fund yielded a **22.51%** return in 2019. In a related period, the net yield of term deposits was **16.54%** and the inflation rate was **11.84%**. The Smart Fund has achieved its target of yielding a return higher than deposits and inflation. The ratio of the Smart Fund's fund size to the total fund size is **16.41%**.

With its diversified asset investment strategy, Smart Fund can invest in Turkish stock and bond markets as well as

As a result of its customer-centric operations, Garanti BBVA Pension offered new funds to participants in order to meet customer requests and needs related to private pension funds and to offer a stable return in the medium-to-long-term.

those in Europe, the U.S., and in developing countries, for a wider range of assets that include gold and foreign stock exchange mutual funds. It is suitable for investors who can tolerate moderate fluctuations in the markets and who can target consistent returns above the inflation rate in the medium and long term. The fund aims to provide high returns on a TL basis in the medium and long term. In line with this goal, it can invest in TL and foreign currency indexed capital market instruments domestically, in G20 member countries, and in developing countries. The new structure of Smart Fund is sensitive to all market changes depending on current investment strategy.

THIRD VARIABLE FUND

Garanti BBVA Pension will continue to expand its product range over the next year in line with evolving and changing investment needs. In this context, the Private Sector Debt Instruments fund has been converted into the Third Variable Fund for participants who want to invest in global markets in the medium-to-long-term, just like the private pension system. Based on changing market conditions, the fund will aim to invest in foreign currency instruments such as developed countries' stock markets, Eurobonds issued by Turkish public and private sector companies, and foreign exchange deposit accounts and gold. In addition, the fund will also invest in Turkish lira-based instruments such as domestic debt instruments and the money market. The aim of the fund is to raise the potential earnings of the investor in the long-term by ensuring appropriate distribution

between foreign and domestic assets. Up to **50%** of the fund’s portfolio value will be invested in foreign currencies and capital market instruments. As always, the priority of Garanti BBVA Pension is to provide profitable returns to its participants in line with market conditions.

PUBLIC DEBT INSTRUMENTS FUND

The Long-Term Public Debt Instruments Fund founded by Garanti BBVA Pension has been converted to Public Debt Instruments Fund in line with market dynamics.

FUND GROUPING

In accordance with the Capital Markets Board resolution dated 03.03.2016 and numbered 7/223, a decision was taken to add the following article to be implemented as of 01.01.2020, as the article pertaining to the Principles and Procedures for Measuring and Evaluating the Return Performance of Pension Mutual Funds and the Incentives and Measures to Be Applied to Portfolio Managers. In line with this article, the return on funds and therefore the performance of portfolio management companies will be closely monitored.

Performance criteria can be summarized as follows: Fund groupings will be determined for each fund as of the new year. Funds with a lower return than a standard deviation of 1 from the average gross return of the related fund group will be deemed unsuccessful, and funds with a higher return than a standard deviation of 1 will be deemed successful. The portfolio management company that manages a fund which was deemed unsuccessful in two years of a three-year monitoring period will be declared unsuccessful and the Founder will be expected to replace the portfolio management company. The portfolio management company that succeeds in two of the three years will be declared successful and will be rewarded with a success premium equal to **50%** of the fixed fee it receives from the fund’s operating expenses.

CHANGE OF PORTFOLIO MANAGEMENT COMPANIES

A new regulation was enacted as part of Law No. 4632, which prohibits a company from permitting the same portfolio management firm from managing **40%** of its net asset value in private pension funds. In response to this development, Garanti BBVA Pension designated three new portfolio management firms in 2018 and began working with them to manage its funds. Continuing its successful portfolio management momentum in this period, our company transferred the management of our funds back to Garanti BBVA Asset Management in 2019, with the termination of its legal obligation.

FOREIGN DEBT INSTRUMENTS FUNDS

The Public Foreign Debt Instruments Fund was converted to the Foreign Debt Instruments Fund, and the Public Foreign Debt Instruments Group Fund was converted to the Foreign Debt Instruments Group Fund.

With this change, the investment limitations of funds were extended, while other instruments suitable to the fund structure with a potential for return were included in the fund portfolio.

PARTICIPATION FLEXIBLE FUND

The Participation Dynamic Variable Fund was converted to the Participation Variable Fund, aiming to establish a more flexible fund structure and to adapt faster to market developments.

STANDARD - CONTRIBUTION - MONEY MARKET DEVELOPMENTS

According to a resolution made by the Capital Markets Board, new regulations concerning standard, contribution, and money market funds have been issued and will become effective as of 31.07.2019.

In the relevant article of this decision, it is stated that at least 10% of the standard and contribution funds portfolio should be invested in the shares of participation indices calculated by BIST 100, BIST Sustainability Index, BIST Corporate Governance Index, and Borsa Istanbul. As a result, a **10%** lower limit has been applied on the equity investment ratio in the fund portfolio.

On the other hand, it was decided that at least **25%** of the money market funds portfolio would be evaluated in government debt securities. While the fund is able to invest in domestic government debt instruments in a 0-100% range, it is now obligatory to invest at least **25%** in government debt instruments. The fund continues to invest in money and capital market instruments with maturities of 184 days or less. The average daily maturity of this fund is 45 days maximum.

FUND NO	FUND CODE	FORMER NAME OF FUND	NEW NAME OD FUND	DATE OF CHANGE
11	GKB	Long-Term Public Debt Instruments PMF	Public Debt Instruments PMF	02.01.2020
12	GEA	Participation Dynamic Flexible PMF	Participation Flexible PMF	25.06.2019
15	GHT	Secondary Flexible PMF	Absolute Return Variable PMF	02.01.2020
17	GHO	Private Sector Debt Instruments PMF	Third Variable PMF	02.01.2020

IMPROVED CLAIMS SERVICING PROCESSES

As a result of the diligent work carried out towards customer satisfaction, the decrease in indemnity-related complaints continued in 2019, and a **26%** decrease in complaints from 2018 was recorded.

The Robotic Process Automation Project, which started in Garanti BBVA Pension's compensation line, was completed and implemented in the last quarter of 2019. With this project, higher speed and efficiency will be implemented in the procedures creating death compensation notices. The operations department continues its developmental efforts in robotic application areas.

As part of support services provided to Garanti BBVA branches, the Operations Department's Pension Help Desk team responded to approximately **32,380** calls in 2019 with a service level of **92.86%**. Compared to the previous year, the number of incoming calls increased by **33%**. Claims sent to the Pension Help Desk e-mail address increased by about **35%** compared to 2018, with a total of **29,674** emails processed.

As a result of damage assessments made in 2019, indemnity payments amounting to TL 76,605,732 were made for a total of 10,484 policyholders.

A Digital Transfer Platform (DTP) was launched by the Pension Monitoring Center (PMC) in order to carry out the transfer transactions between companies on an electronic platform. Pension companies completed the systematic infrastructure work deemed necessary to adapt to the relevant platform, and the transition to this platform was completed in April 2019. All transactions including third-step transfers, AES savings transfers, group transfers, account consolidation/retirement transfers are now carried out on this platform under the supervision of the PMC.

PROJECTS

With the ongoing increase in mobile device usage rates, triggered by digitalization, the number of views and transactions made through the Garanti BBVA Pension Mobile also maintained an increase. Properly constructed customer journeys also make increasing usage rates sustainable.

A leading measurement platform has been integrated into the mobile application to improve the experience of customers contacted through digital media. At the same time, the deep linking of the most commonly used functions was completed, allowing customers to access relevant functions directly through marketing channels. By combining the capabilities of the deep linking structure and the measuring platform, customers who are directed to mobile applications via these links can be measured individually. In addition, desired actions can be completed directly. Customers who are contacted via digital platforms enjoy a seamless experience by directly accessing their targets whenever they wish to take action according to relevant communication.

Garanti BBVA Pension pioneered the digital transformation process in its sector and integrated its banking and pension applications. Thus, customers who start their experience on the Garanti BBVA Mobile can access a wider set of transactions with one click by switching to the Garanti BBVA Pension digital channels. As a result of this integration,

Customers who start their experience on the Garanti BBVA Mobile can access a wider set of transactions with one click by switching to the Garanti BBVA Pension digital channels.

the transaction rate of the fund distribution changes implemented through this channel has reached **14%**.

In 2019, the notification feature was added to the Garanti BBVA Pension mobile app, and we started communicating with customers via the app.

Upon their consent, customers using the Garanti BBVA Pension mobile can receive notifications on the status of their saving funds, life/payment protection insurance, and on exclusive offers. When they click on the notification, they are directed to the relevant function and may then complete their transaction easily.

The 3D Touch feature has been activated. This feature allows current operating systems to provide access to the most commonly used functions in applications via shortcuts. Thanks to this feature, customers can directly access "Fund Distribution Change, Fund Profile, Contribution Change" transactions via shortcuts, just by tapping the application icon. Garanti BBVA Pension Mobile has a "deep linking" structure worked on adjust and notifications projects which enables direct orientation to its functions. Thanks to this structure, it became the first pension app to use 3D Touch, which is easily integrated into the application.

EFFICIENCY IN PROJECT PROCESSES INCREASED WITH GARANTI BBVA TECHNOLOGY AND AGILE MANAGEMENT

In 2019, Project Management aimed to make pioneering improvements in terms of digital transformation and to improve end-to-end digital processes through its projects. Software development, in line with business unit requirements, has been implemented by Garanti BBVA Technology, together with Agile Management. Hence, cooperation between technology and business lines has been increased, and project decision-making processes have been accelerated.

CREDIT CARD DETAILS ARE SAFER NOW AFTER COMPLIANCE WITH THE PAYMENT CARD INDUSTRY DATA SECURITY STANDARD

As part of the Payment Card Industry Data Security Standard (PCI-DSS) compliance, necessary efforts have been made to ensure that credit card information is not stored on open, public networks, and that no open card data is circulated on the network. As a result of these efforts, a standard display has been created in all areas wherever a card number display is needed.

GARANTI BBVA PENSION CENTRAL SALES AND CUSTOMER COMMUNICATIONS CENTER

For 14 years, the Garanti BBVA Pension Central Sales Unit continues to provide services by placing customers at the heart of its activities, keeping its customers regularly informed throughout the year, and by contributing to the company's production.

Staffed by expert, satisfaction-oriented and customer-centric customer representatives, the Central Sales Unit not only makes sales calls but also makes outbound calls for other purposes, such as: providing regular information, encouraging greater contribution, providing information about pension plans, orientating new customers, engaging in debt collection, and conducting customer recovery. Segmentation and customer benefits remain a focal point during these efforts.

The Garanti BBVA Pension Central Sales Unit works to satisfy their customers, meet their expectations, and develop recommendations that will contribute to the company processes and goals. The unit contacted about **1,120,000** customers in 2019, an increase of **20%** from last year. Nearly **17,000** new customers were signed up by Private Pension sales teams. A premium production of approximately **TL 9,000,000** was recorded by Life Insurance sales teams, and customers were insured against the risk of unemployment. As a result of calls made by the Private Pension collection team to inform customers, a **10%** increase was recorded in collection rates compared to last year, which is for the benefit of

The Garanti BBVA Pension Central Sales unit contacted approximately 1,120,000 customers in 2019, an increase of 20% from the previous year.

customers. By informing customers about the state subsidy advantage, a contribution increase of approximately **TL 6,000,000** and an additional contribution inflow of nearly **TL 30,000,000** was achieved in 2019.

Accordingly, the Company reviews its business processes and improves its systems as necessary in order to provide clear and accurate information to its customers in every call and in order to respond to customer demands as quickly and accurately as possible. The aim is to share the most accurate and up-to-date information with customers using scripts that are determined according to each experience and which can be re-configured in light of ongoing needs. Calls are recorded, monitored, and assessed in terms of customer centrality and information accuracy. Feedback obtained through quality assessments is used to improve the next customer experience. Increasing production and uncompromising quality and customer satisfaction is the indispensable value of the Central Sales Unit.

The Garanti BBVA Pension Customer Communication Center provides continuous and quality communication with their customers with whom they set out on a long journey. They also serve to meet all their needs, to create satisfaction above their expectations, and to make them feel they are never alone.

Staffed by expert and satisfaction-oriented customer representatives, the Customer Communications Center

Unit received nearly **3 million** calls in 2019. Thanks to the self-service assistance-provided interactive voice response system, customer requests were resolved without needing to reach a representative in half of all calls. Thanks to technological improvements and accurate human resource policies, the year 2019 ended with a **97%** response rate and **81%** service level.

The Prime Segment Line, which aims to provide easier and faster services to the prime segment customers, responded to over **65,000** calls in 2019 and completed the year with a **97%** response rate and a **98%** service level.

Meanwhile, Customer Services responded to nearly **40,000** customer requests, and customer queries were resolved in no longer than one business day.

The sikayetvar.com website is a comprehensive platform for customer complaints in Turkey, and is based on actual complaints issued by customers. Garanti BBVA Pension Customer Services, which places customer satisfaction at the heart of all its activities, responded to complaints from şikayetvar.com in **14 minutes** on average in 2019, and completed all quarters of 2019 as the sector leader on this platform.

More than **290,000** calls were responded to on the AES Line which serves the officials of the companies in the AES system, and **89%** of the customers were able to complete their operations 24/7 thanks to self-service assistance, without contacting their customer representative. On the Corporate Customer Service line, approximately **25,000** customer requests were met in 2019.

COMMUNICATION ACTIVITIES

THE MAN WHO CANNOT SAVE MONEY!

Garanti BBVA Pension and Life maintained its customer-centric approach with a brand new communications campaign in 2019. The company carried out communications activities throughout the year with its campaign, telling the story of a man who was unable to save money before he met Garanti BBVA Pension. Instead of using a product-oriented campaign, the company mainly aimed to tell viewers in a friendly tone how important saving money is. After the launch of the main campaign film, five more films with stories of people who were not able to save money in restaurants, hotels, shops, and online shopping were all published on digital channels. The company supported this communication using such platforms as radio, newspapers, magazines, social media, cinema, Spotify, and digital TV channels, with content adapted to these media's own dynamics.

A WARM, FRIENDLY AND FLEXIBLE TONE ON SOCIAL MEDIA!

Garanti BBVA Pension always adopts a warm, friendly, and flexible tone in its communication channels, and in all its other efforts. In 2019, the company made intensive communication efforts throughout the year on social media with "The Man Who Cannot Save Money" concept. The company posted many other savings-focused content on social media throughout the year in addition to "The Man Who Cannot Save Money" campaign.

Garanti BBVA Pension has received considerable attention with its "The Man Who Cannot Save Money" communications campaign in 2019.

A YEAR FULL OF REACH-FOCUSED DIGITAL AD CAMPAIGNS!

Garanti BBVA Pension adopts a warm, friendly, and flexible tone in its digital communication channels, and in all its other efforts. "The Man Who Cannot Save Money" was one of the issues the company advertised in digital media throughout the year. The importance of saving money was explained in a fun way with the videos of "The Man Who Cannot Save Money" campaign, shot in various concepts and venues. In addition, other campaigns such as the Fund Coach and App to App were also carried out. These digital commercials and advertisements promoting customers' use of mobile applications continued throughout the year. All these campaigns were announced through social media, especially Facebook and Instagram. Moreover, intensive campaigns were implemented on Google and YouTube. The Garanti BBVA Pension brand continued its communication efforts throughout the year reaching a wide audience through reach-focused digital ads.

"Limitations live only
in our minds. But if
we use our imaginations,
our possibilities
become limitless."
– Jamie Paolinetti

WE THINK BIG

WE INSPIRE,

WE ARE INNOVATIVE.

WE EXCEED EXPECTATIONS.

MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES

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BOARD OF DIRECTORS

RECEP BAŞTUĞ

Chairman

Recep Baştuğ graduated from Çukurova University Faculty of Economics. He started his career in Garanti BBVA Internal Audit Department in 1989. Mr. Baştuğ worked as Corporate Branch Manager during 1995-1999, Commercial Regional Manager during 1999-2004, Commercial Banking Coordinator during 2004-2012, and served as an EVP of Commercial Banking and Consumer Finance during 2013-2018. After serving in various capacities on a number of Board of Directors at one of Turkey's largest industrial groups, on September 6, 2019, he was appointed as the Board Member, President & CEO at Garanti BBVA. He is also the Chairman of the Board of Directors at Garanti BBVA International N.V., Garanti BBVA S.A. (Romania), Garanti BBVA Securities, Garanti BBVA Pension and Life, Garanti BBVA Factoring, Garanti BBVA Leasing, Garanti Payment Systems and Garanti BBVA Technology. In addition to his responsibilities, he also serves as the Board Member in the Banks Association of Turkey and the İstanbul Foundation for Culture and Arts (İKSV) and as the Board of Trustees Member of Teachers Academy Foundation. Mr. Baştuğ has 30 years of experience in banking and business administration.

DİDEM DİNÇER BAŞER

Deputy Chairperson

Didem Başer graduated from Boğazici University Department of Civil Engineering and earned her graduate degree from University of California, Berkeley. She started her career in 1995. Before joining Garanti BBVA, she worked for a global management consulting firm for 7 years and lastly as an Associate Partner. Ms. Başer joined Garanti BBVA in 2005 and worked as the Coordinator of Retail Banking Business Line during her first 7 years. Ms. Başer served as the Executive Vice President responsible for Customer Solutions and Digital Banking between the years 2012-2020. On February 29, 2020, Ms. Başer was appointed as the Executive Vice President responsible for Talent and Culture and she is also Board Member of Garanti BBVA Payment Systems and Garanti BBVA Technology. With 25 years of experience in banking and business administration, Ms. Başer's areas of responsibility are Talent and Culture Front, Talent Solutions and Compensation Discipline, Talent and Culture Business Execution, Talent and Culture Projects, Internal Communications and Culture Discipline, Construction and Premises Discipline and Corporate Physical Security.

JAVIER BERNAL DIONIS

Board Member

Javier Bernal graduated from University of Barcelona, Faculty of Law and he earned his MBA from IESE Business School, University of Navarra. After working in Barna Consulting Group as Partner and in Promarsa as General Manager, he joined BBVA in 1996. Until 1999 he served as the Segment Manager of Retail Banking (Spain). During 2000-2003, he founded and managed an internet business. Since 2004, he has been working in different areas at BBVA; in 2004-2005 Head of Innovation and Business Development reporting to the CEO, in 2006-2010 Head of Business Development Spain & Portugal, in 2011-2014 Head of Global Business Development, in 2014-2015 Head of Business Alignment of BBVA and Garanti BBVA. He has been serving as a Board Member of Garanti BBVA since July 27, 2015 and is furthermore Board Member at Garanti BBVA S.A. (Romania), Garanti BBVA Leasing, Garanti BBVA Securities and Garanti Payment Systems. Responsible of BBVA-Garanti BBVA coordination.

MARIA DE LA PALOMA PIQUERAS HERNANDEZ

Board Member

Maria de la Paloma Piqueras Hernandez studied law and economics at Pontificias de Comillas University from 1984 until 1990. She went on to become a Certified Financial Analyst after attending the EFFAS certification program between 1993 and 1994. In 1990, Ms. Hernandez joined BBVA Group, where she served in several roles within Portfolio Management. She was Fund Manager in Investment Management for 10 years and was later appointed Head of the Innovation and Product Development Department. In September 2009, Ms. Hernandez was appointed CEO of SGIIC, a portfolio management company of BBVA Group, and was in charge of the management of Private Pension and Investment Funds for Spain and Portugal. Since January 2012, Ms. Hernandez has headed BBVA Group's Global Portfolio Management.

BOARD OF DIRECTORS

MAHMUT AKTEN

Board Member

Mahmut Akten received his BSc degree in Electrical and Electronics Engineering at Boğaziçi University, and his MBA from Carnegie Mellon University. In 1999, he started his professional career in the United States. Mr. Akten served in various positions in the finance and treasury departments of a global construction company before joining a management consulting firm in 2006. Between 2006 and 2012, he worked at the Boston and Istanbul offices, and as Associate Partner at this consultancy. Mr. Akten joined Garanti BBVA on July 1, 2012 as Manager of the Mass Retail Banking Marketing. As of January 1, 2017, he was appointed Executive Vice President of Retail Banking and is the Chairman of Garanti BBVA Mortgage. In addition, Mr. Akten serves as Board Member of Garanti BBVA S.A. (Romania), Garanti BBVA Securities, Garanti BBVA Payment Systems, Garanti BBVA Technology. He is also a Board of Trustees Member of Teachers Academy Foundation. Mr. Akten has 21 years of experience in banking and business administration.

JOHANNES ANTONIUS NIJSSEN

Board Member

Johannes Antonius Nijssen is a graduate of Erasmus University, Business Econometrics Department in Rotterdam, Netherlands. He began his professional career in 1978 at Nationale Nederlanden, where he held various roles. In 1992, he served as General Manager at NN Life Company. After the merger of NMB with Postbank, NN was renamed ING, and Mr. Nijssen was appointed Executive Board Member of ING Netherlands and ING Europe. He served as Global President of Pension at ING Group and as CEO of Central Europe Insurance. Subsequently, Mr. Nijssen became a partner at Netspar (ThinkTank NETWORK Studies Pensions).

DR. M. CÜNEYT SEZGİN

Board Member

Cüneyt Sezgin received his undergraduate degree from Middle East Technical University Department of Business Administration, his MBA from Western Michigan University and his Ph.D. from Istanbul University Faculty of Economics. Having served in executive positions at several banks, Mr. Sezgin joined Garanti BBVA in 2001. In addition to serving as a Board Member on the Board of Directors of Garanti BBVA, Dr. Sezgin serves as the Board Member and Chairman of the Audit Committee at Garanti BBVA S.A. (Romania) and Garanti BBVA Securities and as Board Member of Türk Telekomünikasyon A.Ş. and its several subsidiaries. Dr. Sezgin is a Board of Trustees Member at Teachers Academy Foundation and World Wildlife Foundation Turkey, Kabataş Education Foundation and Board Member of Finance Executives Foundation of Turkey and Corporate Governance Association of Turkey. Dr. Sezgin has been serving as a Board Member of Garanti BBVA since June 30, 2004 and has 32 years of experience in banking and business administration.

CEMAL ONARAN

Board Member

Cemal Onaran graduated from Middle East Technical University, Department of Public Administration in 1990. The same year, he began his professional career as Assistant Inspector on the Inspection Board at Garanti BBVA. After working as Regional Manager at various regional offices of Garanti BBVA between 2000 and 2007, Mr. Onaran was appointed General Manager of Garanti BBVA Mortgage, a subsidiary of Garanti BBVA, in October 2007. As of August 2012, he was appointed General Manager at Garanti Emeklilik ve Hayat A.Ş. As of January 1, 2017, he was promoted to Deputy Chief Executive Officer of SME Banking at Garanti BBVA. Mr. Onaran is the Chairman of Garanti Filo Yönetim Hizmetleri A.Ş., Deputy Chairman of the Board of Directors at Garanti Konut Finansmanı Danışmanlık Hiz. A.Ş. and a Board Member at Garanti Bank S.A. (Romania), Garanti Finansal Kiralama A.Ş., Garanti Bilişim Teknolojisi ve Ticaret A.Ş., Garanti Faktoring A.Ş. and Garanti Emeklilik ve Hayat A.Ş. Mr. Onaran has 29 years of experience in banking and business administration. He is in charge of SME - Small Enterprises Banking Marketing and SME - Micro Enterprise Banking Marketing at Garanti BBVA.

BURAK ALİ GÖÇER

Board Member/General Manager

See page 55 for resume.

SENIOR MANAGEMENT



BURAK ALİ GÖÇER *Board Member/General Manager* ❶

Burak Ali Göçer received his BSc in Civil Engineering from Middle East Technical University and his MSc in Finance from University of San Diego. He began his professional career at Interbank in 1995 and later worked at Bayındırbank. In 1999, Mr. Göçer started working as Director of the Digital Banking Department at Garanti BBVA. He was promoted to Online Banking Unit Manager in 2002. Between 2004 and 2007, Mr. Göçer took a break to his professional career and established several online service providers. After the founding of Garanti BBVA Mortgage, the mortgage lending subsidiary of Garanti BBVA, he became Vice General Manager for Sales and Marketing in October 2007. Promoted to Director for Private Banking at Garanti BBVA in 2010, Mr. Göçer has worked as General Manager for Garanti BBVA Pension and Life since January 1, 2017.

E. YASEMEN KÖNE *Executive Vice President* ❷

E. Yasemen Köne holds a BBA (English) from Marmara University. She started her professional career as Assistant Specialist in the Corporate and Commercial Loans Department at Garanti BBVA in 1994, and later worked in the Corporate Banking Marketing Department. Subsequently, Ms. Köne was promoted to the positions of Corporate Banking Portfolio Executive, Corporate Branch Marketing Executive and Manager of Gebze Commercial Branch, respectively. Ms. Köne joined Garanti BBVA Pension in November 2005 as Executive Vice President in charge of Organization and Process Management, Business Analytics and Customer Solutions, Digital Transformation and Project Management, Corporate Communications, Customer Experience and Digital Marketing units.

K. ÇAĞLAYAN BAKAÇHAN *Executive Vice President* ❸

K. Çağlayan Bakaçhan graduated from Middle East Technical University, Department of Guidance and Psychological Counseling. He began his professional career as a Management Trainee in Garnti BBVA in 1998. Between 1998 and 2006, he assumed various roles in the Human

Resources Department at Garanti BBVA. In 2006, Mr. Bakaçhan was appointed Human Resources, Purchasing and Administrative Manager at Garanti BBVA Pension and Life. Mr. Bakaçhan has served as Executive Vice President since 2012 in charge of Human Resources, Purchasing and Administrative Affairs, Customer Services and Call Center, Operations, Product Development, Legislation & Compliance.

EDA SEVKAR *Executive Vice President* ❹

Eda Sevkare is a graduate of Middle East Technical University, Department of Statistics. She started her professional career as Expert under the Management Trainee program at İnterbank. In 2000, Ms. Sevkare joined Garanti BBVA in the Credit Department. After serving as Manager of Loans (Ankara Region) and Retail Marketing (Ankara Region), she assumed the role of Branch Manager for different branches between 2007 and 2014. Ms. Sevkare was involved in the establishment of Taksim Corporate Branch in 2014 and worked as Branch Manager there until September 2018. Having joined Garanti BBVA Pension in September 2018, Ms. Sevkare was appointed Executive Vice President in charge of the Retail Sales, Corporate Sales and Central Sales units.

AHMET KARAMAN *Executive Vice President* ❺

Ahmet Karaman is a graduate of Middle East Technical University, Department of Economics. He began his professional career in the banking sector and assumed various positions at Garanti BBVA headquarters, where he worked until 2005. He was then appointed to the position of Finance and Management Reporting Department Manager at Garanti BBVA Pension and Life. Mr. Karaman has been serving as Executive Vice President in charge of Fund Management and Collections, Budget and Management Reporting and Financial Affairs.

COMMITTEES AND ATTENDANCE AT COMMITTEE MEETINGS

A - CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee was established in 2011, pursuant to the Circular on Corporate Governance Principles of Insurance, Reassurance and Pension Companies published by the Undersecretariat of Treasury. The Committee is tasked with conducting efforts to ensure compliance with Corporate Governance Principles, submit proposals to the Board and monitor the Company’s compliance with these principles. The Corporate Governance Committee held one meeting in 2019 with all members present.

COMMITTEE MEMBERS

Dr. M. Cüneyt Sezgin
Committee Chairman – Board Member
Cemal Onaran
Committee Member – Board Member

COMMITTEE ACTIVITIES

The Committee is responsible for: ensuring that the Company adheres to the Corporate Governance Principles, implementing necessary measures to create a general corporate governance culture, making suggestions to the Board of Directors in this regard, and monitoring the Company’s compliance with the Corporate Governance Principles.

The duties and authorities of the Corporate Governance Committee include:

- Ensuring that the Company’s corporate governance principles comply with the principles of equality, transparency, accountability and responsibility;
- Creating the necessary environment for the Board of Directors and Company management to conduct their activities in a fair, transparent, accountable and responsible way;
- Ensuring that the Company carries out its business activities and processes in a transparent way;
- Protecting stakeholder rights independently from each other;
- Bearing in mind the Company’s ethical values, strategic targets and internal balances while deciding on the remuneration policy;
- Taking necessary precautions to enable the exercise of rights resulting from laws, rules and regulations, the Company’s Articles of Association and other internal bylaws for the exercise of shareholder rights by the Company;
- Preparing a Corporate Governance Principles Compliance Report(*) every March pursuant to the Circular on Corporate Governance Principles, presenting the report to the Board of Directors and submitting it to the Undersecretariat of Treasury.

* The Corporate Governance Principles Compliance Report is accessible on www.garantibbvaemekilik.com.tr in the Corporate Governance section.

B - REMUNERATION COMMITTEE

Operating directly under the Board of Directors, the Remuneration Committee was formed in 2013. The Committee held four meetings in 2019.

COMMITTEE MEMBERS

Recep Baştuğ
Committee Chair – Chairman of the Board of Directors
Didem Dinçer Başer
Committee Member – Vice Chairperson of the Board of Directors

COMMITTEE ACTIVITIES

The Committee is responsible for:

- Conducting the oversight and supervision process required to ensure that the Company’s remuneration policy and practices comply with applicable laws and regulations and risk management principles;
- Determining and approving salary packages for executive and non-executive members of the Board of Directors, CEO and Executive Vice Presidents;
- Working in coordination with Human Resources or other necessary units to carry out the tasks and responsibilities mentioned above if needed.

C- AUDIT COMMITTEE

The Audit Committee consists of two members of the Board of Directors who currently do not have any executive or operational duties. The Audit Committee held four meetings in 2019 with all members present.

COMMITTEE MEMBERS

Dr. M. Cüneyt Sezgin
Committee Chairman – Board Member
Cemal Onaran
Committee Member – Board Member

COMMITTEE ACTIVITIES

The Audit Committee was set up to assist the Board of Directors in the performance of its audit and oversight functions. The Committee is responsible for:

- Overseeing the functioning and effectiveness of the activities within the scope of internal systems, on behalf of the Board of Directors, fulfilling the Company’s obligations with regard to the prevention of laundering proceeds of crime and financing of terrorism;
- Conducting necessary preliminary evaluations for the selection of independent audit firms by the Board of Directors and obtaining information about the activities carried out by these firms if necessary.

The duties and authorities of the Audit Committee include:

- Assisting the Board of Directors in carrying out its monitoring task related to internal control, internal audit and risk management;
- Ensuring that the internal audit system operates within the scope and target designated in the Circular on Corporate Governance Principles of Insurance, Reassurance and Pension Companies;
- Evaluating the internal annual audit plan and Inspection Board Regulation prepared by the Inspection Board and approved by the Board of Directors;
- Assessing if Company management shares the importance of internal audit with personnel as required, and determining if a sound internal audit culture has taken root at the Company;
- Obtaining information about the results of the internal audits, which are periodically conducted for the processes by the Inspection Board, for the internal control system and for the application errors and deficiencies;
- Evaluating the results of risk management, monitoring and control activities, and internal audits, which are performed under the compliance program; implementing necessary measures to eliminate errors

and deficiencies in a timely manner; ensuring that all activities related to the compliance program are conducted in

D - EARLY DETECTION OF RISK COMMITTEE

The Committee consists of two members of the Board of Directors who currently do not have any executive or operational duties. The Early Detection of Risk Committee held two meetings in 2019 with all members present.

COMMITTEE MEMBERS

Dr. M. Cüneyt Sezgin
Committee Chairman – Board Member
Cemal Onaran
Committee Member – Board Member

COMMITTEE ACTIVITIES

The Early Detection of Risk Committee was established under the Board of Directors for the early identification of risks that may jeopardize the existence, development, and continuation of the Company. The Committee is responsible for:

- Identifying at an early stage those risks that may jeopardize the existence, development, and continuation of the Company;
- Taking necessary measures related to identified risks, implementation and reporting;
- Developing policies for the execution of risk management processes.

The duties and authorities of the Early Detection of Risk Committee include:

- Working toward the early identification of risks that may jeopardize the existence, development, and continuation of the Company, taking necessary measures related to identified risks, and conducting risk management activities;
- Submitting in writing its recommendations and opinions to the Board of Directors concerning the formation and development of the Company’s risk management system, which aims to reduce the effects of risks that may affect shareholders and other stakeholders.

BOARD OF DIRECTORS
MEETING ATTENDANCE

In 2019, Garanti Emeklilik ve Hayat A.Ş. held 14 Board meetings and 30 decisions were taken. 10 of these meetings were held with the participation of 8 members, 4 meetings were held with 7members, 16 meetings were held with 6 members.

MEETING DATE	MEETING NO	NUMBER OF BOARD MEMBERS	PARTICIPATION
17.01.2019	530	9	6
17.01.2019	531	9	6
25.01.2019	532	9	6
22.03.2019	533	9	6
27.03.2019	534	9	6
02.04.2019	535	9	8
02.04.2019	536	9	8
19.04.2019	537	9	7
26.06.2019	538	9	7
26.06.2019	539	9	7
26.06.2019	540	9	6
26.06.2019	541	9	6
26.06.2019	542	9	6
05.08.2019	543	9	6
05.08.2019	544	9	6
16.09.2019	545	9	6
16.09.2019	546	9	6
20.09.2019	547	9	6
27.09.2019	548	9	6
15.10.2019	549	9	6
17.12.2019	550	9	8
17.12.2019	551	9	7
17.12.2019	552	9	8
17.12.2019	553	9	8
17.12.2019	554	9	8
17.12.2019	555	9	8
17.12.2019	556	9	8
17.12.2019	557	9	8
17.12.2019	558	9	8
23.12.2019	449	9	6

ORGANIZATIONAL CHART



HUMAN RESOURCES

Garanti BBVA Pension believes that development-oriented, innovative, happier, and more creative human resources are its greatest strength in meeting the future. Employee-centricity is at the heart of its human resources strategy.

Garanti BBVA Pension is a leader in its sector and has achieved many successes with its qualified human resource team. Thanks to its HR practices, it aims to be a pioneer of this transformation by quickly adapting to the constantly evolving dynamics surrounding human resources.

Employee-centricity is at the heart of Garanti BBVA Pension's human resources strategy. By prioritizing employee experience, it invests in them and offers them continuous development opportunities.

Garanti BBVA Pension's goal is to recruit, train, and develop the most qualified workforce that complements its values and vision. Garanti BBVA Pension provides a working environment that encourages employees to reach their full potential and to use all their skills. The Company offers fair opportunities and ensures that employee success is recognized and rewarded.

It designs its Human Resources strategies by focusing on the satisfaction and happiness of its employees. Garanti BBVA Pension adopts a perspective that believes in open communication and cares about all ideas and feedback. The Company listens to its employees and provides continuous communication through various channels to make its employees feel valued and to identify their strengths and their areas of development. It receives employee feedback through face-to-face and online interviews and surveys, conducted on the intranet and on

various platforms. Hence, it always strives to improve itself according to its employee feedback. Surveys are conducted by independent international research companies. Feedback obtained from these surveys is evaluated by Human Resources and taken into consideration for its improvement and development actions.

GARANTI BBVA PENSION NUMBER OF EMPLOYEES

Total 743

Garanti BBVA Pension has employed **743** persons as of December 2019.



Garanti BBVA Pension operates **13** Regional Offices: **6** in Istanbul, **1** regional office each in Ankara, İzmir, Bursa, Adana, Antalya, Muğla and Kayseri.

GARANTI BBVA PENSION DEMOGRAPHICS

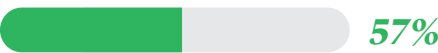
AVERAGE AGE



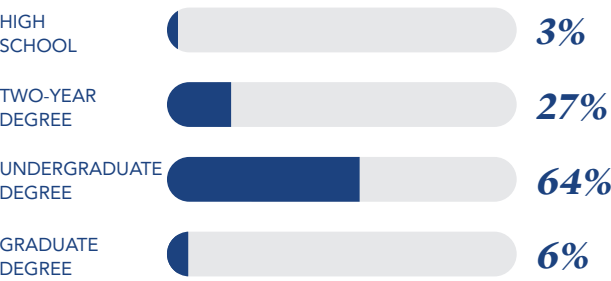
FEMALE-MALE PERCENTAGE



FEMALE MANAGER PERCENTAGE
(MANAGER AND ABOVE)



EDUCATIONAL BACKGROUND



SECTION III - Management and Corporate Governance Practices

Through regular meetings and surveys, Garanti BBVA Pension received its employees’ feedback on work-life balance, performance management, and on training and development opportunities. The amount of overtime work decreased **44%** compared to the previous year with the implementation of report card day leave, first school day leave, birthday leave, and “bridge” leave (used to combine separate public holidays), as well as other actions taken to ensure work-life balance.

BUSINESS PARTNER

In line with its human resources strategies, Garanti BBVA Pension provides a continuous channel of communication with its teams and employees, all in accordance with the changing needs of departments and regions.

In order to increase employee communication and improve communication quality, the HR unit regularly met with the employees of all units throughout 2019 and visited regional offices. A total of **736** motivational interviews were conducted, including **576** face-to-face meetings and **160** online meetings.

In line with the “right people to the right job” strategy, competency-based, objective, and diverse measurement and evaluation methods were used in the recruitment process. Digitization and recruitment analytics were also in focus within the processes. Selection and evaluation tools such as aptitude tests, profile analyses, personality inventory, group interviews, and competency-based interviews were used.

Feedback interviews were organized with all new hires in two- and six-month periods in order to facilitate their adaptation and obtain their feedback.

MANAGEMENT TRAINEE PROGRAM

We welcomed **18** Management Trainees on board in 2019. The important stages of this process were carried out entirely on digital media. From over **1,500** applicants, management

SECTION III - Management and Corporate Governance Practices

trainees who completed the tough elimination process consisting of online video interviews, aptitude tests, and evaluations, began working after a comprehensive training program.

CAREER PLANNING

The assessment center applications both assess the attainment rate of employees’ career goals as well as the competencies required by their job. In addition to the assessment center, fair performance systems, seniority levels, and the needs of the company in the relevant positions play a key role. In 2019, a total of **173** employees were promoted to higher positions as part of Career Maps.

INTERNAL COMMUNICATIONS

REWARD PROGRAM

The Reward Program serves to reward high employee performance. This effort is also critical in setting a good example for the Company in general by showcasing model actions and attitudes of dedicated personnel in various departments across the organization and thusly contributing to a positive corporate culture. A total of **18** employees were rewarded as part of this program in 2019.

NOON TALKS

NOON Talks, with its agendas pertaining to current issues within the Company and to life in general, continued in 2019. Under this practice, guest speakers and employees convened at the Head Office between noon and 1 p.m. once every month. Both professional experts and employees were invited as speakers to these talks. In 2019, speakers of **3** separate months were chosen from among employees. Various topics ranging from personal development to other popular issues can be selected. During the event, videos were recorded and broadcast live on our video-sharing platform, Go-On, for our employees to watch.

“I AM THE LEADER” SUMMIT

Garanti BBVA Pension believes that leadership is one of

the key drivers of employee loyalty and achieving targets and attaches great importance to leadership development. The “I Am the Leader” summit was held in May in order to guide those employees who hold leadership positions and have a team reporting to them. Themes concerning the future and new generation leadership were discussed at the summit with speakers who are pioneers in their field.

YEAR-END MEETING

Garanti BBVA Pension brings together its employees every year to share the latest news and the strategy, targets, and vision for the year ahead.

EMPLOYER BRAND EFFORTS

As part of its employer-brand management activities, Garanti BBVA Pension organizes activities and services that appeal to all employees, such as special day celebrations, mailings, and promotional activities in order to increase satisfaction by providing a richer employee experience.

TRAINING

Garanti BBVA Pension accepts training efforts as an investment tool and organizes all development and learning activities as part of its vision to sustain development and with the awareness that lifelong learning is one of the fundamental principles of sustainable success. In 2019, Garanti BBVA Pension staff members received **6 days** of in-class training and **3 days** of online training per person, on average.

As part of its continuous development for sustainable success effort, the Human Resources Department designed the Orientation Training Program, Management Trainee Program, Garanti Future Academy, Guaranteed Steps Internship Program, and various other training programs tailored toward the needs of all departments and regional directorates. In addition, Private Pension Intermediaries Licensing Training, Garanti BBVA Pension Product Training, Basic Sales Skills, On-the-Job Training, and Catalog Training were also organized. In 2019, employees

attended courses they selected themselves from the training catalog which offers **133** alternatives. Employees also attended conferences and seminars pertaining to their job definitions and to their areas of interest.

Additionally, the Banks Association of Turkey has a broad training catalog across a wide range of behavioral, managerial, and technical training content that could contribute to employees' personal and professional development. In 2019, **256** employees attended **89** courses selected from among the Association's catalog.

GARANTI FUTURE ACADEMY

Garanti BBVA Pension updated the Garanti Future Academy program in line with changing needs and continued implementing the program for employees in Expert positions in Head Office departments, and Savings and Assurance Experts-4 positions in Regional Offices. The program offers three training modules: "I Know Myself," "I Know My Team", and "I Develop My Work." The program aims to contribute to employee development based on competencies and behaviors while preparing them for Garanti BBVA Pension's managerial journey.

GUARANTEED STEPS INTERNSHIP PROGRAM

17 interns who were eligible to participate in the Internship Program were involved in the learning and development process that will give them experience in taking the right career steps.

Participants who joined the program following a digital assessment and selection stage gained experience in our Head Office departments in addition to attending personal development and technical courses.

Interns attend courses on technical knowledge related to the sector, while also attending many other classes that contribute to their personal development. The Guaranteed Steps Internship Program consists of three parts:

SECTION III - Management and Corporate Governance Practices

1. I am Learning: Interns undergo technical and personal development training during the first week. They are also given a project assignment that they must complete by the end of the program.

2. I am Observing: Interns observe operations at different business units and fulfill duties assigned to them. At this stage, experienced staff members provide coaching to the interns.

3. I am Experiencing: Interns present their project assignments on the program's final day.

Interns who successfully complete the program are also considered an important resource and as potential candidates for recruitment.

MOBILE QUIZ GAME APPLICATION

In 2019, Garanti BBVA Pension continued to use its "Quiz Game" platform, which was launched in 2016, and which has made the company a forerunner in the industry and across the Group. Employees can download the application to their smartphones and tablets and test their knowledge on various subjects with quiz games while also widening their learning processes and extending the time they can recall a learned information. Users participate in quizzes on different levels, increase their scores by playing more quiz games, and track rankings on the leaderboard. Garanti BBVA Pension employees spent **900** hours and answered **322,000** questions on the app during the training courses held during the year.

DIGITAL LEARNING PORTAL

In 2019, Garanti BBVA Pension continued to use the video-based training platform "Go-On" with the vision of developing applications that increase the share of digital trainings in the existing training portfolio, so that its employees can benefit from development opportunities on equal terms. Easily accessible via PCs, phones, and

SECTION III - Management and Corporate Governance Practices

tablets, the platform offers information in a faster and more efficient manner with brief, appealing content. Go-On features more than **2,000** educational videos. The portal is designed to boost the training participation rate, reduce costs, and raise employee satisfaction level by offering needs-specific training opportunities.

A SHORT BREAK: "1 MINUTE", OUR MONTHLY HR MAGAZINE

Garanti BBVA Pension publishes a monthly human resources magazine, featuring tips on work life and on personal development, articles on hot topics, academic commentaries, and best practices. The "1 Minute" online magazine, which is accessible on tablets, mobile phones, and computers, in and out of the company, is further enriched with appealing videos such as TED talks in connection with the content.

LEARN EVERY DAY

Adopting a technological and innovative approach, Garanti BBVA Pension and Life continued implementing the "Learn Every Day" training model to offer its employees online development opportunities. The Company made available a video series consisting of five-minute videos that convey a brief summary of key points derived from major books, films and talks on specific topics. Videos focusing on "Efficient Working and Time Management" and on "Sales and Persuasion Techniques" were broadcast on Go-On for **21 days**. Employees participated in the QuizGame contest to reinforce their knowledge at the end of the 21-day learning process.

E-BEAS LICENSING

Training for private pension intermediary licensing continued in 2019. Employees prepared for the licensing examination with the help of **43** technical training videos compiled by the Internal Education team and with a one-day in-person classroom training session. The **140** Garanti BBVA Pension staff members who took the examination registered an **91%** success rate overall.

INTERMEDIARY LICENSING

During the year, Garanti BBVA Pension continued to deliver licensing courses for Garanti BBVA employees. In 2019, **376** Garanti BBVA personnel took tests and obtained an intermediary license in private pensions after preparing with the help of technical training videos by the Internal Education team and with in-person classroom trainings.

ON-THE-JOB COACHES

The On-the-Job Coaches program was launched to support the newly assigned Savings and Assurance Experts in their adaptation phase and to facilitate their orientation process. As part of the program, experienced employees selected from each region were included in special coaching training.

REGIONAL MANAGER TRAINING PROGRAM

A specially-designed training program consisting of content-contributing to regional managers' development was implemented. As part of the Program, the managers were trained in various topics such as coaching, perspective, feedback, and analytical thinking.

REMUNERATION AND HUMAN RESOURCES SYSTEMS

Garanti BBVA Pension remuneration policies are based on job description and employee performance. Employees are offered a monthly salary and various benefits including performance and bonus payments, health insurance, meal card, private pension policy, foreign language stipend and transport benefits. Garanti BBVA Pension's performance evaluation system is designed to monitor its employee's contribution to the success of the company and it allows the promotion of open communication throughout this process. The system is enhanced with concrete and measurable criteria and aims to ensure fair, transparent and simple measurements. The performance assessment system also provides input for remuneration, career and training practices. Sector-wide remuneration practices are researched once a year to monitor the competitiveness of wages. Job definitions, performance criteria, and

bonus system criteria for all positions at the Company are communicated to staff members on internal platforms.

EMPLOYER-SPONSORED PENSION PLANS

Garanti BBVA Pension offers all its employees an Employer-Sponsored Pension Plan once they start working at the Company. Pension plan amounts increased also in 2019.

BONUS PAYMENT FOR FOREIGN LANGUAGES

Employees who certify their language proficiency by taking and passing an internationally accepted test are entitled to a bonus payment. Payment amounts vary depending on proficiency level. Extra compensation is offered to those employees who are certified for the first time (provided that they have worked for six months at least) and to those employees who improve their proficiency level.

ANNUAL LEAVE ENTITLEMENT

Garanti BBVA Pension continued to offer days off to staff members on special days in 2019. Employees with children who are starting their first year of elementary school are entitled to a half-day's leave on the first day of that academic year. Personnel with children studying at elementary and middle schools are also entitled to a half-day's leave on the day when school reports are given, so that they can share the excitement and happiness of their children. In addition, employees are entitled to one day off during the week of their birthdays, under the "birthday leave" practice. As of 2019, the career break practice has been launched to allow employees to take *three months* of unpaid leave in order to take time off and improve themselves.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

SUSTAINABILITY APPROACH

The most significant principles that form the basis of Garanti BBVA Pension's sustainability approach are to increase continuously and significantly the value it adds to society and the environment, focus on productivity, identify risks in advance, develop long-term projects and create lasting value. Garanti BBVA Pension takes major steps on "sustainability" in order to "meet today's needs without compromising the needs of future generations" and carries out efforts to support responsible and sustainable development.

POLICIES AND PRINCIPLES

Based on the principles set by Garanti BBVA, its main shareholder, Garanti BBVA Pension deems it as its corporate responsibility to support society, the economy and the environment in line with universally accepted values within the scope of working towards a future with lots of "We're glad"s. Garanti BBVA aims to inspire the industry with pioneering work by recognizing the significance of the efforts on human rights, employee rights and fight for the environment and against corruption, together with its customers and all stakeholders, within the framework of the accepted international principles it has promised to uphold.

With environmental awareness, Garanti BBVA Pension regards environmental sustainability among its top priorities and carefully considers all the threats and

Aiming to increase employee awareness on recycling, save energy and reduce its ecological footprint, Garanti BBVA Pension continued its activities in this direction in 2019.

opportunities with an attentive and meticulous approach based on international standards in the decision making processes in the environmental, social and economic fields.

With the belief that ensuring full environmental, economic and social sustainability with the understanding of full compliance with the Corporate Governance Principles, which have been at the core of its business processes since its inception, is a step towards the future of our country, Garanti BBVA Pension supports all kinds of sustainability initiatives in this regard.

SUSTAINABILITY ACTIVITIES

With a sense of responsibility towards society and the environment, Garanti BBVA Pension continues its efforts to use natural resources as efficiently as possible and continuously improves its processes in order to reduce its energy and water use and dispose of waste without harming the environment.

Garanti BBVA Pension carries out various awareness raising activities across the company to inform its employees about the concept of sustainability on an ongoing basis and help them adapt more quickly to their roles in this regard.

WWF GREEN OFFICE PROGRAM

Garanti BBVA Pension was granted the "WWF Green Office" certificate in its Head Office buildings after taking its sustainability to the next level in 2017 and successfully

completing the “WWF Green Office Program” it has embraced to ensure energy efficiency at its office buildings. Aiming to increase employee awareness on recycling, save energy and reduce its ecological footprint, Garanti BBVA Pension continued its activities in this field in 2019.

CORPORATE SOCIAL RESPONSIBILITY PROJECTS

Acting with a sense of social responsibility in all its activities and accepting this as an indispensable element of its management approach, Garanti BBVA Pension once again supported various projects in the fields of protection of wildlife, climate change, children’s education and health in 2019.

“BACK TO SCHOOL”

The “Back to School” project of the Garanti BBVA Pension marked its **9th** year in 2019.

According to the results of the Turkish Statistical Institute’s Child Labor Survey in 2012, there are about **900,000** child laborers in Turkey. These children are registered and employed at various workplaces and become separated from their schools. Nearly **8 million** children are employed informally. Millions of children are stripped of their rights to education and be children and their futures are taken away from them.

In cooperation with the Istanbul Provincial Directorate of National Education and Boğaziçi University, Garanti BBVA Pension has been carrying out a social responsibility project titled “Back to School” since 2010 with the aim of taking children who have dropped out of school to earn a living to return permanently to school in order to complete their education.

Under the project, more than **6,200** students and their parents have been reached in **5** districts where child labor is widespread and **6** schools in Istanbul. The goal was to strengthen the children’s bonds with the school through

academic, social and cultural activities carried out inside and outside the school with the support of teachers.

OTHER PROJECTS

Garanti BBVA Pension continues to support the education and personal development of children in cooperation with the Community Volunteers Foundation. Supporting the activities of the Foundation since 2006, Garanti BBVA Pension once again contributed to the efforts carried out for students who are deprived of the right to education due to financial difficulties in 2019.

Garanti BBVA Pension supports the UNICEF Turkey National Committee’s efforts to ensure that the children in Turkey and all over the world access development, health and education services and have equal rights with their peers, and is a proud member of UNICEF’s “Silver Wing” program. In addition to ensuring that children meet their basic needs, Garanti BBVA Pension also contributes to the realization of long-term efforts that create lasting changes for children.

Under the “Blue Caps” project carried out in cooperation with The Spinal Cord Paralytics Association of Turkey (TOFD), Garanti BBVA Pension contributes to the purchase of wheelchairs and pressure relief cushions for people with disabilities with the recycling of the plastic bottle caps collected in recycle containers at its Head Office and Güneşli offices.

SUMMARY REPORT OF THE BOARD OF DIRECTORS TO THE GENERAL ASSEMBLY REPORT ON COMPLIANCE OF THE ANNUAL REPORT

GARANTİ EMEKLİLİK VE HAYAT SİGORTA A.Ş. 2019 ANNUAL REPORT

Dear Shareholders,

We sincerely thank each and every one of you for your attendance at the General Assembly convened to review and vote on the accounts and operations results of the 28th Fiscal Year of Garanti Emeklilik ve Hayat Sigorta Anonim Şirketi.

Our Company’s nominal paid-in capital in 2019 stood at TL 50,000,000 while the shareholders’ equity figure was TL 1,344,834,355.

The Company generated a net premium production (being the recorded premium minus the reinsurer share) for TL 774,295,759 in the life branch.

Our Company’s Private Pension fund size grew 34%, from TL 13,309,049,618 at year-end 2018 to TL 17,793,618,598 at year-end 2019.

Achieving many accomplishments in 2019, our Company sustained its lasting growth and attained its objectives.

Dear Shareholders,

Our Company, whose operations are summarized above, generated pre-tax accounting profit of TL 587,845,164 in 2019, corresponding to net profit of TL 454,553,435 in our Company’s financial statements after allowing for Corporate Tax.

We appreciate the interest you have shown in the General Assembly and wish the best for our country and our Company in 2020.

Sincerely,

Burak Ali GÖÇER
*Member of the Board of Directors and
General Manager*

"Talent wins games
but teamwork and
intelligence wins
championships."
– Michael Jordan

WE ARE ONE TEAM

WE ARE BONDED WITH OUR
JOB AT HEART, WE WORK HAND
IN HAND, THIS IS OUR COMPANY.

FINANCIAL STRUCTURE AND RISK MANAGEMENT

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CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the Shareholders of Garanti Emeklilik ve Hayat Anonim Şirketi

OPINION

We have audited the annual report of Garanti Emeklilik ve Hayat Anonim Şirketi (the “Company”) for the period between 1 January 2019 and 31 December 2019, since we have audited the complete set financial statements for this period.

In our opinion, the financial information included in the annual report and the analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company are consistent, in all material respects, with the audited complete set of financial statements and information obtained during the audit and provides a fair presentation.

BASIS FOR OPINION

We conducted our audit in accordance with the Standards on Auditing which is a component of the Turkish Auditing Standards (“TAS”) issued by the Public Oversight, Accounting and Auditing Standards Authority (“POA”) (“Standards on Auditing issued by POA”) and the insurance legislation. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Annual Report section of our report. We declare that we are independent of the Company in accordance with the Code of Ethics for Auditors issued by POA (POA’s Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA’s Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

AUDITOR'S OPINION ON COMPLETE SET OF FINANCIAL STATEMENTS

We have expressed an unqualified opinion on the complete set of financial statements of the Company for the period between 1 January 2019 and 31 December 2019 on 29 January 2020.

BOARD OF DIRECTORS' RESPONSIBILITY FOR THE ANNUAL REPORT

In accordance with the Articles 514 and 516 of the Turkish Commercial Code numbered 6102 (“TCC”) and Regulation On Financial Structures Of Insurance, Reinsurance And Pension Companies (“the Communiqué) published in the Official Journal dated 7 August 2007 and No. 26606, the Company’s management is responsible for the following regarding the annual report:

a) The Company’s management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general assembly.



b) The Company’s management prepares its annual report in such a way that it reflects the operations of the year and the financial position of the Company accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Company’s financial statements. The annual report shall also clearly indicates the details about the Company’s development and risks that might be encountered. The assessment of the Board of Directors on these matters is included in the report.

c) The annual report also includes the matters below:

- Significant events occurred in the Company after the reporting period,
- The Company’s research and development activities.
- Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees.

When preparing the annual report, the Board of Directors also considers the secondary legislation arrangements issued by the Ministry of Trade and related institutions.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE ANNUAL REPORT

Our objective is to express an opinion on whether the financial information included in the annual report in accordance with the TCC and the Communiqué and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company are consistent with the audited financial statements of the Company and the information obtained during the audit and give a true and fair view and form a report that includes this opinion.

We conducted our audit in accordance with Standards on Auditing issued by POA and the insurance legislation. These standards require compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the financial information included in the annual report and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company are consistent with the financial statements and the information obtained during the audit and provides a fair presentation.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of KPMG International Cooperative

Alper Güvenç, SMMM
Partner

29 January 2020
Istanbul, Turkey

INFORMATION ON
FINANCIAL STRUCTURE

As in previous years, Garanti BBVA Pension and Life continued its rapid growth in both assets and profitability in fiscal year 2019.

Profit before tax reached TL 587,845. Net profit after tax was TL 454,553,435 which was TL 453,556,792 in the previous year.

During the same period, technical profit derived from life and pension activities reached TL 418,686,076. Shareholders' equity in 2019 was TL 1,344,834,355. As of December 31, 2019, the Company's total assets grew 35% year-on-year and reached TL 20,099,593,960.

The increase in total assets is largely due to private pension activities. The Company recorded a 34% increase in participants' funds year-on-year. The Company's total pension fund size amounted to TL 17,793,618,598.

As of December 31, 2019, the share of cash assets among total assets was 10%. As for the share of financial assets, it is 0.85%.

As of December 31, 2019, the share of the Company's insurance technical reserves in total liabilities stood at 3.3%.

The Company's source of premium income is derived from the life insurance sector; the total earned premium in the fiscal year ending on December 31, 2019 was TL 736,711,393.

ASSESSMENT OF FINANCIAL
POSITION, PROFITABILITY AND
CLAIMS SERVICING CAPACITY

In 2019, the amount of life claims amounting to TL 189,414,110 increased by 69% year-on-year. The Company's technical profit was up 24% to TL 418,686,076.

The Company's technical reserves consist of unearned premium reserve, reserves for outstanding claims, life insurance mathematical reserve, reserve for life insurance profit share, equalization reserve, and reserve for bonus payments and discounts. In financial statements, the unearned premium reserve is the outstanding part of the premiums which have accrued for the applicable insurance contracts for the next accounting period(s) on a daily basis, remaining after production commissions and after the share of expenses in life insurance as well as the portion allocated to savings, if any.

At the end of the each period and year, a reserve for outstanding claims is apportioned for all liabilities concerning unpaid claim files of which the Company has already been notified and that are under review. The reserve for outstanding claims is set according to expert reports or policyholder and expert assessments.

Within this framework, as of December 31, 2019, the change in reserve for outstanding claims stood at TL 7,124,534.

The life insurance mathematical reserve comprises the actuarial mathematical reserves and reserves for life insurance profit share, and represents the Company's obligations towards policyholders in the life insurance branch. For variable universal life insurance policies, a reserve for profit share is set aside for the income earned from investments made with premiums written on a collection basis.

BOARD OF DIRECTORS’
ANNUAL ACTIVITY REPORT

Board of Directors’ Annual Report
Board of Directors’ Summarized Annual Report
01.01.2019 31.12.2019
(Pursuant to the circular of the Ministry of Customs and Trade, dated August 28, 2012)

1. GENERAL INFORMATION

Reporting Period: 2019
Trade Name: Garanti Emeklilik ve Hayat A.Ş.
Trade Registry Number: 288647
Central Registration System Number: 0008006750900027
Head Office Address: Mete Cad. No: 30 34437 Taksim/İstanbul

Contact Information
Telephone: 0212 334 70 00
Fax: 0212 334 63 00
E-mail: gemusterihizmetleri@garantibbvaemeklilik.com.tr

A- THE COMPANY’S ORGANIZATIONAL, CAPITAL AND SHAREHOLDING STRUCTURE

Capital and Shareholding Structure

In 2007, Achmea B.V. acquired 15% of the shares of Garanti BBVA Pension and Life for EUR 100 million. There has not been any changes to the shareholding structure of the Company in 2019.

The Company’s shareholding structure and capital distribution are as follows:

NAME, SURNAME AND TITLE OF THE SHAREHOLDER	RESIDENTIAL ADDRESS	SHARE QUANTITY	SHARE RATE (%)	SHARE AMOUNT (TL)
Türkiye Garanti Bankası A.Ş. (Garanti BBVA)	Nispetiye Mah. Aytar Cd. No: 2 Levent /İstanbul	4,245,662,900	84.91	42,456,629
Achmea B.V. (Achmea)	Handelseug 2 3707 Nh Zeist, Hollanda	750,000,000	15	7,500,000
Other		4,337,100	0.09	43,371
Total		5,000,000,000	100	50,000,000

B- INFORMATION ON PREFERRED SHARES

The Company does not currently issue preferred shares.

C- INFORMATION ON THE COMPANY’S MANAGEMENT BODY, EXECUTIVE MANAGERS AND SENIOR STAFF

a. The Company’s Management Body: The Board of Directors is comprised of 9 Directors, as follows.

Recep Baştuğ *Chairman*
Didem Dinçer Başer *Vice Chairman*
Muammer Cüneyt Sezgin *Member*
Mahmut Akten *Member*
Javier Bernal Dionis *Member*
Johannes Antonius Nijssen *Member*
Maria De La Paloma Piqueras Hernandez *Member*
Cemal Onaran *Member*
Burak Ali Göçer *Member - General Manager*

b. The Company’s Executive Managers:

Burak Ali Göçer *General Manager*
E. Yasemen Köne *Executive Vice President*
Ahmet Karaman *Executive Vice President*
K. Çağlayan Bakaçhan *Executive Vice President*
Eda Sevkar *Executive Vice President*

c. Headcount: 743

d. Within the framework of the permission granted by the General Assembly, Board Members do not transact with the Company, either directly or on behalf of others.

2. REMUNERATION OF BOARD MEMBERS AND EXECUTIVE MANAGERS

Remuneration and other benefits paid by the Company to Board Members and executive managers totaled TL 7,571,036 in 2019.

3. THE COMPANY’S RESEARCH AND DEVELOPMENT ACTIVITIES

The Company did not carry out any research and development activities in 2019.

4. COMPANY OPERATIONS AND RELATED IMPORTANT DEVELOPMENTS

- a. The Company did not make any investments or major asset purchases/sales during the reporting period.
- b. Garanti BBVA Pension and Life holds a 0.00003% stake worth 1 (one) Turkish lira in its direct subsidiary Garanti BBVA Leasing.
- c. The Company has not acquired any of its own shares.
- d. The Company has not been subject to private auditing during the activity period.
- e. No lawsuits, which might affect the financial position and the activities of the Company, have been filed against the Company during the activity period.
- f. There have been no administrative or legal sanctions imposed on the Company or its board members due to illegal practices during the activity period.
- g. During the activity period, the Company has reached all of its targets and fulfilled the requirements of all General Assembly resolutions.
- h. Information about donations and aids made by the Company throughout the year, as well as about expenditures related to social responsibility initiatives, is as follows:

Garanti BBVA Pension made a total expenditure of TL 119,900 in 2019 for donations and aids.
- i. Transactions carried out with the parent company and affiliated companies within the Group are ordinary commercial activities. There were neither any transactions made in the interest of the parent company or one of the affiliated companies, with or without the instruction of the parent company, nor any measures taken or refrained from being taken, in this respect.
- j. In cases where a legal transaction is made or required, measures are taken or refrained from being taken, based on all facts and conditions known to the Company’s Board of Directors at the time, neither due consideration nor taking necessary measures or refraining from taking such measures, that can harm the Company, were required as there have not been any legal transactions.
- k. Any potential conflict of interest between the Company and consulting and/or audit firms that provide service to the Company are prevented through agreements.

5. FINANSAL DURUM

- a. The Board of Directors’ analysis and assessment of the Company’s financial position and activity results, the extent to which planned activities were realized, and the Company’s performance against predetermined strategic goals are as follows:

In 2019, Garanti BBVA Pension achieved a profit of TL 587,845,164. While the Company’s total assets were TL 20,099,593,960, shareholders’ equity amounted to TL 1,344,834,355. The Company’s fixed assets totaled TL 238,487,791, of which TL 32,949,515 has been allocated for depreciation in 2019

- b. The Company’s annual sales, productivity, income generating capacity, profitability and debt-to-equity ratio, in comparison with previous years, as well as information on other matters which might give an idea about the results of the Company’s operations, and also expectations for the future, are presented below:

	YEAR 2016 (TL)	YEAR 2017 (TL)	YEAR 2018 (TL)	YEAR 2019 (TL)
Period Profit/(Loss)	308,022,332	407,128,461	586,155,729	587,845,164
Taxes and Legal Obligations for the Period's Profit	62,249,467	86,473,459	132,598,937	133,291,729

- c. The Board of Directors’ assessment on whether the Company suffers from capital loss or insolvency:

The Company shareholders’ equity totaled TL 1,344,834,355, and its capital is fully paid.

- d. Measures required to improve the Company’s financial structure, if any:

The Company has a robust financial structure, therefore there are no measures required to improve its financial structure.

- e. Information on the profit distribution policy, or the reason for not distributing profit, if that is the case, and the proposal about how to use the undistributed profit:

In regard to the profit distribution policy, the Board of Directors draws up the profit distribution proposal in accordance with the provisions of the Turkish Commercial Code, Tax Regulations, and the Company’s Articles of Association, and then submits it for the approval of the General Assembly. The decisions regarding whether to distribute profit, or when and by which means it will be distributed, are made at the General Assembly, and all announcements are made in accordance with the regulations and within legally prescribed time limits. The Company did not distribute profit in 2019 and transferred the entire profit to the reserves.

- f. With the Resolution of the Board of Directors dated 21.01.2019 and the Resolution of the General Assembly dated 29.03.2019, the 2018 profit of TL 453,556,792 was transferred to extraordinary reserves.

6. INTERNAL AUDIT

The function of internal audit is carried out by the Inspection Board, with the purposes of adding value to the Company and of improving its activities. Within this framework, the function of internal audit is designed so as to provide an independent and objective assurance and advisory service. Furthermore, the current design also considers the Regulation on the Internal Systems of Insurance, Reinsurance and Private Pension Companies, regulations of the Insurance Department of the Undersecretariat of Treasury, and the guidelines of the Basel Committee on Banking Supervision and the Institute of Internal Auditing. When pursuing its objectives, the Inspection Board evaluates the effectiveness of risk management, control and management processes, and contributes to the Company by approaching these in a systematic and structured way.

The scope of the internal audit function is universal; therefore all of the Company’s activities and assets are under this scope, regardless of the geography or the function. The Company’s outsourced activities and services are also in this scope.

The Inspection Board has an unlimited right of access to employees, business units, systems, computers, physical records, files, and all other information that may be required to perform the functions stated in this Regulation. The Board takes the necessary precautions to protect the confidentiality of this information, and to adhere to the applicable data protection and backup rules.

The Company sets its internal control structure according to the “Three Lines of Defense Model.” In this model, Internal Audit acts as the third line of defense, and audits the activities of the first and second lines of defense as the final authority.

Test and confirmation operations carried out by the Inspection Board shall not stand for the necessary checks defined within the responsibilities of the other two defense lines.

The functions of Internal Audit are as follows:

- a.** To evaluate the effectiveness and efficiency of the systems created by the Company for internal control, risk management and management processes and policies;
- b.** To evaluate the security and integrity of the processes applied to prepare the financial and managerial information presented to legal authorities, senior management and auditing bodies (supervising institution);
- c.** To evaluate the processes applied to measure capital and liquidity;
- d.** To evaluate the sustainability of information security systems (to confirm data confidentiality and protection systems), asset protection and safety systems;
- e.** To evaluate the effectiveness of processes created to comply with internal regulations, insurance and private pension regulations in particular and other related regulations;
- f.** To investigate behaviors that are inappropriate, or that are not in line with the Company’s applicable policies, and the Principles of Ethics and Integrity. Investigations can be initiated directly by the Board upon the results of auditing activities, or upon the requests by other Departments such as Compliance, Legal, Risk, etc.

For the Inspection Board to perform the audit function effectively, access is provided to the related information. This way, the Board is advised about the significant changes to the Company’s strategy, decisions taken in the course of business, features of the new products launched, developments in technology, changes in the organization of the Company and internal policies.

The Inspection Board conducts its activities within the framework of the Internal Audit Plan, which is prepared in accordance with applicable laws and risk assessments, and then approved by the Board of Directors. The Inspection Board then shares the results with the Board of Directors through the Audit Committee.

In 2019, 12 head office departments and 13 regional offices, MASAK compliance activities, TGB Capital Market and Treasury Operation Management audit, audits about Technological Risks and inspections and investigations were conducted in various areas.

COMPLIANCE

In 2019, the Company closely followed the regulations concerning products and services offered to customers and exchanged views on draft legislation changes with relevant public authorities and the Insurance Association of Turkey, as an industry representative.

This year, the main area of focus has been the project activities carried out to ensure full compliance with the legislative changes and regulations effectuated in the Private Pension System, as it was the case last year. The Company also contributed to the legal framework improvement activities carried out at the industry level to increase the efficiency of the system.

As part of these studies, approximately three thousand files opened due to comments shared by our employees about the legislation, policies/procedures and practices and for customer requests forwarded by relevant units were reviewed and answered in less than two days on average.

As part of corporate compliance activities, training and information activities continued to ensure that the Principles of Ethics and Integrity are adopted and applied by all employees. This year, two web-based training programs were prepared and shared with the employees. In these programs, we provided not only examples about the application of policies related to our principles, but also industry-specific examples. The first of these training programs was created in accordance with our Principles of Ethics and Integrity. The second one was prepared specifically for the Anti-Corruption Policy which emphasizes our principles of honesty, responsibility and transparency. With additional policies and procedures developed on these principles, it was aimed to document our corporate culture.

Ethics Reporting Line, which is an important component of the Garanti BBVA Pension compliance system and aims to resolve any doubt that may arise while implementing policies and procedures, was kept in operation the whole year.

In order to achieve higher efficiency in the activities related to the main components of the compliance function, including; compliance with customer products and services, corporate compliance, compliance with the Financial Crimes Investigation Board (MASAK), and compliance with capital market transactions; our duties and responsibilities as part of the legislation have been transferred to the Product Development and Actuary Unit. The new name of the related unit is Product Development, Legislation and Actuary.

Suggestions about current studies, compliance risk assessments and activities were periodically shared with the related Board Members and Senior Management at Audit Committee, Ethics and Integrity Committee, Internal Control, Risk Management and Compliance Committee meetings.

FINANCIAL CRIMES INVESTIGATION BOARD (MASAK) COMPLIANCE

The Company’s activities to comply with the obligations related to the prevention of laundering proceeds of crime and the prevention of the financing of terrorism are stated in the Compliance Program. The Program’s requirements including

compliance with regulations, monitoring probable risk exposures, detecting and preventing risks were fulfilled in utmost care also in 2019.

Concerning the mandatory training activities required by MASAK regulations; these were updated where necessary, and the employees' participation was closely monitored. In addition to our employees, training was also provided for our agencies and the personnel of companies that provide us with services.

With the purpose to improve the infrastructure of the system used for monitoring and control activities, there is an ongoing project which is run jointly with the Company's main shareholder T. Garanti Bankası A.Ş. The project continued with updates in policies and procedures to support these activities.

As part of corporate and MASAK compliance efforts, the Compliance Bulletin was periodically published in 2019 to keep the Company employees updated and increase their awareness.

LEGAL AFFAIRS AND SHAREHOLDER RELATIONS

Legal Affairs and Shareholder Relations Unit ensures that the Company's operations and products are structured in compliance with regulations, and follows the changes in regulations and court practices. Additionally, the Unit continues its activities related to: following the judicial and arbitration proceedings where the Company is a party; ensuring compliance with the Law on Protection of Personal Data and the related regulations and the implementation of the systems required by this law; managing relations with official authorities, professional organizations and the Company's shareholders; monitoring the procedures related to the Board of Directors and the General Assembly of Shareholders, and carrying out follow-up work for Ministry approvals and permits for changes in top management and the articles of association.

In 2019, legal counseling was provided within the Company for 4,000 issues.

INTERNAL CONTROL

The internal systems family ensures that the company's activities are carried out in accordance with current regulations and management strategies and policies. The Internal Control department is responsible for establishing an orderly, effective and efficient control environment within the company and coordinating that environment. Within this framework, all activities carried out in 2019 were carried out by central or on-site control method, and internal and external audit reports and actions taken were monitored regularly.

As part of Garanti BBVA Group internal control structuring compliance activities, a new model was created in 2018 according to the three lines of defense principles to strengthen and improve current processes. This new model was successfully implemented in 2019.

The Corporate Assurance Committee managed by the Internal Control department convened 4 times in 2019. Projects and studies carried out on four issues, which will significantly affect the company's processes and in which we have a compliance obligation, have been regularly monitored under the supervision of the senior management.

Related Board Members and Senior Managers were periodically informed on the results of internal control studies,

improvement suggestions and planned actions at the Audit Committee and the Internal Control, Risk Management and Compliance Committee meetings.

RISK MANAGEMENT

The Board of Directors is responsible for establishing and overseeing the Risk Management structure. The Board also ensures the effectiveness of the Company's risk management system through the Risk Management function. Risk management activities are directed and managed by the Company's General Manager in accordance with legal regulations. Risk management efforts are conducted in accordance with the Company's Corporate Risk Management Policy, which are approved by the Board of Directors. In addition to this policy, policies and procedures that are complementary to the risk management framework have been created. The Company's risk management strategy, policies and practices are reviewed considering the changes in regulations and the Company's operations.

The Company's risk management strategy, policies and practices are reviewed considering the changes in regulations and the Company's evolving activities. These policies and systems are periodically reviewed in a way that reflects changes in market conditions as well as product and service offerings. The Company is developing a disciplined and constructive supervision framework with relevant training and management standards and procedures so that all employees understand their own duties and responsibilities.

The Risk Management Department identifies, measures, monitors, and reports all risks that the Company is exposed to. Measurement and monitoring activities are carried out according to international standards, while at the same time complying with legal regulations. The Risk Management department contributes to the activities of the Insurance and Pension Risk Acceptance Committee, by assessing the risks that may arise out of new businesses, products and services.

The Board of Directors is the final authority in risk management, with respect to maintaining effective risk management operations, and creation and implementation of risk management policies. Activities carried out under the Risk Management scope are presented regularly to the Audit Committee and Early Detection of Risk Committee. It is ensured that Risk Management staff take part in the activities of the Company to be able to identify risks at early stages, and to create awareness for these risks. With this purpose, Risk Management staff participate in the committees of the Company where financial and actuarial activities are evaluated, such as the Investment Committee, New Business, Insurance and Pension Risk Acceptance Committee, and the Technical Risk Committee.

The Company collaborates with Garanti BBVA Risk Management and the Global Risk Management Department of BBVA, in order to align its Risk Management efforts with the Group standards and international practices.

Reputation Risk Management

The Company sees reputation as a high value asset, and manages it accordingly. In this framework, the Company refrains from all kinds of operations and businesses that may cause a reputation risk from the perspective of the customers, governmental authorities, regulators and stakeholders.

The rules for managing reputation risk are documented in the Reputation Risk Policy, which is approved by the Board of Directors. Reputation risk is managed according to a set of principles, and the policy document includes the duties and responsibilities of all parties involved in reputation risk management.

Major components of reputation risk management are; training employees, increasing awareness of employees, approaching issues in a customer centric and solution oriented way, monitoring social media platforms and media closely, and compliance with the laws, organizational standards and principles of ethics and integrity.

Operational Risk Management

Operational risk of the Company is managed under the supervision of the Board of Directors and the Audit Committee, in a framework comprised of definition, assessment, monitoring, controlling and mitigating risk. Operational risk is defined as the risk of loss as the result of a failure, violation or disruption caused by internal processes, employees, systems or external events. Operational risk management is structured as a three lines of defense model. The first line of defense is the management of operational risk inherent in products, operations, processes and systems by business and support units. The second line of defense is comprised of the functions of internal control, risk management and compliance.

Within the scope of the second line of defense, Risk Management carries out the following operational risk activities:

1. Operational Risk Loss Data
2. Key Risk Indicators
3. Risk and Control Self-Assessment
4. Business Continuity Management

Events that cause operational risk loss are collected from every department, grouped based on Basel II categories of the cause and effect types of the risks, and then analyzed by creating an internal loss database. Periodic changes in critical operations and transactions as well as the underlying reasons are examined through monitoring and analysis of Key Risk Indicators, and these are reported to the senior management.

Risk and Control Self-Assessment enables the monitoring of the operational risks according to the risk matrix formed by the categorization of the processes and functions that are considered risky by business units. This categorization is made according to risks, probabilities and effects. Risk and Control Self-Assessment also ensures that controls necessary to minimize these risks are implemented.

The Company’s emergency and business continuity management is also carried out by the Risk Management Department. The “Business Continuity Management (BCM)” plan has been approved by the Board of Directors. Apart from efforts to keep the current plan updated, periodic tests and drills are carried out with the relevant teams to make sure those critical processes, back-up systems, and alternative working areas are ready to be utilized when necessary. All scenarios, teams and training programs related to Business Continuity Management have been completed, documented and shared with employees.

Inspection Board, which is the third line of defense, conducts an independent review of the framework and the activities related to operational risk.

Financial Risk Management

The Company is exposed to the following risks as a result of the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
 - Exchange rate risk
 - Interest rate risk
 - Spread risk

Credit Risk

Credit risk is defined as the risk that arises from the possibility that counterparties might not be able to fulfill their obligations in accordance with the terms of contract that have been mutually agreed upon. Major balance sheet items where the Company is exposed to credit risk include the following:

- Banks
- Other cash and cash equivalent assets (cash accounts excluded)
- Financial assets held for trading
- Financial investments owned by risk-based life insurance policyholders
- Premium receivables from the insured
- Receivables from agencies
- Pension mutual funds related to private pension operations, and receivables from participants
- Receivables from reinsurers related to commissions and paid-up claims
- Reinsurance shares from insurance liabilities
- Receivables from the parties concerned
- Other receivables
- Prepaid taxes and funds

There are certain limits in place to reduce risk for Credit Risk management, some of them being imposed by regulations, and some of them being imposed by the Company’s asset investment policy, with respect to the bank or the issuer.

Derivative transactions involve counterparty credit risk, because of the probability of the counterparty not being able to settle the transaction. Limits are in place to manage such risks.

The most common method used in insurance risk management is to execute a reinsurance agreement. However, transferring insurance risk via a reinsurance agreement does not relieve the Company, as the first underwriter, of its obligations. If a reinsurer does not fulfill a claim, the Company’s obligation to the policyholder continues. The Company considers the reinsurer’s creditworthiness by examining the financial status of the company in question before entering into the annual agreement.

The Company cancels insurance premiums when they become overdue or are outstanding for a specified period of time. It then deducts the relevant amount from the written premiums and from premium receivables.

Liquidity Risk

This is the risk of the Company having difficulty in fulfilling its monetary obligations and/or delaying such obligations, because of insufficient cash or insufficient cash inflow to meet cash outflows fully and timely, as the result of the fluctuations in cash flow. Liquidity risk also exists in the case of having difficulties in liquidating assets at any time. This risk creates a negative impact on the sale price of assets.

As a method of protection against liquidity risk, maturity match is maintained between assets and liabilities; liquid assets are kept ready for complete fulfillment of potential liquidity requirements if necessary. Liquidity management aims to prevent the irregularities in cash inflows/outflows, and maturity mismatches. Based on crisis scenarios, liquidity risk stress analyses are run regularly.

Market Risk

This is the risk of the probable loss in the value of investments, due to the fluctuations in market risk factors such as interest rate, exchange rates and spread. Market risk can affect the Company’s income, or the value of the financial instruments in the Company’s portfolio. Market risk management is intended to optimize risk profitability and control the market risk amount within acceptable parameters.

Considering the Company’s activities, market risk emerges mainly as the structural interest rate risk. To manage this risk, economic capital is calculated regularly, to keep it within the limits. Considering the asset structure of the Company, the risk is limited.

Exchange Rate Risk

The Company is exposed to currency risk due to the foreign currency-denominated insurance operations it conducts.

Foreign exchange gains and losses from foreign currency transactions were entered in the accounting records for the corresponding periods. At the end of each period, balances of foreign currency asset and liability accounts were converted into Turkish lira at the exchange rates prevailing at that time. The resulting foreign exchange differences were reflected in the records as gains or losses from foreign exchange transactions.

Foreign currency-denominated transactions were recognized on the basis of exchange rates prevailing on the date of transaction. As of the balance sheet date, foreign currency-denominated asset and liability items were converted based on the foreign exchange buying rate of the Central Bank of Turkey (CBT), effective on December 31, 2019. Only life insurance mathematical reserves and loans were translated based on the effective selling rates of CBT as stated in the policy guidelines.

Interest Rate Risk

The securities trading portfolio may be subject to risk, because of the fluctuations in market prices of the relevant securities caused by interest rate changes. The major risk for the non-trading securities portfolio is the loss from fluctuations in future cash flows and the loss stemming from a drop in the fair market value of financial assets as a result of changes in market interest rates.

Interest Rate Sensitivity of Financial Instruments

Interest rate sensitivity on the income statement is the effect of the change in interest rates, under the criteria assumed below,

on the fair market value of the financial assets. The difference in fair market value as of December 31, 2019, is reflected in the profit or loss, and the effect on net interest income from the non-trading financial assets and liabilities with a variable interest rate. Interest rate sensitivity on shareholders’ equity is calculated on the basis of the variation in the market value of the financial assets which are available for sale in the portfolio as of December 31, 2019, as a result of the presumed variations in interest rates. During this analysis, other variables, particularly foreign exchange rates, are assumed to be fixed.

Fair Market Value Representation

The estimated market value of financial instruments is determined by using available market data and appropriate valuation methods, if applicable. The Company has classified its securities into trading financial assets or financial assets available for sale, and represented the related financial assets with their exchange prices prevailing at the end of the term.

The Company’s management estimates that the fair value of other financial assets and liabilities does not differ much from their quoted prices.

Underwriting Risk

This is the risk of loss that may be incurred because of a deviation of the actual insurance claims from the estimated values with respect to quantity, amount and time. Therefore, premiums should be specified adequately, so as to cover unexpected claims. Underwriting risk is measured regularly, by calculating the economic capital. Another indicator used by the Company to monitor the ability of generated premiums to cover the claims is the risk deducted technical margin. When calculating this indicator, claims paid and the cost of carrying economic capital are deducted from earned premiums. The risk deducted technical margin value is checked against predefined alert levels.

Capital Management

The principal capital management policies of the Company are as follows:

- Complying with the capital adequacy requirements as stipulated by the Undersecretariat of Treasury,
- Ensuring the Company’s continuity and securing sustained gains for shareholders and stakeholders, and
- Securing a sufficient level of return for shareholders by setting insurance policy prices proportionate to the insurance risk assumed.

ASSESSMENT OF INSURANCE RISK AND MANAGEMENT BODY

Insurance Pricing Policies

Garanti BBVA Pension and Life adopts the following pricing principles and policies:

- When setting risk premiums, the expected claim amount is taken into consideration and premium limits are determined accordingly.
- The relevant departments of the Company continuously monitor changing competitive conditions and customer needs. The Company uses the regular data flow from these departments and the interdepartmental collaboration in pricing, which is a part of the product development process.
- The Company aims to establish pricing policies that ensure product profitability and service continuity.
- The Company compares the prices it sets with those of its domestic competitors, as well as those of foreign counterparts. In

- collaboration with reinsurance companies, Garanti BBVA Pension and Life undertakes efforts to develop new products that include additional coverage that policyholders might need during their lifetime.
- Taking high profitability into consideration in product pricing practices is important in terms of safeguarding the Company’s future. Therefore, while developing new products, the Company aims to sign agreements that stipulate transferring risks to reinsurers to a large extent, but at the same time provide high profit sharing.

Risk Assessment Policies

The Company uses the same risk assessment tool that is used by the leading reinsurer. Through this effort, the Company realizes new gains from the risk-assessment framework of treaty reinsurers every year. These gains not only facilitate operational transactions but also positively contribute to the Company in terms of cost. Check-up limits are reviewed and revised each year based on prior statistics. In addition, there are three other assessments. A “Medical” risk assessment is carried out by the Company physician. A “Moral” assessment is made by risk-assessment personnel and sales teams. Finally, a “Financial“ risk assessment is conducted for both the loan life insurance required by bank loans and individual applications, even though these applications are received in small numbers.

As the first step in risk assessment, the medical risk evaluation aims to collect information on customers’ health status and requires that customers undergo check-ups under conditions defined based on the amount of life insurance coverage. The first assessment is made by the Company physician through a medical evaluation. The results are reviewed and procedures are applied according to the results mutually agreed upon with the reinsurers, and applications that present a medical risk are rejected.

Under the moral risk assessment, information is collected from the customers concerning gender, living conditions, place of residence, occupation, and the like. As part of this process, support from sales teams is requested on issues that appear to be suspicious and dubious cases are referred for further review.

Under the financial risk assessment, which constitutes the third step, a study is conducted to fulfill the requirement of compatibility between the amount of life insurance coverage requested by the customers and their annual income and/or loan amount. Majority amounts of coverage provided are matched to the Bank’s risk because 90% of the Company’s portfolio is made up of risk originating from the Bank’s products. The fact that the initial financial analysis is performed by the Bank for loan insurance products and the Bank extends the loan in the first place facilitates the finalization of an analysis essential to the Company.

Reinsurance Policy

At Garanti BBVA Pension and Life, reinsurance processes are performed only on risk benefits (death and additional coverage) of life insurance policies. Due to the high underwriting profitability of risk-based life insurance plans, each year an amount equivalent to the maximum retention level, as set based upon actuarial estimates, is kept with the Company. The excess amount is transferred under surplus reinsurance treaties. Nevertheless, attention is paid to keep the retention level at more limited ratios and amounts over those risk benefits (for example, life-threatening illnesses coverage and the like) that pose greater uncertainty for the Company. For life-threatening illnesses and unemployment coverage, the Company operates under quota-share reinsurance treaties. Additionally, to conserve retention after extensive natural disasters such as earthquakes,

floods, traffic accidents involving mass transportation vehicles or terrorist attacks, each year an excess of loss reinsurance agreements are signed to secure catastrophic claims in a way most suitable for the portfolio.

The major service providers in the Company’s supply chain are the reinsurers who offer reinsurance for the Company in life insurance and additional risk coverage. The following factors are decisive in the Company’s business relationships with reinsurers:

Performance concerning the procured service is evaluated on a yearly basis for treaties. The evaluation is performed by checking whether the share of the reinsurer in insurance claims and balances remaining after reinsurance transactions in the Company’s favor have been paid promptly and in full. Additionally, the capacity extended to the Company in optional businesses, speed in operational reinsurance transactions, and the technical knowledge and market information conveyed to the Company are also taken into consideration as evaluation criteria. In cases of unsatisfactory performance in these criteria, alternative reinsurers are considered for buying service.

As a result of the stable and consistent pricing and risk acceptance policies implemented, the risk assessment terms and procedures agreed upon with treaty reinsurance companies enable automatic insurance coverage of a much greater amount than market averages.

The leading reinsurer for life insurance products is Münchener Rückversicherungs AG (Munich RE), which is based in Munich. Based on their shares in the reinsurance agreements, the French reinsurance company SCOR Global Life occupies second place. The next reinsurance company is the Reinsurance Group of America (RGA), whose headquarters are in the U.S. For life insurance products with unemployment coverage, the Company collaborates with Istanbul-based Cardif Hayat Sigorta A.Ş., a BNP Paribas subsidiary. Additionally, the Company collaborates with; Axa France company for some of the products involving treatment support and dangerous diseases, and Arch Re Accident and Health based in Copenhagen for agreements involving catastrophic excess damages in cases of cumulative damages occurring in natural disasters, in addition to existing life insurance reinsurers.

7. SUBSEQUENT EVENTS

There have not been any material events, which might affect the rights of shareholders, creditors or other individuals and companies after the reporting period.

This report was prepared in compliance with the provisions of the “Regulation on Determination of Minimum Content of Companies’ Annual Reports,” issued by the Ministry of Customs and Trade and published in the Official Gazette Issue: 28395, dated August 28, 2012; the report is approved and signed by the Company’s Board Members whose names appear below.

Recep Baştuğ
*Chairman of the Board
of Directors*

Didem Dinçer Başer
Board Member

Burak Ali Göçer
Board Member

GARANTI PENSION AND LIFE INC.
01.01.2019 - 31.12.2019
BELONGS TO THE PERIOD
BOARD OF DIRECTORS COMMITMENT REPORT

Report Date: 29.01.2020

It is the report issued by the Garanti Pension and Life Inc. Board of Directors in accordance with the first paragraph of Article 199 of the Turkish Commercial Code No. 6102 regarding the relations with the dominant and affiliated companies:

a. The Legal Transactions of the Garanti Pension and Life Inc. with Dominant Company, the Company Affiliated with the Dominant Company, with the Direction of the Dominant Company, and All Other Measures Taken or Avoided for the Benefit of the Dominant Company or a Subordinate Company in the Past Activity Year:

Transactions carried out with the dominant and affiliated companies within the group of companies are ordinary commercial activities, and there is no transaction made or avoided for the benefit of the dominant company or one of its affiliates or in that framework there are no measure taken or avoided within direction of the dominant company.

b. Garanti Pension and Life Inc. when the Legal Action is Taken or the Precaution Taken or Avoided According to the Situations and Conditions Known to Them, Whether An Appropriate Action Is Provided In Each Legal Transaction and Whether the Measure Taken or Avoided Will Cause Company Loss, If the Company Has Been Damaged, Whether This Is Equalized or Not:

Within this framework, commercial relations were made with the Dominant Company and the Affiliated Companies within the scope of Private Pension and Life Insurance. Apart from this, Garanti Pension and Life Inc. obtained some of the necessary goods and services (for leasing, local expense sharing and similar expenditure items) from the Dominant Company and the Affiliated Companies in order to continue its commercial activities. As a result of these transactions, there was no negative legal process and no action was taken. As a result; Due to these transactions, an appropriate acquisition has been achieved. No loss occurred due to reasons such as taking or avoiding measure.

Recep Baştuğ
Chairman of the Board

Didem Dinçer Başer
Board Member

Burak Ali Göçer
Board Member

THE STUDY OF CORPORATE GOVERNANCE
COMPLIANCE PRINCIPLES

Corporate Governance Compliance Rating studies have been conducted by our Company along with Kobirate International Credit Rating and Corporate Governance Services Inc. The corporate governance compliance rating of our company is concluded with an examination of 350 criteria defined in the rating methodology prepared for Non-BIST companies.

	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018	2018 - 2019	2019 - 2020
Shareholders	89.33	89.56	93.26	94.10	97.20	97.20
Public Disclosure and Transparency	94.69	96.01	96.01	97.34	97.34	97.34
Stakeholders	92.93	92.93	94.95	94.95	94.95	95.45
Board of Directors	87.89	89.95	94.06	94.06	95.13	95.89
Corporate Governance Compliance Rating	9.07	9.18	9.45	9.50	9.62	9.65

The rating study has been carried out under the headings of Shareholders, Public Disclosure and Transparency, Stakeholders, and Board of Directors, and the Corporate Governance Compliance Rating of Garanti Emeklilik ve Hayat A.Ş. has been set at **9.62** which is valid between the dates of 27.12.2019 and 27.12.2020.

This result implies that Garanti BBVA Pension and Life Inc. has achieved considerable harmonization with the Corporate Governance Principles published by the Capital Markets Board and the circular of corporate governance principles in insurance companies of the Undersecretariat of Treasury. Our company's internal control systems are established and working, all risks that may arise for our company are determined and actively controlled, shareholders' rights are fairly observed, public disclosure and transparency activities are of the highest order. The rights of stakeholders are fairly observed, and the structure and working conditions of the board are found to be in full compliance with corporate governance principles.

Our company received the first prize in 2019, as it did in 2018. The leading financial and industrial organizations of our country participate in the award organization where corporate governance rating scores of companies, which are included or not included in the Borsa Istanbul Corporate Governance Index, and the score of non-governmental organizations are evaluated.

THE SHAREHOLDING STRUCTURE OF THE MAIN PARTNER GARANTI BANK A.Ş.

SHAREHOLDER	SHARE AMOUNT	SHARE (%)
BBVA (Banco Bilbao Vizcaya Argentaria, S.A.)	2,093,700,000.00	49.85
Other Shareholders	2,106,300,000.00	50.15
Grand Total	4,200,000,000.00	100

Information regarding the Board of Directors and the committees established within the Board is as follows.

COMPANY BOARD OF DIRECTORS

NAME/ SURNAME	TITLE	EXECUTIVE / NON-EXECUTIVE
Recep BAŞTUĞ	Chairman of the Board of Directors	Non-Executive
Didem Dinçer BAŞER	Vice Chairperson of the Board of Directors	Non-Executive
Maria de la Paloma Piqueras HERNANDEZ	Board Member	Non-Executive
Javier Bernal DIONIS	Board Member	Non-Executive
Johannes Antonius NIJSSEN	Board Member	Non-Executive
Dr. M. Cüneyt SEZGİN	Board Member	Non-Executive
Cemal ONARAN	Board Member	Non-Executive
Mahmut AKTEN	Board Member	Non-Executive
Burak Ali GÖÇER	Board Member and General Manager	Executive

BOARD COMMITTEES

CORPORATE GOVERNANCE COMMITTEE

NAME/ SURNAME	TITLE	EXECUTIVE / NON-EXECUTIVE
Dr. M. Cüneyt SEZGİN	Member	Non-Executive
Cemal ONARAN	Member	Non-Executive

AUDIT COMMITTEE

NAME/ SURNAME	TITLE	EXECUTIVE / NON-EXECUTIVE
Dr. M. Cüneyt SEZGİN	Member	Non-Executive
Cemal ONARAN	Member	Non-Executive

REMUNERATION COMMITTEE

NAME/ SURNAME	TITLE	EXECUTIVE / NON-EXECUTIVE
Recep BAŞTUĞ	Member	Non-Executive
Didem Dinçer BAŞER	Member	Non-Executive

EARLY DETECTION OF RISK COMMITTEE

NAME/ SURNAME	TITLE	EXECUTIVE / NON-EXECUTIVE
Dr. M. Cüneyt SEZGİN	Member	Non-Executive
Cemal ONARAN	Member	Non-Executive

SUMMARY OF FIVE-YEAR
FINANCIAL INFORMATION

FINANCIAL INDICATORS	2015		2016		2017		2018		2019	
	(TL Thousand)	(USD Thousand)	(TL Thousand)	(USD Thousand)	(TL Thousand)	(USD Thousand)	(TL Thousand)	(USD Thousand)	(TL Thousand)	(USD Thousand)
PPS Fund Size	7,580,285	2,607,059	9,523,446	2,706,139	11,950,399	3,168,270	13,309,050	2,529,805	17,793,619	2,995,458
Technical Provisions	263,023	90,461	321,451	91,342	409,379	108,534	467,622	88,886	668,605	112,556
Paid-in Capital	53,084	18,257	53,084	15,084	53,084	14,074	53,084	10,090	53,084	8,936
Shareholders' Equity	1,067,885	367,274	1,313,413	373,214	1,633,866	433,168	886,905	168,584	1,344,834	226,395
Total Assets	9,075,123	3,121,173	11,387,747	3,235,891	14,255,341	3,779,353	14,912,288	2,834,551	20,099,594	3,383,656
Generated Premium in Life Branch (net)	284,342	97,793	363,010	103,151	449,763	119,240	444,878	84,563	774,296	130,348
Technical Revenue Expense Balance	168,244	57,864	206,903	58,793	278,542	73,847	337,218	64,099	418,686	70,483
Non-technical Revenue	72,338	24,879	101,120	28,734	128,586	34,091	248,938	47,319	169,159	28,477
Pre-tax Profit/Loss	240,583	82,743	308,022	87,526	407,128	107,937	586,156	111,417	587,845	98,960
Net Profit	190,908	65,658	245,773	69,838	320,655	85,012	453,557	86,213	454,553	76,521
Average Return on Assets	2.34%	2.34%	2.39%	2.39%	2.50%	2.50%	%3.04	%3.04	2.65%	2.65%
Average Return on Equity	19.6%	19.6%	20.66%	20.66%	21.80%	21.80%	%40.13	%40.13	40.83%	40.83%

EXCHANGE RATES	(MBDA)	
31.12.2015	USD 1	TL 2.9076
31.12.2016	USD 1	TL 3.5192
31.12.2017	USD 1	TL 3.7719
31.12.2018	USD 1	TL 5.2609
31.12.2019	USD 1	TL 5.9402

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Financial Statements as at and for the year
ended 31 December 2019 with Independent
Auditors' Report Thereon

(Convenience Translation of Financial Statements
and Related Disclosures and Footnotes Originally
Issued in Turkish)



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INDEPENDENT AUDITOR’S REPORT

To the Shareholders of Garanti Emeklilik Anonim Şirketi

A) AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the accompanying balance sheet of Garanti Emeklilik Anonim Şirketi (“the Company”) as at 31 December 2019 and the related statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year ended in accordance with the accounting principles and standards in force as per the insurance legislation and that are not regulated by them for “Insurance Accounting and Financial Reporting Legislation” including Turkish Financial Reporting Standards (“TFRS”).

BASIS FOR OPINION

We conducted our audit in accordance with the accounting principles and standards in force as per the insurance legislation and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) (“Standards on Auditing issued by POA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants “IESBA Code” together with the ethical requirements that are relevant to our audit of the financial statements in Turkey and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

ESTIMATIONS AND ASSUMPTIONS USED IN CALCULATION OF INSURANCE TECHNICAL RESERVES

Refer to Note 2.26, 2.27 and 17 to the financial statements for details of accounting policies and significant accounting estimates and assumptions used in calculation of insurance technical reserve.



KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p>As of 31 December 2019, the Company's total technical reserves amounting to TL 668.605.213 and constitute 29 percent of total liabilities without pension funds. The company provides provisions for outstanding claims amounting to TL, net 59.092.215 and life mathematical reserves amounting to TL, net 486.460.000.</p> <p>There are also incurred but not reported provisions (“IBNR”) amounting to TL, net 5.387.319 in the provision for outstanding claims for possible future claims. The Management used actuarial assumptions and estimations for calculating the outstanding claims reserve with the involvement of registered actuary of Company.</p> <p>Due to the nature of the technical reserves calculations which has uncertainty estimations and management judgments, this matter is determined to be a key audit matter.</p>	<p>Our auditing procedures for the matter are given –as below:</p> <p>We evaluated the assumptions and estimations of the company’s outstanding claims provision calculations with the involvement of actuarial specialists.</p> <p>In this context, we evaluated the actual outstanding claims internal controls and effectiveness of the process with the involvement of our IT specialists. We chose samples and tested by obtaining supporting documents of the actual outstanding claims. We controlled the lawsuit files of the outstanding claims by obtaining letter of confirmation from company lawyer.</p> <p>We controlled the mathematical accuracy of the calculations and average file and opening amounts which are determined by company actuarial specialists. We evaluated the mathematical accuracy of technical reserves for each product.</p> <p>We recalculated the technical reserves and controlled the analyzes accuracy of the past experience of the company and legislation.</p> <p>Additionally, we evaluated the adequacy of financial statement disclosures relating to the technical reserves.</p>



RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles and standards, in force as per the insurance legislation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting processes.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the accounting principles and standards, in force as per the insurance legislation and standards on auditing issued by the CMB and Standards on Auditing issued by POA. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the accounting principles and standards, in force as per the insurance legislation and the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such



disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) OTHER LEGAL AND REGULATORY REQUIREMENTS

- 1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC"); no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2019, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member of KPMG International Cooperative

Alper Güvenç
Partner
29 January 2020
Istanbul, Turkey

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ
THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

We assure you that our financial report and the related disclosures and notes prepared in accordance with the requirements set out by Republic of Turkey Prime Ministry Undersecretariat of the Treasury are in compliance with the provisions of the Decree on “Financial Reporting of Insurance and Reinsurance Companies and Pension Funds” and our Company's accounting records.

İstanbul, 29 January 2020

Burak Ali GÖÇER
General Manager

Ahmet KARAMAN
Executive Vice President

Gürel Çağlar TÜRKMEN
Financial Affairs Unit Manager

Halil KOLBAŞI
Actuary

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ
Balance Sheet As at 31 December 2019
(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements Balance Sheet
As at 31 December 2019 and Related Disclosures and Footnotes
(Currency: Turkish Lira (TL)) Originally Issued in Turkish, See Note 2.1.1

ASSETS	NOTE	AUDITED	
		CURRENT PERIOD 31 DECEMBER 2019	PRIOR PERIOD 31 DECEMBER 2018
I- CURRENT ASSETS			
A- Cash and Cash Equivalents	14	1.950.837.097	1.449.294.559
1- Cash			
2- Cheques Received			
3- Banks	14	1.807.880.747	1.304.896.611
4- Cheques Given and Payment Orders (-)			
5- Bank Guaranteed Credit Card Receivables (Less than 3 months)	14.45	142.956.350	144.397.948
6- Other Cash and Cash Equivalents			
B- Financial Assets and Investments with Risks on Policy Holders	11	172.602.705	25.883.330
1- Financial Assets Available for Sale	11	142.142.136	292.304
2- Financial Assets Held to Maturity			
3- Financial Assets Held for Trading			
4- Loans			
5- Provision for Loans (-)			
6- Investments with Risks on Policy Holders	11	30.460.569	25 591 026
7- Equity Shares			
8- Diminution in Value of Financial Assets (-)			
C- Receivables from Main Operations	12	17.859.159.110	13.348.409.779
1- Receivables from Insurance Operations	12	76.377.224	46.925.596
2- Provision for Receivables from Insurance Operations (-)	12	(55 743)	(63 849)
3- Receivables from Reinsurance Operations			
4- Provision for Receivables from Reinsurance Operations (-)			
5- Cash Deposited for Insurance & Reinsurance Companies			
6- Loans to Policyholders	4 2,2 8,12	265.143	213.636
7- Provision for Loans to Policyholders (-)			
8- Receivables from Private Pension Operations	12,18	17.782.572.486	13.301.334.396
9- Doubtful Receivables from Main Operations			
10- Provisions for Doubtful Receivables from Main Operations (-)			
D- Due from Related Parties	12, 45	172	32.640
1- Due from Shareholders	12, 45		32.640
2- Due from Affiliates			
3- Due from Subsidiaries			
4- Due from Joint Ventures			
5- Due from Personnel	12	172	
6- Due from Other Related Parties			
7- Discount on Receivables Due from Related Parties (-)			
8- Doubtful Receivables Due from Related Parties			
9- Provisions for Doubtful Receivables Due from Related Parties (-)			
E- Other Receivables	12	142.952	132.881
1- Lease Receivables			
2- Unearned Lease Interest Income (-)			
3- Deposits and Guarantees Given	12	129.340	129.340
4- Other Receivables	12	13.612	3.541
5- Discount on Other Receivables (-)			
6- Other Doubtful Receivables			
7- Provisions for Other Doubtful Receivables (-)			
F- Prepaid Expenses and Income Accruals		44.319.600	27.247.824
1- Deferred Acquisition Costs	17	43.218.452	25.005.744
2- Accrued Interest and Rent Income			
3- Income Accruals			
4- Other Prepaid Expenses	12	1.101.148	2.242.080
G- Other Current Assets		1.500	1.500
1- Inventories			
2- Prepaid Taxes and Funds			
3- Deferred Tax Assets			
4- Business Advances		1.500	1.500
5- Advances Given to Personnel			
6- Stock Count Differences			
7- Other Current Assets			
8- Provision for Other Current Assets (-)			
I- Total Current Assets		20.027.063.136	14.851.002.513

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Balance Sheet As at 31 December 2019
(Currency: Turkish Lira (TL))

SECTION IV - Financial Structure and Risk Management

Convenience Translation of FinancialStatements Balance Sheet
As at 31 December 2019 and Related Disclosures and Footnotes
(Currency: Turkish Lira (TL)) Originally Issued in Turkish, See Note 2.1.1

		AUDITED	
		CURRENT PERIOD 31 DECEMBER 2019	PRIOR PERIOD 31 DECEMBER 2018
II- NON CURRENT ASSETS			
NOTE			
A- Receivables from Main Operations		-	-
1- Receivables from Insurance Operations		-	-
2- Provision for Receivables from Insurance Operations		-	-
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited for Insurance & Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Private Pension Operations		-	-
9- Doubtful Receivables from Main Operations		-	-
10-Provision for Doubtful Receivables from Main Operations		-	-
B- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Discount on Receivables Due from Related Parties		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties		-	-
C- Other Receivables	12	4.185	4.185
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income		-	-
3- Guarantees Given	12	4.185	4.185
4- Other Receivables		-	-
5- Discount on Other Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
D- Financial Assets		-	-
1- Investments In Associates		-	-
2- Affiliates		-	-
3- Capital Commitments to Affiliates (-)		-	-
4- Subsidiaries		-	-
5- Capital Commitments to Subsidiaries (-)		-	-
6- Joint Ventures		-	-
7- Capital Commitments to Joint Ventures (-)		-	-
8- Financial Assets and Investments with Risks on Policy Holders		-	-
9- Other Financial Assets		-	-
10- Diminution in Value of Financial Assets (-)		-	-
E- Tangible Assets	6	7.848.094	4.803.833
1- Investment Properties		-	-
2- Diminution in Value for Investment Properties (-)		-	-
3- Owner Occupied Properties		-	-
4- Machinery and Equipment		-	-
5- Furnitures and Fixtures	6	15.261.013	15.070.034
6- Vehicles		-	-
7- Other Tangible Assets (Including Leasehold Improvements)		4.070.441	3.913.681
8- Leased Tangible Assets		9.273.052	1.300.924
9- Accumulated Depreciation (-)		(20.756.412)	(15.480.806)
10- Advances Paid for Tangible Assets (Including Construction In Progress)		-	-
F- Intangible Assets	8	45.803.485	38.391.132
1- Rights		334.371	334.371
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets	8	209.548.914	175.353.835
6- Accumulated Amortization (-)	8	(164.079.800)	(137.297.074)
7- Advances Regarding Intangible Assets		-	-
G- Prepaid Expenses and Income Accruals		-	-
1- Deferred Acquisition Costs		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses		-	-
H- Other Non-current Assets	21	18.875.060	18.086.467
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21	18.875.060	18.086.467
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization		-	-
8- Provision for Other Non-current Assets		-	-
II- Total Non-current Assets		72.530.824	61.285.617
Total Assets		20.099.593.960	14.912.288.130

SECTION IV - Financial Structure and Risk Management

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Balance Sheet As at 31 December 2019
(Currency: Turkish Lira (TL))

Convenience Translation of FinancialStatements Balance Sheet
As at 31 December 2019 and Related Disclosures and Footnotes
(Currency: Turkish Lira (TL)) Originally Issued in Turkish, See Note 2.1.1

LIABILITIES		AUDITED	
		CURRENT PERIOD 31 DECEMBER 2019	PRIOR PERIOD 31 DECEMBER 2018
III-SHORT TERM LIABILITIES	NOTE		
A- Borrowings	20	3.406.005	-
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables	20	4.152.634	-
3- Deferred Finance Lease Borrowing Costs	20	(746.629)	-
4- Current Portion of Long Term Borrowings		-	-
5- Principal, Installments and Interests on Issued Bills (Bonds)		-	-
6- Other Issued Financial Assets		-	-
7- Value Differences on Issued Financial Assets (-)		-	-
8- Other Financial Borrowings (Liabilities)		-	-
B- Payables from Main Operations	19	17.986.854.781	13.488.360.572
1- Payables Due To Insurance Operations	19	37.302.316	23.007.967
2- Payables Due To Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due To Private Pension Operations	18,19	17.949.552.465	13.465.352.605
5- Payables from Other Operations		-	-
6- Discount on Other Payables from Main Operations, Notes Payable (-)		-	-
C- Due to Related Parties		6.695.835	2.735.694
1- Due to Shareholders	45	1.963.035	552.523
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		37.585	13.922
6- Due to Other Related Parties	45	4.695.215	2.169.249
D- Other Payables	19	5.077.873	5.224.541
1- Guarantees and Deposits Received		-	-
2- Payables to Social Security Institution		-	-
3- Other Payables	19	5.077.873	5.224.541
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves	17	174.556.278	133.529.679
1- Unearned Premiums Reserve - Net	17	96.434.192	58.848.500
2- Unexpired Risk Reserves - Net		-	-
3- Life Mathematical Reserves - Net	17	19.029.871	22.713.498
4- Outstanding Claims Reserve - Net	17	59.092.215	51.967.681
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net		-	-
F- Taxes and Other Liabilities and Provisions	19	32.881.697	25.959.401
1- Taxes and Dues Payable		12.774.490	15.560.981
2- Social Security Premiums Payable		1.537.527	1.353.461
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		-	-
5- Corporate Tax Liability Provision on Period Profit	19	133.230.019	132.598.937
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	19	(114.660.339)	(123.553.978)
7- Provisions for Other Taxes and Liabilities		-	-
G- Provisions for Other Risks	23	3.558.265	2.782.917
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs	23	3.558.265	2.782.917
H- Deferred Income and Expense Accruals	19	36.409.398	23.496.510
1- Deferred Commission Income	10,19	6.978.135	4.678.473
2- Expense Accruals	19	29.431.263	18.818.037
3- Other Deferred Income and Expense Accruals		-	-
I- Other Short Term Liabilities		-	-
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities		-	-
III - Total Current Liabilities		18.249.440.132	13.682.089.314

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Balance Sheet As at 31 December 2019
(Currency: Turkish Lira (TL))

SECTION IV - Financial Structure and Risk Management

Convenience Translation of FinancialStatements Balance Sheet
As at 31 December 2019 and Related Disclosures and Footnotes
(Currency: Turkish Lira (TL)) Originally Issued in Turkish, See Note 2.1.1

	NOTE	AUDITED	
		CURRENT PERIOD 31 DECEMBER 2019	PRIOR PERIOD 31 DECEMBER 2018
IV- LONG TERM LIABILITIES			
A- Borrowings	20	1.942.900	-
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables	20	2.359.754	-
3- Deferred Finance Lease Borrowing Costs	20	(416.854)	-
4- Bonds Issued		-	-
5- Other Issued Financial Assets		-	-
6- Value Differences on Issued Financial Assets (-)		-	-
7- Other Financial Borrowings (Liabilities)		-	-
B- Payables from Main Operations		-	-
1- Payables Due To Insurance Operations		-	-
2- Payables Due To Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due To Private Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Discount on Other Payables from Main Operations		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		-	-
1- Guarantees and Deposits Received		-	-
2- Payables to Social Security Institution		-	-
3- Other Payables		-	-
4- Discount on Other Payables		-	-
E- Insurance Technical Reserves	17	494.048.935	334.092.031
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Life Mathematical Reserves - Net	17	467.430.129	312.389.604
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
7- Other Technical Reserves - Net	17	26.618.806	21.702.427
F- Other Liabilities and Provisions	23	1.772.202	1.494.390
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals	23	1.772.202	1.494.390
G- Provisions for Other Risks	23	7.555.436	7.707.639
1- Provision for Employment Termination Benefits	23	7.555.436	7.707.639
2- Provisions for Pension Fund Deficits		-	-
H- Deferred Income and Expense Accruals		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
I- Other Long Term Liabilities		-	-
1- Deferred Tax Liability		-	-
2- Other Long Term Liabilities		-	-
IV- Total Non Current Liabilities		505.319.473	343.294.060

SECTION IV - Financial Structure and Risk Management

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Balance Sheet As at 31 December 2019
(Currency: Turkish Lira (TL))

Convenience Translation of FinancialStatements Balance Sheet
As at 31 December 2019 and Related Disclosures and Footnotes
(Currency: Turkish Lira (TL)) Originally Issued in Turkish, See Note 2.1.1

	NOTE	SHAREHOLDERS' EQUITY	
		AUDITED	
V- SHAREHOLDERS' EQUITY		CURRENT PERIOD 31 DECEMBER 2019	PRIOR PERIOD 31 DECEMBER 2018
A- Paid in Capital		53.084.445	53.084.445
1- (Nominal) Capital	2,13,15	50.000.000	50.000.000
2- Unpaid Capital (-)		-	-
3- Positive Inflation Adjustment on Capital		3.084.445	3.084.445
4- Negative Inflation Adjustment on Capital (-)		-	-
5- Capital to Be Registered		-	-
B- Capital Reserves		-	-
1- Equity Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale to be Transferred to Capital		-	-
4- Translation Reserves		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves		837.196.475	380.263.519
1- Legal Reserves	15	25.000.000	25.000.000
2- Statutory Reserves		-	-
3- Extraordinary Reserves	15	809.399.185	355.842.393
4- Special Funds (Reserves)		-	-
5- Valuation of Financial Assets	11,15	2.731.075	376.092
6- Other Profit Reserves		66.215	(954.966)
D- Previous Years' Profits		-	-
1- Previous Years' Profits		-	-
E- Previous Years' Losses (-)		-	-
1- Previous Years' Losses		-	-
F- Net Profit of the Period		454.553.435	453.556.792
1- Net Profit of the Period		454.553.435	453.556.792
2- Net Loss of the Period		-	-
3- Nondistributed Net Profit of the Period		-	-
Total Shareholders' Equity		1.344.834.355	886.904.756
Total Liabilities and Shareholders' Equity		20.099.593.960	14.912.288.130

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Income Statement For The Year Ended 31 December 2019
(Currency: Turkish Lira (TL))

SECTION IV - Financial Structure and Risk Management

Convenience Translation of FinancialStatements Balance Sheet
As at 31 December 2019 and Related Disclosures and Footnotes
(Currency: Turkish Lira (TL)) Originally Issued in Turkish, See Note 2.1.1

I-TECHNICAL PART	NOTE	AUDITED	
		CURRENT PERIOD 31 DECEMBER 2019	PRIOR PERIOD 31 DECEMBER 2018
A- Non-Life Technical Income	5	988	1.635
1- Earned Premiums (Net of Reinsurer Share)	17	988	1.635
1.1 - Premiums (Net of Reinsurer Share)	17	2.314	273
1.1.1 - Gross Premiums	17	2.314	273
1.1.2 - Ceded Premiums to Reinsurers		-	-
1.1.3- Premiums Transferred to SSI(-)		-	-
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward)	17	(1.326)	1.362
1.2.1 - Unearned Premiums Reserve	17	(1.326)	1.362
1.2.2 - Reinsurance Share of Unearned Premiums Reserve		-	-
1.2.3- SSI Share of Gross Unearned Premiums Reserve (Net of Reserves Carried Forward)(+/-)		-	-
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)		-	-
1.3.1 - Unexpired Risks Reserve		-	-
1.3.2 - Reinsurance Share of Unexpired Risks Reserve		-	-
2- Investment Income Transferred from Non-Technical Part		-	-
3- Other Technical Income (Net of Reinsurer Share)		-	-
3.1 - Gross Other Technical Income		-	-
3.2 - Reinsurance Share of Other Technical Income		-	-
4. Accrued Subrogation and Sovtage Income (+)		-	-
B- Non-Life Technical Expense (-)	5	(7.923)	(2.822)
1- Total Claims (Net of Reinsurer Share)		-	-
1.1- Claims Paid (Net of Reinsurer Share)		-	-
1.1.1 - Gross Claims Paid		-	-
1.1.2 - Reinsurance Share of Claims Paid		-	-
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward)		-	-
1.2.1 - Outstanding Claims Reserve			(5.000)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve			5.000
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward)		-	-
2.1 - Bonus and Discount Reserve		-	-
2.2 - Reinsurance Share of Bonus and Discount Reserve		-	-
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
4- Operating Expenses (-)	32	(7.923)	(2.822)
5- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
5.1- Mathematical Reserves		-	-
5.2- Reinsurance Share in Mathematical Reserves (+)		-	-
6- Other Technical Expenses (-)		-	-
6.1- Gross Other Technical Expenses(-)		-	-
6.2- Reinsurance Share in Gross Other Technical Expenses (+)		-	-
C- Non Life Technical Net Profit (A-B)	5	(6.935)	(1.187)

SECTION IV - Financial Structure and Risk Management

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Income Statement For The Year Ended 31 December 2019
(Currency: Turkish Lira (TL))

Convenience Translation of FinancialStatements Balance Sheet
As at 31 December 2019 and Related Disclosures and Footnotes
(Currency: Turkish Lira (TL)) Originally Issued in Turkish, See Note 2.1.1

I-TECHNICAL PART	NOTE	AUDITED	
		CURRENT PERIOD 31 DECEMBER 2019	PRIOR PERIOD 31 DECEMBER 2018
D- Life Technical Income	5	828.714.764	523.406.904
1- Earned Premiums (Net of Reinsurer Share)	17	736.711.393	456.633.613
1.1 - Premiums (Net of Reinsurer Share)	17	774.295.759	444.877.607
1.1.1 - Gross Premiums (+)	17	837.529.664	483.656.893
1.1.2 - Ceded Premiums to Reinsurers (-)	10, 17	(63.233.905)	(38.779.286)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	17	(37.584.366)	11.756.006
1.2.1 - Unearned Premiums Reserve (-)	17	(52.622.702)	17.595.077
1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+)	10,17	15.038.336	(5.839.071)
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		-	-
1.3.1 - Unexpired Risks Reserve (-)		-	-
1.3.2 - Reinsurance Share of Unexpired Risks Reserve (+)		-	-
2- Life Branch Investment Income		91.986.614	66.762.288
3- Accrued (Unrealized) Income from Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)		16.757	11.003
4.1- Gross Other Technical Income (+/-)		16.757	11.003
4.2- Reinsurance Share in Gross Other Technical Income (+)		-	-
5- Accrued Subrogation Income (+)		-	-
E- Life Technical Expense	5	(550.762.229)	(313.053.142)
1- Total Claims (Net of Reinsurer Share)	17	(189.414.110)	(112.264.668)
1.1- Claims Paid (Net of Reinsurer Share)	17	(182.289.576)	(96.561.971)
1.1.1- Gross Claims Paid (-)	17	(201.969.778)	(114.017.130)
1.1.2- Reinsurance Share of Claims Paid (+)	10, 17	19.680.202	17.455.159
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17	(7.124.534)	(15.702.697)
1.2.1- Outstanding Claims Reserve (-)	17	(12.048.351)	(18.160.812)
1.2.2- Reinsurance Share of Outstanding Claims Reserve (+)	10, 17	4.923.817	2.458.115
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
2.1- Bonus and Discount Reserve (-)		-	-
2.2- Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3- Changes in Life Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		(150.237.944)	(52.253.796)
3.1- Life Mathematical Reserves		(150.237.944)	(52.253.796)
3.1.1- Actuarial Mathematical Reserve (+/-)		(150.237.944)	(52.253.796)
3.1.2- Profit share reserve (Technical Reserves for Investments with Risks on Policyholders)		-	-
3.2- Reinsurance Share of Life Mathematical Reserves		-	-
4- Changes in Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17	(4.916.379)	(3.420.660)
5- Operating Expenses	32	(206.193.796)	(145.114.018)
6- Investment Expenses		-	-
7- Unrealized Losses from Investments (-)		-	-
8- Investment Income Transferred to Non Technical Divisions (-)		-	-
F- Life Technical Profit/ (Loss) (D - E)	5	277.952.535	210.353.762
G- Private Retirement Technical Income	5,25	335.370.676	301.627.199
1- Fund Management Fee		216.349.252	187.818.896
2- Management Fee Deduction		73.364.456	59.980.518
3- Entrance Fee Income		43.752.268	50.474.871
4- Management Fee In Case of Temporary Suspension		1.904.700	3.330.529
5- Withholding Tax		-	0
6- Increase in Market Value of Capital Commitment Advances		-	22.385
7- Other Technical Income		-	0
H- Private Retirement Technical Expenses	5	(194.630.200)	(174.762.131)
1- Fund Management Expenses (-)		(29.367.641)	(21.406.204)
2- Decrease in Market Value of Capital Commitment Advances (-)		-	(3.502)
3- Operating Expenses (-)	32	(151.412.940)	(131.664.012)
4- Other Technical Expenses (-)		(13.849.619)	(21.688.413)
I- Private Retirement Technical Profit/(Loss) (G - H)	5	140.740.476	126.865.068

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Income Statement For The Year Ended 31 December 2019
(Currency: Turkish Lira (TL))

	NOTE	AUDITED	
		CURRENT PERIOD 31 DECEMBER 2019	PRIOR PERIOD 31 DECEMBER 2018
II-NON-TECHNICAL			
C- Non Life Technical Net Profit (A-B)	5	(6.935)	(1.187)
F- Life Technical Profit/ (Loss) (D – E)		277.952.535	210.353.762
I- Private Pension Technical Profit/(Loss) (G – H)		140.740.476	126.865.068
J- General Technical Net Profit (C+F+I)		418.686.076	337.217.643
K- Investment Income	5	231.946.053	291.081.786
1- Income from Financial Investments		218.968.943	259.679.004
2- Income from Sale of Financial Investments		-	-
3- Valuation of Financial Investments		8.463.856	15.483.919
4- Foreign Exchange Gains		4.513.254	15.918.863
5- Dividend Income from Participations		-	-
6- Income from Affiliated Companies		-	-
7- Income Received from Land and Building		-	-
8- Income from Derivatives		-	-
9- Other Investments		-	-
10- Investment Income transferred from Life Technical Part		-	-
L- Investment Expenses (-)		(49.939.133)	(43.177.497)
1- Investment Management Expenses (Including Interest)	4.2	(1.617.426)	(5.868)
2- Valuation Allowance of Investments		-	-
3- Losses On Sales of Investments		-	-
4- Investment Income Transferred to Life Technical Part		-	-
5- Losses from Derivatives		-	-
6- Foreign Exchange Losses		-	-
7- Depreciation and Amortization Expenses	6, 8	(32.949.516)	(26.283.771)
8- Other Investment Expenses	4.2	(15.372.191)	(16.887.858)
M- Other Income and Expenses (+/-)		(12.847.832)	1.033.797
1- Provisions Account	47	(16.000.539)	(3.809.631)
2- Discount Account		1.821.412	453.449
3- Specialty Insurances Account		-	-
4- Inflation Adjustment Account		-	-
5- Deferred Tax Asset Accounts	21, 35	1.632.634	4.424.479
6- Deferred Tax Liability Accounts		-	-
7- Other Income and Revenues		216.859	148.862
8- Other Expense and Losses		(518.198)	(183.362)
9- Prior Period Income		-	-
10- Prior Period Losses		-	-
N- Net Profit / (Loss)		454.553.435	453.556.792
1- Profit /(Loss) Before Tax		587.845.164	586.155.729
2- Corporate Tax Charge (-)	35	(133.291.729)	(132.598.937)
3- Net Profit /(Loss) for the Period		454.553.435	453.556.792
4- Inflation Adjustment Account		-	-

SECTION IV - Financial Structure and Risk Management

Convenience Translation of FinancialStatements Balance Sheet
As at 31 December 2019 and Related Disclosures and Footnotes
(Currency: Turkish Lira (TL)) Originally Issued in Turkish, See Note 2.1.1

SECTION IV - Financial Structure and Risk Management

Convenience Translation of FinancialStatements Balance Sheet
As at 31 December 2019 and Related Disclosures and Footnotes
(Currency: Turkish Lira (TL)) Originally Issued in Turkish, See Note 2.1.1

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ
Change in Shareholders' Equity For The Year Ended 31 December 2019
(Currency: Turkish Lira (TL))

	NOTE	AUDITED STATEMENT OF CHANGES IN EQUITY - 31 DECEMBER 2018					
		CAPITAL	TREASURY SHARES	VALUATION OF FINANCIAL ASSETS	INFLATION ADJUSTMENT ON SHAREHOLDERS' EQUITY1	LEGAL STATUTORY RESERVES	OTHER RESERVES AND RETAINED EARNINGS
I - Opening Balance of Prior Period (1 January 2018)		50.000.000	-	293.406	3.084.445	- 10.000.000	- 1.249.833.131
A- Capital increase		-	-	-	-	-	-
B- Change in treasury shares		-	-	-	-	-	-
C- Income / (expense) recognized directly in the equity		-	-	-	-	-	-
D- Value increase/(decrease) in financial assets		-	-	82.686	-	-	-
E- Translation reserves		-	-	-	-	-	-
F- Other income / (expenses)		-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-
H- Net profit for the period		-	-	-	-	-	-
I- Dividends distributed		-	-	-	-	-	-
J- Transfer		-	-	-	-	-	-
II - Closing Balance at (31 December 2018) (I+ A+B+C+D+E+F+G+H+I+J)		50.000.000	-	376.092	3.084.445	- 25.000.000	- 354.887.427

	NOTE	AUDITED STATEMENT OF CHANGES IN EQUITY - 31 DECEMBER 2019					
		CAPITAL	TREASURY SHARES	VALUATION OF FINANCIAL ASSETS	INFLATION ADJUSTMENT ON SHAREHOLDERS' EQUITY1	LEGAL STATUTORY RESERVES	OTHER RESERVES AND RETAINED EARNINGS
I - Opening Balance of Prior Period (1 January 2019)		50.000.000	-	376.092	3.084.445	- 25.000.000	- 354.887.427
A- Capital increase		-	-	-	-	-	-
B- Change in treasury shares		-	-	-	-	-	-
C- Income / (expense) recognized directly in the equity		-	-	-	-	-	-
D- Value increase/(decrease) in financial assets		-	-	2.354.983	-	-	-
E- Translation reserves		-	-	-	-	-	-
F- Other income / (expenses)		-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-
H- Net profit for the period		-	-	-	-	-	-
I- Dividends distributed		-	-	-	-	-	-
J- Transfer		-	-	-	-	-	-
II - Closing Balance at (31 December 2019) (I+ A+B+C+D+E+F+G+H+I+J)		50.000.000	-	2.731.075	3.084.445	- 25.000.000	- 809.465.400

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ
Cash Flow Statement For The Year Ended 31 December 2019
(Currency: Turkish Lira (TL))

NOTE	AUDITED	
	CURRENT PERIOD 31 DECEMBER 2019	PRIOR PERIOD 31 DECEMBER 2018
A. Cash Flows From The Operating Activities		
1. Cash inflows from the insurance operations	1.048.766.434	625.111.911
2. Cash inflows from the reinsurance operations	-	-
3. Cash inflows from the private pension operations	332.716.516	291.633.932
4. Cash outflows due to the insurance operations (-)	(600.907.656)	(350.424.721)
5. Cash outflows due to the reinsurance operations (-)	-	-
6. Cash outflows due to the private pension operations (-)	(189.014.270)	(164.059.541)
7. Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)	591.561.024	402.261.581
8. Interest payments	(2.034.279)	-
9. Income tax payments19	(114.660.339)	(123.553.978)
10. Other cash inflows	436.811.365	997.498.320
11. Other cash outflows	(14.973.096)	(65.175.739)
12. Net cash generated from the operating activities	896.704.675	1.211.030.184
B. Cash Flows From The Investing Activities		
1. Sale of tangible assets	-	-
2. Purchase of tangible assets6,8	(34.542.818)	(30.509.818)
3. Acquisition of financial assets11	(134.022.071)	(6.028.585)
4. Sale of financial assets	-	4.668.510
5. Interest received	227.432.799	273.311.609
6. Dividends received	-	-
7. Other cash inflows	28.094.478	13.523.426
8. Other cash outflows (-)	(56.685.826)	(32.410.006)
9. Net cash generated from the investing activities	30.276.562	222.555.136
C. Cash Flows From The Financing Activities		
1. Issue of equity shares	-	-
2. Cash inflows from borrowings	-	-
3. Payments of financial leases	(5.013.220)	(203.581)
4. Dividends paid	-	(1.200.000.000)
5. Other cash inflows	-	-
6. Other cash outflows	-	-
7. Cash generated from the financing activities	(5.013.220)	(1.200.203.581)
D. Effects of Exchange Rate Differences on Cash and Cash Equivalents	6.746.693	13.723.062
E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)	928.714.710	247.104.801
F. Cash and cash equivalents at the beginning of the period14	536.966.582	289.861.781
G. Cash and cash equivalents at the end of the period (E+F)	1.465.681.292	536.966.582

SECTION IV - Financial Structure and Risk Management

Convenience Translation of FinancialStatements Balance Sheet
As at 31 December 2019 and Related Disclosures and Footnotes
(Currency: Turkish Lira (TL)) Originally Issued in Turkish, See Note 2.1.1

SECTION IV - Financial Structure and Risk Management

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ
Statement of Profit Distribution For The Year Ended 31 December 2019
(Currency: Turkish Lira (TL))

NOTE	AUDITED	
	CURRENT PERIOD 31 DECEMBER 2019	PRIOR PERIOD 31 DECEMBER 2018
I.DISTRIBUTION OF PROFIT FOR THE PERIOD (*)		
1.1. PROFIT FOR THE PERIOD	587.845.164	586.155.729
1.2. TAXES PAYABLE AND LEGAL LIABILITIES	(133.291.729)	(132.598.937)
1.2.1. Corporate Tax (Income Tax)	(133.291.729)	(132.598.937)
1.2.2. Income Tax Deduction	-	-
1.2.3. Other Taxes And Legal Liabilities	-	-
A NET PROFIT FOR THE PERIOD (1.1 - 1.2)	454.553.435	453.556.792
1.3. PREVIOUS YEARS' LOSSES (-)	-	-
1.4. FIRST LEGAL RESERVE	-	-
1.5. COMPULSORY LEGAL FUNDS TO BE RETAINED IN THE COMPANY (-)	-	-
B NET PROFIT FOR THE PERIOD AVAILABLE FOR DISTRIBUTION [(A - (1.3 + 1.4 + 1.5))	454.553.435	-
1.6. FIRST DIVIDENDS TO SHAREHOLDERS (-)	-	-
1.6.1. To Holders of Ordinary Shares	-	-
1.6.2. To Holders of Preferred Shares	-	-
1.6.3 To Holders Of Participating Redeemed Shares	-	-
1.6.4 To Holders of Bonds Participating to Profit	-	-
1.6.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.7. DIVIDENDS TO PERSONNEL (-)	-	-
1.8. DIVIDENDS TO FOUNDERS (-)	-	-
1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.10. SECOND DIVIDENDS TO SHAREHOLDERS (-)	-	-
1.10.1. To Holders of Ordinary Shares	-	-
1.10.2. To Holders of Preferred Shares	-	-
1.10.3. To Holders Of Participating Redeemed Shares	-	-
1.10.4. To Holders of Bonds Participating to Profit	-	-
1.10.5. To Holders of Profit and Loss Sharing Certificates	-	-
1.11. SECOND LEGAL RESERVE (-)	-	-
1.12. STATUTORY RESERVES (-)	-	-
1.13. EXTRAORDINARY RESERVES	-	453.556.792
1.14 OTHER RESERVES	-	-
1.15 SPECIAL FUNDS	-	-
II. DISTRIBUTION FROM RESERVES	-	-
2.1. DISTRIBUTED RESERVES	-	-
2.2. SECOND LEGAL RESERVE (-)	-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1. To Holders of Ordinary Shares	-	-
2.3.2 To Holders of Preferred Shares	-	-
2.3.3. To Holders Of Participating Redeemed Shares	-	-
2.3.4 To Holders of Bonds Participating to Profit	-	-
2.3.5 To Holders of Profit and Loss Sharing Certificates	-	-
2.4. DIVIDENDS TO EMPLOYEES (-)	-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. PROFIT PER SHARE	-	-
3.1. TO OWNERS OF ORDINARY SHARES	-	-
3.2. TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3. TO OWNERS OF PREFERRED SHARES	-	-
3.4. TO OWNERS OF PREFERRED SHARES (%)	-	-
IV. DIVIDENDS PER SHARE	-	-
4.1. OWNERS OF ORDINARY SHARES	-	-
4.2. TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3. TO OWNERS OF PREFERRED SHARES	-	-
4.4. TO OWNERS OF PREFERRED SHARES (%)	-	-

(*) As the statement of profit distribution to be authorized by the General Assembly is not determined by the Board of Directors yet, only the net profit available for distribution is presented in the statement of profit distribution for the year 2019.

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1 GENERAL INFORMATION

1.1 PARENT COMPANY AND THE ULTIMATE OWNER OF THE COMPANY

As at 31 December 2019, the shareholder having direct or indirect control over the shares of Garanti Emeklilik ve Hayat Anonim Şirketi (“the Company”) is Türkiye Garanti Bankası AŞ (“Garantibank”) by 84,91% of the outstanding shares of the Company. Other shareholder having significant influence over the Company management is Achmea BV, Netherlands based Company, by 15,00% participation ratio.

1.2 THE COMPANY’S ADDRESS AND LEGAL STRUCTURE AND ADDRESS OF ITS REGISTERED COUNTRY AND REGISTERED OFFICE (OR, IF THE COMPANY’S ADDRESS IS DIFFERENT FROM ITS REGISTERED OFFICE, THE ORIGINAL LOCATION WHERE THE COMPANY’S ACTUAL OPERATIONS ARE PERFORMED)

The Company, an ‘Incorporated Company’ in accordance with the regulations of Turkish Commercial Code (“TTK”), was registered in Turkey in 1992. As at balance sheet date, the registered address of the Company is Mete Cad. No:30 Taksim/İstanbul.

1.3 MAIN OPERATIONS OF THE COMPANY

The Company was established on 24 July 1992 with an initial share capital of TL 10.000. The initial name of the Company was “AGF Garanti Hayat Sigorta Anonim Sirketi”, first changed on 18 May 1999 as “Garanti Hayat Sigorta Anonim Şirketi”.

On 14 November 2002, the Company applied for conversion from life insurance company to private pension company in accordance with the 2nd clause of 1st Temporary Article of Law No.4632 on Private Pension Savings and Investment System issued in 7 April 2001 dated 4632 numbered Official Gazette. The conversion was approved by T.C. Hazine ve Maliye Bakanlığı (“the Turkish Treasury”) on 18 December 2002 and the title of the Company was first changed as “Garanti Emeklilik Anonim Şirketi” as published in 15 January 2003 dated Official Gazette then changed as “Garanti Emeklilik ve Hayat Anonim Şirketi” as published in 25 March 2003 dated Official Gazette.

The commercial operations of the Company were defined as issuing private pension contracts and life insurance policies. The Company has also started to issue policies under personal accident branch in accordance with its Articles of Association since 1 July 2006.

The Company has thirty-three pension mutual funds as of 31 December 2019 (31 December 2018: thirty-three pension mutual funds).

Within the framework of the Fund Portfolio Management Service Agreement signed between the parties, 30 pension mutual funds are managed by Garanti Portföy Yönetimi A.Ş., 2 pension investment fund is managed by HSBC Portföy Yönetimi A.Ş., 1 pension investment fund is managed by Deniz Portföy Yönetimi A.Ş.

1.4 DETAILS OF THE COMPANY’S OPERATIONS AND NATURE OF FIELD ACTIVITIES

The Company maintains its business activities in accordance with accounting principles, statements and guidance as promulgated by the Turkish Treasury in compliance with the Insurance Law No.5684 (the “Insurance Law”) issued on 14 June 2007 in Official Gazette No.26552 and with the Law of Private Pension Saving and Investment System No.4632 (the “Private Pension Law”) issued on 7 April 2001 in Official Gazette No.4366 and issues policies/contracts in life, personal accident, and pension branches.

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1 GENERAL INFORMATION (CONTINUED)

1.5 AVERAGE NUMBER OF THE COMPANY’S PERSONNEL BASED ON THEIR CATEGORIES

The average number of the personnel during the year in consideration of their categories is as follows:

	31 DECEMBER 2019	31 DECEMBER 2018
Key management personnel	5	6
Other personnel	735	769
Total	740	775

1.6 REMUNERATION AND FRINGE BENEFITS PROVIDED TO TOP MANAGEMENT

As at and for the year ended 31 December 2019, remuneration and fringe benefits provided to top management such as; chairman and members of the board of directors, managing director and assistant managing director in total amount to TL 7.571.036 (31 December 2018: TL 9.174.578).

1.7 DISTRIBUTION KEYS USED IN THE DISTRIBUTION OF INVESTMENT INCOME AND OPERATING EXPENSES IN THE FINANCIAL STATEMENTS (PERSONNEL EXPENSES, ADMINISTRATION EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES, MARKETING AND SELLING EXPENSES AND OTHER OPERATING EXPENSES)

Known and exactly distinguishable operating expenses are directly recorded under life, non-life or private pension segments in accordance with the 4 January 2008 dated and 2008/1 numbered “Communiqué Related to the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Chart of Account” issued by the Republic of Turkey Prime Ministry Undersecretariat of the Treasury. The allocation of non-distinguishable technical operating expenses are determined in accordance with the 9 August 2010 dated and 2010/9 numbered “Communiqué Related to Changes in the Communiqué Related to the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Chart of Account” valid since 1 January 2011 and issued by the Undersecretariat of the Treasury. Accordingly, other non-distinguishable expenses, which are not exactly distinguished, are distributed between insurance segments and private pension segment in accordance with the average number of pension contracts and policies issued within last 3 years. The portion of insurance segments is distributed between life and non-life branches in accordance with the average of 3 ratios calculated by dividing “number of the policies produced within the last three years”, “gross premiums written within the last three years”, and “number of the claims reported within the last three years” to the “total number of the policies”, “total gross written premiums”, and the “total number of the claims reported”, respectively.

Income from the assets invested against non-life technical provisions is transferred to technical section from non-technical section.

Income from the assets invested against mathematical and profit sharing provisions is recorded under technical section, remaining income is transferred to the non-technical section.

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1 GENERAL INFORMATION (CONTINUED)

1.8 STAND-ALONE OR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying financial statements comprise only the financial information of the Company. As further detailed in Note 2.2, the Company did not prepare consolidated financial statements as at and for the year ended 31 December 2019.

1.9 NAME AND OTHER INFORMATION OF THE REPORTING COMPANY AND SUBSEQUENT CHANGES TO THE PRIOR BALANCE SHEET DATE

Trade name of the Company : Garanti Emeklilik ve Hayat Anonim Şirketi
Registered address of the head office: Mete Cad. No:30 Taksim/İstanbul
The web page of the Company : www.garantiemeklilik.com.tr

There is no change in the aforementioned information subsequent to the balance sheet date.

1.10 SUBSEQUENT EVENTS

Explanations related to subsequent events are disclosed in Note 46 – Subsequent events.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used

The Company maintains its books of account and prepares its financial statements in accordance with the Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”), and other accounting and financial reporting principles, statements and guidance (collectively “the Reporting Standards”) in accordance with the “Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Private Pension Companies” as promulgated by the Turkish Treasury based on Article 18 of the Insurance Law and Article 11 of the Private Pension Law.

In Article 4 of the related communiqué; it is stated that procedures and principles related to accounting of insurance contracts, subsidiaries, associates and joint ventures and presentation of unconsolidated and consolidated financial statements together with their explanatory notes which will be announced to the public will be determined by the further communiqués of the Turkish Treasury.

Circular Related to the Presentation of Financial Statements”, issued by the Turkish Treasury in the 18 April 2008 dated and 26851 numbered Official Gazette, regulates the content of the financial statements to make them comparable with the financial statements of previous periods and the other companies.

Additional paragraph for convenience translation to English

The differences between the accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries other than Turkey and IFRS.

The Company has applied TFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

2.1.2 Other accounting policies appropriate for the understanding of the financial statements

Preparation of Financial Statements in Hyperinflationary Periods

With respect to the 4 April 2005 dated and 19387 numbered declaration of the Turkish Treasury, the Company restated its financial statements as at 31 December 2004 and prepared opening balances of the financial statements of 2005 in accordance with the “Restatement of Financial Statements in Hyperinflationary Periods” of the Capital Markets Board (“CMB”) Communiqué No: 25 of Series XI, “Communiqué on Accounting Standards in Capital Market” published in the Official Gazette dated November, 15 2003 and numbered 25290. Inflation accounting is no longer applied starting from 2005, in accordance with the same declaration of the Turkish Treasury.

Other accounting policies

Information regarding to other accounting polices is explained above in the section of “Note 2.1.1 – Information about the principles and the special accounting policies used in the preparation of the financial statements” and each one has its own caption in following sections of this report.

2.1.3 Functional and presentation currency

The accompanying financial statements are presented in TL, which is the Company's functional currency.

2.1.4 Rounding level of the amounts presented in the financial statements

Financial information presented in TL, has been rounded to the nearest TL values.

2.1.5 Valuation method(s) used in the presentation of financial statements

The accompanying financial statements are prepared on the historical cost basis, except for the financial assets at fair value through profit or loss, available-for-sale financial assets and financial investments with risks on saving life policyholders classified as available-for-sale financial assets which are measured at their fair values unless reliable measures are available.

2.1.6 Changes in accounting estimates and errors

Changes in the accounting estimates are applied in the current period in which the change is made, if the change relates only to one period, and are applied prospectively in future periods, if they are related to future periods. The accounting estimates have not been changed in the current period.

Significant changes in accounting policies and significant accounting errors identified are applied retrospectively and the prior period financial statements are restated. In the current period there is no accounting policy change and no significant accounting mistake.

The clarification of accounting policies has been given in 3 - Significant accounting estimates and decisions note.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

2.1.7 Changes in accounting policies and errors

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the last annual financial statements.

The Company has initially adopted TFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Company's financial statements;

TFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Company has applied TFRS 16 using the modified retrospective approach which means initial right of use equals to initial financial lease liability. The details of the changes in accounting policies are disclosed below;

a-) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under TFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to TFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied TFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under TAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under TFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Company has elected not to separate non-lease components and will instead account for the lease and non- lease components as a single lease component.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

2.1.7 Changes in accounting policies and errors (continued)

b-) As a lessee

The Company leases only land and buildings.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under TFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Company has elected not to recognise right-of-use assets and lease liabilities for some leases of assets which are vehicles, equipment leasings, IT equipment and other leasings due amount of these leases is lower than materiality. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The carrying amounts of right-of-use assets are as below;

	TANGIBLE ASSETS
TL	LANDS AND BUILDINGS
Balance at 1 January 2019	8.208.844
Balance at 31 December 2019	4.882.253

The Company presents lease liabilities in “Financial Liabilities (Note 20)” in the statement of financial position.

i. Significant accounting policies

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Company's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. As of 31 December 2019, weighted average of incremental borrowing rate used by the Company for TL lease liabilities reflected through statement of financial position is 23,5%.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

2.1.7 Changes in accounting policies and errors (continued)

i. Significant accounting policies (continued)

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

ii. Transition

Previously, the Company classified property leases as operating leases under TAS 17. Some leases provide for additional rent payments that are based on changes in local price indices.

At transition, for leases classified as operating leases under TAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.
- The Company used the following practical expedients when applying TFRS 16 to leases previously classified as operating leases under TAS 17.
- As of 31 December 2019, applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

2.1.7 Changes in accounting policies and errors (continued)

c-) Impact on financial statements

i. Impacts on transition

The impact on transition is summarised below.

TL	1 JANUARY 2019
Right-of-use assets presented in tangible assets	8.208.844
Lease liabilities	8.208.844

TL	1 JANUARY 2019
Operating lease commitment at 31 December 2018 as disclosed in the Company's financial statements	7.152.361
Lease liabilities discounted using the incremental borrowing rate at 1 January 2019	8.208.844
Lease liabilities recognised at 1 January 2019	8.208.844

ii. Impacts for the period

As a result of initial measurement of TFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognised TL 7.978.661 of right-of-use assets and TL 5.348.905 lease liabilities as at 31 December 2019.

Also in relation to those leases under TFRS 16, the Company has recognised depreciation and interest costs, instead of operating lease expense. As at 31 December 2019, the Company recognised TL 3.982.057 depreciation charges and TL 1.617.426 interest costs from these leases.

2.2 CONSOLIDATION

The Company has no subsidiaries and affiliates as of balance sheet date.

2.3 SEGMENT REPORTING

One section is a distinguishable part related to Company's main operations or an economic environment where the Company's risks and benefits arising from its main operations can be distinguished (geographical segment). Since Turkey is the main geographical area that Company operates, segment reporting presented in Note 5 is related to the operations of Company not to the geographical areas.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 RESERVES IN FOREIGN CURRENCIES

For the purpose of the financial statements, the results and financial position of each entity are expressed in TL, which is the functional currency of the Company. In preparing the financial statements of the Company, transactions in foreign currencies are recognized at exchange rates prevailing at the transaction date. At each balance sheet date, monetary items denominated in foreign currencies are retranslated to Turkish Lira at the rates prevailing on the balance sheet date. Gains and losses arising from exchange rate transactions are recognized in the foreign exchange gain/loss accounts according to their positive or negative position.

2.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost, less any accumulated depreciation and impairment loss.

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net carrying value and the proceeds from the disposal of related tangible assets and reflected to the statement of income of the related period. Maintenance and repair costs incurred in the ordinary course of the business are recorded as expense.

There are no pledges, mortgages and other encumbrances on tangible fixed assets.

There are no changes in accounting estimates that have significant effect on the current period or that are expected to have significant effect on the following periods.

Depreciation for the tangible assets purchased before 1 January 2004 is calculated in accordance with double declining depreciation method at their historical cost.

Depreciation for the tangible fixed assets purchased after 1 January 2004 is calculated in accordance with straight-line depreciation method at their historical costs.

Depreciation rates and estimated useful lives are as follows:

TANGIBLE ASSETS	ESTIMATED USEFUL LIVES (YEARS)	DEPRECIATION (%)
Furniture and fixture	3-10	10-33
Other tangible assets (including leasehold improvements)	5-20	5-20
Tangible assets acquired through finance leasing	4	25

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 INVESTMENT PROPERTIES

As at balance sheet date, the Company does not have any investment property.

2.7 INTANGIBLE ASSETS

The Company's intangible assets consist of software. Intangible assets are recorded at cost in compliance with the TAS 38 – Intangible Assets.

The intangible assets are amortized at historical cost based on straight line amortization method by a range of 10% to 50%.

2.8 FINANCIAL ASSETS

Classification and measurement

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.

Financial assets are classified in four categories; financial assets held for trading, available-for-sale financial assets, held to maturity investments, and loans and receivables.

Effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets held for trading purpose are measured at their fair values and gain/losses arising due to changes in the fair values of related financial assets are recorded in the statement of income. Interest income earned on trading purpose financial assets and the difference between their fair values and acquisition costs are recorded as interest income in the statement of income. In case of disposal of such financial assets before their maturities, the gains/losses on such disposal are recorded under trading income/losses.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables those are not interest earning are measured by discounting of future cash flows less impairment losses, and interest earning loans and receivables are measured at amortized cost less impairment losses.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 FINANCIAL ASSETS (CONTINUED)

Held to maturity investments are the financial assets with fixed maturities and fixed or pre-determined payment schedules that the Company has the intent and ability to hold until maturity, excluding loans and receivables.

Held-to-maturity investments are measured at amortized cost using effective interest method less impairment losses, if any. Available-for-sale financial assets are the financial assets other than assets held for trading purposes, held-to-maturity investments and loans and receivables.

Some equity instruments quoted in active markets and some debt instruments held by the Company are classified as available-for-sale, and are measured at fair value. The Company has some available-for-sale investments that do not have quoted prices in active markets and whose fair values cannot be reliably measured are stated at cost. Gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. In case of sale or impairment of the investment, the cumulative gain or loss accumulated in the valuation fund of financial assets is classified in the income statement.

Purchase and sale transactions of marketable securities are accounted on settlement date.

Specific instruments

Loans to the policyholders are the securitized loans that are used by the policyholders with the security of their saving life insurance policies that have made premium payments throughout the period that is determined by the technical bases related to certified tariffs of saving life policies (this period is 3 years according to general conditions of life insurance). As at 31 December 2019, total amount of loans to the policyholders amounts to TL 265.143 (31 December 2018: TL 213.636).

Financial investments with risks on saving life policyholders are the financial assets invested against the savings of the life policyholders. Financial investments with risks on saving life policyholders could be classified as financial assets held for trading purpose, available for sale financial assets or held to maturity investments by considering the benefits of the policyholders and measured in accordance with the principles as explained above.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 FINANCIAL ASSETS (CONTINUED)

When such investments are classified as available-for-sale financial assets, 5% of the difference between the fair values and amortized costs, calculated by using effective interest method, of the financial assets is recorded under equity and the remaining 95% belonging to policyholders is recorded as ‘insurance technical provisions – life mathematical provisions’. As at 31 December 2019, 95% of the difference between fair values and amortized costs of those assets backing liabilities amounted to TL 3.108.601 (31 December 2018: TL 1.989.648) is recorded in life mathematical provisions.

Receivables from private pension operations consist of capital advances given to pension investment funds, receivable from pension investment funds for fund management fees, entrance fee receivable from participants and receivables from clearing house on behalf of the participants. Receivable from pension investment funds for fund management fee are the fees charged to the pension investment funds against for the administration of related pension investment funds which consist of fees which are not collected in the same day. Capital advances given to pension investments funds during their establishment are recorded under capital advances given to pension investment funds. Receivables from the clearing house on behalf of the participants is the receivable from clearing house on fund basis against the collections of the participants. Same amount is also recorded as payables to participants for the funds sold against their collections under the payables arising from private pension business.

Derecognition

A financial asset is derecognized when the control over the contractual rights that comprise that asset is lost. This occurs when the rights are realized, expire or are surrendered.

2.9 IMPAIRMENT ON ASSETS

Impairment on financial assets

Financial assets or group of financial assets are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, the Company estimates the amount of impairment. A financial asset is impaired if, and only if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) (“loss event(s)”) incurred subsequent to recognition. The losses expected to be incurred due to future events are not recognized even if the probability of loss is high.

Loans and receivables are presented net of specific allowances for uncollectibility. Specific allowances are made against the carrying amounts of loans and receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and receivable to their recoverable amounts.

The recoverable amount of an equity instrument is its fair value. The recoverable amount of debt instruments and purchased loans measured to fair value is calculated as the present value of the expected future cash flows discounted at the current market rate of interest.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 IMPAIRMENT ON ASSETS (CONTINUED)

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in the statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

Impairment of Assets

On each reporting date, the Company evaluates whether there is an indication of impairment of tangible and intangible assets. If there is an objective evidence of impairment, the asset’s recoverable amount is estimated in accordance with the TAS 36 – Impairment of Assets and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

2.10 DERIVATIVE FINANCIAL INSTRUMENTS

As of December 31, 2019 and 2018, the Company does not hold any derivative financial instruments.

2.11 OFFSETTING OF FINANCIAL ASSETS

Financial assets and liabilities are set off and the net amount is presented in the balance sheet when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the Reporting Standards, or for gains and losses arising from a group of transactions resulting from the Company’s similar activities like trading transactions.

2.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalent, which is a base for the preparation of the statement of cash flows includes cash on hand, cheques received, other cash and cash equivalents, demand deposits and time deposits at banks having original maturity less than 3 months which are ready to be used by the Company or not blocked for any other purpose.

2.13 SHARE CAPITAL

As of December 31, 2019 and December 31, 2018, the shareholder having direct or indirect control over the shares of Garanti Emeklilik ve Hayat Anonim Şirketi (“the Company”) is Türkiye Garanti Bankası AŞ (“Garantibank”) by 84,91% of the outstanding shares of the Company. Other shareholder having significant influence over the Company management is Achmea BV, Netherlands based company, by 15,00% participation ratio.

SECTION IV - Financial Structure and Risk Management

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 SHARE CAPITAL (CONTINUED)

As of 31 December 2019 and 2018, the share capital and ownership structure of the Company are as follows:

	31 DECEMBER 2019		31 DECEMBER 2018	
	NOMINAL VALUE OF THE SHARES (TL)	PERCENTAGE (%)	NOMINAL VALUE OF THE SHARES (TL)	PERCENTAGE (%)
Türkiye Garanti Bankası A.Ş.	42.456.629	84,91	42.456.629	84,91
Achmea BV	7.500.000	15,00	7.500.000	15,00
Eureko Sigorta AŞ.	43.371	0,09	43.371	0,09
Paid-in Capital	50.000.000	100.00	50.000.000	100.00

Capital increase and sources during the year: None.

Privileges on common shares representing share capital: None.

Registered capital system in the Company: None.

Repurchased own shares by the Company: None.

2.14 INSURANCE AND INVESTMENT CONTRACTS - CLASSIFICATION

An insurance contract is a contract under which the Company accepts significant insurance risk from another party (the policyholder) by accepting to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk covers all risks except for financial risks. All premiums have been received within the coverage of insurance contracts recognized as revenue under the account of written premiums.

Investment contracts are those contracts which transfer financial risk without significant insurance risk. Financial risk is the risk of a possible future change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided, that it is not specific to a party to the contract, in the case of a non-financial variable.

Saving life products and private pension contracts of the Company are classified as investments contracts in accordance with the above definition. In saving life products, all the premiums received from policyholders are recognized as revenue within the framework of current regulations, portion of the premiums that is transferred to savings on behalf of the policyholders are charged to the profit or loss by recognizing a liability under life mathematical provisions. In private pension contracts, collected contributions of participants are recognized as a liability under “payables to participants”, the same amount is recorded as a receivable under “receivables from clearing house on behalf of the participants” account.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 INSURANCE CONTRACTS AND INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURE

Discretionary participation feature (“DPF”) within insurance contracts and investment contracts is the right to have following benefits in addition to the guaranteed benefits.

- (i) that are likely to comprise a significant portion of the total contractual benefits,
- (ii) whose amount or timing is contractually at the discretion of the Issuer; and
- (iii) that are contractually based on:
 - (1) the performance of a specified pool of contracts or a specified type of contract;
 - (2) realized and/or unrealized investments returns on a specified pool of assets held by the Issuer; or
 - (3) the profit or loss of the Company, Fund or other entity that issues the contract.

As at balance sheet date, the Company does not have any insurance or investment contracts with DPF.

2.16 INVESTMENT CONTRACTS WITHOUT DPF

In the context of the saving life products, if the investment return, obtained from the savings of the policyholders which is invested by the Company, results a lower yield rate than the technical interest rate, the Company compensates the difference; if investment return results higher yield than the guaranteed technical interest rate, the difference is distributed to the policyholders as profit sharing bonus. Due to contractual and competitive constraints in practice, the Company has classified these contracts as investment contracts without DPF.

For such products, investment income obtained from assets backing liabilities is recorded within income statement or equity in accordance with the accounting policies mentioned above; and whole contract is presented as a liability under life mathematical provisions.

2.17 LIABILITIES

Financial liabilities; refers to liabilities resulting from transactions that require the issuance of cash or another financial asset to another entity. Financial liabilities are presented with their discounted values in the Company’s financial statements. A financial liability is derecognized when it is extinguished.

Payables from private pension business consist of payables to participants, participants’ temporary accounts, and payables to private pension agencies. The payables to participants is the account in which the contribution of participants that transferred to investments on behalf of private pension contract owners and income from these investments are recorded. The temporary account of participants includes the contributions of participants that have not yet been transferred to the investment. This account also includes the entrance fee deducted portion of the participants’ fund amounts, obtained from the fund share sales occur in the case of system leaves. This account consists of the amounts of participants that will be transferred to other private pension companies or participants’ own accounts. This account means Company’s liabilities to private pension agencies in return of their services.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 TAXES

Corporate tax

Corporate income is subject to corporate tax at 20% in Turkey to be effective from January 1, 2006. However, according to the Article 91 of the Law numbered 7061 “Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation” which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. Decree of the Council of Ministers numbered 2009/14593 and published in the Official Gazette No. 27130 dated 3 February 2009 and Decree No. 2009/14594 of the Council of Ministers dated 3 February 2009 and numbered 27130 dated 15 February 2010 some withholding rates in UNC substances have been redefined. In this regard, The withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15% In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods. As at of balance sheet date, the Company does not have any deductible tax losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 TAXES (CONTINUED)

Corporate tax (continued)

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Deferred tax

Deferred tax assets and liabilities are recognized according to TAS 12 – Income Taxes standard, using the balance sheet method, on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

Deferred tax assets and liabilities are reported as net in the financial statements if, and only if, the Company has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity.

If transactions and events are recorded in the statement of operations, then the related tax effects are also recognized in the statement of operations. However, if transactions and events are recorded directly in the shareholders’ equity, the related tax effects are also recognized directly in the shareholders’ equity.

Transfer pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of “disguised profit distribution via transfer pricing”. The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm’s length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 EMPLOYEE TERMINATION BENEFITS

Provision for employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at December, 31 2019 is TL 6.380 (December, 31 2018: TL 5.434).

The Company reserved for employee severance indemnities using actuarial method in compliance with the TAS 19 – Employee Benefits. The major actuarial assumptions used in the calculation of the total liability as at December, 31 2019 and 2018 are as follows:

	31 DECEMBER 2019	31 DECEMBER 2018
Interest Rate	8,20%	12,50%
Expected Rate Salary / Limit Increase	9,70%	14,00%
Discount Rate	12,50%	16,30%

Other benefits

The Company has provided for undiscounted short-term employee benefits earned during the period as per services rendered in compliance with TAS 19 in the accompanying financial statements.

2.20 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

A provision is made for an existing obligation resulting from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the reporting date and, if material, such expenses are discounted to their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Company to settle the liability, the related liability is considered as “contingent” and disclosed in the notes to the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Company discloses the contingent asset.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 REVENUE RECOGNITION

Written premiums

Written premiums represent premiums on policies written during the year net of taxes, premiums of the cancelled policies which were produced in prior years and premium ceded to reinsurance companies.

Received and paid commissions

Commissions paid to the agencies related to the production of the insurance policies and the commissions received from the reinsurance firms related to the premiums ceded are recognized over the life of the contract by deferred commission income and deferred commission expense in the financial statements.

Commissions to intermediaries accrued during period for the production of private pension contracts are expensed in the related accounting period and are recognized under the pension business technical expense as operational expense.

Furthermore, in life and unemployment branches, income accrual for the profit commissions is calculated over the earnings of reinsurers. Profit commissions should be related to the rates determined by the existing contracts. Profit commissions depend on the Company's past performance and are not directly relevant to the production of the policies. Therefore, they are calculated as at period ends and recognized in the statement of income without subjecting to any deferral.

Interest income and expense

Interest income and expense are recognized using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Trading income/expense

Trading income/expense includes gains and losses arising from disposals of financial assets held for trading purpose and available-for-sale financial assets. Trading income and trading expenses are recognized as "Income from disposal of financial assets" and "Loss from disposal of financial assets" in the accompanying financial statements.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 REVENUE RECOGNITION (CONTINUED)

Dividends

Dividend income is recognized when the Company's right to receive payment is ascertained.

Income from private pension operations

Fund management fee is recognized as income, charged to the pension investment funds against the hardware, software, personnel and accounting services provided, and fee is shared between the Company and the portfolio managers in accordance with the agreement signed between parties. Total of fund management fee charged to the pension investment funds is recognized as "Fund management income" under technical income and portion of the portfolio manager is recognized as "Fund management expense" under technical expenses.

According to the "Regulation on the Amendment of the Regulation on the Private Pension System" which entered into force on 1 January 2016, amendments were made in the deduction amounts and collection processes. For contracts entered into force prior to 1 January 2016,

- No deductions will be made even if it is defined in contracts that have completed 5 years from the effective date.
- For contracts that have not completed 5 years from the effective date, no further deductions shall be made until the end of the year if there is a deduction on the annual upper limit, and no further deductions shall be made if there is a deduction over the 5-years period upper limit.

For contracts entered into force after 1 January 2016, there is no deduction available under the name of entrance fee from the participants' contributions or savings of their private pension accounts.

Participants' contributions or savings of their private pension accounts are subject to fund management expense fee. Management expense fee deduction is only made begining from the effective date of related contract through 5 years and not exceed the eight and a half percent of the monthly minimum gross wage which is valid for the first six month of each year. The Company books deductions under the fund management expense fee account. If the contract is released from the system or transferred to another company before completed 5 years, the amount of uncollected management fees corresponding to the period until the end of the 5th year is deducted once from the accumulated contribution of the participant.

Under the Regulation on Governmental Contributions which entered into force after having promulgated on 29 December 2012, with effect from 1 January 2013, all participants of Turkish nationality, and being holder of a blue card, paying contributions for a personal or group-based personal retirement agneement (excluding participants whose contributions are paid by their employers), are entitled to governmental contributions within the specified limit. 25% of the contribution paid in the participant's name is calculated as governmental contribution, provided that this would be limited to the total amount of gross minimum wages pertaining to the relevant year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 LEASING TRANSACTIONS

The maximum period of the financial lease contracts is 5 years. Tangible assets acquired by way of finance leasing are recognized in tangible assets and the obligations under finance leases arising from the lease contracts are presented under finance lease payables account in the financial statements. In the determination of the related assets and liabilities, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs of leasing agreements are expanded in lease periods at a fixed interest rate.

If there is impairment in the value of the assets obtained through financial lease and in the expected future benefits, the leased assets are valued with net realizable value. Depreciation for assets obtained through financial lease is calculated in the same manner as tangible assets.

Lease liability is measured at fair value of rent payments that have not beed paid on the date rent is actually begin in accordance TFRS 16. Rent payments are discounted as using incremental borrowing rate.

Book value of the lease liability after the lease actually started; remeasured as reflectable to increase the interest in the lease liability, decreased as reflectable the lease payments made, to reflect all reassessments and changes made in the lease, or to reflect fixed lease payments of its revised core.

The interest on the lease liability for each period in the lease term is the amount found as calculated by fixed periodic interest rate to the remaining balance of the lease liability.

After the lease actually starts, the lease liability is remeasured to reflect changes in lease payments. The remeasured amount of the lease liability is reflected in the financial statements as a correction in the right of use.

In case of a change in the duration of the first lease or use of the purchase option, a revised discount rate is used to reflect the changes in the interest rate. However, if there is a change in the lease liabilities arising from a change in an index used in determining the future lease payments or the amounts expected to be paid within the context of the residual value commitment, the unmodified discount rate is used.

Regarding a change that is not recognized as a separate lease, the lease liability is remeasured by reducing the revised lease payments at a revised discount rate at the date of implementation of the change. The revised discount rate is determined as the incremental borrowing rate at the date of application of the change. For changes that narrow the scope of the lease, the carrying amount of the right of use is reduced to reflect the partial or complete termination of the lease. Gains or losses related to the partial or complete termination of the lease are recognized in profit or loss. Corrections are made on the right of use for all other changes.

The Company has elected not to recognise right-of-use assets and lease liabilities for some leases of assets which are vehicles, equipment leasings, IT equipment and other leasings due amount of these leases is lower than materiality. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 DIVIDEND DISTRIBUTION

According to the Annual General Meeting held on March, 29 2019, profit of 2018 financial term has been transferred to extraordinary reserves.

2.24 RESERVE FOR UNEARNED PREMIUMS

According to the Communiqué on Technical Reserves the reserve for unearned premiums represents the proportions of the gross premiums written without deductions of commission or any other allowance, in a period that relate to the period of risk subsequent to the balance sheet date for all short- term insurance policies.

In the case of personal accident insurance, annual life insurance and life insurance which of the renewal date exceeds one year, reserve for unearned premiums is calculated for the portion of the remaining part which is left after deducting savings from gross premium written for the period.

Unearned premium reserves; The commencement date and expiry date of insurance is considered as a half day in the calculation of unearned Premium reserves under the Undersecretariat of Treasury's Communiqué No: 28356 “Adaptation of Technical Reserves Requirements” issued on 17 July 2012.

2.25 RESERVE FOR UNEXPIRED RISKS

In accordance with the Communiqué on Technical Reserves, in each accounting period, the companies while providing reserve for unearned premiums should perform adequacy test covering the preceding 12 months in regard with the probability of future claims and compensations of the outstanding policies will arise in excess of the reserve for unearned premiums already provided. In performing this test, it is required to multiply the reserve for unearned premiums, net with the expected claim/ premium ratio. Expected claim/premium ratio is calculated by dividing incurred losses (reserve for outstanding claims, net + claims paid, net – reserve for outstanding claims carried forward, net) to earned premiums (written premiums, net + reserve for unearned premiums, net – reserve for unearned premiums carried forward, net). In the calculation of earned premiums; deferred commission expenses paid to the agencies and deferred commission income received from the reinsurance firms which were netted off from reserve for unearned premiums both at the beginning of the period and at the end of the period are not taken into consideration.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 RESERVE FOR UNEXPIRED RISKS (CONTINUED)

If the estimated claim premium ratio for each branch is above 95%, the amount exceeding 95% is multiplied by the net unearned premium reserve, the excess over 95% is offset against gross unearned premium reserve is included in the financial statements as gross ongoing risk provision. As a result of the related test, the Company does not have any continuing risks to be set aside as of December, 31 2019 and December, 31 2018.

For the purpose of eliminating the misleading effect of the modified outstanding claims provison calculation on the ongoing risks calculated according to the sectoral announcement numbered 2016/1 and the circular numbered 2015/30, the amount of the opening provision for outstanding claims which is determined unexpired risk reserve redefined in a manner consistent with the current period and it has been stated that the rates determined by the company within the scope of the circular no 2014/16 should be used in the calculation of outstanding claims in the previous period.

Besides, according to the circular on discounting net cash flows arising from outstanding claims provision, which was published by the Undersecretariat of Treasury on 10 June 2016 and whose effective date was 30 June 2016, insurance companies will be able to discount the net cash flows that will stem from the outstanding claims provision that they have calculated and set aside in accordance with insurance legislation in line with the terms and conditions set out in the circular. The Company does not apply the gradual transition and discount on the incurred but not reported claim provision (IBNR) account and therefore does not make any further adjustments in the provision for unexpired risks reserve.

2.26 PROVISION FOR OUTSTANDING CLAIMS

Outstanding claims reserve is provided for outstanding claims incurred and calculated but not actually paid in prior or current period, or outstanding claims for which the related amount is not calculated, carried at estimated value incurred but not reported. All expenses associated with the completion of claim files, including expertise, advisory, litigation and communication expenses, are considered in the calculation of provision for accrued outstanding claims.

As of the balance sheet date, the Company is required to make additional provision for IBNR and outstanding claims determined in the framework of implementation principles of life branch which is based on the “Circular for Provision for Outstanding Claims” (“Circular”) 5 December 2014 dated and 2014/16 numbered and effective from 1 January 2015 and related regulations. With the new circular, the “Circular on the Calculation Basis for the Realized but Unreported Outstanding Claims Related to the Life Branch” numbered 2010/14 has been abolished.

In the circular, on every branch, selection of the data to be used, corrective actions, selection of the most appropriate method and development factors, and intervention in developmental factors will be carried out by the company actuary on the basis of each branch using actuarial methods and information regarding the calculation details should be included in the actuarial report.

The circular numbered 2016/22 issued at 10 June 2016 and effective at 30 June 2016 is related to discounting of net cash flows arise from provisions from outstanding claims. The Company has not been involved in the application of discounts for outstanding claims reserve.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 PROVISION FOR OUTSTANDING CLAIMS (CONTINUED)

In non-life branches, the IBNR account will be made using one of the six separate actuarial chain ladder methods (“ACLM”) provided for in the Circular. The calculation is based on actual damage and calculation can also be based on the claims paid. The IBNR account may also be calculated by other methods determined by the corporation, provided that it is more than the amount calculated by using the above actuarial chain ladder methods. In the case of an excess provision, the disclosures related to the provision should be included in the footnotes of the financial statements and the actuarial report. ACLM calculations are made on a gross basis and net amounts are determined depending on the Company's current or related reinsurance agreements. In addition, in case of the amount calculated by the “Circular on Amending the Circular relating to Provision for Outstanding Claims (2014/16)” which entered in force on July 27, 2015 in the account of the realized but unreported claim (IBNR) account defined by 2015/28 “(a) is more than the previous three months amount(b) the amount of difference (a-b) in the third quarter of the year 2017 is calculated as quarterly; (IBNR) account can be made by adding 75% to (b) for the third quarter of the year 2017”. The Company does not apply a gradual transition to the IBNR account.

All expenses associated with the completion of claim files, including expertise, advisory, litigation and communication expenses, are considered in the calculation of provision for accrued outstanding claims.

In the life branch, the amount of incurred but not reported compensation for the current year is taken into consideration in the calculation of the amount of incurred but not reported compensation for the related year, considering the weighted average ratio of the amount of the incurred but not reported compensation for the previous year, calculated by multiplying the annual average guarantee amount by the current year with the weighted average rate calculated.

Accordingly, as of December, 31 2019, the Company has provided TL 5.387.319 of net outstanding claims provision in relation to incurred but not reported claims in its financial statements (December, 31 2018: TL 4.242.740).

Under Technical Reserves regulations, difference of outstanding claims provision adequacy is calculated for newly established branches for five years from the beginning of branch operations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 MATHEMATICAL PROVISIONS

In accordance with the Communiqué on Technical Reserves, companies performing in life and non-life insurance branches are obliged to allocate adequate mathematical reserves based on actuarial basis to meet liabilities against policyholders and beneficiaries for long-term life, health and personal accident insurance contracts. Mathematical provisions are composed of actuarial mathematical provisions and profit sharing provisions.

Actuarial mathematical provisions, according to formulas and basis in approved technical basis of tariffs for over one year-length life insurance, are calculated by determining the difference between present value of liabilities that the Company meets in future and current value of premiums paid by policyholder in future (prospective method). In life insurance where saving plan premiums are also generated, actuarial mathematical provisions consist of total saving plan portions of premiums.

Provision for profit sharing consist of profit sharing calculated in previous years and a certain percentage of current period's income, determined in the approved profit sharing tariffs, obtained from the financial assets backing liabilities of the Company against the policyholders and other beneficiaries for the contracts which the Company is liable to give profit sharing.

The valuation method used in calculation of the profit to be shared for saving life contracts is the same with the valuation basis of portfolio on which assets on which the Company invests the provisions allocated due to liabilities against the beneficiaries are included in the framework of basis defined in the Note 2.8 "Financial Assets".

2.28 EQUALIZATION RESERVE

In accordance with the 9th article of the "Communiqué Related to Changes in the Communiqué on Technical Reserves for Insurance, Reinsurance and Private Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" issued in 28 July 2010 dated 27655 numbered Official Gazette, the companies have to reserve equalization provision for loans and earthquake guarantees provided in all branches to equalize the possible fluctuations and to cover catastrophic risks including additional guarantees.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 EQUALIZATION RESERVE (CONTINUED)

Also, in accordance with the related article, equalization reserves should be calculated as 12% of the earthquake and loan net premiums of each year. Amounts paid for non-proportional reinsurance contracts should be considered as premiums ceded in the calculation of net premium. In the non-proportional reinsurance agreements including more than one branch, the amount of premium carried forward per each credit and earthquake branches is calculated with respect to its portion in the total premium amount unless another calculation method is determined by the Company. Allocation of provisions should be continued until it is reached the 150% of the highest amount of net premium written in the last five years. If reserve amount is less than the reserve amount reflected in the prior year's balance as a result of the premium production following the related 5 year-period, the difference is recognized under the other reserve account in equity. The amount transferred to the equity can be taken as reserve, used for capital increase or payment of indemnities. In life insurance providing death benefit, the Company will be using its own statistical data in the calculation of balancing provision. The Companies which do not have data to make the necessary calculations will take the 11% of the death net premium as the earthquake premium and reserve the 12% of this amount. In the case of an earthquake or a loss in the loan branch and related financial year, provisions reserved for loan or earthquake guarantees can be used in the payment of indemnities. If claim is incurred, reinsurers share and the amount(s) less than the exemption limit set out in the agreement will not be deducted against equalization reserves.

According to Circular No:2010/1, "The Circular on the Use of Equalization Reserve and Additional Information about some other Circulars", it is possible to use the equalization reserve provided for catastrophic claims on the reimbursement of catastrophic claims. Additionally, it is possible to net off the outstanding claims provided, based on expertise report or the documents provided from legal authorities in case of catastrophe, from the equalization reserve. However, the related net off should not be done from current year equalization reserve. Besides, incurred catastrophic claims should be recorded to related technical accounts that incurred catastrophic claims covered from the equalization reserve should be debited from balance sheet account of equalization reserve and credited to the changes in other technical reserves account. On the other hand, it is possible to not to include paid catastrophic claims provided from the equalization reserve to the calculation of IBNR.

Equalization provisions are presented under "other technical reserves" within long-term liabilities in the accompanying financial statements.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.29 RELATED PARTIES**

For the purpose of the financial statements, the party is deemed to be related to the Company in the presence of one of the following criteria:

- (a) The party in question, either directly or indirectly through one or more intermediaries:
 - controlling the entity, controlling it by the entity or being under common control with the entity (including parent companies, subsidiaries and affiliates in the same business);
 - the proportion of the company that has significant impact on the company or
 - Have joint control over the company;
- (b) the party is a subsidiary of the Company;
- (c) the party has a business partnership in which the Company is a joint venture;
- (d) the party is a member of the key management personnel of the Company or its parent company;
- (e) the party is a close family member of any individual referred to in (a) or (d);
- (f) the Party; controlled, jointly controlled or under significant influence, or an entity in which any individual referred to in (d) or (e) has significant voting rights, directly or indirectly;
- (g) The entity has a benefit plan that is provided to an employee of an entity or an entity that is a related party of the entity after the employee has left the company.

Transactions with related parties are transfers between related parties regardless of whether the resources, services or obligations are a consideration.

Due to ordinary activities, some business relations can be entered into with related parties.

2.30 EARNINGS PER SHARE

According to TAS 33 “Earnings per Share”, equity shares are not obliged to disclose earnings per share for companies that are not traded in the stock market. Earnings / losses per share have not been calculated in the accompanying financial statements since the Company’s shares are not traded in the stock exchange.

2.31 EVENTS AFTER THE REPORTING PERIOD

Post-balance sheet events that provide additional information about the Company’s position at the balance sheet dates (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.32 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE****Standards issued but not yet effective and not early adopted**

A number of new standards and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Company has not early adopted are as follows.

The revised Conceptual Framework

The revised Conceptual Framework issued on 28 March 2018 by the IASB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing TFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no TFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to TFRS 4: Applying TFRS 9 Financial Instruments with TFRS 4 Insurance Contracts

TFRS 4 has been amended by IASB to reduce the impact of the differing effective dates of the new insurance contracts standard and TFRS 9. These amendments to TFRS 4 provide two optional solutions for insurers to reduce concerns about implementations: i) when applying TFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognised in profit or loss under TFRS 9 and those that would have been reported under TAS 39; or ii) an optional temporary exemption from applying TFRS 9 for companies whose activities are predominantly connected with insurance before January 1, 2021. These companies will be permitted to continue to apply existing requirements for financial instruments in TAS 39.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TFRS 4.

TFRS 17 Insurance Contracts

On 18 May 2017, IASB issued TFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers’ risk exposure, profitability and financial position. TFRS 17 replaces TFRS 4, which was brought in as an interim Standard in 2004. TFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. TFRS 17 solves the comparison problems created by TFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. TFRS 17 has an effective date of 1 January 2022 but companies can apply it earlier.

The Company is assessing the potential impact on its financial statements resulting from the application of TFRS 17.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.32 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)**

Standards issued but not yet effective and not early adopted (continued)

TFRS 9 Financial Instruments (2017 version)

TFRS 9 Financial Instruments, has been published by POA in January 2017, replaces the existing guidance in TAS 39 Financial Instruments: Recognition and Measurement. It also carries forward the guidance on recognition, classification, measurement and derecogniton of financial instruments from TAS 39 to TFRS 9. The last version of TFRS 9 includes a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements and also includes guidance issued in previous versions of TFRS 9. The Standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company has performed an initial assessment on these financial assets and liabilities and does not expect that there will be a significant impact on its financial statements resulting from the application of TFRS 9. The International Accounting Standards Board has decided that TFRS 9 is effective from 1 January 2022 with TFRS 17. The Company is assessing the potential impact on its financial statements resulting from the application of TFRS 9.

TFRS 15 Revenue from Contracts with Customers

As issued in September 2016 by Turkish Public Oversight Authority (“POA”), the new standard replaces existing TFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. In accordance with the letter submitted by Turkey Insurance Association dated 7 May 2018 and numbered 2018-354, the request of postponement of implementation of TFRS 15 in line with TFRS 17 and TFRS 9 transition is evaluated positively by the Republic of Turkey Ministry of Treasury and Finance and the announcement about the issue will be made with the circular after official approval.

The Company is assessing the potential impact on its financial statements resulting from the application of TFRS 15.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.32 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)**

Standards issued but not yet effective and not early adopted (continued)

Amendments to TAS 1 and TAS 8 - Definition of Material

In October 2018, IASB issued Definition of Material (Amendments to TAS 1 and TAS 8). The amendments clarify and align the definition of ‘material’ and provide guidance to help improve consistency in the application of that concept whenever it is used in TFRS Standards. The amended “definition of material “was added to the important definition and it was stated that this expression could lead to similar results by not giving and giving misstating information. In addition, with this amendment, the terminology used in its definition of material has been aligned with the terminology used in the Conceptual Framework for Financial Reporting (Version 2018). Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

The Company does not expect that application of these amendments to TAS 1 and TAS 8 will have significant impact on its financial statements.

Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 and TFRS 7)

Interest Rate Benchmark Reform, which amended TFRS 9, TAS 39 and TFRS 7 issued in September 2019 by IASB and thereon POA issued on 14 December 2018added Section 6.8 and amended paragraph 7.2.26 of TFRS 9. About this issue, IASB identified two groups of accounting issues that could affect financial reporting. These are pre-replacement issues—issues affecting financial reporting in the period before the reforms and replacement issues—issues that might affect financial reporting when an existing interest rate benchmark is either reformed or replaced.

IASB considered the pre-replacement issues to be more urgent and decided to address the following hedge accounting requirements as a priority in the first phase of the project:

- The highly probable requirement;
- Prospective assessments;
- TAS 39 retrospective assessment; and
- Separately identifiable risk components.

All other hedge accounting requirements remain unchanged. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

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3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The notes given in this section are provided to addition/supplement the commentary on the management of insurance risk
Note 4.1 – Management of insurance risk and Note 4.2 – Financial risk management.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the
application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may
differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in
the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas at estimation uncertainty and critical judgment in applying accounting
policies that have the most significant effect on the amount recognized in the financial statements are described in the
following notes:

- Note 4.1 – Management of insurance risk
- Note 4.2 -Financial risk management
- Note 6 – Tangible assets
- Note 8 – Intangible assets
- Note 10 – Reinsurance assets/liabilities
- Note 11 – Financial assets
- Note 12 – Loans and receivables
- Note 14 – Cash and cash equivalents
- Note 17 – Insurance liabilities and reinsurance assets
- Note 17 – Deferred acquisition costs
- Note 18 – Investment contract liabilities
- Note 18 – Receivables from private pension operations
- Note 21 – Deferred income taxes
- Note 23 – Provisions for other liabilities and charges

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK

4.1 MANAGEMENT OF INSURANCE RISK

Pricing policies

The pricing policies and principles of the Company are as follows:

- i) While determining risk premiums, the amount of expected losses are considered and premium limits are determined accordingly.
- ii) During the study of pricing activities as a part of developing a new product, working of relevant units together within the Company is maintained by considering the needs of the customers and competition in the market.
- iii) It is aimed to achieve profitability in product basis and providing continuity.
- iv) Results of the pricing studies are compared with the prices of the competitors and international pricing cases.

When the distribution of the products in accordance with the premiums written for each product within last one year is analysed it is observed that premiums written for saving products and premiums written for one year term life products have decreased, on the other hand premiums written for long term life products have increased. Pricing of the products by considering high profitability has protective effect on the future performance of the Company.

CSO-58, SM-53, CSO-80 and CSO-2001 mortality tables are used in the determination of the prices of life insurance products.

Insurance risk accepted by the Company in accordance with their total amounts and the quantity of the policies are presented in the below table. The Company management believes that the distribution of the insurance risk in terms of their total amounts and quantities are satisfactory.

	31 DECEMBER 2019		31 DECEMBER 2018	
	INSURANCE RISK (TL)	UNIT	INSURANCE RISK (TL)	UNIT
Death	57.415.582.363	2.298.152	48.717.685.516	2.278.422
Disability due to accident	45.039.323.649	2.092.738	34.351.873.202	1.999.739
Disability due to illness	20.221.897.401	1.489.065	17.394.127.753	1.444.221
Critical illness	392.691.407	13.819	516.232.189	18.337
Treatment costs due to accident	419.343.801	4.397	355.292.471	2.357
Involuntary unemployment	215.309.093	101.343	180.405.909	91.362
Death due to accident	215.332.484	101.434	180.384.052	91.437
Unemployment/Daily hospital benefit	231.187.591	353.772	89.591.831	217.259
Permanent disability benefit	171.786.836	983	6.606.553	190
Unemployment/ Temporary disability benefit	48.500	194	60.250	241

The Company gives importance to the diversification of the insurance risk.

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.1 MANAGEMENT OF INSURANCE RISK (CONTINUED)

Risk evaluation policies

The Company uses leader reinsurer’s medical risk evaluation tools in its risk assessment processes. Each year check-up limits are reviewed and revised in accordance with the historical statistics. Besides, the Company also performs ‘Medical’ risk evaluation through the Company’s medical doctor, ‘Moral’ risk evaluation through its risk evaluation and selling staff, and ‘Financial’ risk assessment for private applications and the credit life insurances developed against bank loans.

Medical-risk assessment

Medical risk assessment is the first step of risk assessment process. In order to learn and evaluate the health positions of the customers, they are requested to do check-up test in accordance with the conditions determined based on the amount of insured risk. Within this context, first evaluation is performed by the Company’s medical doctor through medical assessment. Applicants carrying medical risk factors are rejected in accordance with the terms of agreement with reinsurers.

Moral risk assessment

In the second step of the risk assessment process, information about the customers’ gender, living conditions, residence and the occupational information is obtained. During this process, sales force of the Company is expected to support related units of the Company for suspicious circumstances of the customers which are re-assessed.

Financial risk assessment

In the third step of the risk assessment process, requirement for customers’ request for the amount of life insurance limits and their annual income or the amount of the loans requested from the banks being equal to each other is analysed. A big amount of the Company’s portfolio consists of bank products, total amount of insured risk is expected to match with the total amount of banks’ credit risks. Evaluation of the credit risks of the customers by the banks as a part of their credit facilities is an important step for the Company’s financial risk assessment process.

Operational risk management

The network between the Company’s information system and T. Garanti Bankası A.Ş.’s information system, main distribution channel of the Company, has been established which provides all applications and all policy processes to be followed by the Company through its system. Within the claim payment process of the Company, all documents are followed by the electronic archiving system by keeping the original ones.

Reinsurance policies

The Company cedes risk based life insurance policies (death and other additional insured risks) through the reinsurance of the risks. Since technical profitability of risk based life insurance policies is high, maximum retention amount determined based on actuarial calculations is held by the Company in its conservation and the amount exceeding maximum retention amount is ceded to reinsurance companies through surplus treaties. On the other hand, the Company keeps less risk in its conservation for uncertain risks (such as critical illness).

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.1 MANAGEMENT OF INSURANCE RISK (CONTINUED)

In the case of life loss, disability resulted by accident, for employees to remain unemployed in private sector, hospitalization of self employed; quota share reinsurance treaty with reinsurance share ratio of 100% is contracted for the unemployment insurance which provides income guarantee in each insurance year.

Moreover, each year the Company signs excess of loss reinsurance contracts to protect its conservation for catastrophic damages such as earthquake, flood, major public transportation accidents, major natural disasters or terrorist attacks.

Reinsurance companies

The Company works with reinsurance companies in order to afford reinsurance assurance related to other collateral guarantee given under the life insurance and non life insurance branches for preservation of financial structure and allocation of professional risk considering the existing and varying product structure. In this context, Company’s job acceptance capacity and elasticity are increased with the reinsurance agreements and it is provided that the risk is spreaded to different reinsurers by working with different reinsurance companies. Serving to customers with different product structures is intended by working with varying reinsurers.

The decisive criteria for the relationship with reinsurers are as follows:

- i) Financial strength,
- ii) Long-term business relationship approach,
- iii) Competitive prices and different product combinations,
- iv) Capacity provided for facultative and un-proportional (catastrophic) reinsurance contracts,
- v) Opportunities and information provided in risk assessment process, product development, trainings, information about new developments in the sector and etc.

Performance of the reinsurance companies in treaty agreements is evaluated for each year by considering the payment performance of the reinsurers for the claims paid and other due payables to the Company. Performance of the reinsurance companies in facultative agreements is evaluated by considering capacity provided to the Company, speed in operational reinsurance transactions, and technical and market information provided to the Company. In case where the performance of the reinsurer is not assessed as adequate, the Company decides on to engage with alternative reinsurance companies.

As a result of stable and consistent pricing and risk acceptance policies, risk assessment policies and conditions agreed with the treaty reinsurers enable the Company to insure the risk in higher amounts than the market averages.

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.1 MANAGEMENT OF INSURANCE RISK (CONTINUED)

Reinsurance companies (continued)

Münchener Rückversicherungs AG (“Munich Re”), located in Munich, is the leader reinsurance firm of the Company for life insurance policies. Scor Global Company is the second reinsurance firm in terms of its reinsurance share. The third big reinsurance firm is RGA. Fourth reinsurance firm is Financial Insurance Company.

In unemployment insurance, the Company’s engagement quota share reinsurance treaties with 100% reinsurance share ratio with BNP Paribas Cardif Hayat Sigorta AŞ (“Cardif”) is continued in 2019.

Recent ratings of these companies given by international institutions are as follows:

PRICING POLICIES		STANDARD & POORS			AM BEST	
REINSURER	RATING	OUTLOOK	DATE	RATING	OUTLOOK	DATE
Munich-Re	AA-	Stable	2017	A+	Stable	07.12.2017
Scor Global Life	AA-	Stable	07.09.2015	A+	Stable	01.09.2017
RGA	AA-	Stable	01.06.2016	A+	Stable	10.06.2016
Bnp Paribas Cardif	A-	Stable	05.04.2019	A+	Stable	06.06.2019
Axa France Vie	AA-	Stable	24.07.2019	AA-	Stable	5.06.2019
Arch Re	A+	Stable	25.06.2018	A+	Stable	11.10.2018

(*) Since the A.M. best rating is not available for BNP Cardif , Fitch rating is presented.

The Company's ratings, provide information about the tracking the financial structure of companies, allow monitoring the sustainability of long term business relationship, and the minimum capital determination is done related to the communiques on financial structure and capital adequacy of insurance, reinsurance and pension fund companies.

4.2 FINANCIAL RISK MANAGEMENT

Introduction and overview

This note presents information about the Company’s exposure to each of the below risks, the Company’s objectives, policies and processes for measuring and managing risk, and the Company’s management of capital. The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework. The Board of Directors monitors the effectiveness of the risk management system through the internal audit department.

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Credit risk

Credit risk is basically defined as the possibility that a counterparty will fail to meet its obligations in accordance under agreed terms of a contract. The main financial statement balances that the Company has credit risk exposure is as follows:

- cash at banks
- other cash and cash equivalents
- available for sale financial assets
- investment with risks on policyholders
- premium receivables from policyholders
- receivables from intermediaries(agencies)
- private pension operations and receivables from pension investment funds and participants
- receivables from reinsurance companies related to claims paid and commissions accrued
- reinsurance shares of insurance liabilities
- due from related parties
- other receivables

Financial assets subject to credit risk of the company mainly consist of Eurobonds issued by the Republic of Turkey Government and private sector bills; time and demand deposits held in banks and financial institutions of Turkey. These receivables are not to be considered as having high credit risk.

Reinsurance contracts are the most common method to manage insurance risk. This does not, however, discharge the Company’s liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholders. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of the reinsurance contract.

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Net carrying value of the assets that is exposed to credit risk is shown in the table below:

	31 DECEMBER 2019	31 DECEMBER 2018
Cash and cash equivalents (Note 14)	1.950.837.097	1.449.294.559
Financial assets and financial investments with risks on policyholders (Note 11)(*)	30.460.569	25.591.026
Receivables from main operations (Note 12)	17.859.159.110	13.348.409.779
Reinsurer share in outstanding claims reserve (Note 10), (Note 17)	20.942.729	16.018.912
Due from shareholders (Note 12)	172	32.640
Other receivables (Note 12)	147.137	137.066
Total	19.861.546.814	14.839.483.982

(*) Stock shares amounting to TL 292.304 are not included (December, 31 2018: 292.304 TL).

As of December, 31 2019 and December, 31 2018, the aging of receivables from main operations is as follows:

	31 DECEMBER 2019		31 DECEMBER 2018	
	GROSS AMOUNT	PROVISION (*)	GROSS AMOUNT	PROVISION (*)
Not past due	17.893.393.115	-	13.361.270.803	-
Past due 0-30 days	8.345.494	-	7.936.603	-
Past due 31-60 days	374.326	-	473.866	-
Past due 61-180 days	372.512	-	335.999	-
Past due 181-365 days	285.212	-	272.406	-
More than one year	1.429.885	-	14.123.959	-
Total	17.904.200.544	(45.041.434)	13.384.413.636	(36.003.857)

(*) Provision for the impairment of entrance fees which could not be collected yet and other receivables related to the pension operations amounted to TL 44.985.691 (December, 31 2018: TL 35.940.008), presented as netted off from receivables from private pension operations in the accompanying financial statements.

The Company reserves a provision for the overdue amounts in the receivables receivable that are accrued at the entrance and which will be collected by installments up to a maximum of 12 months.

The movement of receivables from insurance and pension activities during the period is as follows:

	1 JANUARY - 31 DECEMBER 2019	1 JANUARY - 31 DECEMBER 2018
Provision for receivables from insurance and private pension operations at the beginning of the year	(36.003.857)	(25.277.200)
Provision for impairment (provided) / released during the year	(9.037.577)	(10.726.657)
Provision for receivables from insurance and private pension operations at the end of the year	(45.041.434)	(36.003.857)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments.

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Management of liquidity risk

The Company considers the maturity match between asset and liabilities for the purpose of avoiding liquidity risk and ensure that it will always have sufficient liquidity to meet its liabilities when due.

The remaining maturities of monetary assets and liabilities are as follows:

31 DECEMBER 2019	CARRYING VALUE	UNALLOCATED	NO MATURITY	UP TO 1 MONTH	1 TO 3 MONTH	3 TO 6 MONTH	6 TO 12 MONTH	MORE THAN 1 YEAR
Cash and cash equivalents	1.950.837.097	-	7.116.410	1.724.115.251	209.568.705	-	10.036.731	-
Financial assets and financial investments with risks on policyholders	172.602.705	-	-	-	-	2.311.839	53.495.000	116.795.866
Receivables from main operations	17.859.159.110	17.769.751.387	-	37.765.617	21.819.756	19.044.515	10.777.835	-
Due from related parties	172	-	-	172	-	-	-	-
Other receivables	142.952	-	-	142.952	-	-	-	-
Prepaid expenses and income accruals	44.319.600	-	-	6.010.162	10.551.812	12.845.466	13.129.025	1.783.135
Other current assets	1.500	-	-	-	1.500	-	-	-
Deposits and guarantees given	4.185	-	-	-	-	-	-	4.185
Total assets	20.027.067.321	17.769.751.387	7.116.410	1.768.034.154	241.941.773	34.201.820	87.438.591	118.583.186
Financial liabilities	5.348.905	-	-	255.560	530.759	828.809	1.790.877	1.942.900
Payables arising from main operations	17.986.854.781	17.793.618.598	-	177.090.425	4.052.294	8.612.503	3.480.961	-
Due to related parties	6.695.835	-	-	6.695.835	-	-	-	-
Other liabilities	5.077.873	-	-	5.077.873	-	-	-	-
Insurance technical provisions (*)	59.092.215	59.092.215	-	-	-	-	-	-
Provisions for taxes and other similar obligations	32.881.697	-	-	32.881.697	-	-	-	-
Provisions for other risks	12.885.903	-	-	-	-	-	-	-
Deferred expenses and income accruals	36.409.398	29.431.263	-	1.072.683	1.892.043	2.251.196	1.762.213	-
Total liabilities	18.145.246.607	17.882.142.076	-	223.074.073	6.475.096	11.692.508	10.592.316	11.270.538

(*) Provision for outstanding claims is presented in the unallocated column in the table above. Unearned Premium reserve, mathematical reserve and equalization provision are not included.

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)
4.2 FINANCIAL RISK MANAGEMENT (CONTINUED)
Liquidity risk (continued)

31 DECEMBER 2018	CARRYING VALUE	UNALLOCATED	NO MATURITY	UP TO 1 MONTH	1 TO 3 MONTH	3 TO 6 MONTH	6 TO 12 MONTH	MORE THAN 1 YEAR
Cash and cash equivalents	1.449.294.559	-	5.829.293	322.832.854	510.144.151	-	610.488.261	-
Financial assets and financial investments with risks on policyholders	25.883.330	292.304	-	-	-	-	-	25.591.026
Receivables from main operations	13.348.409.779	13.289.437.030	-	31.264.435	14.245.221	8.771.453	4.691.640	-
Due from related parties	32.640	-	-	32.640	-	-	-	-
Other receivables	132.881	-	-	132.881	-	-	-	-
Prepaid expenses and income accruals	27.247.824	-	-	4.225.962	7.053.983	7.835.155	8.132.724	-
Other current assets	1.500	-	-	-	1.500	-	-	-
Deposits and guarantees given	4.185	-	-	-	-	-	-	4.185
Total assets	14.851.006.698	13.289.729.334	5.829.293	358.488.772	531.444.855	16.606.608	623.312.625	25.595.211
Financial liabilities	-	-	-	-	-	-	-	-
Payables arising from main operations	13.488.360.572	13.309.049.618	-	165.482.805	7.121.464	4.999.349	1.707.336	-
Due to related parties	2.735.694	-	-	2.735.694	-	-	-	-
Other liabilities	5.224.541	-	-	5.224.541	-	-	-	-
Insurance technical provisions (*)	51.967.681	51.967.681	-	-	-	-	-	-
Provisions for taxes and other similar obligations	25.959.401	-	-	25.959.401	-	-	-	-
Provisions for other risks	11.984.946	-	-	-	-	-	2.782.917	9.202.029
Deferred expenses and income accruals	23.496.510	18.818.037	-	788.167	1.310.053	1.448.473	1.131.780	-
Total liabilities	13.609.729.345	13.379.835.336	-	200.190.608	8.431.517	6.447.822	5.622.033	9.202.029

(*) Provision for outstanding claims is presented in the unallocated column in the table above. Unearned Premium reserve, mathematical reserve and equalization provision are not included.

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Currency risk

The Company is exposed to currency risk through its transactions denominated in foreign currencies.

Foreign exchange gains and losses due to foreign currency denominated transactions are recognized in the period of the transaction. Monetary assets and liabilities denominated in foreign currencies are measured at the exchange rates ruling at balance sheet date with the resulting exchange differences recognized in the statement of income as foreign exchange gains or losses.

The Company's exposure to foreign currency risk is as follows:

31 DECEMBER 2019	US DOLLAR	EURO	OTHER CURRENCIES	TOTAL
Cash and cash equivalents	60.727.945	1.501.621	-	62.229.566
Financial assets and financial investments with risks on policyholders	28.114.866	3.230.929	-	31.345.795
Receivables from main operations	10.901.893	77.966	-	10.979.859
Total foreign currency denominated assets	99.744.704	4.810.516	-	104.555.220
Payables arising from main operations	(1.596.610)	(36.651)	-	(1.633.261)
Insurance technical provisions	(29.655.473)	(3.934.045)	-	(33.589.518)
Investment contract liabilities	(20.357.462)	(1.615.670)	-	(21.973.132)
Total foreign currency denominated liabilities	(51.609.545)	(5.586.367)	-	(57.195.912)
Net financial position	48.135.159	(775.851)	-	47.359.308

31 DECEMBER 2018	US DOLLAR	EURO	OTHER CURRENCIES	TOTAL
Cash and cash equivalents	46.261.909	4.209.074	7.285	50.478.268
Financial assets and financial investments with risks on policyholders	23.526.650	2.064.376	-	25.591.026
Receivables from main operations	5.737.927	146.866	-	5.884.793
Total foreign currency denominated assets	75.526.486	6.420.316	7.285	81.954.087
Payables arising from main operations	(1.304.136)	(51.002)	(2)	(1.355.140)
Insurance technical provisions	(14.014.774)	(3.257.354)	(104)	(17.272.232)
Investment contract liabilities	(25.163.090)	(2.663.246)	-	(27.826.336)
Total foreign currency denominated liabilities	(40.482.000)	(5.971.602)	(106)	(46.453.708)
Net financial position	35.044.486	448.714	7.179	35.500.379

TL equivalents of the related foreign currency amounts are shown in order to evaluate the above table.

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Currency risk (continued))

Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are measured as TL at the purchasing exchange rates announced by the Central Bank of Turkey ruling at December, 31 2019 and December, 31 2018. Only life mathematical provisions and loans to the policyholders are measured at effective selling rates announced by the Central Bank of Turkey as disclosed on the face of policies.

Foreign exchange rates used for the translation of foreign currency denominated monetary assets and liabilities as at balance sheet date are as follows:

31 DECEMBER 2019	US DOLLAR	EURO
Foreign currency rate used in translation of balance sheet items	5,9402	6,6506
Foreign currency rates used in calculation of life mathematical provision and loans to the policyholders	5,9598	6,6725

31 DECEMBER 2018	US DOLLAR	EURO
Foreign currency rate used in translation of balance sheet items	5,2609	6,0280
Foreign currency rates used in calculation of life mathematical provision and loans to the policyholders	5,2783	6,0479

Exposure to currency risk

A 10 percent devaluation of the TL against the following currencies as at December, 31 2019 and December, 31 2018 would have increased or decreased 12 month period of equity and profit or loss (excluding tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. In case of a 10 percent revaluation of the TL against the following currencies, the effect will be in opposite direction.

	31 DECEMBER 2019		31 DECEMBER 2018	
	PROFIT OR LOSS	EQUITY(*)	PROFIT OR LOSS	EQUITY(*)
US Dollar	4.683.685	4.813.515	3.466.762	3.504.448
Euro	(88.421)	(77.585)	35.547	44.872
Others	-	-	718	718
Total, net	4.595.264	4.735.930	3.503.027	3.550.038

(*)Equity effect also includes profit or loss effect of 10% devaluation of TL against related currencies.

Exposure to interest rate risk

The principle risk to trading portfolios are exposed is the risk of fluctuations in the fair values of financial instruments because of a change in market interest rate. The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates.

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Exposure to interest rate risk (continued))

As at balance sheet date; the interest rate profile of the Company's interest earning financial assets and interest bearing financial liabilities are detailed below:

	31 DECEMBER 2019	31 DECEMBER 2018
Banks (time deposit) (Note 14)	1.800.764.337	1.299.067.318
Financial investments with risks on policyholders – Available for sale financial assets – Eurobonds (Note 11)	30.460.569	25.591.026
Loans to the policyholders (Note 12)	265.143	213.636
Available for sale financial assets (Government Bonds)	141.849.832	-
Financial liabilities (Note 20)	5.348.905	-

Interest rate sensitivity of financial instruments

Interest rate sensitivity of the statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the net interest income as at and for the year ended December, 31 2019 and December, 31 2018 of the floating rate non-trading financial assets and financial liabilities held at December, 31 2019 and December, 31 2018. Interest rate sensitivity of equity is calculated by revaluing available-for-sale financial assets at December, 31 2019 and December, 31 2018 for the effects of the assumed changes in interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The table below demonstrating the effect of changes in interest rates on statement of income and equity excludes tax effects on related loss or income.

31 DECEMBER 2019	STATEMENT OF INCOME		EQUITY (*)	
	100 BP INCREASE	100 BP DECREASE	100 BP INCREASE	100 BP DECREASE
Available for sale financial assets	-	-	(1.519.936)	1.555.677
Financial investments with risks on policyholders (Available for sale financial assets)	-	-	(70.519)	75.908
Total, net	-	-	(1.590.455)	1.631.584

31 DECEMBER 2018	STATEMENT OF INCOME		EQUITY (*)	
	100 BP INCREASE	100 BP DECREASE	100 BP INCREASE	100 BP DECREASE
Financial investments with risks on policyholders (Available for sale financial assets)	-	-	(63.924)	69.127
Total, net	-	-	(63.924)	69.127

(*) Equity effect also includes 100 base point (bp) effect of increase and decrease in interest rates on profit or loss.

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Fair value information

The estimated fair values of financial instruments have been determined using available market information, and where it exists, appropriate valuation methodologies. The Company has classified its financial assets as whether held for trading purpose or available for sale and measured its financial assets at their fair values at the end of the year.

Management estimates that the fair value of other financial assets and liabilities are not materially different than their carrying values.

Classification relevant to fair value information

TFRS 7 – Financial instruments: Disclosures requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible. Fair value of financial assets and liabilities shown in the financial statements at fair value are presented below:

FINANCIAL ASSETS	31 DECEMBER 2019			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial investments with risks on policyholders classified as available for sale (Note 11)	30.460.569	-	-	30.460.569
Available for sale financial assets (Note 11)	141.849.832	-	-	141.849.832
Total financial assets	172.310.401	-	-	172.310.401

FINANCIAL ASSETS	31 DECEMBER 2018			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial investments with risks on policyholders classified as available for sale (Note 11)	25.591.026	-	-	25.591.026
Total financial assets	25.591.026	-	-	25.591.026

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital management

The Company’s capital management policies include the following:

- To comply with the insurance capital requirements required by the Undersecretariat of Treasury,
- To safeguard the Company’s ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders,
- To provide an adequate return to shareholders by pricing insurance contracts in line with the level of risk assumed.

In accordance with the “Circular Regarding the Measurement and Assessment of Capital Adequacy of Insurance, Reinsurance and Private Pension Companies” issued by the Undersecretariat of Treasury on 19 January 2008 dated and 26761 numbered Official Gazette, the Company measured its minimum capital requirement as at 30 June 2019 as TL 208.504.941. As at 30 June 2019, the Company’s total equity in its statutory financial statements amounted to TL 1.131.113.304 (Equity balances subject to capital adequacy are added to the balance of equilibrium) which is above the minimum capital requirement amount.

Gains and losses from financial instruments

FINANCIAL GAINS AND LOSSES RECOGNIZED IN THE STATEMENT OF INCOME	1 JANUARY - 31 DECEMBER 2019	1 JANUARY - 31 DECEMBER 2018
Interest income from bank deposits	306.439.392	336.930.859
Income accrual and valuation differences of financial assets	7.653.172	1.378.502
Foreign exchange gains (**)	9.840.105	19.534.713
Financial gains (*)	323.932.669	357.844.074
Foreign exchange losses	-	-
Others	(16.989.619)	(16.893.726)
Financial losses (**)	(16.989.619)	(16.893.726)
Financial gains and losses recognized in the statement of income. net	306.943.050	340.950.348

FINANCIAL GAINS AND LOSSES RECOGNIZED IN EQUITY	31 DECEMBER 2019	31 DECEMBER 2018
Valuation difference from financial assets	2.943.729	103.358
Deferred tax effect	(588.746)	(20.672)
Interest income end of the period	2.354.983	82.686

(*) Total financial gains also include life investment income.

(**) Total financial losses doesn’t not include depreciation and amortisation expenses.

(***) Includes the foreign exchange income and losses shown under life branch investment income.

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5 SEGMENT REPORTING

Segment reporting is presented based on the Company's operations and geographical segments. The Company's main segment reporting is based on the Company's operations.

The related assets and liabilities by branches and operation results are prepared according to the accounting interpretations explained under” Summary of Significant Accounting Policies”.

Geographical segment reporting

The main geographical segment the Company operating in, is Turkey, so the Company does not disclose geographical segment reporting.

Operating segments

1 JANUARY - 31 DECEMBER 2019	LIFE	NON-LIFE	PRIVATE PENSION	OTHER / UNALLOCATED	TOTAL
CONTINUING OPERATIONS					
Technical income	828.714.764	988	335.370.676	-	1.164.086.428
Technical expense	(550.762.229)	(7.923)	(194.630.200)	-	(745.400.352)
Other gains and losses, total	-	-	-	169.159.088	169.159.088
Technical net profit from ongoing operations	277.952.535	(6.935)	140.740.476	169.159.088	587.845.164
Profit before taxes	277.952.535	(6.935)	140.740.476	169.159.088	587.845.164
Income tax expense	-	-	-	(133.291.729)	(133.291.729)
Profit for the period (loss)	277.952.535	(6.935)	140.740.476	35.867.359	454.553.435

Other segment information

Amortisation expense (Note 8)	-	-	-	-	6.176.790
Depreciation expense (Note 6)	-	-	-	-	26.782.726

31 DECEMBER 2019	LIFE	NON-LIFE	PRIVATE PENSION	OTHER / UNALLOCATED	TOTAL
Available for sale financial assets	-	-	292.304	141.849.832	142.142.136
Receivables from main operations	76.586.624	-	17.782.572.486	-	17.859.159.110
Tangible and intangible assets	-	-	-	53.651.579	53.651.579
Deferred acquisition costs	43.218.452	-	-	-	43.218.452
Other assets	30.460.569	-	-	1.970.962.114	2.001.422.683
Total assets	150.265.645	-	17.782.864.790	2.166.463.525	20.099.593.960

Insurance contract technical provisions	668.606.683	(1.470)	-	-	668.605.213
Other liabilities	44.280.451	-	17.949.552.465	92.321.476	18.086.154.392
Shareholders equity	-	-	-	1.344.834.355	1.344.834.355
Total liabilities	712.887.134	(1.470)	17.949.552.465	1.437.155.831	20.099.593.960

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5 SEGMENT REPORTING (CONTINUED)

1 JANUARY - 31 DECEMBER 2018	LIFE	NON-LIFE	PRIVATE PENSION	OTHER / UNALLOCATED	TOTAL
CONTINUING OPERATIONS					
Technical income	523.406.904	1.635	301.627.199	-	825.035.738
Technical expense	(313.053.142)	(2.822)	(174.762.131)	-	(487.818.095)
Other gains and losses, total	-	-	-	248.938.086	248.938.086
Technical net profit from ongoing operations	210.353.762	(1.187)	126.865.068	248.938.086	586.155.729
Profit before taxes	210.353.762	(1.187)	126.865.068	248.938.086	586.155.729
Income tax expense	-	-	-	(132.598.937)	(132.598.937)
Profit for the period (loss)	210.353.762	(1.187)	126.865.068	116.339.149	453.556.792

Other segment information

Amortisation expense (Note 8)	-	-	-	-	2.396.854
Depreciation expense (Note 6)	-	-	-	-	23.886.917

31 DECEMBER 2018	LIFE	NON-LIFE	PRIVATE PENSION	OTHER / UNALLOCATED	TOTAL
Available for sale financial assets	-	-	292.304	-	292.304
Receivables from main operations	47.075.383	-	13.301.334.396	-	13.348.409.779
Tangible and intangible assets	-	-	-	43.194.965	43.194.965
Deferred acquisition costs	25.005.744	-	-	-	25.005.744
Other assets	25.591.026	-	-	1.469.794.312	1.495.385.338
Total assets	97.672.153	-	13.301.626.700	1.512.989.277	14.912.288.130

Insurance contract technical provisions	467.621.854	(144)	-	-	467.621.710
Other liabilities	27.686.440	-	13.465.352.605	64.722.619	13.557.761.664
Shareholders equity	-	-	-	886.904.756	886.904.756
Total liabilities	495.308.294	(144)	13.465.352.605	951.627.375	14.912.288.130

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6 TANGIBLE ASSETS

Movement in tangible assets in the period from 1 January to 31 December 2019 is presented below:

	1 JANUARY 2019	ADDITIONS	DISPOSALS	31 DECEMBER 2019
COST:				
Furniture and fixtures	15.070.034	190.979	-	15.261.013
Other tangible assets (including leasehold improvements)	3.913.681	156.760	-	4.070.441
Tangible assets acquired through finance leasing	1.300.924	-	(6.533)	1.294.391
Right of use assets (*)	-	10.308.559	(2.329.898)	7.978.661
	20.284.639	10.656.298	(2.336.431)	28.604.506
ACCUMULATED DEPRECIATION:				
Furniture and fixtures	(12.208.152)	(1.572.747)	-	(13.780.899)
Other tangible assets (including leasehold improvements)	(2.372.807)	(329.189)	-	(2.701.996)
Tangible assets acquired through finance leasing	(899.847)	(282.797)	5.535	(1.177.109)
Right of use assets (*)	-	(3.982.057)	885.649	(3.096.408)
	(15.480.806)	(6.166.790)	891.184	(20.756.412)
Net book value	4.803.833			7.848.094

(*) 31 Aralık 2019 itibarıyla kullanım hakkı varlıkları, gayrimenkul kiralının TFRS 16 kapsamında muhasebeleştirilmesi sonucu oluşmaktadır. Detaylı açıklama için Not 20'ye bakınız.

Movement in tangible assets in the period from 1 January to 31 December 2018 is presented below:

	1 JANUARY 2018	ADDITIONS	DISPOSALS	31 DECEMBER 2018
COST:				
Furniture and fixtures	16.979.759	998.995	(2.908.720)	15.070.034
Other tangible assets (including leasehold improvements)	2.590.227	1.349.623	(26.169)	3.913.681
Tangible assets acquired through finance leasing	1.300.924	-	-	1.300.924
	20.870.910	2.348.618	(2.934.889)	20.284.639
ACCUMULATED DEPRECIATION:				
Furniture and fixtures	(13.054.416)	(1.919.101)	2.908.720	(12.064.797)
Other tangible assets (including leasehold improvements)	(2.347.692)	(194.638)	26.169	(2.516.161)
Tangible assets acquired through finance leasing	(616.733)	(283.115)	-	(899.848)
	(16.018.841)	(2.396.854)	2.934.889	(15.480.806)
Net book value	4.852.069			4.803.833

There is no change in depreciation method in the current period.

During the current period Company hasn't made any financial lease payments (December, 31 2018: TL 203.581).

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7 INVESTMENT PROPERTIES

None.

8 INTANGIBLE ASSETS

Movement in intangible assets in the period from 1 January to 31 December 2019 is presented below:

	1 JANUARY 2019	ADDITIONS	DISPOSALS	31 DECEMBER 2019
COST:				
Rights	334.371			334.371
Other intangible assets (*)	175.353.835	34.195.079		209.548.914
	175.688.206	34.195.079	-	209.883.285
ACCUMULATED AMORTISATION:				
Rights	(334.371)	-	-	(334.371)
Other intangible assets (*)	(136.962.703)	(26.782.726)	-	(163.745.429)
	(137.297.074)	(26.782.726)	-	(164.079.800)
Net book value	38.391.132			45.803.485

Movement in intangible assets in the period from 1 January to 31 December 2018 is presented below:

	1 JANUARY 2018	ADDITIONS	DISPOSALS	31 DECEMBER 2018
COST:				
Rights	334.371	-	-	334.371
Other intangible assets (*)	147.192.635	28.161.200	-	175.353.835
	147.527.006	28.161.200	-	175.688.206
ACCUMULATED AMORTISATION:				
Rights	(334.371)	-	-	(334.371)
Other intangible assets (*)	(113.075.786)	(23.886.917)	-	(136.962.703)
	(113.410.157)	(23.886.917)	-	(137.297.074)
Net book value	34.116.849			38.391.132

(*) Other intangible assets consist of computer softwares.

9 INVESTMENTS IN ASSOCIATES

None.

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10 REINSURANCE ASSETS/(LIABILITIES)

Outstanding reinsurance assets and liabilities of the Company, as a ceding company in accordance with the existing reinsurance contracts are as follows:

REINSURANCE ASSETS	31 DECEMBER 2019	31 DECEMBER 2018
Reinsurance share of unearned premiums reserve (Note 17)	34.354.483	19.316.147
Reinsurance share of outstanding claims reserve (Note 17, Note 4.2)	20.942.729	16.018.912
Receivables from reinsurers (Note 12)	8.053.634	5.298.980
Total	63.350.846	40.634.039

Reinsurance liabilities	31 DECEMBER 2019	31 DECEMBER 2018
Deferred commission income (Deferred income) (Note 19)	6.978.135	4.678.473
Payables to the reinsurers related to premiums ceded (Note 19)	14.079.663	9.417.532
Total	21.057.798	14.096.005

	1 JANUARY - 31 DECEMBER 2019	1 JANUARY - 31 DECEMBER 2018
Ceded premiums to reinsurers during the period (Note 17)	(63.233.905)	(38.779.286)
Reinsurance share of unearned premiums reserve, at the beginning of the period (Note 17)	(19.316.147)	(25.155.218)
Reinsurance share of unearned premiums reserve, at the end of the period (Note 17)	34.354.483	19.316.147
Ceded premiums to reinsurers (Note 17)	(48.195.569)	(44.618.357)

Reinsurance share of claims paid, during the period (Note 17)	19.680.202	17.455.159
Reinsurance share of outstanding claims reserve, at the beginning of the period (Note 17)	(16.018.912)	(13.560.797)
Reinsurance share of outstanding claims reserve, at the end of the period (Note 17)	20.942.729	16.018.912
Reinsurance share of claims incurred (Note 17)	24.604.019	19.913.274

Commission income accrued from reinsurers during period (Note 32)	18.821.297	16.169.638
Deferred commission income, at the beginning of the period (Note 19)	4.678.473	7.810.551
Deferred commission income, at the end of the period (Note 19)	(6.978.135)	(4.678.473)
Commission income earned from reinsurers	16.521.635	19.301.716

Total	(7.069.915)	(5.403.367)
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11 FINANCIAL ASSETS

As at 31 December 2019 and 2018, the Company's financial asset portfolio are detailed as follows:

FINANCIAL ASSETS AND FINANCIAL INVESTMENTS WITH RISK ON POLICYHOLDERS	31 DECEMBER 2019	31 DECEMBER 2018
Available for sale financial assets (*)	142.142.136	292.304
Financial investments with risks on saving life policyholders classified as available for sale	30.460.569	25.591.026
Total	172.602.705	25.883.330

(*) Available-for-sale financial assets with no reliable market value measurement, consist of the Emeklilik Gözetim Merkezi (EGM) shares that are measured at cost.

As at 31 December 2019 and 31 December 2018, the Company's available for sale financial assets in its own portfolio are detailed as follows:

	31 DECEMBER 2019		
	COST	FAIR VALUE	CARRYING VALUE
Equity shares and other non-fixed income financial assets: Equity shares (*)	292.304	292.304	292.304
Available for sale assets	134.022.071	141.849.832	141.849.832
Total financial assets available for sale	134.314.375	142.142.136	142.142.136

(*) Available-for-sale financial assets with no reliable market value measurement, consist of the Emeklilik Gözetim Merkezi (EGM) shares that are measured at cost.

	31 DECEMBER 2018		
	COST	FAIR VALUE	CARRYING VALUE
Equity shares and other non-fixed income financial assets: Equity shares (*)	292.304	292.304	292.304
Total financial assets available for sale	292.304	292.304	292.304

(*) Available-for-sale financial assets with no reliable market value measurement, consist of the Emeklilik Gözetim Merkezi (EGM) shares that are measured at cost.

As at December, 31 2019, the Company's has no financial assets held for trading (and December, 31 2018: None).

As at December, 31 2019 and December,31 2018, the Company's financial investments with risks on saving life policyholders (“FIRSLP”) are detailed as follows:

	31 DECEMBER 2019		
	COST	FAIR VALUE	CARRYING VALUE
Debt instruments: Eurobonds issued by The Republic of Turkey Government	26.290.712	30.460.569	30.460.569
Financial investments with risks on saving life policyholders classified as available for sale	26.290.712	30.460.569	30.460.569

	31 DECEMBER 2018		
	COST	FAIR VALUE	CARRYING VALUE
Debt instruments: Eurobonds issued by The Republic of Turkey Government	23.332.755	25.591.026	25.591.026
Financial investments with risks on saving life policyholders classified as available for sale	23.332.755	25.591.026	25.591.026

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11 FINANCIAL ASSETS (CONTINUED)

All debt instruments presented above are traded in active markets.

There is no debt security issued during the period or issued before and paid during the period by the Company.

Value increases in financial assets for the last three years:

YEAR	CHANGE IN VALUE INCREASE/(DECREASE)	TOTAL INCREASE/ (DECREASE) IN VALUE
2019	2.354.983	2.731.075
2018	82.686	376.092
2017	55.808	293.406

Value increases represent the differences between the financial assets’ carrying value and the cost value at the end of the period.

Financial assets issued by related parties of the Company: None (December, 31 2018: None).

Financial assets blocked in favor of the Undersecretariat of Treasury as a guarantee for the insurance activities are as follows:

	31 DECEMBER 2019		
	COST	FAIR VALUE	CARRYING VALUE
Financial investments with risks on saving life policyholders – Eurobonds	26.290.712	30.460.569	30.460.569

	31 DECEMBER 2018		
	COST	FAIR VALUE	CARRYING VALUE
Financial investments with risks on saving life policyholders – Eurobonds	23.332.755	25.591.026	25.591.026

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11 FINANCIAL ASSETS (CONTINUED)

The movement of financial assets within the period is as follows:

	31 DECEMBER 2019		
	FINANCIAL INVESTMENTS WITH RISKS ON SAVING LIFE POLICYHOLDERS	FINANCIAL ASSETS AVAILABLE FOR SALE	TOTAL
Balance at the beginning of the period	25.591.026	292.304	25.883.330
Unrealized exchange differences on financial assets	3.251.036	-	3.251.036
Acquisitions during the period	-	134.022.071	134.022.071
Disposals (either sold or settled)	-	-	-
Change in the fair values of financial assets	1.738.133	2.012.851	3.750.984
Change in the amortised costs of the financial assets	(119.626)	5.814.910	5.695.284
Balance at the ending of the period	30.460.569	142.142.136	172.602.705

	31 DECEMBER 2018		
	FINANCIAL INVESTMENTS WITH RISKS ON SAVING LIFE POLICYHOLDERS	FINANCIAL ASSETS AVAILABLE FOR SALE	TOTAL
Balance at the beginning of the period	20.683.953	292.304	20.976.257
Unrealized exchange differences on financial assets	6.322.276	-	6.322.276
Acquisitions during the period	6.028.585	-	6.028.585
Disposals (either sold or settled)	(4.668.510)	-	(4.668.510)
Change in the fair values of financial assets	(2.704.781)	-	(2.704.781)
Change in the amortised costs of the financial assets	(70.497)	-	(70.497)
Balance at the ending of the period	25.591.026	292.304	25.883.330

12 LOAN AND RECEIVABLES

	31 DECEMBER 2019	31 DECEMBER 2018
Receivables from main operations (Note 4.2)	17.859.159.110	13.348.409.779
Receivables from related parties (Note 4.2)	172	32.640
Other receivables (Note 4.2)	142.952	132.881
Non-current receivables (Note 4.2)	4.185	4.185
Total	17.859.306.419	13.348.579.485

Short-term receivables	17.859.302.234	13.348.575.300
Mid-term and long-term receivables	4.185	4.185
Total	17.859.306.419	13.348.579.485

As of December 31, 2019, the Company’s other expenses for next months are TL 1.101.148, consisting of maintenance, insurance, advertisement and other deferred expenses (31 December 2018: TL 2.242.080).

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12 LOAN AND RECEIVABLES (CONTINUED)

Details of the Company's receivables from main operations as of 31 December 2019 and 31 December 2018 are as follows:

	31 DECEMBER 2019	31 DECEMBER 2018
Receivables from policyholders	68.323.590	41.626.616
Receivables from reinsurance companies (Note 10)	8.053.634	5.298.980
Provisions for receivables from policyholders (Note 4.2)	(55.743)	(63.849)
Total receivables from insurance operations, net	76.321.481	46.861.747
Loans to the policyholders (Note 4.2)	265.143	213.636
Receivables from private pension operations (Note 18)	17.827.558.177	13.337.274.404
Provision for receivables from private pension operations (Note 4.2), (Note 18)	(44.985.691)	(35.940.008)
Receivables from main operations	17.859.159.110	13.348.409.779

Provision for both overdue receivables and receivables not due yet

- a) Receivables under legal or administrative follow up (due): None (December, 31 2018: None).
b) Provision for premium receivables (due): TL 55.743 (December, 31 2018: TL 63.849).
c) Provision for impairment of receivables from entrance fees: TL 44.985.691 (December, 31 2018: TL 35.940.008).

The related party transactions of the Company are presented in Note 45 in detail.

The receivables and payables denominated in foreign currencies and detailed analyses of foreign currency balances are presented in Note 4.2.

13 DERIVATIVE FINANCIAL INSTRUMENTS

The Company does not have any derivative financial instruments as of December, 31 2019 and December, 31 2018.

14 CASH AND CASH EQUIVALENTS

As at December, 31 2019 and December, 31 2018, cash and cash equivalents are as follows:

	31 DECEMBER 2019		31 DECEMBER 2018	
	AT THE END OF THE PERIOD	AT THE BEGINNING OF THE PERIOD	AT THE END OF THE PERIOD	AT THE BEGINNING OF THE PERIOD
Bank deposits	1.807.880.747	1.304.896.611	1.304.896.611	1.990.149.612
Receivables from credit card collections (less than 3 months)	142.956.350	144.397.948	144.397.948	150.795.930
Cash and cash equivalents in the balance sheet	1.950.837.097	1.449.294.559	1.449.294.559	2.140.945.542
Banks discount for short-term deposits	(11.191.302)	(2.854.948)	(2.854.948)	(1.003.634)
Time deposit more than 3 months	(60.734.256)	(490.628.971)	(490.628.971)	(1.515.082.599)
Blocked amount	(413.230.247)	(418.844.058)	(418.844.058)	(334.997.528)
Total	1.465.681.292	536.966.582	536.966.582	289.861.781

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14 CASH AND CASH EQUIVALENTS (CONTINUED)

As at December, 31 2019 and December, 31 2018, the details of bank deposits are as follows:

	31 DECEMBER 2019	31 DECEMBER 2018
Foreign currency denominated bank deposits		
- time deposits	62.227.058	50.465.060
- demand deposits	2.508	13.208
Bank deposits in Turkish Lira		
- time deposits	1.738.537.279	1.248.602.258
- demand deposits	7.113.902	5.816.085
Cash at banks	1.807.880.747	1.304.896.611

As at December, 31 2019, cash collateral kept at banks in favour of the Undersecretariat of Treasury against insurance operations amounted to TL 413.230.247 (December, 31 2018: TL 418.844.058).

The Company's time deposits in T. Garanti Bankası A.Ş. is stated in note 45.

As at December, 31 2019 and 2018, the interest rate interval as follows:

	31 DECEMBER 2019		31 DECEMBER 2018	
	MATURITY (DAY)	INTEREST RATE (%)	MATURITY (DAY)	INTEREST RATE (%)
TL	4-377	%8.50-%13.75	4-377	%15.60-%29.25
USD	4-43	%1.50-%5.75	4-43	%4-%4.90
Euro	36	%0.10-%0.15	36	%0.01-%1.50

15 EQUITY

Paid in capital

As at December, 31 2019 and 2018, the authorized nominal share capital of the Company is TL 50.000.000 and the share capital of the Company consists of 5.000.000.000 issued shares with TL 0.01 nominal value each.

There are not any treasury shares held by the Company itself or by its subsidiaries or associates.

There are not any equity shares issued which will be subject to sale in accordance with forward transactions and contracts.

The shareholder having direct or indirect control over the shares of the Company is Garanti Bankası Group, having 84,91% of the outstanding shares. Another party which have significant influence over the operations of the Company is Netherlands based company Achmea BV having 15,00% of outstanding shares.

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15 EQUITY (CONTINUED)

Dividend distribution

None.

Legal reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (“TCC”). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5%, until the total reserve reaches 20% of the Company’s paid-in share capital. The second legal reserve is appropriated at the rate of 10% of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

	1 JANUARY - 31 DECEMBER 2019	1 JANUARY - 31 DECEMBER 2018
Legal reserves at the beginning of the period	25.000.000	10.000.000
Reserves during the period	-	15.000.000
Legal reserves at the end of the period	25.000.000	25.000.000

	1 JANUARY - 31 DECEMBER 2019	1 JANUARY - 31 DECEMBER 2018
Extraordinary reserves at the beginning of the period	355.842.393	1.250.187.391
Reserves during the period	453.556.792	(894.344.998)
Extraordinary reserves at the end of the period	809.399.185	355.842.393

Revaluation of financial assets

The period income and expenses accrued directly under equity as of balance sheet date is presented below:

	31 DECEMBER 2019	31 DECEMBER 2018
Valuation differences from financial assets	3.413.844	470.115
Deferred tax effect	(682.769)	(94.023)
Fair value reserves at the end of the period	2.731.075	376.092

16 OTHER RESERVES AND EQUITY COMPONENT OF DPF

As at 31 December 2019, there is not any other reserves presented under equity except for the fair value reserves of available-for-sale financial assets which is presented as “revaluation of financial assets” in the accompanying financial statements. Movement of fair value reserves of available-for-sale financial assets and their related tax effects are presented in Note 15.

The Company recognizes its liability to the policyholders due to the saving life products, classified as investment contracts, under life mathematical provisions. The Company recognizes its own portion for the unrealized gains and losses, recognized due to change in the fair values of available for sale financial assets backing long term investment contracts under equity within ‘revaluation of financial assets’.

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17 INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS

As at December, 31 2019 and December, 31 2018, provisions for technical reserves of the Company are disclosed as follows:

	31 DECEMBER 2019	31 DECEMBER 2018
Unearned premiums reserve, gross	130.788.675	78.164.647
Unearned premiums reserve, ceded (Note 10)	(34.354.483)	(19.316.147)
Unearned premiums reserve, net	96.434.192	58.848.500

Outstanding claims reserve, gross	80.034.944	67.986.593
Outstanding claims reserve, ceded (Note 10, Note 4.2)	(20.942.729)	(16.018.912)
Outstanding claims reserve, net	59.092.215	51.967.681

Life mathematical reserve (shot term and long term)	486.460.000	335.103.102
Equalization reserve, net	26.618.806	21.702.427
Total insurance technical reserves, net	668.605.213	467.621.710

Short-term	174.556.278	133.529.679
Medium and long-term	494.048.935	334.092.031
Total insurance technical provisions, net	668.605.213	467.621.710

As at December, 31 2019 and December, 31 2018, movements of the insurance liabilities and related reinsurance assets are presented below:

	1 JANUARY – 31 DECEMBER 2019		
UNEARNED PREMIUMS RESERVE	GROSS	REINSURER SHARE	NET
Unearned premiums reserve at the beginning of the period	78.164.647	(19.316.147)	58.848.500
Premiums written during the period	837.531.978	(63.233.905)	774.298.073
Premiums earned during the period	(784.907.950)	48.195.569	(736.712.381)
Unearned premiums reserve at the end of the period	130.788.675	(34.354.483)	96.434.192

	1 JANUARY – 31 DECEMBER 2018		
UNEARNED PREMIUMS RESERVE	GROSS	REINSURER SHARE	NET
Unearned premiums reserve at the beginning of the period	95.761.086	(25.155.218)	70.605.868
Premiums written during the period	483.657.166	(38.779.286)	444.877.880
Premiums earned during the period	(501.253.605)	44.618.357	(456.635.248)
Unearned premiums reserve at the end of the period	78.164.647	(19.316.147)	58.848.500

	1 JANUARY – 31 DECEMBER 2019	1 JANUARY – 31 DECEMBER 2018
Equalization reserve at the beginning of the period	21.702.427	18.281.767
Increases during the period	4.916.379	3.420.660
Equalization reserve at the end of the period	26.618.806	21.702.427

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17 INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS (CONTINUED)

OUTSTANDING CLAIMS RESERVE	1 JANUARY - 31 DECEMBER 2019		
	GROSS	REINSURER SHARE	NET
Outstanding claims reserve at the beginning of the period	67.986.593	(16.018.912)	51.967.681
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	214.018.129	(24.604.019)	189.414.110
Claims paid during the period	(201.969.778)	19.680.202	(182.289.576)
Outstanding claims reserve at the end of the period	80.034.944	(20.942.729)	59.092.215

OUTSTANDING CLAIMS RESERVE	1 JANUARY - 31 DECEMBER 2018		
	GROSS	REINSURER SHARE	NET
Outstanding claims reserve at the beginning of the period	49.825.781	(13.560.797)	36.264.984
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	132.177.942	(19.913.274)	112.264.668
Claims paid during the period	(114.017.130)	17.455.159	(96.561.971)
Outstanding claims reserve at the end of the period	67.986.593	(16.018.912)	51.967.681

Claim development tables

The basic assumption used in the estimation of provisions for outstanding claims is the Company’s past experience on claim developments. The Company’s management uses the judgment to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. The sensitivity of certain assumptions like legislative change, uncertainty in the estimation process, etc, is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claims reserve is not known with certainty at the balance sheet date. Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognized in subsequent period financial statements.

Development of insurance liabilities enables to measure the performance of the Company in estimation of its ultimate claim losses. The numbers presented on the top of the below tables show the changes in estimations of the Company for the claims in subsequent years after accident years. The numbers presented on the below of the below tables give the reconciliation of total liabilities with outstanding claims reserve presented in the accompanying financial statements.

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17 INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS (CONTINUED)

Claim development tables (continued)

ACCIDENT YEAR	31 DECEMBER 2019						
	2014	2015	2016	2017	2018	2019	TOTAL
Accident year	86.156.919	81.677.793	95.132.970	108.687.951	132.204.663	221.752.910	725.613.206
1 year later	78.253.153	79.018.060	96.678.810	108.732.524	134.612.425	-	497.294.972
2 years later	76.501.800	79.726.520	95.628.607	103.112.173	-	-	354.969.100
3 years later	76.429.633	79.883.028	91.626.502	-	-	-	247.939.163
4 years later	76.925.799	78.486.051	-	-	-	-	155.411.850
5 years later	80.176.790	-	-	-	-	-	80.176.790
Current estimate of cumulative claims	80.176.790	78.486.051	91.626.502	103.112.173	134.612.425	221.752.910	709.766.851
Cumulative payments up to date	(75.052.272)	(74.994.271)	(87.413.575)	(97.018.882)	(115.362.442)	(179.890.465)	(629.731.907)
Liability recognized in balance sheet	5.124.518	3.491.780	4.212.927	6.093.291	19.249.983	41.862.445	80.034.944
Total outstanding claims reserve, gross in the financial statements							80.034.944

ACCIDENT YEAR	31 DECEMBER 2019						
	2014	2015	2016	2017	2018	2019	TOTAL
Accident year	59.352.208	58.640.250	73.584.052	90.137.094	112.381.245	195.115.184	589.210.033
1 year later	52.232.031	55.512.051	73.095.017	89.936.686	112.864.797	-	383.640.582
2 years later	51.075.574	55.780.436	72.221.645	86.010.271	-	-	265.087.926
3 years later	50.991.616	55.988.466	70.119.620	-	-	-	177.099.702
4 years later	51.377.612	55.186.590	-	-	-	-	106.564.202
5 years later	54.111.081	-	-	-	-	-	54.111.081
Current estimate of cumulative claims	54.111.081	55.186.590	70.119.620	86.010.271	112.864.797	195.115.184	573.407.543
Cumulative payments up to date	(49.979.609)	(52.328.183)	(66.657.180)	(80.765.104)	(97.456.107)	(167.129.145)	(514.315.328)
Liability recognized in balance sheet	4.131.472	2.858.407	3.462.440	5.245.167	15.408.690	27.986.039	59.092.215
Total outstanding claims reserve, net in the financial statements							59.092.215

ACCIDENT YEAR	31 DECEMBER 2018						
	2013	2014	2015	2016	2017	2018	TOTAL
Accident year	107.058.927	86.156.919	81.677.793	95.132.970	108.687.951	132.204.663	610.919.223
1 year later	91.410.107	78.253.153	79.018.060	96.678.810	108.737.525	-	454.097.655
2 years later	87.650.908	76.501.800	79.726.520	95.628.607	-	-	339.507.835
3 years later	87.157.174	76.429.633	79.883.028	-	-	-	243.469.835
4 years later	86.566.330	76.925.800	-	-	-	-	163.492.130
5 years later	86.887.564	-	-	-	-	-	86.887.564
Current estimate of cumulative claims	86.887.564	76.925.800	79.883.028	95.628.607	108.737.525	132.204.663	580.267.187
Cumulative payments up to date	(84.518.464)	(73.754.195)	(74.705.767)	(86.286.280)	(95.738.455)	(97.277.433)	(512.280.594)
Liability recognized in balance sheet	2.369.100	3.171.605	5.177.261	9.342.327	12.999.070	34.927.230	67.986.593
Total outstanding claims reserve, gross in the financial statements							67.986.593

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17 INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS (CONTINUED)

Claim development tables (continued)

ACCIDENT YEAR	31 DECEMBER 2018						TOTAL
	2013	2014	2015	2016	2017	2018	
Accident year	68.061.846	59.352.208	58.640.250	73.584.052	90.137.094	112.381.245	462.156.695
1 year later	53.834.482	52.232.031	55.512.051	73.095.017	89.941.686	-	324.615.267
2 years later	50.170.930	51.075.574	55.780.436	72.221.645	-	-	229.248.585
3 years later	50.375.648	50.991.616	55.988.466	-	-	-	157.355.730
4 years later	49.787.814	51.377.612	-	-	-	-	101.165.426
5 years later	50.145.991	-	-	-	-	-	50.145.991
Current estimate of cumulative claims	50.145.991	51.377.612	55.988.466	72.221.645	89.941.686	112.381.245	432.056.645
Cumulative payments up to date	(48.063.212)	(49.078.816)	(52.128.762)	(65.740.353)	(79.988.904)	(85.088.917)	(380.088.964)
Liability recognized in balance sheet	2.082.779	2.298.796	3.859.704	6.481.292	9.952.782	27.292.328	51.967.681
Total outstanding claims reserve, net in the financial statements							51.967.681

Total amount of guarantee that should be placed by the Company for life and non-life branches and guarantees placed for the life and non-life branches in respect of related assets

	31 DECEMBER 2019		31 DECEMBER 2018	
	SHOULD BE PLACED (**)	PLACED (*)	SHOULD BE PLACED (**)	PLACED (*)
Life:				
Bank deposits		412.969.184		418.623.610
Financial assets (*)		172.311.661		25.008.576
Total	450.917.228	585.280.845	383.831.828	443.632.186
Non-life:				
Bank deposits	166.673	261.063	166.668	220.448
Total	451.083.901	585.541.908	383.998.496	443.852.634

(*)As at December, 31 2019 and December, 31 2018, government bonds and treasury bills are measured at daily official prices announced by the Central Bank of Turkey; if these prices are not available, they are measured with stock exchange values; investment fund participation certificates are measured using the daily prices in accordance with the 6th Article of “Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies”.

(**)According to 7th article of “Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies” which regulates necessary guarantee amount, minimum guarantee fund for capital adequacy calculation period will be established as a guarantee in two months following the calculation period. According to “Regulations Regarding to Capital Adequacy Measurement and Assessment of Insurance, Reinsurance, and Private Pension Companies”, companies must prepare their capital adequacy tables twice in a financial year at June and December periods and must sent capital adequacy tables to the Turkish Treasury Department within two months.

Company’s number of life insurance policies, additions, disposals during the year and the related mathematical reserves

	1 JANUARY - 31 DECEMBER 2019		1 JANUARY - 31 DECEMBER 2018	
	NUMBER OF POLICYHOLDERS	LIFE MATHEMATICAL RESERVE	NUMBER OF POLICYHOLDERS	LIFE MATHEMATICAL RESERVE
Beginning of the year	2.278.422	335.103.102	2.300.369	284.226.380
Additions during the year	2.168.190	322.215.623	1.943.703	170.820.706
Disposals during the year	(2.153.756)	(91.220.136)	(1.965.650)	(52.643.336)
Movements during the year (*)	-	(79.638.589)	-	(67.300.648)
Current	2.292.856	486.460.000	2.278.422	335.103.102

(*) Increase/Decrease of the reserves are related with currency rates during the year.

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17 INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS (CONTINUED)

Distribution of new life insurance policyholders in terms of numbers and gross and net premiums as individual or group during the period

	31 DECEMBER 2019			31 DECEMBER 2018		
	NUMBER OF CONTRACTS	GROSS PREMIUM	NET PREMIUM	NUMBER OF CONTRACTS	GROSS PREMIUM	NET PREMIUM
Individual	615	1.343.191	1.343.191	531	1.558.625	1.558.625
Group	2.167.575	945.721.904	945.721.904	1.943.172	553.511.849	553.511.849
Total	2.168.190	947.065.095	947.065.095	1.943.703	555.070.474	555.070.474

Distribution of number of contracts, gross and net premiums and mathematical reserves for life insurance policyholders who left the Company’s portfolio as individual or group during the period

	31 DECEMBER 2019				31 DECEMBER 2018			
	NUMBER OF CONTRACTS	GROSS PREMIUM	NET PREMIUM	MATHEMATICAL RESERVE	NUMBER OF CONTRACTS	GROSS PREMIUM	NET PREMIUM	MATHEMATICAL RESERVE
Individual	721	149.039	149.039	10.175.511	626	153.776	153.776	4.765.462
Group	2.153.035	109.384.077	109.384.077	81.044.625	1.524.018	51.751.854	51.751.854	28.013.410
Total	2.153.756	109.533.116	109.533.116	91.220.136	1.524.644	51.905.630	51.905.630	32.778.872

Deferred commission expenses

The Company defers commissions paid to the intermediaries for the production of the policies and other expenses for the one year term life products and for annually renewed long term life products under prepaid expenses. As at December, 31 2019, deferred commission and other expenses amount to TL 30.158.861 and TL 13.059.591 (December, 31 2018: TL 16.251.527 and TL 8.754.217).

The movement of deferred commission expenses as of December, 31 2019 and December, 31 2018 is as follows.

	1 JANUARY - 31 DECEMBER 2019	1 JANUARY - 31 DECEMBER 2018
Deferred commission expenses at the beginning of the period	16.251.547	21.361.094
Commissions accrued during the period	182.086.396	105.148.579
Paid commissions during the period	(168.179.082)	(110.258.146)
Deferred commission expenses at the end of the period	30.158.861	16.251.527

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18 INVESTMENT CONTRACT LIABILITIES

The movements of life mathematical reserve for saving life policies as at December, 31 2019 and December, 31 2018 are as follows:

LIFE MATHEMATICAL PROVISION FOR SAVING LIFE POLICIES	1 JANUARY - 31 DECEMBER 2019	1 JANUARY - 31 DECEMBER 2018
Investment contract liabilities at the beginning of the period (Life-mathematical reserve)"	27.826.336	29.568.816
Effect of foreign exchange differences	3.526.472	9.917.842
Written premiums during the period (saving life policies)	359.668	447.817
Disposals during the period (leaving policyholders)	(12.506.663)	(12.739.472)
Profit shares	1.648.366	2.008.406
Changes in the fair values of investments (Note 30)	1.118.953	(1.377.073)
Investment contract liabilities at the end of the period	21.973.132	27.826.336

Profit share distribution rates to life policyholders during the period December, 31 2019 and December, 31 2018:

	31 DECEMBER 2019	31 DECEMBER 2018
USD:	7,76%	6,71%
EURO:	3,36%	3,52%

Pension operations

The details of receivables and liabilities from pension operations as at December, 31 2019 and December, 31 2018:

	31 DECEMBER 2019	31 DECEMBER 2018
Receivables from clearing house on behalf of the participants	17.814.737.077	13.325.377.037
Receivables from participants (entrance fee)	12.821.100	11.897.367
Receivables from pension operations (Note 12)	17.827.558.177	13.337.274.404
Provision for the receivables from participants (Note 4.2), (Note 12)	(44.985.691)	(35.940.008)
Receivables from pension operations (Note 12)	17.782.572.486	13.301.334.396

	31 DECEMBER 2019	31 DECEMBER 2018
Payables to participants	17.793.618.598	13.309.049.618
Participants temporary account	151.685.201	147.111.263
Payables to clearing house	245.939	2.027.961
Payables to Emeklilik Gözetim Merkezi	285.000	205.000
Other liabilities	3.717.727	6.958.763
Payables due to pension operations (Note 19)	17.949.552.465	13.465.352.605

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18 INVESTMENT CONTRACT LIABILITIES (CONTINUED)

Pension operations (continued)

As at December, 31 2019 and December, 31 2018 pension investment funds founded by the Company and their unit prices are as follows:

	31 DECEMBER 2019	31 DECEMBER 2018
	UNIT PRICES	UNIT PRICES
Katılım Katkı EYF	0,020917	0,016023
Katılım Standart EYF	0,018762	0,014746
Altın EYF	0,033402	0,025288
Hisse Senedi EYF	0,128623	0,093223
İkinci Değişken (SMART) EYF	0,021551	0,017588
Katılım Değişken EYF	0,025780	0,020401
Dengeli Değişken EYF	0,081979	0,064414
Temkinli Değişken EYF	0,040814	0,033394
Borçlanma Araçları EYF	0,075448	0,059164
Dış Borçlanma Araçları EYF	0,105781	0,084027
Dengeli Değişken Grup EYF	0,065959	0,051214
Borçlanma Araçları Grup EYF	0,048272	0,037474
Dış Borçlanma Araçları Grup EYF	0,073118	0,057539
Hisse Senedi Grup EYF	0,029976	0,021464
Sürdürülebilirlik Hisse Senedi EYF	0,021880	0,017008
Değişken EYF	0,058044	0,048908
Uzun Vadeli Kamu Borçlanma Araçları EYF	0,039659	0,029631
Katkı EYF	0,018711	0,013954
Para Piyasası EYF	0,068254	0,056263
Özel Sektör Borçlanma Araçları EYF	0,022254	0,018727
Standart EYF	0,019985	0,015616
Başlangıç EYF	0,015789	0,013143
Başlangıç Katılım EYF	0,014881	0,012466
OKS Temkinli Değişken Emeklilik Yatırım Fonu	0,013640	0,011206
OKS Temkinli Katılım Değişken EYF	0,013617	0,011314
OKS Dengeli Değişken Emeklilik Yatırım Fonu	0,012970	0,010513
OKS Dengeli Katılım Değişken EYF	0,014446	0,011054
OKS Dinamik Değişken Emeklilik Yatırım Fonu	0,012630	0,010034
OKS Dinamik Katılım Değişken EYF	0,013814	0,010388
OKS Agresif Değişken Emeklilik Yatırım Fonu	0,012075	0,009438
OKS Agresif Katılım Değişken EYF	0,013759	0,009638
OKS Standart Emeklilik Yatırım Fonu	0,013502	0,010915
OKS Katılım Standart Emeklilik Yatırım Fonu	0,013959	0,011064

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18 INVESTMENT CONTRACT LIABILITIES (CONTINUED)

Pension operations (continued)

Number and amount of participation certificate in the portfolio and in circulation is such as follows as of December, 31 2019 and December, 31 2018:

	31 DECEMBER 2019			
	PARTICIPATION CERTIFICATE IN THE CIRCULATION		PARTICIPATION CERTIFICATE IN THE PORTFOLIO	
	NUMBER	AMOUNT	NUMBER	AMOUNT
Katılım Katkı EYF	12.248.850.714	256.213.481	1.487.751.149.286	31.119.290.790
Katılım Standart EYF	8.042.180.922	150.885.038	1.491.957.819.078	27.992.112.602
Altın EYF	57.859.596.068	1.932.650.715	1.442.140.403.932	48.170.373.772
Hisse Senedi EYF	3.060.285.354	393.621.751	1.496.939.714.646	192.540.876.917
İkinci Değişken (SMART) EYF	135.508.791.581	2.920.337.549	1.364.491.208.419	29.406.150.033
Katılım Değişken EYF	13.298.412.231	342.829.421	1.486.701.587.769	38.327.166.933
Dengeli Değişken EYF	9.875.839.461	809.615.987	1.490.124.160.539	122.158.888.557
Temkinli Değişken EYF	15.870.685.855	647.738.876	1.484.129.314.145	60.573.253.828
Borçlanma Araçları EYF	17.556.412.838	1.324.603.891	1.482.443.587.162	111.847.403.764
Dış Borçlanma Araçları EYF	10.998.532.780	1.163.430.494	1.489.001.467.220	157.508.064.204
Dengeli Değişken Grup EYF	2.636.830.146	173.923.021	1.497.363.169.854	98.764.577.320
Borçlanma Araçları Grup EYF	5.618.546.457	271.218.236	1.494.381.453.543	72.136.781.525
Dış Borçlanma Araçları Grup EYF	3.999.082.311	292.403.133	1.496.000.917.689	109.384.595.100
Hisse Senedi Grup EYF	3.336.342.174	100.011.812	1.496.663.657.826	44.863.989.807
Sürdürülebilirlik Hisse Senedi EYF	4.318.620.719	94.492.443	1.495.681.379.281	32.725.508.579
Değişken EYF	11.654.534.679	676.478.653	1.488.345.465.321	86.389.524.189
Uzun Vadeli Kamu Borçlanma Araçları EYF	621.855.016	24.662.235	1.499.378.144.984	59.463.837.852
Katkı EYF	125.196.405.492	2.342.544.353	1.374.803.594.508	25.723.950.057
Para Piyasası EYF	27.898.272.784	1.904.174.009	1.472.101.727.216	100.476.831.289
Özel Sektör Borçlanma Araçları EYF	3.971.983.138	88.390.718	1.496.028.016.862	33.292.607.487
Standart EYF	62.573.608.169	1.250.554.970	1.437.426.391.831	28.726.966.441
Başlangıç EYF	4.643.539.104	73.315.176	1.495.356.460.896	23.610.183.161
Başlangıç Katılım EYF	3.733.810.739	55.561.297	1.496.266.189.261	22.265.937.162
OKS Temkinli Değişken Emeklilik Yatırım Fonu	154.761.984	2.110.899	1.499.845.238.016	20.457.889.047
OKS Temkinli Katılım Değişken EYF	123.554.097	1.682.395	1.499.876.445.903	20.423.817.564
OKS Dengeli Değişken Emeklilik Yatırım Fonu	258.503.184	3.352.886	1.499.741.496.816	19.451.647.214
OKS Dengeli Katılım Değişken EYF	173.162.626	2.501.421	1.499.826.837.374	21.666.498.493
OKS Dinamik Değişken Emeklilik Yatırım Fonu	326.572.539	4.124.500	1.499.673.427.461	18.940.875.389
OKS Dinamik Katılım Değişken EYF	141.122.275	1.949.500	1.499.858.877.725	20.719.050.537
OKS Agresif Değişken Emeklilik Yatırım Fonu	280.331.433	3.385.084	1.499.719.668.567	18.109.114.998
OKS Agresif Katılım Değişken EYF	169.239.721	2.328.517	1.499.830.760.279	20.636.171.431
OKS Standart Emeklilik Yatırım Fonu	19.968.483.143	269.623.990	1.480.031.516.857	19.983.385.541
OKS Katılım Standart Emeklilik Yatırım Fonu	15.252.153.165	212.902.148	1.484.747.846.835	20.725.595.194
Total	581.370.902.899	17.793.618.599	48.918.629.097.101	1.758.582.916.777

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18 INVESTMENT CONTRACT LIABILITIES (CONTINUED)

Pension operations (continued)

	31 DECEMBER 2018			
	PARTICIPATION CERTIFICATE IN THE CIRCULATION		PARTICIPATION CERTIFICATE IN THE PORTFOLIO	
	NUMBER	AMOUNT	NUMBER	AMOUNT
Katılım Katkı EYF	9.317.370.447	149.294.290	1.490.682.629.553	23.885.207.773
Katılım Standart EYF	6.562.304.000	96.767.681	1.493.437.696.000	22.022.232.265
Altın EYF	35.339.173.266	893.656.394	1.464.660.826.734	37.038.342.986
Hisse Senedi EYF	3.226.888.249	300.819.397	1.496.773.111.751	139.533.679.797
İkinci Değişken (SMART) EYF	88.840.494.473	1.562.556.544	1.411.159.505.527	24.819.473.383
Katılım Dinamik Değişken EYF	13.789.020.583	281.308.819	1.486.210.979.417	30.320.190.191
Dengeli Değişken EYF	11.239.538.666	723.978.701	1.488.760.461.334	95.897.016.356
Temkinli Değişken EYF	19.275.608.110	643.685.382	1.480.724.391.890	49.447.310.343
Borçlanma Araçları EYF	27.071.904.233	1.601.678.729	1.472.928.095.767	87.144.317.858
Dış Borçlanma Araçları EYF	9.437.536.922	793.010.053	1.490.562.463.078	125.247.492.085
Dengeli Değişken Grup EYF	3.390.237.214	173.628.404	1.496.609.762.786	76.647.372.391
Borçlanma Araçları Grup EYF	7.253.015.483	271.798.129	1.492.746.984.517	55.939.200.498
Dış Borçlanma Araçları Grup EYF	3.881.632.854	223.345.597	1.496.118.367.146	86.085.154.727
Hisse Senedi Grup EYF	3.622.246.189	77.747.573	1.496.377.753.811	32.118.252.108
Sürdürülebilirlik Hisse Senedi EYF	6.545.480.399	111.327.473	1.493.454.519.601	25.400.674.469
Değişken EYF	10.683.032.076	522.487.703	1.489.316.967.924	72.839.514.267
Uzun Vadeli Kamu Borçlanma Araçları EYF	775.322.989	22.973.303	1.499.224.677.011	44.423.526.405
Katkı EYF	117.724.838.357	1.642.680.602	1.382.275.161.643	19.288.267.606
Para Piyasası EYF	27.515.603.428	1.548.114.501	1.472.484.396.572	82.846.389.604
Özel Sektör Borçlanma Araçları EYF	4.864.292.987	91.093.527	1.495.135.707.013	27.999.406.385
Standart EYF	78.892.367.780	1.231.956.237	1.421.107.632.220	22.192.016.785
Başlangıç EYF	4.963.883.683	65.239.305	1.495.036.116.317	19.649.259.677
Başlangıç Katılım EYF	3.836.055.673	47.818.657	1.496.163.944.327	18.651.179.730
OKS Temkinli Değişken Emeklilik Yatırım Fonu	74.473.697	834.521	1.499.925.526.303	16.808.165.448
OKS Temkinli Katılım Değişken EYF	52.445.952	593.376	1.499.947.554.048	16.970.406.626
OKS Dengeli Değişken Emeklilik Yatırım Fonu	115.850.102	1.217.919	1.499.884.149.898	15.768.282.068
OKS Dengeli Katılım Değişken EYF	73.739.563	815.153	1.499.926.260.437	16.580.184.883
OKS Dinamik Değişken Emeklilik Yatırım Fonu	143.734.433	1.442.179	1.499.856.265.567	15.049.557.769
OKS Dinamik Katılım Değişken EYF	72.431.622	752.388	1.499.927.568.378	15.581.247.580
OKS Agresif Değişken Emeklilik Yatırım Fonu	170.857.170	1.612.556	1.499.829.142.830	14.155.387.450
OKS Agresif Katılım Değişken EYF	93.170.490	898.020	1.499.906.829.510	14.456.102.023
OKS Standart Emeklilik Yatırım Fonu	11.427.592.581	124.734.681	1.488.572.407.419	16.247.767.827
OKS Katılım Standart Emeklilik Yatırım Fonu	8.964.170.923	99.181.824	1.491.035.829.077	16.496.820.413
Total	519.236.314.594	13.309.049.618	48.980.763.685.406	1.377.549.399.776

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18 INVESTMENT CONTRACT LIABILITIES (CONTINUED)

Pension operations (continued)

Portfolio amounts in terms of number of new participants, left or cancelled participants, and existing participants for individuals and groups

1 JANUARY – 31 DECEMBER 2019				
	ADDITIONS DURING THE PERIOD	LEFT/CANCELLATIONS DURING THE PERIOD	OUTSTANDING	TOTAL AMOUNT
Individual	198.791	171.962	951.284	7.219.653.013
Group	39.679	34.492	225.942	2.444.395.727
Total	238.470	206.454	1.177.226	9.664.048.740

1 JANUARY – 31 DECEMBER 2018				
	ADDITIONS DURING THE PERIOD	LEFT/CANCELLATIONS DURING THE PERIOD	OUTSTANDING	TOTAL AMOUNT
Individual	149.788	180.306	990.632	6.231.495.590
Group	23.478	44.300	232.315	2.227.078.437
Total	173.266	224.606	1.222.947	8.458.574.027

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups

	31 DECEMBER 2019			31 DECEMBER 2018		
	NUMBER OF CONTRACTS	GROSS CONTRIBUTIONS	NET CONTRIBUTIONS	NUMBER OF CONTRACTS	GROSS CONTRIBUTIONS	NET CONTRIBUTIONS
Individual	198.791	484.812.864	484.808.735	149.788	342.570.441	342.563.763
Group	39.679	115.678.829	115.672.808	23.478	45.480.529	45.469.812
Total	238.470	600.491.693	600.481.543	173.266	388.050.970	388.033.575

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups which were transferred from other insurance companies during the period

	31 DECEMBER 2019			31 DECEMBER 2018		
	NUMBER OF CONTRACTS	GROSS CONTRIBUTIONS	NET CONTRIBUTIONS	NUMBER OF CONTRACTS	GROSS CONTRIBUTIONS	NET CONTRIBUTIONS
Individual	4.933	234.909.393	234.909.393	3.652	132.489.133	132.489.133
Group	1.459	71.284.064	71.284.034	545	15.676.003	15.675.982
Total	6.392	306.193.457	306.193.427	4.197	148.165.136	148.165.115

Distribution of individual and group participants and their gross and net contributions which were transferred from life insurance portfolio during the period

None.

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18 INVESTMENT CONTRACT LIABILITIES (CONTINUED)

Pension operations (continued)

Distribution of individual and group participants which were transferred to other insurance companies in terms of their numbers and gross and net contributions

	31 DECEMBER 2019			31 DECEMBER 2018		
	NUMBER OF CONTRACTS	GROSS CONTRIBUTIONS	NET CONTRIBUTIONS	NUMBER OF CONTRACTS	GROSS CONTRIBUTIONS	NET CONTRIBUTIONS
Individual	171.962	1.798.764.977	1.798.440.542	180.306	2.020.845.273	2.019.952.101
Group	34.492	520.383.915	520.364.945	44.300	545.923.606	545.871.712
Total	206.454	2.319.148.892	2.318.805.487	224.606	2.566.768.879	2.565.823.813

19 TRADE AND OTHER PAYABLES AND DEFERRED INCOME

	31 DECEMBER 2019	31 DECEMBER 2018
Payables due to main operations	17.986.854.781	13.488.360.572
Taxes and other liabilities and provisions	32.881.697	25.959.401
Due to related parties	6.695.835	2.735.694
Deferred commission income (Note 10)	6.978.135	4.678.473
Expense accruals (*)	29.431.263	18.818.037
Other various payables (**)	5.077.873	5.224.541
Total	18.067.919.584	13.545.776.718

Short term liabilities	18.067.919.584	13.545.776.718
Total	18.067.919.584	13.545.776.718

(*) Expense accruals as of December, 31, 2019 and December, 31, 2018 consist of personnel premium accruals, performance accruals and other expense accruals. As of December, 31 2019, other expense accruals consist of free provision TL 12.000.000 (December 31, 2018: TL 3.000.000).

(**) As at December, 31, 2019 and December, 31, 2018, the various other liabilities are comprised of payments made for outsourced benefits and services.

Payables from main operations of the Company as at December, 31 2019 and December, 31 2018 are detailed below:

	31 DECEMBER 2019	31 DECEMBER 2018
Payables to reinsurers (Note 10)	14.079.663	9.417.532
Payables to agencies	22.497.980	13.492.112
Payables to policyholders	724.673	98.323
Total payables due to insurance operations	37.302.316	23.007.967
Payables s due to pension operations (Note 18)	17.949.552.465	13.465.352.605
Payables from main operations	17.986.854.781	13.488.360.572

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19 TRADE AND OTHER PAYABLES AND DEFERRED INCOME (CONTINUED)

Corporate tax provision and prepaid taxes are disclosed below:

	31 DECEMBER 2019	31 DECEMBER 2018
Corporate tax provision	133.230.019	132.598.937
Prepaid taxes during the period	(114.660.339)	(123.553.978)
Corporate tax payable, net	18.569.680	9.044.959

Total amount of investment incentives which will be benefited in current and forthcoming periods.

None.

20 FINANCIAL LIABILITIES

As of December 31, 2019, the Company recognized TL 6.512.388 financial lease liability and TL 1.163.483 deferred lease liability recognized in financial statement for TFRS 16 purpose..

21 DEFERRED TAXES

As at December, 31 2019 and December, 31 2018, the detailed analysis of the items resulting deferred tax assets and liabilities are as follows:

	31 DECEMBER 2019	31 DECEMBER 2018
	DEFERRED TAX ASSETS / (LIABILITIES)	DEFERRED TAX ASSETS / (LIABILITIES)
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(2.854.939)	(2.708.334)
Provision for impairment in receivables from participants	9.643.148	7.906.802
Equalization provision	5.323.761	4.340.485
Provision for employment termination benefits and unused vacation pay liability	2.053.701	2.044.245
Provision for personnel bonus	1.946.972	1.312.376
Plan bonus provision	1.320.885	1.291.920
Entrance fee discount provision	-	322.760
Provisions for lawsuits	540.587	438.291
Other expense accruals	900.945	3.137.922
Deferred tax asset/(liability), net	18.875.060	18.086.467

Corporate income is subject to corporate tax at 20% in Turkey to be effective from January 1, 2006. However, according to the Article 91 of the Law numbered 7061 “Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation” which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

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21 DEFERRED TAXES (CONTINUED)

Movement of the deferred tax assets / (liabilities) during the periods ending December, 31 2019 and December, 31 2018 is presented below:

	1 JANUARY - 31 DECEMBER 2019	1 JANUARY - 31 DECEMBER 2018
Beginning balance, January 1	18.086.467	13.532.483
Recognized in the income statement (Note 35)	1.632.634	4.424.479
Recognized in the equity (Note 4.2)	(844.041)	129.505
Closing balance as of end of the period	18.875.060	18.086.467

22 RETIREMENT BENEFIT OBLIGATIONS

None.

23 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

As at December, 31 2019 and 2018; the details of the provisions for other risks are as follows:

	31 DECEMBER 2019	31 DECEMBER 2018
Provision for unused vacation pay liability (long term)	1.772.202	1.494.390
Provision for unused vacation pay liability (short term)	855.332	790.687
Provisions for lawsuits	2.702.933	1.992.230
Provisions for costs	5.330.467	4.277.307
Provision for employment termination benefits	7.555.436	7.707.639
Total provisions for other risks	12.885.903	11.984.946

Movement of provision for employment termination benefits during the period is presented below:

	1 JANUARY - 31 DECEMBER 2019	1 JANUARY - 31 DECEMBER 2018
Provision for employment termination benefits at the beginning of the period	7.707.639	6.729.294
Interest cost	1.316.588	806.280
Service cost	2.353.857	1.791.975
Payments during the period	(2.546.172)	(2.370.792)
Actuarial loss	(1.276.476)	750.882
Provision for employment termination benefits at the end of the period	7.555.436	7.707.639

24 NET INSURANCE PREMIUM REVENUE

Net insurance premium revenue for life and non-life branches is presented in detailed in the accompanying statement of income.

25 FEE REVENUES

Fee revenues consist of fees received from pension investment funds, pension participants and expenses charged to the life policyholders.

	1 JANUARY - 31 DECEMBER 2019	1 JANUARY - 31 DECEMBER 2018
Fund management fee	216.349.252	187.818.896
Management fee deduction	73.364.456	59.980.518
Entrance fee	43.752.268	50.474.871
Management fee deduction in case of interruption	1.904.700	3.330.529
Other technical income	-	22.385
Total pension technical income	335.370.676	301.627.199

The details of fees from pension investment funds and pension participants are presented in the accompanying statement of income. As at and for the year ended 31 December 2019, fees charged to saving life policyholders amounts to TL 21.029 (December, 31 2018: TL 26.622).

26 INVESTMENT INCOME

Presented in Note 4.2 – Financial risk management.

27 NET REALIZED GAINS ON FINANCIAL ASSETS

Presented in Note 4.2 – Financial risk management.

28 NET FAIR VALUE GAINS ON ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Presented in Note 4.2 – Financial risk management.

29 INSURANCE RIGHTS AND CLAIMS

The Company has no branch based subrogation income or expense for the period between January, 1 – December, 31 2019 (January, 1 – December, 31 2018: None).

30 INVESTMENT CONTRACT BENEFITS

As at and for the year ended December, 31 2019 and December, 31 2018, the details of changes in life mathematical provisions recognized in the statement of income and equity from investment contracts are as follows:

	1 JANUARY - 31 DECEMBER 2019	1 JANUARY - 31 DECEMBER 2018
Change in life mathematical provisions for investment contracts recognized in the statement of income	(6.972.157)	(365.407)
Changes in shares of policy holders in unrealized gain or loss from available for sale financial asset in which the liabilities arising from investment contract benefits are invested (Note 18)	1.118.953	(1.377.073)
Change in life mathematical provisions for investment contracts	(5.853.204)	(1.742.480)

31 OTHER MANDATORY EXPENSES

The allocation of the expenses with respect to their nature or function is presented in Note 32 below.

32 EXPENSES BY NATURE

For the year ended December, 31 2019 and December, 31 2018, the details of operating expenses are as follows:

	1 JANUARY - 31 DECEMBER 2019	1 JANUARY - 31 DECEMBER 2018
Commission expenses	(225.611.076)	(161.099.924)
Commissions to intermediaries accrued during period	(242.040.634)	(155.846.502)
Change in deferred commission expenses	12.124.185	(5.109.504)
Deferred commission expenses	4.305.373	(143.918)
Employee benefit expenses (Note 33)	(96.345.316)	(84.224.635)
Commission income from reinsurers	16.521.635	19.301.716
Commission income from reinsurers accrued during period (Note 10)	18.821.297	16.169.638
Change in deferred commission income	(2.299.662)	3.132.077
Information technology expenses	(23.961.288)	(20.480.353)
Office expenses	(9.008.492)	(12.193.189)
Advertisement and public related expenses	(11.221.234)	(10.279.393)
Other expenses	(7.988.888)	(7.805.074)
Total	(357.614.659)	(276.780.852)

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33 EMPLOYEE BENEFIT EXPENSES

For the year ended December, 31 2019 and December, 31 2018, the details of employee benefit expenses are as follows:

	1 JANUARY - 31 DECEMBER 2019	1 JANUARY - 31 DECEMBER 2018
Wages and salaries	(53.232.518)	(48.413.872)
Bonus, premium and commissions	(15.713.379)	(12.654.442)
Employer's share in social security premiums	(9.955.148)	(8.806.307)
Employment termination benefits and unused vacation expenses	(745.803)	(1.117.873)
Other benefits	(16.698.468)	(13.232.141)
Total (Note 32)	(96.345.316)	(84.224.635)

34 FINANCIAL COSTS

There are not any finance costs classified either on production costs or tangible assets.

35 INCOME TAX EXPENSE

Income tax expense in the accompanying financial statements is as follows:

	1 JANUARY - 31 DECEMBER 2019	1 JANUARY - 31 DECEMBER 2018
Provision for corporate tax expense:		
Provision for corporate tax expense:	(133.291.729)	(132.598.937)
Deferred tax income:	1.632.634	4.424.479
Total income tax expense presented in the statement of income	(131.659.095)	(128.174.458)

Reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the year ended December, 31 2019 and December, 31 2018 is as follows:

	1 JANUARY - 31 DECEMBER 2019		1 JANUARY - 31 DECEMBER 2018	
PROFIT BEFORE TAXES	586.212.530	TAX RATE (%)	586.212.530	TAX RATE (%)
Taxes on income per statutory tax rate	(128.966.757)	(22)	(127.980.875)	(22)
Increase in tax rate	-	-	-	-
(Additions)/discounts, net	(2.692.338)	(0,46)	(193.583)	(0,03)
Total income tax expense presented in the statement of income	(131.659.095)	(22,46)	(128.174.458)	(22,03)

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36 NET FOREIGN EXCHANGE GAINS / LOSSES

Net foreign exchange gains/losses are presented in Note 4.2 – Financial Risk Management.

37 EARNINGS PER SHARE

According to TAS 33 “Earnings per Share”, earnings per share of unquoted Companies do not disclose earnings per share. As for the Company is not listed, earnings per share is not calculated in the accompanying financial statements.

38 DIVIDENDS PER SHARE

The Company is not a listed entity, hence dividend per share is not presented in the accompanying financial statements.

39 CASH GENERATED FROM OPERATIONS

The cash flows from operating activities is presented in the accompanying statement of cash flows.

40 CONVERTIBLE BOND

None.

41 REDEEMABLE PREFERENCE SHARES

None.

42 CONTINGENCIES

In the normal course of its operations, the Company is exposed to legal disputes, claims and challenges, which mainly stem from its insurance operations. The necessary income/expense accruals for the revocable cases against/on behalf of the Company are provided either under provision for outstanding claims or provisions for other risks in the accompanying financial statements.

As at December, 31 2019, the probable liability amount that will arise in the situation that all the cases that Company is defendant results against the Company is TL 15.044.499 (December, 31 2018: TL 12.711.415) in gross. The Company has recorded provision of TL 24.679.852 (December, 31 2018: TL 20.623.783) for such lawsuits including interests and other expenses in the outstanding claims reserve in the accompanying financial statements.

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43 COMMITMENTS

The details of the guarantees that are given by the Company for the operations in life and non-life branches are presented in Note 17. The future aggregate minimum lease payments under operating leases for properties rented for use of head office and regional offices and motor vehicles rented are as follows:

	31 DECEMBER 2019	31 DECEMBER 2018
Less than 1 year	3.915.729	3.036.874
More than 1 year less than 5 years	4.344.252	4.115.487
Total of minimum rent payments	8.259.981	7.152.361

Due to the Company has applied TFRS 16, lease payments under operating leases for rented properties presented in Note 20.

44 BUSINESS MERGERS

None.

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45 RELATED PARTY TRANSACTIONS

T. Garanti Bankası A.Ş. and Achmea which have 99,91% in total of outstanding shares of the Company and the groups having direct control over those companies and the affiliates and associates of those groups are defined as related party to the Company.

The related party balances as of December, 31 2019 and December, 31 2018 are as follows:

	31 DECEMBER 2019	31 DECEMBER 2018
T.Garanti Bankası A.Ş.- cash at banks	1.322.318.686	746.237.041
Banks	1.322.318.686	746.237.041

T.Garanti Bankası A.Ş. - credit card collections	142.956.350	144.397.948
Receivables from credit card collections less than 3 months (Not 14)	142.956.350	144.397.948

Garanti Faktoring Hizmetleri A.Ş.	71.604	32.517
T. Garanti Bankası A.Ş.	-	92
Garanti Finansal Kiralama A.Ş.	1.038	-
Garanti Bilişim Teknoloji Ve Tic.A.Ş.	92	-
Receivables from main operations	72.734	32.609

T. Garanti Bankası A.Ş.	71.772	32.640
Due from shareholders	71.772	32.640

T. Garanti Bankası A.Ş. - commissions payable (net)	22.873.603	13.914.575
Payables from main operations	22.873.603	13.914.575

Eureko Sigorta A.Ş. - shared expenses and premiums written	104.860	222.112
T. Garanti Bankası A.Ş.- shared expenses	1.690.175	190.761
Garanti Hizmet Yönetimi A.Ş. - portfolio management	168.000	139.650
Due from shareholders	1.963.035	552.523

Garanti Portföy Yönetimi A.Ş. - pension funds management	4.665.787	2.011.922
Antur Turizm A.Ş. - transportation expenses	6.887	148.802
Garanti Filo Yönetim Hizmetleri A.Ş. - car rental expenses	22.541	6.661
Other	-	1.864
Payables to related parties	4.695.215	2.169.249

No guarantees have been taken for the receivables from related parties.

There are no doubtful receivables and payables from shareholders, subsidiaries and joint ventures. There are no liabilities like guarantee, commitment and loan on behalf of shareholders, subsidiaries and associates.

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45 RELATED PARTY TRANSACTIONS (CONTINUED)

The transactions with related parties during the year ended December, 31 2019 and December, 31 2018 are as follows:

	1 JANUARY - 31 DECEMBER 2019	1 JANUARY - 31 DECEMBER 2018
T. Garanti Bankası A.Ş.	7.866.221	7.671.970
Garanti Ödeme Sistemleri A.Ş.	218.437	186.353
Garanti Yatırım Menkul Kıymetler A.Ş.	140.570	139.755
Garanti Finansal Kiralama A.Ş.	131.163	130.873
Eureko Sigorta A.Ş.	-	121.173
Garanti Portföy Yönetimi A.Ş.	87.689	65.352
Other	310.170	299.303
Written premium	8.754.250	8.614.779
T. Garanti Bankası A.Ş.	3.170.555	3.694.065
Other	-	274.037
Claim paid	3.170.555	3.968.102
T. Garanti Bankası A.Ş.- interest income on bank deposits	203.874.673	236.382.694
Investment income	203.874.673	236.382.694
T. Garanti Bankası A.Ş. - paid commissions (*)	236.209.207	151.819.646
T. Garanti Bankası A.Ş.- rent, tax and other expenses	20.873.898	18.346.054
Garanti Portföy Yönetimi A.Ş.	4.665.787	2.931.164
Eureko Sigorta A.Ş. - health and casco premiums	96.736	2.312.340
Garanti Filo Yönetim Hizmetleri A.Ş.- vehicle rent	2.430.558	2.429.415
Garanti Finansal Kiralama A.Ş. - leasing expense	-	283.115
Operations expense	264.276.186	178.121.734

(*) Amounts are demonstrated as gross amounts without deferred commission expenses.

46 EVENTS AFTER THE REPORTING PERIOD

None.

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47 OTHER

Description and amounts of the items which are higher than 5% of the total assets in the balance sheet or higher than 20% of the total amount of the group including the items phrased with “other” in the accompanying financial statements
They are presented in the related notes above.

Payables to employees and receivables from employees presented under accounts, “other receivables” and “other short or long term payables”, and which have balance more than 1% of the total assets
None.

Subrogation recorded in the off-balance sheet accounts
None.

Real rights on immovable and their values
None..

Explanatory Note for the amounts and nature of previous years’ income and losses
None.

For the period ended December, 31 2019 and December, 31 2018, details of the resdicount and provision expenses are as follows:

	1 JANUARY - 31 DECEMBER 2019	1 JANUARY - 31 DECEMBER 2018
Provision for employment termination benefits (Note 23)	(3.670.445)	(2.598.255)
Provision for entrance fee receivables (Note 4.2)	(2.285.040)	(1.139.603)
Provision for lawsuits (Note 23)	(710.703)	(361.280)
Provision for unused vacation pay liability (Note 23)	(342.457)	260.479
Provision (expense) / release for receivables from main operations (Note 12)	8.106	29.028
Other (*)	(9.000.000)	-
Total provision expenses	(16.000.539)	(3.809.631)

(*) As of December 31, 2019, other's amount is reflection of free provision TL 12.000.000 in income statement (December 31, 2018: TL 3.000.000).

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TRADE REGISTRY NUMBER

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