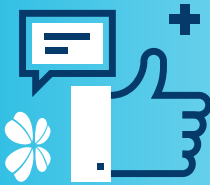


2020

Garanti BBVA Pension 2020 Annual Report



DESPITE
CHALLENGING
CIRCUMSTANCES,
WE HAVE CONTINUED
TO WORK TOGETHER
FOR OUR FUTURE
WITH THE SAME CARE
AND EXCITEMENT!



Garanti BBVA Pension
2020 Annual Report



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*We have prioritized health.
We have used our digital channels to cover vast distances.*



Our number of active digital customers increased by 62% compared to last year.



In 2020, we sent nearly 875 thousand mobile notifications providing expert services to our customers.



Thanks to our award-winning communication and digital campaigns, we managed to increase sales of Digital PPS by 102% compared to when the pandemic started.



We rapidly adjusted our system to a remote working model with digital infrastructure to continue to provide services without interruption and to protect our customers' health by offering them alternative options to branch visits.

INTRODUCTION

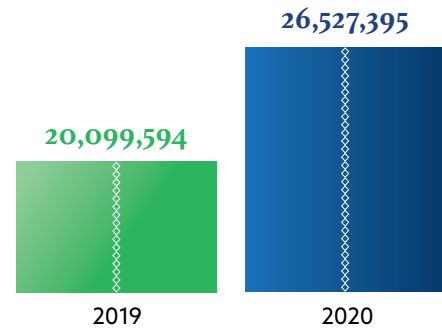
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Main Financial Indicators

As of year-end 2020, Garanti BBVA Pension recorded approximately 2 million* private pension customers and a fund size of TL 22,8 billion*.

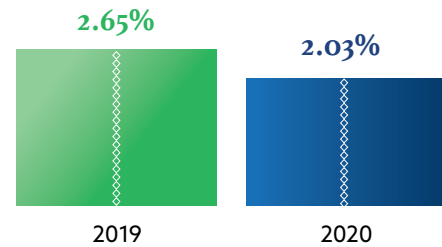
Total Assets (TL THOUSAND)

In 2020, Garanti BBVA Pension reported total assets of **TL 27 BILLION**.



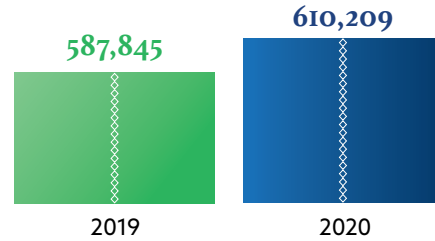
Average Return On Assets (%)

Pension's average return on assets was **2.03%**



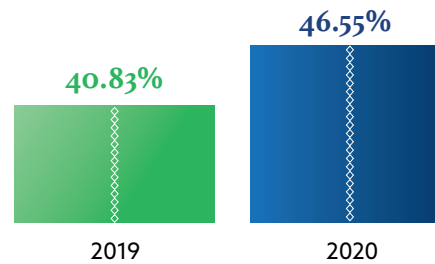
Profit/Loss Before Tax (TL THOUSAND)

Garanti BBVA Pension posted profit before tax of **TL 610 MILLION** in 2020.



Average Return On Equity (%)

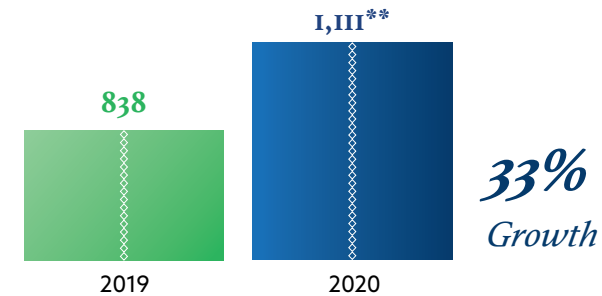
In 2020, Garanti BBVA Pension's average return on equity was **46.55%**



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

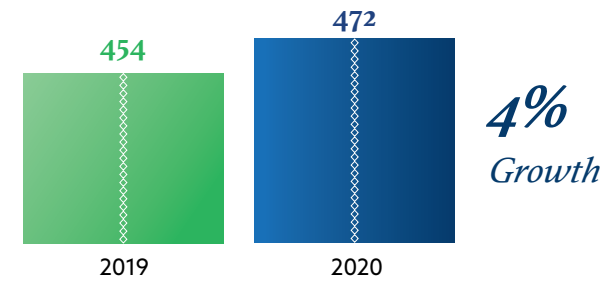
Life Insurance Premium (TL MILLION)

Garanti BBVA Pension's total life insurance premium production reached **TL 1,1 BILLION** as of year-end 2020.



Net Profit (TL MILLION)

Garanti BBVA Pension reported net profit of **TL 472 MILLION** in 2020.

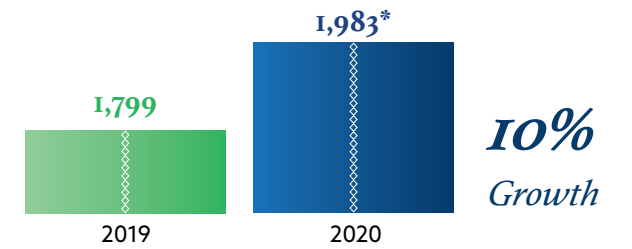


Total Number Of Private Pension Customers**

2 Million

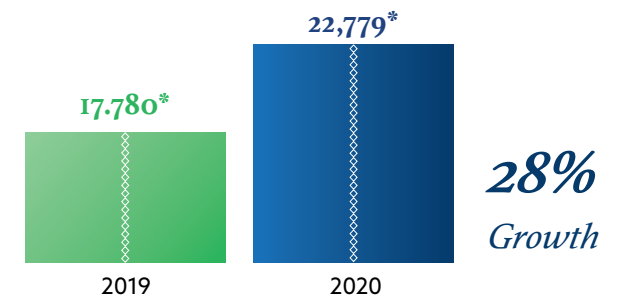
Total Number of PPS Participant (THOUSAND)

Garanti BBVA Pension recorded approximately **2 MILLION** private pension customers as of year-end 2020.



Total Value Of Private Pension Fund (TL MILLION)

Garanti BBVA Pension's private pension funds totaled **TL 22,779 MILLION** in 2020.



*Pension Monitoring Center dated December 31, 2020.

**Insurance Association of Turkey (TSB), December 31, 2020

About Garanti BBVA Pension and Life

As the most preferred company in the Private Pension System, Garanti BBVA Pension continues its steady and rapid growth.

The most preferred company in voluntary and Auto Enrollment System (AES), Garanti BBVA Pension continues its steady and rapid growth.

Garanti Emeklilik ve Hayat Anonim Şirketi (Garanti Pension and Life) started providing life insurance under the name “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 plans in its field of business activities, the Company converted from a life insurance company to a pension company on November 14, 2002. The Company’s name was initially changed to “Garanti Emeklilik Anonim Şirketi”

and later 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, obtaining 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**.

Working towards a future with lots of “We’re glad”s, and embracing a customer satisfying, employee-oriented and profitable business model, 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 its 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 has developed pioneering practices by adopting innovations in both the life insurance and private pension sectors. Garanti BBVA Pension and Life has brought innovations to the industry by restructuring its technological applications to be 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

Garanti BBVA Pension and Life has led the industry with innovations every year since 2013.

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.

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

From Past to Present: Garanti BBVA Pension and Life

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.

2020 WE ADOPTED A FLEXIBLE COMMUNICATION MODEL.

Since September, we have been implementing a "Flexible Communication Model" to make our communication more efficient, which is the key to understanding customers and providing them with proper services.

As part of our digitalization vision, we have started to apply PPS Digital Approval in our sales processes.

Our Fund Coaching Service has reached a total of 112,870 customers in its 3 years.

Thanks to innovations we introduced in the sector, customers entitled to pensions through our Vision Pension Project were offered an easier, faster, and more informative customer experience at every stage.

In 2020, we sent video notifications to our customers via mobile phones for the first time.

Our Outmaneuvering Advantages



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

Our Priority is our Customers

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

*We inspire
We are innovative
We exceed expectations*

We Think Big

We are One Team

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

Garanti BBVA in Brief

Garanti BBVA addresses all financial needs of 19 million people, with more than 18,654 employees along the wide distribution network.

Established in 1946, Garanti Bank is Turkey's second largest private bank with consolidated assets of close to **TL 541 billion (USD 73.3 billion)** as of December 31, 2020.

Garanti BBVA is an integrated financial services group operating in every segment of the banking sector including corporate, commercial, SME, payment systems, retail, private and investment banking together with its subsidiaries in pension and life insurance, leasing, factoring, brokerage and asset management, besides international subsidiaries in the Netherlands and Romania.

Its custom-tailored solutions and wide product variety play a key role in reaching **TL 416 billion (USD 56.3 billion)** performing cash loans and non-cash loans. Garanti's capital generative, disciplined and sustainable growth strategy that strictly adheres to solid asset quality enables the Bank to move forward strongly. The Bank has a leading position in key banking service areas:

- With 18 million retail customers, Garanti BBVA has **11.7%** market share in consumer loans. The Bank has a leading position in Mortgage, credit card business and auto loans.
- The Bank has **9.6%** of FC loans market share.

- In TL business banking loans, with **8.3%** market share, Garanti BBVA ranks #2 among private banks
- Subsidiaries contribution to assets is **12%**.

Implementing an advanced corporate governance model that promotes the Bank's core values, Garanti has Banco Bilbao Vizcaya Argentaria S.A. (BBVA) as its majority shareholder with 49.85% share. Its shares are publicly traded in Turkey, and its depositary receipts in the UK and the USA. Garanti BBVA has an actual free float of **50.07%** in Borsa Istanbul as of December 31, 2020.

Garanti BBVA's purpose is to bring the age of opportunity to everyone, and with this purpose the Bank works to create value for all of its stakeholders. In the light of strategic priorities; the Bank focuses on improving the customers' financial health by providing advice and actionable insights to them. The Bank puts emphasis on influencing decision-makers and other players in the sector regarding sustainability and making sustainability as mainstream. Garanti BBVA creates shared value and drives positive change through lending based on impact investment, as well as strategic partnerships and community programs focusing on material issues for both Garanti and its stakeholders. Garanti BBVA constantly improves its business model and processes with

operational excellence priority and keeps a close eye on financial and non-financial risks. In order to accelerate and drive its value creation; bank continues to focus on reaching more customers by being wherever customers are. As of December 31, 2020, Garanti provides a wide range of financial services to its almost **19 million customers with 18,656 employees** through an extensive distribution network of **884 domestic branches**, 7 foreign branches in Cyprus and one in Malta, and 2 international representative offices in Düsseldorf and Shanghai. Garanti offers an omnichannel convenience with seamless experience across all channels with **5,309 ATMs**, an award winning Call Center, internet, mobile and social banking platforms, all built on cutting-edge technological infrastructure.

Data, technology and "best and engaged team" are the key accelerators of strategy. The Bank continuously invests in robust and reliable technology, leverages advanced data analytics and artificial intelligence. Recognizing that human capital is the driving force behind all progress, the Bank builds systems to recruit, train and develop young and innovative individuals on a continuous basis, to provide a working environment that encourages full utilization of employees' skills, offers a wide range of opportunities and ensures recognition and awarding of their accomplishments.

Achmea B.V. in Brief

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

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 five countries**.

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.

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.

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.

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%. 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

Garanti BBVA Pension will continue its work to ensure that all its stakeholders adopt the "We're glad" approach and feel that they are part of the growth.



Dear Stakeholders,

We have concluded a different and challenging year for both the Turkish and the global economy. In 2020, we had quite a busy agenda, led by health concerns, of course, but also including economic and political issues. We had market fluctuations arising from the US presidential elections, the COVID-19 pandemic which spread across the entire world and negatively affected global markets, as well as Turkey's geographical position and economic situation. During these challenging times, we strived together to overcome the negative developments and our country's economy rapidly recovered following measures to reduce the effects of the pandemic to grow by **1.8%** in 2020.

In the first half of last year, the pandemic put pressure on global growth, causing unfavorable financial terms and a regression in appetites for risk and fluctuation in markets. The US

Federal Reserve (FED) cut its funding rate by 150 base points in the first quarter to 0-0.25% in order to minimize the effects of the pandemic. Many countries opened swap lines with their central banks and announced measures such as unlimited asset purchases. The FED strengthened its forward guidance by switching to average inflation targeting over the next period, signaling that it will keep rates steady at least until 2023. In its latest global economic outlook (March 2021) update, the OECD predicted that the world economy would grow 5.6% in 2021, after shrinking 3.4% in 2020. Their growth forecast for 2022 is **4%**.

Despite new waves of the pandemic in many countries, the global economic outlook has improved due to positive developments in vaccine studies and a strong Chinese economic recovery, the OECD shared in a statement. The organization predicts that the US economy will grow 6.5% in 2021, after shrinking 3.5% last year, while the Euro zone will expand 3.9% in 2021, after shrinking 6.8%. The OECD also revised its growth forecast for Turkey upward, to 5.9% for 2021.

Looking at inflation rates, annual consumer inflation - which was horizontal in the first quarter of 2020 - reached **14.60%** by the end of 2020 because of unit cost increases, exchange rate volatility, and fast-rising

food prices due to the pandemic. In the coming months, the level of domestic demands and cost pressures will continue to determine the inflation rate. In this sense, recent rapidly rising commodity prices, especially in energy, seem to be applying more pressure on supplies, which points to an upward risk in inflation outlook. Taking quick action against the initial effects of the pandemic, the Central Bank of the Republic of Turkey (TCMB) reduced its weekly repo interest rate down to 8.25% with a total reduction of 375 base points in the first 6 months of last year. However, due to the sharp depreciation of the TL, it increased its one-week repo interest rate to **17%**, with a total increase of 875 base points in the second half of the year. Simplifying its policy steps, the TCMB also strengthened its forward guidance and began to use its communication channels more effectively.

Regarding fiscal policies, a more cautious spending strategy will be followed, with priority given to fighting inflation. The targeted budget deficit for the end of 2021 is 3.5% compared to national income.

It has been 17 years since the "**Voluntary Private Pension System (PPS)**" was introduced to complement the social security system and to boost individual savings in Turkey. Three years ago, we also aimed

to spread private pension to the base with Auto Enrollment System (AES), which has been an important milestone in society's saving habits and revolutionized retirement periods.

The growth of the Private Pension System is evaluated by "Total PPS", which is the sum of Voluntary PPS and Auto Enrollment System (AES). Garanti BBVA Pension and Life was the most preferred company with the highest number of participants in Total PPS in 2020, with evaluated savings of **TL 22.8 billion*** for its nearly 2 million* participants' pension periods.

For 2021, our agenda includes adding young people below 18 years old to the Private Pension System, incorporating provident funds to the system, and making adjustments that will ensure the PPS's position as a product that provides life-long support to its participants. With these developments, we anticipate critical steps in the growth and depth of the voluntary PPS market.

Life insurance gained significant momentum in premium production in the first half of 2020 with both the increase in subsidized credits and the contribution of the Credit Guarantee Fund. In the second half of the year, on the other hand, there was a slowdown with both an increase in interest on loans and a reduction on

the terms of subsidized credits from 60 months to 36 months. Despite all this, Garanti BBVA Pension achieved significant success, increasing its year-end premium production by **33%** to **TL 1.1 billion**** compared to last year.

The efficient business models developed by Garanti BBVA Pension in its business areas continued to have a positive impact on financial statements. In 2020, our subsidiary increased its net operating profit after tax by **4%** to **472 million TL** and managed to become the most profitable*** private pension company in the sector in pension technical profit.

In the new operating period, Garanti BBVA Pension aims to be a leading company in the private pension and life insurance sectors, and thus, it will continue to lead the sector with its strong Auto Enrollment System (AES) infrastructure development and to manage its participants' funds more actively with the growth of savings in Voluntary PPS. I believe that our subsidiary will strengthen its position in the sector, gaining momentum in the production of life insurance premiums, and increasing the size of its funds in AUTO ENROLLMENT SYSTEM (AES) and market share in the private pension system.

Garanti BBVA Pension will continue to grow in new, efficient business areas with its expert sales team, strong infrastructure, operational efficiency, and projects in smart business operations, showing all its stakeholders that it's working to say "we're glad" in the future, and that they are all part of this growth.

In the name of Garanti BBVA Pension, I would like to cordially thank all our employees, participants, and stakeholders for their successful performance.

RECEP BAŞTUĞ
Chairman of the Board of Directors

* Pension Monitoring Center, December 31, 2020
** Insurance Association of Turkey (TSB), December 31, 2020
*** Insurance Association of Turkey (TSB), September 31, 2020

CEO's Message

In 2020, Garanti BBVA Pension became the most preferred company for "Voluntary PPS" with the highest number of participants, and it also achieved a major increase in its fund size.



2020 was a rather difficult year for Turkey and the world. This was a hectic year primarily in terms of health, but also for politics and the economy. The measures our company took protected us from most of the year's negative impact. Market fluctuations were observed due to the COVID-19 pandemic and Turkey's geographical and economic conjuncture, leading the Turkish economy to lose momentum in the first half of the year, but it recovered rapidly in the third quarter. The Turkish economy continued the upward trend that had started in the third quarter of 2019, showing a growth rate that exceeded expectations through to the same period in 2020. In the last quarter of the year, however, consumer prices rose by **1.25%** in December compared to November, faster than expectations, and the annual CPI inflation rose from 11.84% in 2019 to **14.60%** in 2020. In 2021, we think that the level of domestic demand in the inflation outlook and exchange rate developments will continue to be decisive.

The "Private Pension System" was launched in 2003 to increase savings in Turkey, to provide individuals with an additional income during retirement, and to ensure that they maintain their current living standards. In its 17th year, the PPS reached a significant saturation level, reaching a fund size of **TL 158.3* billion** with a state contribution of **TL 21.3* billion** and a total of **6.9* million** participants. The high return on funds made 2020 a year that pleased Private Pension System participants.

In 2017, our country took another critical step for future savings: "Auto Enrollment System (AES)" was an important development in terms of saving habits and retirement that was introduced to our lives. This system gave the pension sector significant momentum, aiming to provide Turkish pensioners with the life they deserve and maintaining their living standards for many years. By the end of 2020, the fund size accumulated from its 6.6* million participants who continued to save through the Auto Enrollment System (AES) reached TL 11.8* billion with 483.3* million in state subsidies. It gives us confidence in our future to report that 81% of the participants who continued to contribute did not previously have private pension contracts and had started to save for the first time thanks to the Auto Enrollment System (AES).

We assess the growth of the Private Pension System by focusing on the Total PPS number, i.e. the combined number of Voluntary PPS and Auto Enrollment System (AES) participants. The reason for this is that the majority of Voluntary

PPS participants enrolled and continue to enroll in the system by means of Auto Enrollment System (AES). In 2020, the total PPS created a significant pool of savings with approximately **13.5 million** participants and a fund size totaling over **TL 170.1 billion**.

In 2021, we plan to include young people under 18 years old in the Private Pension System, to incorporate provident funds in the system, and to position the PPS as a product that will provide its participants with life-long support. Together with these developments, Voluntary PPS will provide great potential and important benefits.

In 2020, Garanti BBVA Pension became the most preferred company with the highest number of participants in "Voluntary PPS" and significantly increased its fund size. Nearly 28% of over 632 thousand new participants in Auto Enrollment System (AES) started to save with Garanti BBVA Pension and this success with the number of participants was reflected positively in our fund size as we achieved a market share of 98 bps in 2020. We are proud to be the company with the highest increase in the number of Auto Enrollment System (AES) participants, fund size, and the number of companies leading to the highest market share. Garanti BBVA Pension continued to gain momentum by strengthening its position in the sector with a **16.1%*** market share in Voluntary PPS and a **13.1%*** market share in Auto Enrollment System (AES). In the savings pool "Total PPS" consisting of Voluntary and Auto Enrollment System (AES), Garanti BBVA Pension is valued at approximately

TL 22.8* billion of savings for the retirement periods of almost 2* million participants, making it the most preferred private company with the highest number of participants. In another area of activity, life insurance, we had a significant increase in premium production in the first half of 2020 as an effect of the growth in subsidized credits and the Credit Guarantee Fund. In the second half of the year, however, we felt the reverse effect. There was slowdown in the sector due to both the reduction of credit maturity from 60 to 36 months and the increase in loan interests. Despite all this, Garanti BBVA Pension still increased our end-year premium production by **33%** producing **TL 1.1 billion**** in premiums and achieving significant success.

We're Continuing to Lead in Customer-Centered Services!

Every Garanti BBVA Pension product and service is based on our understanding of 'customer first'. In 2020, we rapidly adapted to the changing demands of our customers during the pandemic. In 2020, our future coaches at the Customer Communication Center offered top level services to our customers, answering over 2 million calls, and providing the best and fastest solutions in less than a minute. With our proactive service understanding, we also provided consulting services to our customers, meeting their demands and expectations with almost a million external calls.

This year our customers better understood the advantages of increasing their savings, so they made more changes in fund distribution to do so.

There was a **59%** increase in changes in fund distribution compared to the previous year. 2020 was a year that our customers better understood the need to use digital channels due to the effect of the pandemic, allowing them to complete their transactions easily and seamlessly. Our number of active digital customers has reached a significant size with an increase of 62% compared to last year. At Garanti BBVA Pension, we continue to work to offer better services to ensure customer satisfaction.

In 2020, we celebrated the 3rd year of the "Fund Coach" developed for our customers. The Fund Coach made participants happy by achieving high returns, and we successfully provided more dynamic and more proactive services to over a hundred thousand Fund Coach users.

Garanti BBVA Pension works based on its company values and the mottos, "We Think Big", "Our Priority is Our Customers" and "We are One Team", and we are happy to be able to make our customers feel like saying "We're Glad" with every interaction.

We've Made Tremendous Impressions with our Digital Campaigns!

In 2020, customer needs changed due to the pandemic, and at Garanti BBVA, we continued to develop ways to respond to their needs in the fastest way possible and to prioritize our digital platform.

Thanks to our award-winning communication and digital campaigns, we achieved significant success, increasing the sales of digital PPS by 102% compared to when the pandemic

began. We also accelerated the sale of digital PPS, promoted our channels, and created influence in the sector with our communications.

Smart Fund's High Profits Satisfy our Customers!

Garanti BBVA Pension launched the "Smart Fund" last year to better serve its customers and help them focus on saving regularly, making them significant gains. In 2020, Smart Fund achieved great success by **growing 52.3%**. We offer Smart Fund to customers aiming for greater returns than regular TL deposits in the medium and long term. Smart Fund has fulfilled our expectations, satisfying our customers and making us proud.

We continued to serve for "we're glad"s even in difficult times!

Our goal is to provide our customers with the best service, even in the difficult times of 2020 and the changing working environment, to ensure lots of "we're glads" in the future. While striving to fulfill these goals, we developed our human resources activities in a way that will make all our employees say, "we're glad". Garanti BBVA knows the importance of development-oriented, innovative, and creative human resources and we continue to develop services to meet the wishes and needs of our employees. We shape our human resources strategies not for short-term goals, but with medium and long-term plans, focusing on our employees' satisfaction and wellness. We see training that contributes to our employees' development as an investment and offer technological, innovative, and continuous development opportunities. At Garanti BBVA Pension,

we stand out by continuing to rapidly adapt to changing dynamics with our flexible corporate structure and creative and competent human resources who can take the initiative.

Garanti BBVA Pension's financial power continues to gain momentum!

Adding more power to its financial capacity in 2020, Garanti BBVA Pension grew significantly with **TL 354 million** from life insurance and **TL 141 million** technical profit from pensions. It was the most profitable*** private pension company in the sector in terms of pension technical profit

Garanti BBVA Pension implements a strategy of high quality and reasonable cost to develop products and services that best suit the needs of its customers and employees and make their lives easier, thus continuing to consolidate its profitability. Increasing its net profit to **TL 472 million** in 2020, the company continued to grow significantly in the sector with its strong financial structure, accurate balance sheet management, and the use of the most advanced technology.

It's my wish that 2021 brings success and happiness to all our participants and employees. In the new period, we hope to achieve strong development that will create added value thanks to the high synergy we have with our customers and employees.

Regards,

BURAK ALİ GÖÇER
Board Member and CEO

* Pension Monitoring Center, December 31, 2020
** Insurance Association of Turkey (TSB), December 31, 2020
*** Insurance Association of Turkey (TSB), September 31, 2020

Industry Developments in 2020 and Garanti BBVA Pension and Life

Garanti BBVA Pension performed strongly in the challenging year impacted by the pandemic.

Funds continued to provide gains despite market dynamics affected by the pandemic. Garanti BBVA Pension and Life continued to increase participants' savings, performing above average on deposits to the fund.

In 2020, the funds also performed in line with their goals, meeting expectations. Fund size increased by **32.10%** from **TL 17.7 billion** to **TL 23.5 billion**.

Financial investment instruments were affected by fluctuations, so our aim was to help participants evaluate the opportunities and risks that could arise in the markets as best they could, informing them about market developments, and helping them closely follow market dynamics. Fund managers were also sensitive to market dynamics, so they strategically positioned the assets in their portfolios.

In 2020, the dollar gained **24.91%** value. With this increase, the Foreign Debt Fund, investing in foreign currency,

brought **37.12%** returns and the Variable Fund **25.18%** returns.

As it is elsewhere in the sector, the Gold Fund is the most preferred fund among Garanti BBVA Pension and Life participants. In 2020, **57,892** new participants entered the Gold Fund portfolio to take advantage of the increase in gold prices, bringing in **1.466 million** in cash.

The first Absolute Return (Variable) Fund in the sector – Smart Fund – aiming to bring positive returns to its participants at the end of each period, performed above its deposits and brought a return of 15.48%. The Smart Fund had the largest number of participants, with 511,401 at the end of 2020 including **29,459** new participants. Garanti BBVA Pension and Life will continue to work to bring positive returns to its participants in the next period.

In early 2020, we transformed the Third Variable Fund to ensure that participants also benefited from

foreign stock potential, and this fund had the highest increase in the number of participants. Mainly by investing in foreign stocks, the Third Variable Fund brought **45.85%** returns to its participants in 2020.

Among Variable Funds that have flexible portfolio structures, the return of the Cautious Variable Fund in 2020 was **11.36%**, and the return of the Balanced Variable Fund was **18.54%**.

Coupled with the BIST 100's upward momentum in the last months of the year, the Stock Fund that Garanti BBVA founded brought a **29.86%** return between the given dates. In the same period, the BIST 100's return was **29.06%**, giving the Stock Fund participants higher gains performing above BIST 100.

Private Sector Leader Garanti BBVA Pension

With 29,433 new enrollments compared to the previous year, Garanti BBVA Pension continued to lead among private sector companies. The total number of participants in the sector was **6 million 901 thousand** by the end of 2020.

The number of Voluntary PPS participants in Garanti BBVA Pension was **1 million 113 thousand** and its market share was **16.1%**.

The number of Voluntary PPS participants in Garanti BBVA Pension was 1 million 113 thousand and its market share was 16.1%.

GARANTI BBVA PENSION FIVE-YEAR STATEMENT IN VOLUNTARY PRIVATE PENSIONS

	2016	2017	2018	2019	2020*
Pension Fund Size (TL Million)	8.357,76	10.247,51	11.129,82	14.538,06	18.498,65
Pension Fund Size Market Share (%)	15,6	15,1	14,5	14,3	13,5
Number of Pension Participants	1.130.475	1.196.397	1.150.560	1.105.191	1.112.594
Pension Participant Number Market Share (%)	17,1	17,3	16,7	16,1	16,1
Total Pension Contributions (TL million)	6.836,80	7.907,08	8.458,57	9.664,05	11.850,76
Pension Contributions Total Market Share (%)	15,4	15,0	14,5	14,2	14,4

* The participants' fund amount is calculated by multiplying participants' fund shares by the fund unit share value on the relevant day. It differs from the total net asset value of the funds of the relevant company. The amount of funds in the liquid fund of contracts and certificates at the bidding stage and the amount of funds in contracts and certificates within retirement income plans are included in the sum.

* Source: Pension Monitoring Center, 31.12.2020

AUTO ENROLLMENT SYSTEM (AES)

With the Auto Enrollment System (AES) application coming into force in 2017, **19.2 million** individual participants enrolled in the system according to the December 31, 2020 report by the Pension Monitoring Center. Because of job changes or working in multiple places, the total number of certificates entered into the system was **25.6 million**.

The total Automatic Enrollment System fund reached **TL 11.3 million** as of December 31, 2020. Participants invested **TL 4.2 million** in interest funds and **TL 7.09 million** in interest-free funds. Garanti BBVA Pension ranks first among private sector companies with a **15.7%** market share in the number of contracts entering into force. **4.1 million** of the contracts in the sector belong to Garanti BBVA Pension.

One of Garanti BBVA Pension's successes in 2020 was to increase its market share the most in terms of the number of employers, participants, fund size, and total contribution. Based on the total number of companies participating in Voluntary PPS and the Automatic Enrollment System, Garanti BBVA Pension has the highest number of participants among all private sector firms.

AUTO ENROLLMENT SYSTEM 2020*

Pension Fund Size	983,286,924
Pension Fund Size Market Share (%)	8.70%
Number of Pension Participants	870,685
Pension Participant Number Market Share (%)	13.12%
Total Pension Contributions	792,461,876 TL
Pension Contributions Total Market Share (%)	9.31%
Number of Employer Participants	33,316
Employer Participant Number Market Share (%)	14.56%

* Source: Pension Monitoring Center, 31.12.2020

The Financial Power of Garanti BBVA Pension and Life

Garanti BBVA Pension and Life significantly increased its growth in 2020, achieving its target sales and profitability figures and rising above expectations.

Garanti BBVA Pension and Life increased its efficiency by taking strength from the Garanti BBVA brand, utilizing its solid financial structure, and correctly managing its balance sheets, leading to a year of success. With the launch of the Automatic Enrollment System in 2017, the huge influx in the number of participants gave the system significant momentum which only grew in the following years, including 2020. The company invested in areas such as human resources, infrastructure, and especially technology, to keep pace with growth.

Striving for "we're glad"s in the future and protecting its values, Garanti BBVA Pension and Life starts with the goals of satisfied customers, happy employees, and an efficient business model when forming its strategies. Garanti BBVA Pension and Life continues to manage a strong, efficient operation through its investments in technology. In addition, it focuses on innovation and smart business processes by focusing

on all areas that affect costs. The company significantly increased its growth in 2020, achieving its target sales and profitability figures and rising above expectations.







In 2020, Garanti BBVA Pension and Life's assets increased by 32% to **TL 26.5 billion**, and provided its shareholders with **TL 700 million** in dividends from shareholders' equity of **TL 1.1 billion**. These figures show how the company has further strengthened its financial structure with a net profit after tax increased of **4%** to **TL 472 million** in 2020. It is the most profitable private pension company in the sector in regards to pension technical profit, and it continues to be the leading company in the sector as far as financial strength.

A significant portion of the company's profit comes from the technical profit received from the life insurance and pension sector. Garanti BBVA Pension and Life's gross technical profit for 2020 was **TL 495 million**. **81%** of the

pre-tax profit of **TL 610 million** earned in 2020 was derived from technical profit.

Garanti BBVA Pension and Life's goals for 2021 are to maximize customer satisfaction, strengthen employee loyalty, and develop new business models that improve company productivity. In the new period, the company will make participants' lives easier by developing new products and services that meet their wishes and expectations, and by doing so, it will continue to maximize business efficiency to make its financial power sustainable. One important agenda item for the coming period is the implementation of the **"Complementary Pension System"**. With the Complementary Pension System, it will quickly adapt to the new system with a solution-oriented perspective and technological investments for participants, and will continue to create value for the sector.

We became a single team against all challenges, maintaining our customer-centric approach.

 <p>With 1,948,279 unique participants in Voluntary PPS and Auto Enrollment System (AES), we became the leader of the private sector.</p>	 <p>Over 632 thousand participants just joined the Auto Enrollment System (AES), and with 28% of them preferring us, we took first place as the company with the highest number of participants.</p>	 <p>Our Future Coaches in our Customer Communication Center welcomed 2 million calls and offered the best and fastest solutions in less than 1 minute.</p>
 <p>Fund Coach, our robo-consulting service is a first in the industry, and it showed a good performance in 2020, yielding a return of 25.58%.</p>	 <p>By sending more than 12 million e-mails and more than 2 million SMS messages to our customers, we had 28% more contact with our customers compared to 2019.</p>	 <p>In 2019, we launched the Interactive Voice Notification (IVN) System, and in 2020, we reached customers with 165 thousand calls using this system.</p>

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2020 Activities

As of the end of the year, the sector's contribution share grew by 21% in the private sector compared to the same period last year, with Garanti BBVA Pension growing by 23%.

PPS

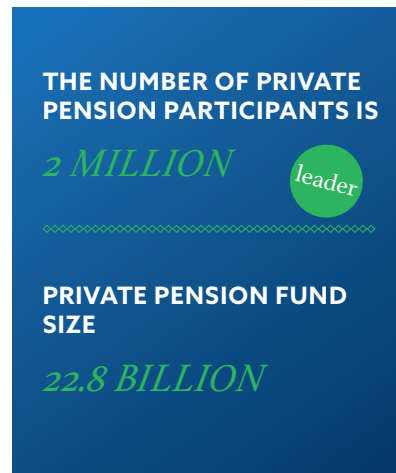
According to 2020 year-end data*, the company reported a 0.4% increase in the number of third-line participants in the private pension sector compared to the same period last year, while also improving its contribution and fund size by 21% and 33%, respectively.

Although the sector started 2020 with growth in both PPS sales and the number of participants compared to the previous year, this momentum declined somewhat as the pandemic affected the sector. According to 2020 year-end data, the sector experienced a decline of 15%, in PPS sales units especially, compared to the same period last year. Yet, Garanti BBVA Pension completed the same period with 3% growth, managing to maintain its leadership in the private sector market.

One of the main factors of this success was that at the time of sale, sales processes with customers who could not be in close contact were

completed through the power of technological infrastructure.

Contribution margin was another area of growth. As of the end of the year, the private sector grew 21% compared to the same period last year, with Garanti BBVA Pension growing by 23%. One of the most important reasons for this growth was the high volume of EKP/UK production, which brought contribution margins paid at the end of the year up to TL 11.9 billion.



The importance of fund size, which depends on many variables in the sector, continues to increase due to the advantages it creates for company revenue. Compared to the same period in 2019, the private sector increased its fund size by 33%, with Garanti BBVA Pension achieving 27% growth compared to these two independent periods. The cumulative fund size reached TL 21.8 billion.

The company's main product in fund size is the Smart Fund. The goal of the fund's variable structure is to enable customers to adapt to market conditions and manage their Garanti BBVA portfolio to receive maximum returns in retirement. Customers who receive good returns from funds are more likely to pay more contribution margins to the system and make additional investments. This, in turn, contributes to the growth of the fund size.

In 2020, the number of customers filling out the Fund Coach Risk Profile Survey increased by 14% compared to last year. In addition, the number of customers who changed their distribution of funds increased by 23%.

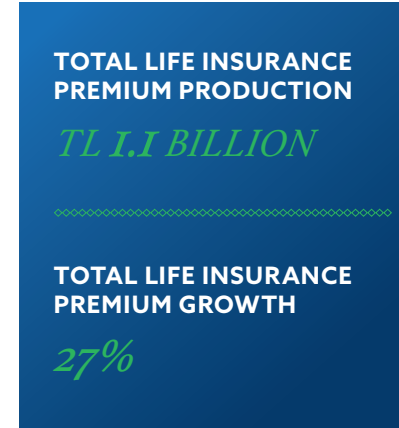
Projects planned for 2021 and beyond are given below in detail:

FINANCIAL HEALTH - DIGITAL PPS SALES PROJECT WITH PROPOSAL

Garanti BBVA plans to participate in the multi-channel Financial Health project with its private pension arm as well as its life insurance arm. It aims to create a rich and functional channel that takes a person's income, way of working, and recent expenses into account in order to provide notifications via Garanti BBVA Mobile. As part of the evaluation, it is aimed to evaluate the sales potential in this channel with a product presentation to customers who have little or no risk.

Life Insurance Premium Productions

Life premium production grew in the sector in 2020 compared to previous years through the development of different factors. As of the end of the year, credit life production accounted for 72% of premium production in the sector. Together with increasing credit life



production, the sector showed a 27% growth in premium production in 2020 compared to the end of 2019.

As with subsidized credits, housing loan usage volumes started the year with growth. During the pandemic period especially, there was a significant increase in the volume of housing loans with banks making interest rate cuts. Garanti BBVA Mortgage also had a fast start in 2020, in parallel with the sector. Joint projects with Garanti BBVA Mortgage demonstrated this, with premium production increasing by a factor of 3 compared to the first half of 2019.

With the reduction in loan maturities from 60 months to 36 months and the increase in loan interest rates in the second week of September 2020, usage volumes of both subsidized

credits and housing loans shrank to a certain extent as per the general expectations of Garanti BBVA. A decrease in the production of credit life in the sector is also expected.

As of the end of 2020, Garanti BBVA Pension and Life ranks 6th with a market share of 7.7%. At the end of 2020, premium production increased by 33% compared to 2019 with a production of TL 1.1 billion.

As for optional life insurance, the company plans to increase sales of Premium-Refunded Life Insurance. As of the end of 2020, optional life insurance production makes up TL 4 billion out of a total of TL 14.3 billion in life premium production. Given that 2021 will be another year where loan interest rates increase and loan maturities decrease, companies with high optional life insurance production during this period will have a significant advantage in the market.

DIGITAL APPROVAL

The company plans to develop the digital approval system used for all life insurance processes so it can be used for policies with different types of payers and insurance policies. In addition, it plans to use the digital approval process to finalize the life insurance processes of legal entities. The completion of these powerful

(* December 31, 2020)

technological infrastructure projects will prevent unexpected situations and possible product disruptions.

Automatic Enrollment System

Participation in the AES ended in January 2019 following the inclusion of companies with **five to nine** employees in the system. Garanti BBVA Pension signed up **3,265 new firms** in 2020. According to the Pension Monitoring Center's report of December 31, 2020, Garanti BBVA Pension ranks first in its sector with a market share of **15.7%*** in the number of executed contracts.

According to the Pension Monitoring Center's report of 31.12.2020, 28% of the new 632 thousand participants in the Automatic Enrollment System in 2020 were included in the system by Garanti BBVA Pension. Garanti

BBVA Pension's market share in 2020 increased by **157** base points according to the number of participants, **98** base points per volume of funds, **152** base points per total contribution margin, and **52** base points per number of employers included in the system. Based on these four categories, Garanti BBVA Pension increased its market share the most in 2020.

As of 31 December 2020, Garanti BBVA Pension has a fund of **TL 983 million** for **33,316** company employees and **870,685** employees.

Agencies

By aiming to diversify its distribution channels, Garanti BBVA Pension has reached 50 agencies.

AUTOMATIC ENROLLMENT SYSTEM (AES) TABLE 2020*

	SECTOR TOTAL	GARANTI BBVA PENSION	MARKET SHARE
Contract Entries	25,910,315	4,069,700	15.71%
Current Contracts	7,381,590	933,940	12.65%
Fund Size	11,787,431,180	983,286,924	8.7%
Number of Participants	6,635,692	870,685	13.12%
Contributions	8,872,774,624	826,117,261	9.31%
Number of Employer Participants	228,832	33,316	14.56%

* Source: Pension Monitoring Center, 31.12.2020

Customer-Centric Strategies

Considering continuous development of the customer experience as one of the most important components of its sustainable economic performance, Garanti BBVA Pension puts its customer at the center of its activities.

Garanti BBVA Pension takes a holistic approach to the customer experience throughout the entire customer journey, providing solutions that meet their needs at every moment.

Garanti BBVA Pension and Life aims to produce the best solutions for customers in light of its mission, "Our Priority is our Customers" - one of its indispensable values. With this approach, it designs the customer experience from the outside in, and improves its systems and processes by regularly following customer needs and opinions. In 2020, the company prioritized projects with this vision to define the best customer experience. Customers want short, hassle-free interactions that save them time, smart solutions that improve their lives, and personal touches that they find entertaining. Garanti BBVA Pension and Life's customer experience is based on this understanding. Considering continuous development in customer experience as one of the

most important components of its sustainable economic performance, the company focuses on customers throughout all its processes and leads the sector with comprehensive business solutions.

Customer Focused Projects and Communication

In 2020, more than **12 million** e-mails and **2 million** SMS messages about different products and services were sent to customers through the campaign management system, meaning the company contacted **28%** more customers through its communication channels. Especially during the pandemic, it has been more and more difficult to have face-to-face meetings, so the company has often reached its customers through different channels to provide details of products and information about markets and customized offers.

Thanks to the mobile notifications

launched in 2020, we started to communicate more effectively with customers digitally. With this channel, we provide customers with important information about their products, convey different product and service offers, and share the Fund Coach's special recommendations as the market changes. During the year, we contacted customers with about **875 thousand** mobile notifications.

Through the Interactive Voice Notification (IVN) system we launched in 2019, we reached customers with **165 thousand** calls in 2020. The channel that shared The Fund Coach's new recommendations was especially effective with a **15%** service acquisition rate. In the coming period, we plan to develop a service network with new contact points from this channel.

Being able to offer customers the right product at the right time is becoming more important every

day, so we've accelerated our data analytics studies. We updated three of our current trend models and added a new model, and now we can measure the tendency of customers to buy/give up products and predict their financial needs much more successfully. This increases customer satisfaction and operational efficiency by presenting potential products at the right price. Our efforts to predict customers' channel tendencies will soon be finalized, so we can continue to contact customers through the most accurate channel.

As part of our efforts to 'smarten' our infrastructure providing offers and services, we also transformed our segmentation structure. In addition to using customers' existing savings and payment schemes, we have started to segment customers according to their financial potential to provide more personalized services. In addition to evaluating the current value of customers, we can now analyze the future values and produce tailor-made solutions.

We implemented a project that renewed the CRM infrastructure from scratch to classify the traces left by customers in the system at the time of contact in much more detail, so the company can provide more tailor-made offers and services. Thanks to this project, the data from the contact moment reaches a quality that will

also provide input to analytical models. This project has also enabled customer representatives to work much more efficiently and provide higher quality service in a shorter time, which reduces their workload.

Measurement of Experiences

As well as tracking overall recommendation scores, we have continued to measure recommendation scores following critical touchpoints since 2017. Garanti BBVA Pension and Life measures customer experience at each point of contact to identify areas of improvement. By regularly analyzing the results of these measurements, it can take the actions necessary for a better experience.

A Product Range for Everyone

The strong cooperation and corporate values of Garanti BBVA reinforce the success of Garanti BBVA Pension and Life in its operations and leads to results that increase customer satisfaction. Using Garanti BBVA's powerful distribution network most efficiently, the company offers its customers a wide range of products under one roof.

Private Pension Plans

Gaining significant momentum with the transition to the state subsidized system, the private pension sector

continued to grow in 2020. It's important to the company that it offers a variety of products to meet customer needs in different segments, so it offers five different pension product alternatives. Garanti BBVA Pension and Life customers who want to save for their future can safely choose one of five different private pension plans that will lead them to a happy retirement:

1. PRACTICAL PENSION PLAN

Targets participants who want to make advantageous investments with modest savings. Customers who apply quickly and easily over the Internet can also take advantage of exclusive features offered in this plan.

2. PRESTIGE PENSION PLAN

Offers exclusive advantages for customers with a comfortable retirement in mind who prefer to make large contributions.

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 can take advantage of the exclusive benefits offered by this plan.

5. SELECT ABU PLAN

Designed for participants who would like to accelerate their savings and enjoy a comfortable retirement, this plan offers exclusive benefits to those who want to take advantage of the highest limit of state contributions.

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 employer contributions. Group pension plans offer companies and their employees special advantages.

Life Insurance Products

With effective and extensive use of bancassurance, the Company always takes the ever-changing circumstances and needs of its customers into account, 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-Refund 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

Through its customer oriented activities, Garanti BBVA Pension had an active year meeting customer needs and requests related to their private pension funds and offering stable returns in the medium-to-long term.

Sustainability Equity Fund

The benchmark of the Sustainability Equity Fund was changed from 90% BIST sustainability return + 10% BIST-KYD Repo (gross) to 50% BIST sustainability return + 40% S&P 500 ESG (USD) Total Return Index, 10% BIST-KYD Repo (gross). This allows foreign partnership shares and foreign government bonds and bill funds in sustainability indices to be included in the fund portfolio. By including foreign shares in the participant's portfolio, it will be possible to benefit from both exchange rate returns and foreign capital market returns.

Participation Variable Fund

The benchmark of the Participation Variable Fund was the BIST-KYD 1-Month Dividend TL Index, but it was changed to a 30% Participation 50 Return Index + 40% BIST-KYD Public Rent Certificate Index+ 10% BIST-KYD 1-Month Dividend TL Index + 10% BIST-KYD 1-Month Dividend

US Index+ 10% BIST-KYD Gold Price Weighted Average Index. The goal of this change was to ensure that participants could benefit from stock returns to increase their savings.

Fund Coach Service

Garanti BBVA Pension and Life broke new ground in the sector by introducing this Robo-consulting service to its participants in October 2017. The Fund Coach service helps investors achieve their goals by moving investments to the right points at the right time according to changes in financial markets. The Fund Coach submitted 5 proposals to change funds distribution in 2020 and 26,956 participants answered the Risk Return Profile survey.

In the interest-bearing risk group, the average Fund Coach return for 2020 was 25.58%. The deposit yield on the relevant dates was 9.06%. In other words, the Fund Coach achieved a better return on deposits than

expected in 2020.

Success System

The Success System was launched on 01/01/2020 in accordance with the Capital Markets Board resolution article on 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. As per this article, we started closely monitoring the return on funds and therefore the performance of portfolio management companies. Performance criteria can be summarized as follows: Fund groupings will be determined for each fund at the beginning of every 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. For

each fund that is not included in any benchmark group, if the gross fund benchmark yield is less than 0, it is multiplied by "1.1", and if it is greater than 0, it is multiplied by 0.9 to find the lower threshold. If the gross fund benchmark yield is less than 0, it is multiplied by 0.9, and if it is greater than 0, it is multiplied by 1.1 to find the upper threshold. In gross fund return, funds below the lower threshold receive a value of "-1", funds greater than or equal to the lower threshold and funds equal to or less than the upper threshold receive the value of "0", and funds greater than the upper threshold receive the value "1" and are considered successful.

As of the end of the first year of the Annual Follow-up System at the end of November, according to a report published by the Pension Monitoring Center, Garanti BBVA Pension was the second most successful company. Portfolio management companies that manage funds performed well,

ensuring that 31 funds were ranked in the successful category.

The Efficiency Committee was established to effectively manage the company's expenses and investments, and it made progress by including donations in its fields of activity, which it manages according to the "Principles of Ethics and Accuracy".

We created customized dashboard display designs and schedule reporting methods to meet the unit needs faster, while also increasing efficiency via automation.

Jointly working with the Pension Monitoring Center, for the first time we created data transfer processes related to the conversion of contracted state subsidies into cash and money as sought by rights holders.

In order to improve data quality, as well as to quickly adapt to new

legislation and technologies, we renewed the Enhanced Monitoring Activity Data Infrastructure shared with the Pension Monitoring Center.

Improved Claims Servicing Processes

Claims worth TL 130,750,484 were paid for 10,953 files by the end of 2020. In addition, there was a 71% increase in life insurance payments in 2020 as compared to the previous year.

Garanti BBVA Pension and Life had launched the Claims Project, which is critical in terms of customer satisfaction, in 2014. In 2020, the company revised this project to benefit from current developments while also increasing efficiency to continue to provide customer satisfaction. Claims worth **TL 130,750,484** were paid for **10,953** files at the end of 2020. In addition, there was a **71%** increase in life insurance payments in

2020 compared to the previous year. Compared to the data for 2019-2020, complaints about claims improved by **6%** compared to the previous year. In addition, 22 customer thanks were received regarding claims in 2020.

As part of the support services provided to Garanti BBVA branches, the Operations Department's Pension Help Desk team responded to approximately **22,177** calls in

2020 with a service level of **95.07%** and coverage ratio of **96.43%**. In addition, **28,581** HYS records were put into operation. Garanti BBVA aims to increase internal and external customer satisfaction by improving support services to its employees.

Projects

Accelerating its digitalization efforts in 2020, Garanti BBVA Pension and Life increased its number of active digital customers by 62%.

Digital Transformation

In 2020, Garanti BBVA Pension and Life invested in mobile applications to accelerate digitalization and reduce operational load.

Another aim for 2020 was to ensure that the Garanti BBVA Mobile application helped customers complete their transactions easily, so we extended the scope of the mobile application to include more transaction types such as making payments, temporarily suspending payments, or making cancellations for customers with different types of contracts. At the same time, we added guidance on the Garanti BBVA Mobile app to help bank customers easily choose from among the bank's payment options to complete their payments, or to change how they make their payments. This way, the bank and digital channels are bidirectionally integrated.

To support our mobile-oriented approach, we informed customers who have been using desktop and mobile internet branches about the advantages of using the mobile application, creating spaces to guide them to the application. These additions and the momentum boost

in digitalization due to the pandemic increased our number of active customers by **62%** compared to 2019. Moreover, the number of new digital customers increased by **106%** compared to 2019.

To understand digital world trends and changing customer needs, the company has adjusted its focus, carefully listening to its users and starting the project, "Getting Opinions and Scores". This project follows customer complaints and recommendations via the Garanti BBVA Internet/Mobile application, which we evaluate to create project plans to improve the services we provide through digital channels. In addition, we directed customers to mobile markets where they rate Garanti BBVA Pension Mobile. By collecting consumer insights, we increased the score of our mobile application from 3.5 to 4.7.

To better understand our customers, we conducted qualitative user research on individual digital channels. This research was based on 6 different personas, and we defined the persona's complaints, likes, and needs regarding digital channels. We aim to use the research results in our

business development efforts in 2021 and beyond.

To spread the culture of digital transformation in the company and make each employee a part of the digital transformation process, we held a workshop called "Design-Oriented Thinking". Bringing together employees from different units and positions, the workshop sought answers to the question, "what can we digitalize for internal and external customers?" The feedback from this workshop helped us draw a road map for a new digital transformation strategy. We will continue these workshops in 2021, with the aim of helping employees from different teams and positions adopt digitalization as part of company culture.

In 2021, we also aim to update the PPS products sold through Garanti BBVA digital channels to plans that are more advantageous as well as to improve the digital PPS sales process. These improvements will ensure that our customers find the best plan for themselves using the self-service channel, based on their expectations and their ability to pay, so they can benefit from the product's various advantages.

Another important goal for 2021 is to facilitate savings in customers' pension accounts. We will help customers regularly save and increase their savings in PPS through smart saving options that we plan to offer through the Garanti BBVA Internet/Mobile branch.

Project Management

Launched in 2019, our technology teams completed their transformation to an Agile Management System, with 11 teams conducting all analyses, software development, and test functions across nearly 150 projects.

After the onset of the pandemic in March, all call teams started to work remotely, and all field employees began calling customers using the Garanti BBVA joint infrastructure, with the help of the employee digital approval method to make private pension and life products sales.

At Garanti BBVA, we conduct many systematic and procedural studies to ensure compliance with the Law on the Protection of Personal Data and data security while producing, storing, and transforming data. Data security became even more important to us in 2020, so we took the actions necessary to identify critical applications, form data security policies, and regularly track possible information leakage. As part of this, we moved customer documents containing personal data to the secure Garanti BBVA Pension Corporate Online Channel.

Reducing printing costs and optimizing software were among our 2020 strategies. Accordingly, we revised the infrastructure for Private Pension Contract printing modules and saved over **80%** of development costs.

In the field of data analytics, we aim to provide the right product/offer to the right customer via the right channel, and our data analytics infrastructure work will continue in 2021.

We worked on a GEV (Monitoring Activity Data Set) Redesign project to replace the current technology with Oracle, Java, and Kafka technologies to send these Monitoring Activity Data Sets to the Pension Monitoring Center. With this project, we aim to design an infrastructure that is simple, practical, and has a minimal maintenance price, where GEV data can be formed online and reduces the software costs of ensuring data flow.

We also improved the group flow transactions among pension companies by automatizing the transference of group contracts, improving delivery time by almost **80%**, which helped the Automatic Enrollment System contribute greatly to the growth in fund size.

Remote Working Model

During the pandemic period, we have rapidly adopted the remote working model, maintaining our priorities of ensuring employee satisfaction and providing the best customer

experience. Bank branches have been opened for service on a limited basis during this period, so we made our digital channels, operations, and Customer Communication Center more effective and efficient to provide alternative options and protect the health of our customers.

Vision Pension Project

Launched in 2020, our Vision Pension Project uses groundbreaking practices in the sector to provide pension qualified customers with an easier, faster, and more informed customer experience. Another advantage of the newly digitalized processes has been to reduce the workload related to pension transactions in the company by **63%**.

PPS Digital Approval

In sales, we have been using PPS Digital Approval processes to complete work that was previously performed by bank personnel. As of January 2020, our field personnel have also been obtaining approval digitally in their areas of work.

Garanti BBVA Pension Central Sales and Customer Communication Center

The Garanti BBVA Pension Sales Unit serviced approximately 900,000 customers in 2020. The Customer Communication Center answered over 2 million calls, and half of those calls were resolved without involving a customer representative thanks to our self-service assistance-providing interactive voice response system.

For 15 years, the Garanti BBVA Pension Central Sales Unit has placed customer satisfaction at the heart of all its service activities, keeping customers regularly informed throughout the year to contribute to the company's production. Staffed by expert, satisfaction-oriented, customer centric customer representatives, the Central Sales Unit not only makes sales calls, but also makes calls for other purposes, such as: regularly providing customers with information, encouraging greater contributions, providing information about pension plans, orientating new customers, engaging in debt collection, and conducting customer recovery. We perform all these tasks keeping segmentation and the prioritization of customer advantages foremost in our minds.

The Garanti BBVA Pension Central Sales Unit works to satisfy their customers, meet their expectations, and develop recommendations that will contribute to company processes and goals. The unit contacted about **900,000** customers in 2020. Personal Pension sales teams signed up nearly 10,000 new customers, increasing contributions by **6,000,000 TL**.

The Company reviews its business processes and improves its systems as necessary to provide its customers with clear and accurate information in every call as well as to respond to customer demands as quickly and accurately as possible. The goal is to share the most up-to-date and accurate information with customers using scripts that are prepared according to past experiences and which can be re-configured to

address present needs. In addition, we record, monitor, and assess calls in terms of customer focus and accuracy of information. In particular, we monitor approximately **97%** of the calls that are closed with sales, and take the actions necessary to prevent customer complaints. We use feedback obtained through quality assessments to improve the next customer's experience. Increasing production, without compromising quality or customer satisfaction, are indispensable values of the Central Sales Unit. The Garanti BBVA Pension Customer Communication Center serves its customers with the commitment to help them fulfill their future dreams, to support them during difficult times, and to always be with them when they need it.

Staffed by expert, satisfaction-oriented customer representatives, the Customer Communications Center received **nearly 2 million calls** in 2020. Thanks to the self-service assistance-providing interactive voice response system, half of all customer requests were resolved without a customer representative. 2020 closed with highly efficient call response rates and service levels with the help of our technological developments and accurate human resources management. During the pandemic, in the last three quarters of the year, over 100 employees from the Customer Services Unit and the Communication Center worked 100% from their homes. Despite working remotely, these departments achieved greater customer satisfaction and service levels compared to previous years. One of the key features of understanding customers and providing them with the right services is increasing the level of right communication, so the Customer Communication Center initiated the "Flexible Communication Calls" (communicating with customers without a script) project in September 2020.

To ensure that upper segment customers receive services easier and faster, the Upper Segment Line responded to **62,000** calls in 2020,

ensuring maximum efficiency in response rates and service levels. Customer Services responded to nearly **46,000** customer demands in 2020 and resolved issues causing customer dissatisfaction in less than a day. In addition, we resolved complaints and met demands delivered through social media and digital channels in less than **18 minutes**.

In a period when remote working, lockdowns, and temporary changes to labor law were on the agenda for all sectors and companies, our lines remained open without interruption to serve our customers. The Auto Enrollment System (AES) Line, which provides services to company representatives of Garanti BBVA Pension customers, fielded **218,000 calls**, and 92% of these customers were able to complete their transactions using 24/7 self-service with no need for a customer representative. Moreover, the Department of Corporate Customer Services responded to nearly **19,000 customer requests** in 2020.

Communication Activities

Garanti BBVA Pension received considerable attention for its "Man Who Cannot Save Money" campaign in 2019. The company continued this campaign in 2020.

A Warm, Friendly, Flexible Tone On Social Media!

Garanti BBVA Pension and Life adopts a warm, friendly, flexible tone in all its work, including its digital communication channels. The company advertised its "Man Who Cannot Save Money" campaign intensively throughout 2020, in addition to its many posts about "saving" and the "mobile application" on social media.

The Man Who Cannot Save Money In 2020!

One of the company's campaigns broadcast throughout the year tells the story of a man who couldn't save money before he was introduced to Garanti BBVA Pension. Differently from 2019, twenty 6- and 15-second videos were broadcast very frequently in 2020. Garanti BBVA Pension and

Life gave space to a higher number of videos with more stories that were shorter, with the goal of reaching more people. The company posted over 20 short videos on digital channels about the semester holiday, Valentine's Day, electronics, cosmetics, a snow holiday, and winter dresses among many other topics on different channels, such as radio, magazines, social media, Spotify, digital media, and TV.

A Full Year of Action-Oriented Campaigns And Access to Digital Ads!

Garanti BBVA Pension and Life adopts a warm, friendly, flexible tone in all its work, including its digital communication channels. The company's digital communication strategy throughout the year focused on "The Man Who Cannot Save Money" as its main ad campaign on

social media, which explained the importance of saving money in a fun way with the videos addressing various concepts in different venues. In addition, throughout the year, we continued our ads showing how customers can easily and rapidly complete their transactions using Garanti BBVA Pension Mobile or our other mobile applications. Also, to increase sales of digital PPS, we produced digital campaigns with various reward packs and achieved outstanding success. We announced all these campaigns through social media, especially Facebook and Instagram. We also broadcast many campaigns on Google and YouTube. The Garanti BBVA Pension brand continued its communication efforts throughout the year, using segment-focused digital ads to reach a wide audience.

SECTION 3

*Despite difficult circumstances,
we've always thought big and
never lost our goal of success.*

 <p>We achieved outstanding success by becoming the company with the highest market share in Auto Enrollment System (AES) in the following categories: Number of employees, number of participants, fund size, and total contribution margin.</p>	 <p>In 2020, the Fund Performance Evaluation System rated our 10 funds as "successful", ranking us first in the sector.</p>	 <p>We increased our premium production 5 times over through the devoted work of our Premium-Refunded Life Insurance team, which is more effective in face-to-face sales.</p>
 <p>Our company increased its private sector funding the most in 2020.</p>	 <p>In life insurance, we increased our production by 33% compared to 2019, producing contracts worth over TL 1 billion.</p>	 <p>Thanks to the successful work of our saving and assurance experts, we increased our total PPS collection figures by 25% compared to last year.</p>

MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES

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Summary Report of the Board
of Directors to
the General Assembly

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.

IŞIL AKDEMİR EVLİOĞLU

VICE PRESIDENT OF THE BOARD OF DIRECTORS

With a Bachelor's Degree from Bilkent University, Department of Economics and a Master's Degree from Kellogg School of Management, Department of Business Administration, Işıl Akdemir Evlioğlu started her professional career as a consultant at a global consulting firm in İstanbul in 2003, advancing to the position of Associate Partner by 2012. Between 2012 and 2017, she served as Vice General Manager for marketing in the Payment Systems department of Garanti BBVA. Ms. Akdemir Evlioğlu was appointed General Manager of Garanti BBVA Payment Systems in January 2017, and continued in this position until February 2020 when she was appointed Vice General Manager of Customer Solutions and Digital Banking. Ms. Akdemir Evlioğlu is also the Deputy Chairman of the Board of Directors of Garanti BBVA Payment Systems. With 16 years of experience in business administration and banking, Ms. Akdemir Evlioğlu is responsible for Digital Banking, Digital Solutions for Legal Entities, Corporate Brand Management and Marketing Communications, Customer Experience and Satisfaction, Insurance and Pension Coordination, the Customer Communication Center, Customer Analytics, Innovation, and Product Development.

AYDIN GÜLER

BOARD MEMBER

Aydın Güler graduated from İstanbul Technical University Department of Mechanical Engineering and joined Garanti BBVA Fund Management Department in 1990. After working at different Head Office departments for 10 years, in 2000 he was appointed Senior Vice President responsible for Risk Management and Management Reporting. Between the years 2001-2013, Mr. Güler served as the Senior Vice President responsible for Financial Planning & Analysis and was appointed as Coordinator in 2013. On December 21, 2015, Mr. Güler was appointed as the Executive Vice President in charge of Finance and Treasury and he is furthermore the Vice Chairman of Garanti BBVA Fleet, Board Member of Garanti BBVA Securities, Garanti BBVA Leasing, Garanti BBVA Mortgage, Garanti BBVA Factoring, Garanti BBVA Pension and Provident Fund Foundation, Garanti BBVA Pension and Board of Trustees Member of Teachers Academy Foundation. With 30 years of experience in banking and business administration, Mr. Güler's areas of responsibility are Investor Relations, Financial Management Business Execution, Cost Management and Efficiency Discipline, Financial Data, Performance Management and Budget Planning Discipline, Financial Reporting and Accounting Discipline, Tax Management Discipline, Assets & Liabilities Management, Finance Projects, Finance RCS, Purchasing, and Credit Cards and Member Merchant 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 filled several positions in the field of Portfolio Management. She was a 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, 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.

BIANCA TETTEROO

BOARD MEMBER

Vice President of the Board of Directors of Achmea Holding N.V., based in the Netherlands, Bianca Tetteroo became a board member of Achmea in 2015. She became a certified financial advisor in 1997. After starting her professional career at Mazars financial consulting company, Ms. Tetteroo also worked in different units at Fortis. In 2009, she joined Syntrus Achmea Asset Management Company as Finance Director, and in 2012, she became Chairman of the Board of the Achmea Pension and Life Division. Since January 2020, she has been serving as Vice Chairman of the Board of Directors at Achmea. She is currently responsible for Private Pensions, Asset Management, Real Estate, Information Technologies, and Achmea Health. She is also a member of the Kunsthal Supervisory Board. .

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 52 for resume.

Senior Management



Burak Ali Göçer
BOARD MEMBER/GENERAL MANAGER

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.

K. Çağlayan Bakaçhan
EXECUTIVE VICE PRESIDENT

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 Garanti 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

Eda Sevkar is a graduate of Middle East Technical University, Department of Statistics. She started her professional career as Expert under the Management Trainee program at Interbank. In 2000, Ms. Sevkar 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. Sevkar 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. Sevkar was appointed Executive Vice President in charge of the Retail Sales, Corporate Sales and Central Sales units.



Ahmet Karaman
EXECUTIVE VICE PRESIDENT

Ahmet Karaman is a graduate of Middle East Technical University, Department of Economics. He began his professional career in the banking sector and filled 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 is currently 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 the Corporate Governance Principles for Insurance, Reassurance and Pension Companies published by the Undersecretariat of the Treasury. The Committee is tasked with ensuring compliance with the Corporate Governance Principles, submitting proposals to the Board, and monitoring the Company's compliance with these principles. The Corporate Governance Committee convened once in 2020 with all members present.

COMMITTEE MEMBERS

Dr. M. Cüneyt Sezgin
Committee Chairman - Board Member
(Non-executive)

Cemal Onaran
Committee Member - Board Member
(Non-executive)

COMMITTEE ACTIVITIES

The main duty of the Committee is to ensure compliance with the

Corporate Governance Principles, to make compliance with these principles a part of corporate culture, to provide the Board of Directors with recommendations for this purpose, and to monitor the company's compliance with these 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 when deciding on the remuneration policy
- Taking the precautions necessary

that enable shareholders to exercise their rights resulting from laws, rules and regulations, the Company's Articles of Association and other internal bylaws

- 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 the Treasury.

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

B – Remuneration Committee

Operating directly under the Board of Directors, the Remuneration Committee was established in 2013. The Committee did not convene in 2020.

COMMITTEE MEMBERS

Recep Baştuğ
Committee Chair - Board Member
(Non-executive)

Işıl Akdemir Evlioğlu
Committee Member - Board Member
(Non-executive)

COMMITTEE ACTIVITIES

- Conducting the oversight and supervision processes 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 convened four times in 2020 with all members present.

COMMITTEE MEMBERS

Dr. M. Cüneyt Sezgin
Committee Chair - Board Member
(Non-executive)

Cemal Onaran
Committee Member - Board Member
(Non-executive)

COMMITTEE ACTIVITIES

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

- Overseeing the functioning and effectiveness of internal systems activities on behalf of the Board of Directors and fulfilling the Company's obligations with regard to preventing the laundering of criminal proceeds and the financing of terrorism
- Conducting the necessary preliminary evaluations for the selection of independent auditing 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 tasks related to internal control, internal auditing, and risk management
- Ensuring that the internal auditing system operates within the scope and targets designated in the Circular on the Corporate Governance Principles for Insurance, Reassurance, and Pension Companies,
- Evaluating the annual internal auditing plan and Inspection Board Regulations prepared by the Inspection Board and approved by the Board of Directors
- Assessing whether Company management shares the importance of internal auditing with personnel as required, and determining whether a sound internal auditing culture has taken root at the Company
- Obtaining information about the results of regular internal audits conducted by the Inspection Board to see application errors and deficiencies, if any, in the internal control system
- Evaluating the results of risk management, monitoring and control activities, and internal audits, which are performed under the compliance program; implementing the measures necessary for eliminating errors and deficiencies in a timely manner; ensuring that all activities related to the compliance program are conducted in a coordinated and effective manner.

D – Early Detection of Risk Committee

The Committee consists of two Board of Directors members who currently do not have any executive or operational duties. The Early Detection of Risk Committee convened twice in 2020 with all members present.

COMMITTEE MEMBERS

Dr. M. Cüneyt Sezgin
Committee Chair - Board Member
(Non-executive)

Cemal Onaran
Committee Member - Board Member
(Non-executive)

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:

- The early detection of risks that may jeopardize the existence, development, and continuation of the Company
- Taking the measures necessary for identified risks - their implementation and reporting
- Developing policies for executing risk management processes.

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

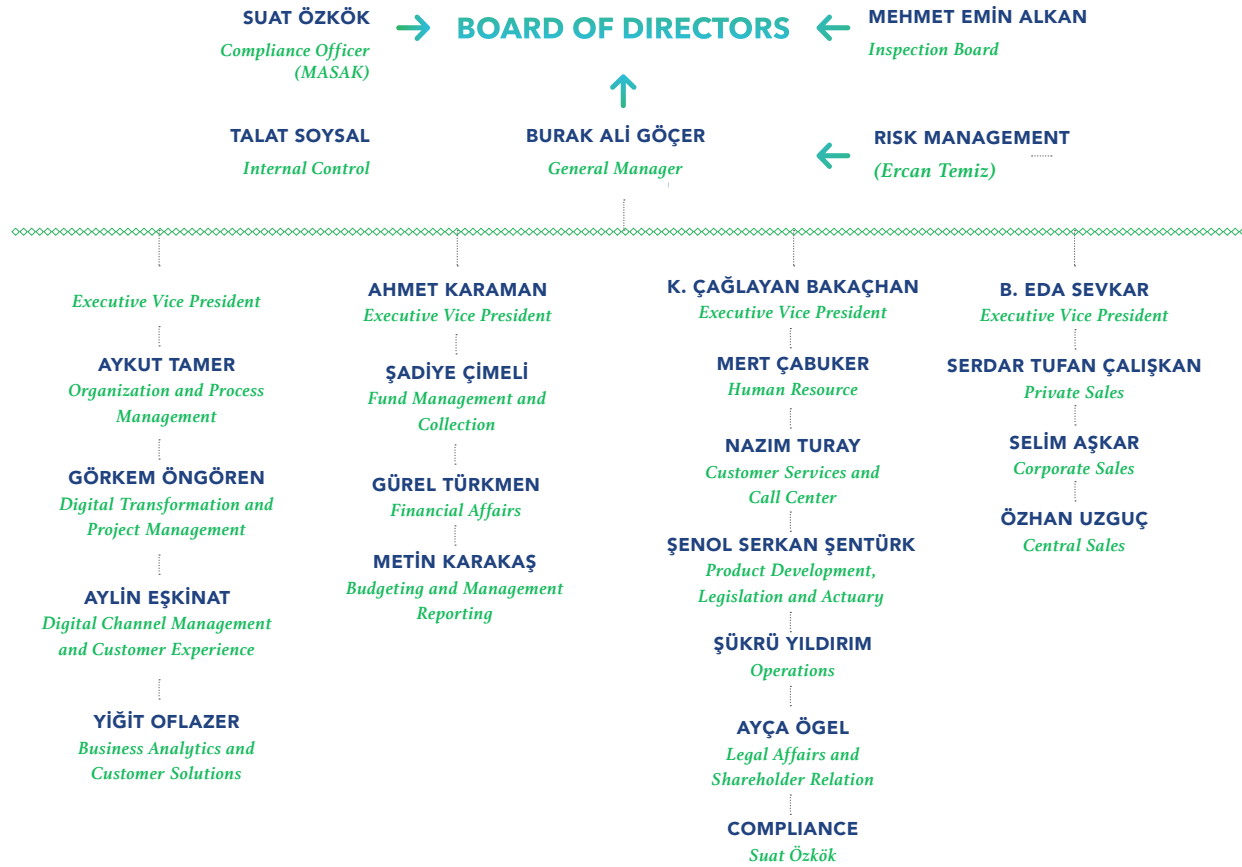
- Working toward the early detection of risks that may jeopardize the existence, development, and continuation of the Company, taking the measures necessary for identified risks, and conducting risk management activities
- Submitting its recommendations and opinions concerning the formation and development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

Board of Directors Meeting Attendance

In 2020, Garanti Emeklilik ve Hayat A.Ş. held 5 Board meetings and 20 decisions were taken. One of these meetings were held with the participation of 7 members, 9 meetings were held with 6 members, 10 meetings were held with 5 members.

MEETING DATE	MEETING NO	NO NUMBER OF BOARD MEMBERS	PARTICIPATION
17.03.2020	560	9	5
17.03.2020	561	9	5
17.03.2020	562	9	5
17.03.2020	563	9	5
17.03.2020	564	9	5
17.03.2020	565	9	5
25.06.2020	566	9	7
25.06.2020	567	9	6
25.06.2020	568	9	6
24.09.2020	569	9	6
24.09.2020	570	9	6
24.09.2020	571	9	5
24.09.2020	572	9	6
24.09.2020	573	9	5
11.11.2020	574	9	5
10.12.2020	575	9	6
10.12.2020	576	9	5
10.12.2020	577	9	6
10.12.2020	578	9	6
10.12.2020	579	9	6

Organizational Chart



REGIONS



Human Resources

Garanti BBVA Pension uses innovative practices to quickly adapt to change, and aims to consolidate its leadership in the sector with sustainable success and qualified human resources.

Employee focus is at the heart of Garanti BBVA Pension's human resources strategy. With full understanding that our most valuable assets are our human resources, the company invests in its employees and offers them continuous development opportunities by prioritizing employee experience.

Garanti BBVA Pension uses innovative practices to quickly adapt to change, and aims to consolidate its leadership in the sector with sustainable success and qualified human resources. Therefore, Garanti BBVA Pension's goal is to recruit, train, and develop the most qualified workforce.

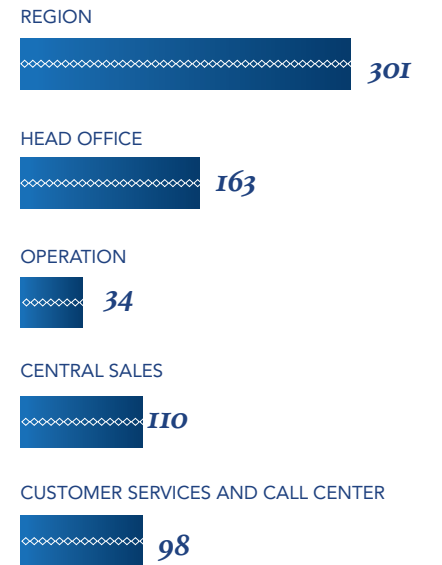
Garanti BBVA Pension provides a working environment that is equal, fair, and allows employees to take part in decision-making processes. It ensures that employee success is recognized and rewarded, and offers

fair opportunities for personal and professional development. At the same time, it focuses on the happiness of its employees as it designs its Human Resources strategies.

Garanti BBVA Pension considers employee ideas and feedback to be greatly important and encourages the active participation of employees in decision-making processes to benefit from their innovative ideas. It uses face-to-face and online interviews as well as regular surveys conducted through the intranet to increase employee satisfaction and commitment. International independent research companies conduct these surveys, and the Human Resources Department evaluates the results to plan improvement and development actions.

**GARANTİ BBVA PENSION
NUMBER OF EMPLOYEES**
Total: 706

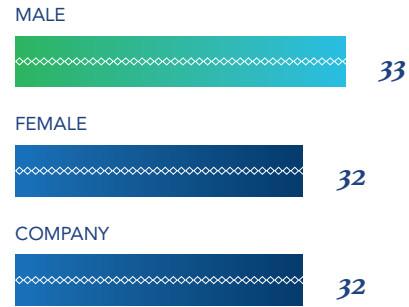
Number of Employees



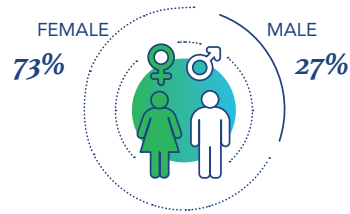
Garanti BBVA Pension operates 13 Regional Offices: 6 in İstanbul, and 1 each in Adana, Ankara, Antalya, Bursa, İzmir, Kayseri and Muğla.

Garanti BBVA Pension Demographics

Average Age



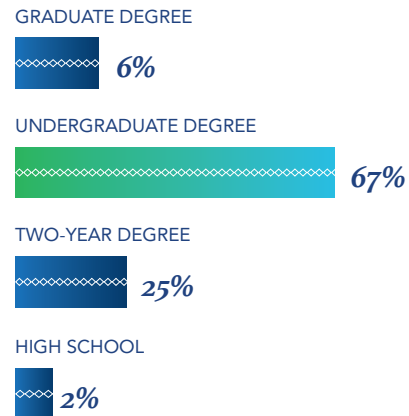
Female-Male Percentage



Female Manager Percentage (Manager and Above)



Educational Background



WORK-LIFE BALANCE

Garanti BBVA Pension uses regular meetings and surveys to get employee feedback regarding their work-life balance, performance management, and training and development opportunities.

By implementing report card day leave, first day of school leave, birthday leave, and "bridge" leave (used to combine separate public holidays), as well as other actions taken to ensure work-life balance, overtime work decreased by 30% compared to the previous year.

BUSINESS PARTNER

Employee Interviews

As part of its human resources strategy, Garanti BBVA Pension provides a continuous channel of communication with its employees according to the changing needs of different departments and regions through its Business Partner teams.

To increase employee communication and improve communication quality, the HR unit regularly met with the employees of all units in all regions throughout 2020, holding a total of **1,317 motivational interviews**. The goal of the frequent online meetings was to eliminate the negative consequences of not being able to meet physically due to the pandemic.

Recruitment

Special Business Partners for every unit and region are responsible for all internal and external recruitment at Garanti BBVA Pension.

As part of the "right person for the right job" strategy, we apply competency-based, objective, and diverse measurement and evaluation methods in recruitment. Digitalization and recruitment analytics are also important to us during the recruitment processes. In addition, we take advantage of selection and evaluation tools such as aptitude tests, profile analyses, personality inventories, group interviews, and competency-based interviews.

We hold feedback interviews with all new hires after two- and six-month periods to facilitate their adaptation, solve issues, and measure their satisfaction level.

Career Planning

At Garanti BBVA Pension, every employee's career journey is clearly and transparently defined using a Career Map. While evaluating employees' career goals, we also measure the competencies their duties require. In addition, assessment center practices, fair performance systems, seniority, and the Company's needs for relevant positions are taken into account during career planning. Through the use of Career Maps, **141** employees were promoted to upper-level positions in 2020.

In 2020, we renewed our performance system and started to use the Development Model, which consists of the steps: Know Yourself, Focus on Development, and Discover Opportunities. We designed a model

where employees are in full control of their performance evaluations. An important part of this model is the 360-degree evaluation, where employees evaluate and are evaluated by their superiors, colleagues, subordinates, or, in short, everyone with whom they interact.

INTERNAL COMMUNICATIONS

Reward Program

The Reward Program serves to evaluate and reward high performing employees in the Company for their devoted work.

Committees regularly meet to evaluate the performance of employees with different titles from different units and regions and determine those who are entitled to rewards. Committee members change every year.

The Reward Program stands out by honoring employees who serve as role models and contribute to the corporate culture. In 2020, the program rewarded **40 employees**.

NOON Talks

Guest speakers and employees continued to meet on an online platform between noon and 1 pm once a month for NOON Talks on various popular topics in 2020. During the event, videos were recorded and broadcast live on our video-sharing platform, Go-On, for our employees to watch.

Year-End Information Meetings

The Year-End Information Meeting, which brings Garanti BBVA Pension

employees together once every year, was held on a web platform in 2020 due to the pandemic.

On the digital platform, we evaluated the year 2020, and shared the strategy, goals, and vision for 2021 while also ensuring that employees had a fun time with online events and activities.

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, motivational events, promotional activities, Employee Support Services, and Online Nutrition Consultancy to increase satisfaction through richer employee experience.

TRAINING

Garanti BBVA Pension views employee training as an investment and organizes its development and learning activities as part of its vision to sustain development with the awareness that lifelong learning is one of the fundamental principles of continuous development. In 2020, Garanti BBVA Pension started to provide online training in March. The previous average training time per person in classrooms was **1.5 days**, but it increased to **6.5 days** per person when it went online.

With the vision of achieving sustainable success through continuous development, we designed an orientation training program, online

training, QuizGame contests, individual coaching programs, and special training programs for units and regional directorates.

In addition, we provided the Private Pension Intermediaries Licensing Training, Garanti BBVA Pension Product Training, Basic Sales Skills, On-the-Job Training, and Catalog Training. In 2020, employees selected and attended courses from the training catalog offering 133 alternatives. Employees also attended conferences and seminars pertaining to their job descriptions and areas of interest.

Additionally, 256 employees participated in 89 training classes provided by the Banks Association of Turkey from a broad training catalog of behavioral, managerial, and technical training content to contribute to their personal and professional development.

Mobile Quiz Game Application

Garanti BBVA Pension continued to use the "Quiz Game" platform launched in 2016, making the company a forerunner in the sector. Employees can download the application to their smartphones and tablets and test their knowledge on various subjects with quiz games while also developing their learning processes and extending the retention times of what they learned.

Employees participate in quizzes on different levels, increase their scores by playing more quiz games, and track their rankings on the leaderboard.

Garanti BBVA Pension employees spent **1,565 hours** and answered **643,184 questions** on the app during the training courses held in 2020.

Online Training

Garanti BBVA Pension planned face-to-face training courses to contribute to employees' development, however it was not able to provide these trainings due to the pandemic. Therefore, the company planned online catalog training classes in a digital environment consisting of special content for employees' professional and personal development. The Garanti BBVA Pension training platform is open to all employees and contains 675 different training courses in video and e-learning formats as well as an e-library with books on various topics.

In addition, a total of 330 Microsoft Office application-training videos created to contribute to employee development have also been made available to employees. 521 employees were assigned a total of **1,200** training hours from 6 different training series.

Saving and Assurance Expert Monthly Quiz Game

Garanti BBVA Pension planned online quiz games to update Savings and Assurance Experts serving at regional directorates about regulations and product information. In addition to reinforcing employees' knowledge, this application also allows employees to have fun in competition while learning from each other, and this year 61% of employees participated in the event, answering a total of 278,155 questions.

Learn From Home Training

After the pandemic broke out and the work from home system was adopted, Garanti BBVA Pension planned daily video and e-learning training classes called "Learn at Home Training" to contribute to employees' personal and professional development. This application was especially designed for to cater to different job descriptions and meet various needs. Employees showed great interest in "Learn at Home Training" with a high rate of participation, with a total of 196 videos and e-learning content shared with employees on 49 different topics and a participation rate of 71%.

Commitment and Satisfaction Surveys

To create a better and more efficient working environment, Garanti BBVA Pension gets employees' opinions about work-life balance, rewards, recognition, performance management, cooperation, and development opportunities via the Employee Commitment Survey. In 2020, the company had a higher score in this Employee Commitment Survey.

The company also conducted an Internal Customer Satisfaction Survey with the goal of revealing different units' strengths as well as areas to be improved according to employee opinions.

Individual Executive Coaching

Garanti BBVA Pension launched the "Individual Executive Coaching" service to contribute to awareness raising activities for executives and to support their behavioral development according to its leadership-based development

principles through meetings consisting of 10 sessions, each lasting approximately 2 hours. The program featured talks before the program to ensure the participants were on the same page, an evaluation during the program, and a closing meeting to evaluate the results of the program.

Digital Learning Portal

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 training courses in the existing training portfolio, so that its employees can benefit from development opportunities on equal terms. Easily accessible via PCs, phones, and 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 by offering needs-specific training opportunities. .

E-Beas Licensing

Training for private pension intermediary licensing continued in 2020. Employees prepared for the licensing exam with the help of 43 technical training videos compiled by the Internal Training Team. Employees' progress in the exam preparation process was tracked using the QuizGame application. During the preparation process, employees participated in pilot tests designed to simulate the PPS license exam, receiving feedback to see which topics they needed to work on, helping them prepare for the exam in the most

efficient way. In 2020, 27 Garanti BBVA Pension employees who took the exam showed a **93%** success rate overall.

Bank Intermediaries Licensing

Garanti BBVA Pension continued its license training for employees. Again, employees prepared for exams through technical training videos provided by the Internal Training Team. After the exams, Garanti BBVA employees earned their private pension intermediate licenses.

On-the-Job Coaches

The On-the-Job Coaches program continued to support newly assigned Savings and Assurance Experts in their adaptation phase and to facilitate their orientation. As part of the program, experienced employees selected from each region were included in special coach training and later contributed to the job orientation of new employees, sharing their knowledge and experience with them.

Remuneration and HR Systems

Garanti BBVA Pension bases its remuneration policy on job descriptions and employee performance. Employees are offered a monthly salary and various benefits, including performance and bonus payments, health insurance, meal cards, an employer-sponsored private pension policy, a foreign language stipend, and transport benefits.

Garanti BBVA Pension's performance evaluation system is designed to monitor employees' contributions to the success of the company and it promotes open communication throughout this process. The system

is supported 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 descriptions, performance criteria, and bonus system criteria for all positions at the Company are communicated to staff members on internal platforms.

Employer-Sponsored Pensions

Garanti BBVA Pension offers all its employees an Employer-Sponsored Pension Plan when they start working at the Company, with the Company matching the employee's contributions to their policies.

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, with payment amounts depending on proficiency levels. Extra compensation is paid to employees who are certified for the first time (provided they have worked for six months at least) and to those who improve their proficiency level.

Annual Leave Entitlement

Garanti BBVA Pension continued to offer vacation days to staff members on special days. Employees with children starting their first year of elementary school are entitled to a half-day's leave on the first day of the academic year, and employees with elementary and

middle school age children are entitled to a half-day's leave on report card day, so they can share their children's excitement and happiness.

In addition, employees are entitled to one day off during the week of their birthdays, as part of the "Birthday Leave" practice. As of 2020, the company has been providing a "Career Break" to allow senior employees to take three months of unpaid leave to take time off and improve themselves.

Sustainability and Corporate Social Responsibility

With the aim of full compliance with the Corporate Governance Principles, Garanti BBVA Pension believes that ensuring environmental, economic, and social sustainability will be a great step forward for our country's future, so it supports all sustainability initiatives.

Sustainability Approach

Global climate change is one of today's most fundamental issues. Garanti BBVA Pension continued to work on sustainability in 2020 to save energy throughout the company, reduce its carbon emissions and ecological footprint, and support responsible and sustainable development.

Policies and Principles

Based on the principles set by Garanti BBVA, its main shareholder, Garanti BBVA Pension aims to identify new opportunities, good practices and products, and inspire the sector with pioneering projects in Turkey on sustainable development as part of its goal to have a future with lots of "We're glad"s. Since its foundation, Garanti BBVA has striven to ensure full compliance with the Corporate Governance Principles in all its

operations. Believing that ensuring environmental, economic, and social sustainability will be a great step forward for our country's future, the company supports all kinds of sustainability initiatives.

Sustainability Activities

Aware of its responsibility towards society and the environment, Garanti BBVA Pension continues its efforts to use natural resources as efficiently as possible. In all its locations, the company strives to reduce energy and water consumption, ensure greater savings, reduce the use of paper and plastics, encourage employees to prefer environmentally friendly products, and diminish its carbon footprint. To increase the awareness of its employees about sustainability, Garanti BBVA Pension performs corporate information activities.

WWF Green Office Program

Garanti BBVA Pension is part of the WWF-Turkey's Green Offices network, aiming to reduce carbon emissions, provide energy savings, use renewable energy and natural resources cautiously, and benefit from environmentally-friendly applications by raising the awareness of its office staff.

Garanti BBVA Pension received the "WWF Green Office" certificate for its Head Office buildings in 2017 and continued its activities in this field in 2020 to increase employee awareness about recycling, ensuring energy saving, and reducing its ecological footprint.

WWF Earth Hour

The Earth Hour movement has been organized by the WWF every

year since 2007 to draw attention to environmental problems across the globe. Garanti BBVA Pension supported this movement again in 2020.

Global Compact Turkey

Garanti BBVA Pension is a member of Global Compact Turkey, which works to spread responsible corporate citizenship and sustainable organizations, and has a leading role in designing the corporate responsibility agenda in Turkey.

Business Council for Sustainable Development in Turkey (BCSD Turkey)

Garanti BBVA Pension is a member of BCSD Turkey, which has been working for 16 years to make sustainability one of the core strategies of the business

world and to increase awareness about the concepts of sustainable development.

CORPORATE SOCIAL RESPONSIBILITY

Aware of its social responsibility for all its activities and accepting this as an indispensable element of its management understanding, Garanti BBVA Pension supported many projects in 2020 including the protection of natural life, actions against climate change, and education.

TEMA Foundation

Garanti BBVA Pension celebrated the birthdays of all its employees in 2020 by donating saplings to the Çorum Kızılcağışla Memorial Forest, investing

in nature to leave a greener world to future generations.

Joining Hands for Hatay

Garanti BBVA Pension donated saplings to the Foundation to Support Forestation and Forest Fire Fighting Services to give life and grow forests in Hatay after the fire that destroyed its trees.

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. 2020 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 AnonimŞirketi.

Our Company's nominal paid-in capital in 2020 stood at TL 500,000,000 while the shareholders' equity figure was TL 1,110,383,219.

The Company generated a net premium production (being the recorded premium minus the reinsurer share) for TL 1,025,326,161 in the life branch.

Our Company's Private Pension fund size grew 32%, from TL 17,793,618,598 at year-end 2019 to TL 23,494,931,366 at year-end 2020.

Achieving many accomplishments in 2020, our Company sustained its lasting growth and attained its objectives.

Our Company, whose operations are summarized above, generated pre-tax accounting profit of TL 610,209,057 in 2020, corresponding to net profit of TL 471,509,681 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 2021.

Sincerely,

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

We put our employees at the center, came together in a year like no other, and worked remotely but shoulder to shoulder.



After we started to work from home, we conducted daily online training classes on 49 different subjects with our "Learn from Home" training.



We achieved a 30% decrease in overtime compared to last year through the actions we took to ensure work-life balance.



Although we were distant from each other, we improved the quality of our communication and conducted 1,317 motivational interviews with our employees.



With our quiz app, which can be downloaded to tablets and phones, our employees learned through gaming. Our employees spent a total of 1,565 hours on the mobile quiz app and solved 643,184 questions in total.

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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 2020 and 31 December 2020, 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 2020 and 31 December 2020 on 27 January 2021

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

27 January 2021
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 2020. Profit before tax reached **TL 610,209,057** in 2020. Net profit after tax was **TL 471,509,681**. During the same period, technical profit derived from life and pension activities reached **TL 494,770,665**. Shareholders' equity in 2020 was **TL 1,110,383,219**. As of December 31, 2020, the Company's total assets grew 32% year-on-year and reached **TL 26,527,395,418**. The increase in total assets is largely due to private pension activities. The Company recorded a 32% increase in participants' funds

year-on-year. The Company's total pension fund size amounted to **TL 23,494,931,366**. As of December 31, 2020, the share of cash assets among total assets was 7%. As for the share of financial assets, it is **3.64%**. As of December 31, 2020, the share of the Company's insurance technical reserves in total liabilities stood at 3.26%. 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, 2020 was **TL 999,769,553**.

Assessment of Financial Position, Profitability and Claims Servicing Capacity

In 2020, the amount of life claims amounting to **TL 298,498,706** increased by 58% year-on-year. The Company's technical profit was up 18% to **TL 494,770,665**. 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, 2020, the change in reserve for outstanding claims stood at **TL -16,336,382**.

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' Summarized Annual Report

01.01.20120 - 31.12.2020

(Pursuant to the circular of the Ministry of Customs and Trade, dated August 28, 2012)

1. GENERAL INFORMATION

Reporting Period: 2020

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

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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 2020.

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

NAME, SURNAME AND TITLE OF THE SHAREHOLDER	SHARE RATE	NEW SHARE AMOUNT/TL	NEW SHARE QUANTITY
TGB	84.91%	424,566,290	42,456,629,000
Achmea	15%	75,000,000	7,500,000,000
Eureko	0.09%	433,710	43,371,000
Total		500,000,000	50,000,000,000

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*

Işıl Akdemir Evlioğlu *Vice Chairman*

Muammer Cüneyt Sezgin *Member*

Mahmut Akten *Member*

Aydın Güler *Member*

Bianca Elisabeth Maria Tetteroo *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*

Ahmet Karaman *Executive Vice President*

K. Çağlayan Bakaçhan *Executive Vice President*

Eda Sevkari *Executive Vice President*

c. Headcount: 706

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 6,682,153 in 2020.

3. THE COMPANY'S RESEARCH AND DEVELOPMENT ACTIVITIES

The Company did not carry out any research and development activities in 2020.

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 553,350 in 2020 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. FINANCIAL POSITION

- 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 2020, Garanti BBVA Pension achieved a profit of TL 610,209,057. While the Company's total assets were TL 26,527,395,418, shareholders' equity amounted to TL 1,110,383,219. The Company's fixed assets totaled TL 258,960,316, of which TL 32,562,085 has been allocated for depreciation in 2020.

- 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)	YEAR 2020 (TL)
Period Profit/(Loss)	308,022,332	407,128,461	586,155,729	587,845,164	610,209,057
Taxes and Legal Obligations for the Period's Profit	62,249,467	86,473,459	132,598,937	133,291,729	138,699,376

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

The Company shareholders' equity totaled TL 1,110,383,219 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 2020 and transferred the entire profit to the reserves.

- f. With the Resolution of the Board of Directors dated 17.03.2020 and the Resolution of the General Assembly dated 31.03.2020, the 2019 profit has been negotiated.

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 effectiveness of processes created to comply with internal regulations, insurance and private pension regulations in particular and other related regulations;
- 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 2020, 11 head office departments and 12 regional offices, MASAK compliance activities and audits about Technological Risks and inspections and investigations were conducted in various areas.

COMPLIANCE

The Company closely followed the regulations concerning products and services offered to customers and exchanged views on draft legislation changes as an industry representative. 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 2,500 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.

In 2020, to ensure that all employees adopt and implement the policies related to the Principles of Ethics and Accuracy as part of corporate compliance, we continued our training and information activities that included sector-specific examples. For this purpose, we prepared two events related to the Principles of Ethics and Accuracy using the Quiz-Game app. We prepared a policy to enhance compliance with the Law on the Protection of Competition and related regulations, and made sure the relevant employees participated in the web training on Basic Competition Law. This year, we also published our Conflicts of Interest Policy to define, prevent and manage conflicts of interest, in support of the Principles of Ethics and Accuracy, which contain professional and personal behavior standards. 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.

As part of our compliance with investment transactions, we prepared a sub-procedure, which identified the principles of conduct in capital market transactions and the minimum standards for personal investment transactions. We regularly shared the results of our activities, compliance risk assessments and recommendations for improvement with senior management members of the Board of Directors at Auditing Committee, Ethics and Accuracy Committee, and Internal Control, Risk Management and Compliance Committee meetings.

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 2020.

Representatives from our company participated in the Financial Crimes Investigation Board (MASAK) Review and Research Board meetings, operating under the Insurance, Reinsurance and Pension Companies Association of Turkey (TSB). We also participated in the sub-group created to determine the main risks the sector faces in terms of criminal money laundering and financing terrorism, where we shared our Company's preventive, declaratory and risk minimizing measures against these risks.

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.

The aim of risk management policies is to identify and analyze the Company's risks, define risk limits and controls and track the measures taken regarding these risks and their identified limits.

As part of corporate and MASAK compliance efforts, the Compliance Bulletin was periodically published in 2020 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.

Sigortacılık ve Emeklilik mevzuatının yanı sıra, yasal düzenlemeler anlamında yoğun bir uyum çalışması gerektiren In addition to Insurance and Pension legislation, one of the areas that requires intensive work in terms of compliance with legal regulations is the Law on the Protection of Personal Data. At Garanti BBVA Pension, the Personal Data Protection Board updated all of the company's procedures and contracts in accordance with the Law on the Protection of Personal Data that came into force in 2016. The Board regularly updates our procedures to comply with amendments to the law. This law is the first legislation in this field, other than clauses in Insurance Law and Private Pension Saving and Investment System Law related to protecting customers and company information/secrets. This law provides extensive protection of personal data and a secure environment for the processing of personal data. In this context, before the Law on the Protection of Personal Data entered into force, Garanti BBVA first applied a risk prioritization process, and then prepared an action plan as part of its compliance program, which included preparation of a personal data inventory, integration of express consent and disclosure forms into company transactions and the destruction of expired personal data. The Personal Data Protection Board represents Garanti BBVA Pension before the Legal Review and Research Committee operating under the Insurance, Reinsurance and Pension Companies Association of Turkey and the Personal Data Protection Review and Research Committee.

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 2020 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 continued to implemented in 2020.

In addition, resulting from the global pandemic, changes were made in the working conditions and methods of doing business, especially in the second quarter of 2020. These changes brought about some new operational risks; however, improving our internal control mechanisms minimized these risks.

The Corporate Assurance Committee managed by the Internal Control department convened 4 times in 2020. Projects and studies carried out on five 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 aim of risk management policies is to identify and analyze the Company's risks, define risk limits and controls and track the measures taken regarding these risks and their identified limits. 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. Thus, we structured the company's risk management model to have three lines of defense. The first line of defense consists of managing risks in the products, activities, processes and systems of business and support units. The second line of defense comprises internal control, risk management and compliance functions, and the third line of defense consists of

the Inspection Board, which provides an independent assessment of the risk management framework and activities. The Insurance and Pension Risk Acceptance Committee manages risks that may arise from new jobs, products and services. The Board of Directors is the final authority that ensures the effective execution of risk management activities, and the creation and implementation of risk management policies. All risk management activities are periodically submitted to the Audit Committee and the Early Detection of Risk Committee, whose members are also Board of Directors members, as well as to the Internal Control, Risk Management and Compliance Committee, whose members are responsible for senior management and internal systems. In addition, we disseminated our risk management approach throughout the company to identify and make everyone aware of the risks that might arise in advance. As part of this risk management approach, the relevant company committees (Investment Committee, Insurance and Pension Risk Acceptance Committee, Technical Risk Committee) that assess financial and actuarial activities also actively participated.

The Company collaborates with Garanti BBVA Risk Management 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.

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.

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, 2020. 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, 2020, 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, 2020, 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

In order to determine the scope and extent of the risks secured, we do risk assessments in medical, financial and moral terms. The aim of medical risk assessments are to obtain information about the health status of insured persons. As performed under the leadership of the company doctor, it is the first step of the risk assessment process. For medical risk assessments, check-ups are requested from insured persons at certain ages or at certain risk terms. The company's experience and needs determine the terms for Check-up evaluations. As part of the financial risk assessment, we evaluate the alignment between the annual income of the insured and the amount of insurance coverage. The first financial analysis in credit-related life insurance is completed during the Bank's lending stage. The Company then checks credit and insurance compliance with the legislation. The moral risk assessment uses different social life information about the insured person, including gender, living conditions and professional knowledge.

Reinsurance Policy

In order to fulfill its obligations to insured persons against losses that may occur in insurance contracts, the Company shares risks with reinsurance companies. For insurance against death and invalidity offered by the life insurance branch, the Company holds as much risk as the maximum amount of conservation, and transfers any risks over this amount in accordance with the reinsurance excess treaty. For more dynamic risks, such as dangerous disease and unemployment insurance, the Company limits its conservation and transfers shares through quota-share reinsurance treaties. In addition to these agreements, the Company signs a reinsurance excess agreement for catastrophic damage every year to secure the risks held in conservation against catastrophic events.

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*

Işıl Akdemir Evlioğlu
Board Member

Burak Ali Göçer
Board Member

Garanti Pension and Life Inc. 01.01.2020 - 31.12.2020 Belongs to the Period Board of Directors Commitment Report

Report Date: 27.01.2021

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
of Directors*

Işıl Akdemir Evlioğlu
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.

	2015 - 2016	2016 - 2017	2017 - 2018	2018 - 2019	2019 - 2020	2020 - 2021
Shareholders	89.56	93.26	94.10	97.20	97.20	97.20
Public Disclosure and Transparency	96.01	96.01	97.34	97.34	97.34	97.34
Stakeholders	92.93	94.95	94.95	94.95	95.45	95.95
Board of Directors	89.95	94.06	94.06	95.13	95.89	96.20
Corporate Governance Compliance Rating	9.18	9.45	9.50	9.62	9.65	9.67

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 9,67 which is valid between the dates of 25.12.2020 and 25.12.2021.

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.

In 2016, 2017, 2018, 2019, our company received first prize in the non-public companies category. Results for 2020 have not yet been announced as of the report date. 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 GARANTİ 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
Işıl Akdemir EVLİOĞLU	Vice Chairperson of the Board of Directors	Non-Executive
Maria de la Paloma Piqueras HERNANDEZ	Board Member	Non-Executive
Aydın GÜREL	Board Member	Non-Executive
Bianca Elisabeth Maria TETTEROO	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
Işıl Akdemir EVLİOĞLU	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	2016		2017		2018		2019		2020	
	(TL Thousand)	(USD Thousand)	(TL Thousand)	(USD Thousand)	(TL Thousand)	(USD Thousand)	(TL Thousand)	(USD Thousand)	(TL Thousand)	(USD Thousand)
PPS Fund Size	9,523,446	2,706,139	11,950,399	3,168,270	13,309,050	2,529,805	17,793,619	2,995,458	23,494,931	3,200,726
Technical Provisions	321,451	91,342	409,379	108,534	467,622	88,886	668,605	112,556	864,552	117,778
Paid-in Capital	53,084	15,084	53,084	14,074	53,084	10,090	53,084	8,936	553,084	75,347
Shareholders' Equity	1,313,413	373,214	1,633,866	433,168	886,905	168,584	1,344,834	226,395	1,110,383	151,268
Total Assets	11,387,747	3,235,891	14,255,341	3,779,353	14,912,288	2,834,551	20,099,594	3,383,656	26,527,395	3,613,840
Generated Premium in Life Branch (net)	363,010	103,151	449,763	119,240	444,878	84,563	774,296	130,348	1,025,326	139,681
Technical Revenue Expense Balance	206,903	58,793	278,542	73,847	337,218	64,099	418,686	70,483	494,771	67,403
Non-technical Revenue	101,120	28,734	128,586	34,091	248,938	47,319	169,159	28,477	115,438	15,726
Pre-tax Profit/Loss	308,022	87,526	407,128	107,937	586,156	111,417	587,845	98,960	610,209	83,129
Net Profit	245,773	69,838	320,655	85,012	453,557	86,213	454,553	76,521	471,510	64,234
Average Return on Assets	2.39%	2.39%	2.50%	2.50%	3.04%	3.04%	2.65%	2.65%	2.03%	2.03%
Average Return on Equity	20.66%	20.66%	21.80%	21.80%	40.13%	40.13%	40.83%	40.83%	46.55%	46.55%

EXCHANGE RATES	(MBDA)	
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
31.12.2020	USD 1	TL 7,3405



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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 2020 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 2020, 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

As of 31 December 2020, the Company's total technical reserves amounting to TL 864.552.352 and constitute 31 percent of total liabilities without pension funds. The company provides provisions for outstanding claims amounting to TL, net 75.433.597 and life mathematical reserves amounting to TL, net 634.360.003.

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.

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.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Our auditing procedures for the matter are given –as below: We evaluated the assumptions and estimations of the company's outstanding claims provision calculations with the involvement of actuarial specialists.

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.

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.

We recalculated the technical reserves and controlled the analyzes accuracy of the past experience of the company and legislation.

Additionally, we evaluated the adequacy of financial statement disclosures relating to the technical reserves.



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 2020, 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

Ali Tuğrul Uzun
Partner

27 January 2021
Istanbul, Turkey

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

THE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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.

Istanbul, 27 January 2021

Burak Ali GÖÇER
General Manager

Ahmet KARAMAN
Executive Vice President

Gürel Çağlar TÜRKMEN
Financial Affairs Unit Manager

Korhan ÖZGAN
Actuary – Sicil No:145

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Balance Sheet As at 31 December 2020

(Currency:Turkish Lira (TL))

	ASSETS		
		AUDITED	
	NOTE	CURRENT PERIOD 31 DECEMBER 2020	PRIOR PERIOD 31 DECEMBER 2019
I- CURRENT ASSETS			
A- Cash and Cash Equivalents	14	1,876,030,488	1,950,837,097
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	14	1,690,784,856	1,807,880,747
4- Cheques Given and Payment Orders (-)		-	-
5- Bank Guaranteed Credit Card Receivables (Less than 3 months)	14,45	185,245,632	142,956,350
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Investments with Risks on Policy Holders	11	964,782,844	172,602,705
1- Financial Assets Available for Sale	11	850,176,794	142,142,136
2- Financial Assets Held to Maturity		-	-
3- Financial Assets Held for Trading	11	76,050,908	-
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Investments with Risks on Policy Holders	11	38,555,142	30,460,569
7- Equity Shares		-	-
8- Diminution in Value of Financial Assets (-)		-	-
C- Receivables from Main Operations	12	23,560,034,827	17,859,159,110
1- Receivables from Insurance Operations	12	76,146,983	76,377,224
2- Provision for Receivables from Insurance Operations (-)	12	(27,655)	(55,743)
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	375,266	265,143
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Private Pension Operations	12,18	23,483,540,233	17,782,572,486
9- Doubtful Receivables from Main Operations		-	-
10- Provisions for Doubtful Receivables from Main Operations (-)		-	-
D- Due from Related Parties	12, 45	531	172
1- Due from Shareholders	12, 45	-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		531	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	179,658	142,952
1- Lease Receivables		-	-
2- Unearned Lease Interest Income (-)		-	-
3- Deposits and Guarantees Given		129,340	129,340
4- Other Receivables	12	50,318	13,612
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
F- Prepaid Expenses and Income Accruals		60,874,599	44,319,600
1- Deferred Acquisition Costs	17	59,619,838	43,218,452
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Prepaid Expenses	12	1,254,761	1,101,148
G- Other Current Assets		4,262	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		2,762	-
6- Stock Count Differences		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		26,461,907,209	20,027,063,136

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Balance Sheet As at 31 December 2020

(Currency:Turkish Lira (TL))

	AUDITED		
	NOTE	CURRENT PERIOD 31 DECEMBER 2020	PRIOR PERIOD 31 DECEMBER 2019
II- NON CURRENT ASSETS			
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	13,776	4,185
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income		-	-
3- Guarantees Given	12	13,776	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	3,180,883	7,848,094
1- Investment Properties		-	-
2- Diminution in Value for Investment Properties (-)		-	-
3- Owner Occupied Properties		-	-
4- Machinery and Equipment		-	-
5- Furnitures and Fixtures	6	15,236,177	15,261,013
6- Vehicles		-	-
7- Other Tangible Assets (Including Leasehold Improvements)	6	4,352,435	4,070,441
8- Leased Tangible Assets	6	8,035,110	9,273,052
9- Accumulated Depreciation (-)	6	(24,442,839)	(20,756,412)
10- Advances Paid for Tangible Assets (Including Construction In Progress)		-	-
F- Intangible Assets	8	39,443,387	45,803,485
1- Rights	8	334,371	334,371
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets	8	231,002,223	209,548,914
6- Accumulated Amortization (-)	8	(191,893,207)	(164,079,800)
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	22,850,163	18,875,060
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21	22,850,163	18,875,060
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization		-	-
8- Provision for Other Non-current Assets		-	-
II- Total Non-current Assets		65,488,209	72,530,824
Total Assets		26,527,395,418	20,099,593,960

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Balance Sheet As at 31 December 2020

(Currency:Turkish Lira (TL))

	LIABILITIES		
	NOTE	CURRENT PERIOD 31 DECEMBER 2020	PRIOR PERIOD 31 DECEMBER 2019
III-SHORT TERM LIABILITIES			
A- Borrowings	20	921,031	3,406,005
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables	20	972,193	4,152,634
3- Deferred Finance Lease Borrowing Costs	20	(51,162)	(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	23,738,614,923	17,986,854,781
1- Payables Due To Insurance Operations	19	32,390,952	37,302,316
2- Payables Due To Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due To Private Pension Operations	18,19	23,706,223,971	17,949,552,465
5- Payables from Other Operations		-	-
6- Discount on Other Payables from Main Operations, Notes Payable (-)		-	-
C- Due to Related Parties		695,353,506	6,695,835
1- Due to Shareholders	45	684,678,884	1,963,035
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		46,508	37,585
6- Due to Other Related Parties	45	10,628,114	4,695,215
D- Other Payables	19	3,362,426	5,077,873
1- Guarantees and Deposits Received		-	-
2- Payables to Social Security Institution		-	-
3- Other Payables	19	3,362,426	5,077,873
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves	17	219,761,097	174,556,278
1- Unearned Premiums Reserve - Net	17	121,989,597	96,434,192
2- Unexpired Risk Reserves - Net		-	-
3- Life Mathematical Reserves - Net	17	22,337,903	19,029,871
4- Outstanding Claims Reserve - Net	17	75,433,597	59,092,215
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net		-	-
F- Taxes and Other Liabilities and Provisions	19	48,483,009	32,881,697
1- Taxes and Dues Payable		10,544,858	12,774,490
2- Social Security Premiums Payable		1,673,497	1,537,527
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		-	-
5- Corporate Tax Liability Provision on Period Profit	19	138,699,376	133,230,019
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	19	(102,434,722)	(114,660,339)
7- Provisions for Other Taxes and Liabilities		-	-
G- Provisions for Other Risks	23	4,902,363	3,558,265
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs	23	4,902,363	3,558,265
H- Deferred Income and Expense Accruals	19	46,245,435	36,409,398
1- Deferred Commission Income	10,19	11,041,936	6,978,135
2- Expense Accruals	19	35,203,499	29,431,263
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		24,757,643,790	18,249,440,132

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Balance Sheet As at 31 December 2020

(Currency:Turkish Lira (TL))

	NOTE	AUDITED	
		CURRENT PERIOD 31 DECEMBER 2020	PRIOR PERIOD 31 DECEMBER 2019
IV- LONG TERM LIABILITIES			
A- Borrowings	20	425,230	1,942,900
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables	20	436,340	2,359,754
3- Deferred Finance Lease Borrowing Costs	20	(11,110)	(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	644,791,255	494,048,935
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Life Mathematical Reserves - Net	17	612,022,100	467,430,129
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
7- Other Technical Reserves - Net	17	32,769,155	26,618,806
F- Other Liabilities and Provisions	23	1,757,243	1,772,202
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals	23	1,757,243	1,772,202
G- Provisions for Other Risks	23	12,394,681	7,555,436
1- Provision for Employment Termination Benefits	23	12,394,681	7,555,436
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		659,368,409	505,319,473

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Balance Sheet As at 31 December 2020

(Currency:Turkish Lira (TL))

	NOTE	SHAREHOLDERS' EQUITY	
		CURRENT PERIOD 31 DECEMBER 2020	PRIOR PERIOD 31 DECEMBER 2019
V- SHAREHOLDERS' EQUITY			
A- Paid in Capital		503,084,445	53,084,445
1- (Nominal) Capital	2.13.15	500,000,000	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		135,789,093	837,196,475
1- Legal Reserves	15	25,000,000	25,000,000
2- Statutory Reserves		-	-
3- Extraordinary Reserves	15	113,952,620	809,399,185
4- Special Funds (Reserves)		-	-
5- Valuation of Financial Assets	11.15	(974,805)	2,731,075
6- Other Profit Reserves		(2,188,722)	66,215
D- Previous Years' Profits		-	-
1- Previous Years' Profits		-	-
E- Previous Years' Losses (-)		-	-
1- Previous Years' Losses		-	-
F- Net Profit of the Period		471,509,681	454,553,435
1- Net Profit of the Period		471,509,681	454,553,435
2- Net Loss of the Period		-	-
3- Nondistributed Net Profit of the Period		-	-
Total Shareholders' Equity		1,110,383,219	1,344,834,355
Total Liabilities and Shareholders' Equity		26,527,395,418	20,099,593,960

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Income Statement For The Year Ended 31 December 2020

(Currency:Turkish Lira (TL))

I-TECHNICAL PART	NOTE	AUDITED	
		CURRENT PERIOD 31 DECEMBER 2020	PRIOR PERIOD 31 DECEMBER 2019
A- Non-Life Technical Income	5	1,588	988
1- Earned Premiums (Net of Reinsurer Share)	17	1,588	988
1.1 - Premiums (Net of Reinsurer Share)	17	385	2,314
1.1.1 - Gross Premiums	17	385	2,314
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	1,203	(1,326)
1.2.1 - Unearned Premiums Reserve	17	1,203	(1,326)
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	(14,109)	(7,923)
1- Total Claims (Net of Reinsurer Share)		(5,000)	-
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)		(5,000)	-
1.2.1 - Outstanding Claims Reserve		(5,000)	-
1.2.2 - Reinsurance Share of Outstanding Claims Reserve		-	-
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	(9,109)	(7,923)
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 (+)		-	-

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Income Statement For The Year Ended 31 December 2020

(Currency:Turkish Lira (TL))

I-TECHNICAL PART	NOTE	AUDITED	
		CURRENT PERIOD 31 DECEMBER 2020	PRIOR PERIOD 31 DECEMBER 2019
C- Non Life Technical Net Profit (A-B)	5	(12,521)	(6,935)
D- Life Technical Income	5	1,090,241,263	828,714,764
1- Earned Premiums (Net of Reinsurer Share)	17	999,769,553	736,711,393
1.1 - Premiums (Net of Reinsurer Share)	17	1,025,326,161	774,295,759
1.1.1 - Gross Premiums (+)	17	1,111,760,213	837,529,664
1.1.2 - Ceded Premiums to Reinsurers (-)	10, 17	(86,434,052)	(63,233,905)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	17	(25,556,608)	(37,584,366)
1.2.1 - Unearned Premiums Reserve (-)	17	(34,014,673)	(52,622,702)
1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+)	10,17	8,458,065	15,038,336
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		90,452,067	91,986,614
3- Accrued (Unrealized) Income from Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)		19,643	16,757
4.1- Gross Other Technical Income (+/-)		19,643	16,757
4.2- Reinsurance Share in Gross Other Technical Income (+)		-	-
5- Accrued Subrogation Income (+)		-	-
E- Life Technical Expense	5	(736,408,801)	(550,762,229)
1- Total Claims (Net of Reinsurer Share)	17	(298,498,706)	(189,414,110)
1.1- Claims Paid (Net of Reinsurer Share)	17	(282,162,324)	(182,289,576)
1.1.1- Gross Claims Paid (-)	17	(303,637,479)	(201,969,778)
1.1.2- Reinsurance Share of Claims Paid (+)	10, 17	21,475,155	19,680,202
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17	(16,336,382)	(7,124,534)
1.2.1- Outstanding Claims Reserve (-)	17	(20,565,762)	(12,048,351)
1.2.2- Reinsurance Share of Outstanding Claims Reserve (+)	10, 17	4,229,380	4,923,817
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) (+/-)		(146,842,303)	(150,237,944)
3.1- Life Mathematical Reserves		(146,842,303)	(150,237,944)
3.1.1- Actuarial Mathematical Reserve (+/-)		(146,842,303)	(150,237,944)
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	(6,150,349)	(4,916,379)
5- Operating Expenses	32	(284,917,443)	(206,193,796)
6- Investment Expenses		-	-
7- Unrealized Losses from Investments (-)		-	-
8- Investment Income Transferred to Non Technical Divisions (-)		-	-
F- Life Technical Profit/ (Loss) (D - E)	5	353,832,462	277,952,535
G- Private Retirement Technical Income	5,25	401,908,583	335,370,676
1- Fund Management Fee		294,355,805	216,349,252
2- Management Fee Deduction		80,105,472	73,364,456
3- Entrance Fee Income		26,817,148	43,752,268
4- Management Fee In Case of Temporary Suspension		630,158	1,904,700
5- Withholding Tax		-	-
6- Increase in Market Value of Capital Commitment Advances		-	-
7- Other Technical Income		-	-
H- Private Retirement Technical Expenses	5	(260,957,859)	(194,630,200)
1- Fund Management Expenses (-)		(45,030,137)	(29,367,641)
2- Decrease in Market Value of Capital Commitment Advances (-)		-	-
3- Operating Expenses (-)	32	(194,168,738)	(151,412,940)
4- Other Technical Expenses (-)		(21,758,984)	(13,849,619)
I- Private Retirement Technical Profit/(Loss) (G - H)	5	140,950,724	140,740,476

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Income Statement For The Year Ended 31 December 2020

(Currency:Turkish Lira (TL))

	NOTE	AUDITED	
		CURRENT PERIOD 31 DECEMBER 2020	PRIOR PERIOD 31 DECEMBER 2019
II-NON-TECHNICAL			
C- Non Life Technical Net Profit (A-B)	5	(12,521)	(6,935)
F- Life Technical Profit/ (Loss) (D - E)		353,832,462	277,952,535
I- Private Pension Technical Profit/(Loss) (G - H)		140,950,724	140,740,476
J- General Technical Net Profit (C+F+I)		494,770,665	418,686,076
K- Investment Income	5	160,991,176	231,946,053
1- Income from Financial Investments		104,222,473	218,968,943
2- Income from Sale of Financial Investments		-	-
3- Valuation of Financial Investments		49,596,116	8,463,856
4- Foreign Exchange Gains		7,172,587	4,513,254
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 (-)		(44,336,311)	(49,939,133)
1- Investment Management Expenses (Including Interest)	4.2	(670,277)	(1,617,426)
2- Valuation Allowance of Investments		-	-
3- Losses On Sales of Investments		-	-
4- Investment Income Transferred to Life Technical Part		-	-
5- Losses from Derivatives		(362,038)	-
6- Foreign Exchange Losses		-	-
7- Depreciation and Amortization Expenses	6, 8	(32,562,085)	(32,949,516)
8- Other Investment Expenses	4.2	(10,741,911)	(15,372,191)
M- Other Income and Expenses (+/-)		(1,216,473)	(12,847,832)
1- Provisions Account	47	(3,151,198)	(16,000,539)
2- Discount Account		(372,380)	1,821,412
3- Specialty Insurances Account		-	-
4- Inflation Adjustment Account		-	-
5- Deferred Tax Asset Accounts	21, 35	2,484,899	1,632,634
6- Deferred Tax Liability Accounts		-	-
7- Other Income and Revenues		709,367	216,859
8- Other Expense and Losses		(887,161)	(518,198)
9- Prior Period Income		-	-
10- Prior Period Losses		-	-
N- Net Profit / (Loss)		471,509,681	454,553,435
1- Profit /(Loss) Before Tax		610,209,057	587,845,164
2- Corporate Tax Charge (-)	35	(138,699,376)	(133,291,729)
3- Net Profit /(Loss) for the Period		471,509,681	454,553,435
4- Inflation Adjustment Account		-	-

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Change in Shareholders' Equity For The Year Ended 31 December 2020

(Currency: Turkish Lira (TL))

	NOTE	AUDITED STATEMENT OF CHANGES IN EQUITY - 31 DECEMBER 2019							TOTAL	
		CAPITAL	TREASURY SHARES	VALUATION OF FINANCIAL ASSETS	INFLATION OF ADJUSTMENT ON SHAREHOLDERS' EQUITY	LEGAL STATUTORY RESERVES	OTHER RESERVES AND RETAINED EARNINGS	NET PROFIT (LOSS) FOR THE PERIOD		PREVIOUS YEARS' PROFITS/LOSSES
I - Opening Balance of Prior Period (1 January 2019)	15	50,000,000	-	376,092	3,084,445	- 25,000,000	354,887,427	453,556,792	-	886,904,756
A- Capital increase		-	-	-	-	-	-	-	-	-
B- Change in treasury shares		-	-	-	-	-	-	-	-	-
C- Income / (expense) recognized directly in the equity		-	-	-	-	-	1,021,181	-	-	1,021,181
D- Value increase/(decrease) in financial assets		-	-	2,354,983	-	-	-	-	-	2,354,983
E- Translation reserves		-	-	-	-	-	-	-	-	-
F- Other income / (expenses)		-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-
H- Net profit for the period		-	-	-	-	-	-	454,553,435	-	454,553,435
I- Dividends distributed	2,23, 15	-	-	-	-	-	-	-	-	-
J- Transfer		-	-	-	-	-	453,556,792	(453,556,792)	-	-
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	454,553,435	-	1,344,834,355

	NOTE	AUDITED STATEMENT OF CHANGES IN EQUITY - 31 DECEMBER 2020							TOTAL	
		CAPITAL	TREASURY SHARES	VALUATION OF FINANCIAL ASSETS	INFLATION OF ADJUSTMENT ON SHAREHOLDERS' EQUITY	LEGAL STATUTORY RESERVES	OTHER RESERVES AND RETAINED EARNINGS	NET PROFIT (LOSS) FOR THE PERIOD		PREVIOUS YEARS' PROFITS/LOSSES
I - Opening Balance of Prior Period (1 January 2020)	15	50,000,000	-	2,731,075	3,084,445	- 25,000,000	809,465,400	454,553,435	-	1,344,834,355
A- Capital increase		450,000,000	-	-	-	-	(450,000,000)	-	-	-
B- Change in treasury shares		-	-	-	-	-	-	-	-	-
C- Income / (expense) recognized directly in the equity		-	-	-	-	-	(2,254,937)	-	-	(2,254,937)
D- Value increase/(decrease) in financial assets		-	-	(3,705,880)	-	-	-	-	-	(3,705,880)
E- Translation reserves		-	-	-	-	-	-	-	-	-
F- Other income / (expenses)		-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-
H- Net profit for the period		-	-	-	-	-	-	471,509,681	-	471,509,681
I- Dividends distributed		-	-	-	-	-	(245,446,565)	(454,553,435)	-	(700,000,000)
J- Transfer		-	-	-	-	-	-	-	-	-
II - Closing Balance at (31 December 2020) (I+ A+B+C+D+E+F+G+H+I+J)		500,000,000	-	(974,805)	3,084,445	- 25,000,000	111,763,898	471,509,681	-	1,110,383,219

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Cash Flow Statement For The Year Ended 31 December 2020
(Currency: Turkish Lira (TL))

	NOTE	AUDITED	
		CURRENT PERIOD 31 DECEMBER 2020	PRIOR PERIOD 31 DECEMBER 2019
A. Cash Flows From The Operating Activities			
1. Cash inflows from the insurance operations		1,295,553,562	1,048,766,434
2. Cash inflows from the reinsurance operations		-	-
3. Cash inflows from the private pension operations		458,070,623	332,716,516
4. Cash outflows due to the insurance operations (-)		(762,805,190)	(600,907,656)
5. Cash outflows due to the reinsurance operations (-)		-	-
6. Cash outflows due to the private pension operations (-)		(261,416,140)	(189,014,270)
7. Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)		729,402,855	591,561,024
8. Interest payments		-	(2,034,279)
9. Income tax payments	19	(121,004,402)	(114,660,339)
10. Other cash inflows		512,097,438	436,811,365
11. Other cash outflows		(3,442,995)	(14,973,096)
12. Net cash generated from the operating activities		1,117,052,896	896,704,675
B. Cash Flows From The Investing Activities			
1. Sale of tangible assets		-	-
2. Purchase of tangible assets	6,8	(21,710,467)	(34,542,818)
3. Acquisition of financial assets	11	(1,623,126,209)	(134,022,071)
4. Sale of financial assets	11	835,033,041	-
5. Interest received		153,818,588	227,432,799
6. Dividends received		-	-
7. Other cash inflows		33,425,013	28,094,478
8. Other cash outflows (-)		(61,310,180)	(56,685,826)
9. Net cash generated from the investing activities		(683,870,214)	30,276,562
C. Cash Flows From The Financing Activities			
1. Issue of equity shares		-	-
2. Cash inflows from borrowings		-	-
3. Payments of financial leases		(5,103,855)	(5,013,220)
4. Dividends paid	15	(700,000,000)	-
5. Other cash inflows		-	-
6. Other cash outflows		-	-
7. Cash generated from the financing activities		(705,103,855)	(5,013,220)
D. Effects of Exchange Rate Differences on Cash and Cash Equivalents		10,937,927	6,746,693
E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)		(260,983,246)	928,714,710
F. Cash and cash equivalents at the beginning of the period	14	1,465,681,292	536,966,582
G. Cash and cash equivalents at the end of the period (E+F)	14	1,204,698,046	1,465,681,292

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Statement of Profit Distribution For The Year Ended 31 December 2020
(Currency: Turkish Lira (TL))

	NOTE	AUDITED	
		CURRENT PERIOD 31 DECEMBER 2020	PRIOR PERIOD 31 DECEMBER 2019
I. DISTRIBUTION OF PROFIT FOR THE PERIOD (*)			
1.1. PROFIT FOR THE PERIOD		610,209,057	587,845,164
1.2. TAXES PAYABLE AND LEGAL LIABILITIES		(138,699,376)	(133,291,729)
1.2.1. Corporate Tax (Income Tax)		(138,699,376)	(133,291,729)
1.2.2. Income Tax Deduction		-	-
1.2.3. Other Taxes And Legal Liabilities		-	-
A. NET PROFIT FOR THE PERIOD (1.1 - 1.2)		471,509,681	454,553,435
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))]"		471,509,681	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		-	-
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 (-)		-	-
2.4. 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		-	-
3.3. 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.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020
(Currency:Turkish Lira (TL))

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 Şirketi", 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 2020 (31 December 2019: 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.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020
(Currency:Turkish Lira (TL))

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 2020	31 DECEMBER 2019
Key management personnel	4	5
Other personnel	705	735
Total	709	740

1.6 REMUNERATION AND FRINGE BENEFITS PROVIDED TO TOP MANAGEMENT

As at and for the year ended 31 December 2020, 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 6.682.153 (31 December 2019: TL 7.216.649).

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.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020
(Currency:Turkish Lira (TL))

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 2020.

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.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020
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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 policies 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 policies, 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.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020
(Currency:Turkish Lira (TL))

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

2.1.6 Changes in accounting policies, estimates and errors (continued)

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

The Covid-19 pandemic that enounced by the World Health Organization at 11 March 2020 and preventive actions that have been taken into place to respond the pandemic, causes disruptions to business activities in all countries and affect the economic conditions adversely both locally and globally. However, any negative significant effect identified of this pandemic for the Company as of the reporting date, based on the evaluation made by the Company's management.

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.

2.4 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.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 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

2.6 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%.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020
(Currency:Turkish Lira (TL))

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020
(Currency:Turkish Lira (TL))

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 FINANCIAL ASSETS (CONTINUED)

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 2020, total amount of loans to the policyholders amounts to TL 375.266 (31 December 2019: TL 265.143).

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.

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 2020, 95% of the difference between fair values and amortized costs of those assets backing liabilities amounted to TL 4.166.302 (31 December 2019: TL 3.108.601) 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.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020
(Currency:Turkish Lira (TL))

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 FINANCIAL ASSETS (CONTINUED)

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 uncollectible loans. 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.

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.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 DERIVATIVE FINANCIAL INSTRUMENTS

As of reporting date, Company has Eurobond transaction guarantee which classified under Financial assets held for trading purpose amounting to TL 76.050.908 (December 31, 2019: None). As of 31 December 2020, Company recognized TL 362.038 derivative loss under financial liabilities due to forward foreign currency contracts (31 December 2019: None). The Company recognizes derivative transactions in accordance with TAS 39 - Financial Instruments: Accounting and Measurement. Derivative transactions are measured at their fair values in the periods following their recognition. Derivative transactions are presented at "Revenue Accruals" or "Other financial liabilities" whether the fair value is positive or negative. Changes in the fair value of the related derivative financial instruments are recognized in the income statement.

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, 2020 and December 31, 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.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 SHARE CAPITAL (CONTINUED)

As of 31 December 2020 and 2019, the share capital and ownership structure of the Company are as follows:

	31 DECEMBER 2020		31 DECEMBER 2019	
	NOMINAL VALUE OF THE SHARES (TL)	PERCENTAGE (%)	NOMINAL VALUE OF THE SHARES (TL)	PERCENTAGE (%)
Türkiye Garanti Bankası A.Ş.	424,566,290	84.91	42,456,629	84.91
Achmea BV	75,000,000	15.00	7,500,000	15.00
Eureko Sigorta AŞ.	433,710	0.09	43,371	0.09
Paid-in Capital	500,000,000	100.00	50,000,000	100.00

Capital increase and sources during the year: According to Company's General Assembly meeting on 31 March 2020, The Company increased share capital amount to TL 500.000.000 from TL 50.000.000 by using extraordinary reserves. The decision issued at official gazette dated 17 April 2020.

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.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020
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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.

- that are likely to comprise a significant portion of the total contractual benefits,
- whose amount or timing is contractually at the discretion of the Issuer; and
- that are contractually based on:
 - the performance of a specified pool of contracts or a specified type of contract;
 - realized and/or unrealized investments returns on a specified pool of assets held by the Issuer; or;
 - 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.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020
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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 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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 TAXES (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.

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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, 2020 is TL 7.117 (December 31, 2019: TL 6.380).

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, 2020 and 2019 are as follows:

	31 DECEMBER 2020	31 DECEMBER 2019
Interest Rate	9.70%	8.20%
Expected Rate of Salary/Limit Increase	9.70%	9.70%
Discount Rate	13.00%	12.50%

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 beginning 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 agreement (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.

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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 been 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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 DIVIDEND DISTRIBUTION

According to Company's General Assembly meeting on 31 March 2020, The Company increased share capital amount to TL 500.000.000 from TL 50.000.000 by using extraordinary reserves. The decision issued at official gazette dated 17 April 2020.

The Law No. 7244 on the Reduction of the Effects of the Coronavirus (COVID-19) Epidemic on Economic and Social Life and the Law Amending Certain Laws ("Law") was published in the Official Gazette dated April 17, 2020. In accordance with the aforementioned Law, the Turkish Commercial Code numbered 6102 was amended and restrictions and restrictions regarding the distribution of profits were foreseen. The mentioned regulation has been implemented as of the publication date of the Law. Within the scope of this regulation, capital companies will be able to decide to distribute only 25% of the 2019 net profit for the general assemblies they will hold until September 30, 2020, and prior-years' profits and free reserves will not be subject to profit distribution. In addition, the board of directors cannot be authorized by the general assembly to distribute advance dividends. The duration of such restrictions and restrictions may be extended or shortened by a decision of the President for three months.

In the ordinary General Assembly Meeting dated 31 March 2020, a decision is made regarding distribution of net profit amount transferred to "Due to shareholders" account and the Company did not pay the amount as at 28 April 2020 in this regard. According to decision made at General Assembly Meeting the full payment to be completed after the date of 31 December 2020 rather than a partial payment as 25%.

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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2020 and December 31, 2019.

For the purpose of eliminating the misleading effect of the modified outstanding claims provision 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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 PROVISION FOR OUTSTANDING CLAIMS (CONTINUED)

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 2020, the Company has provided TL 7.480.810 of net outstanding claims provision in relation to incurred but not reported claims in its financial statements (December, 31 2019: TL 5.387.319).

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.

2.27 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".

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

TFRS 17 – Insurance Contracts

On 16 February 2019, POA issued IFRS 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 2023 but companies can apply it earlier.

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

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

TFRS 4 has also been amended by POA within the amendments issued by IASB in order 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.

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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 as of 31 December 2020 (continued)

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

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.

Classification of Liabilities as Current or Non-current (Amendments to TAS 1)

On 23 January 2020, IASB issued "Classification of Liabilities as Current or Non-Current" which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position which are issued by POA on 12 March 2020 as amendments to TAS 1.

The amendments clarify one of the criteria in TAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments include:

- (a) Specifying that an entity's right to defer settlement must exist at the end of the reporting period;
- (b) Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
- (c) Clarifying how lending conditions affect classification; and
- (d) Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The Company shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, IASB decided to defer the effective date of IAS 1 until 1 January 2023 with the amendment published on 15 July 2020, and the amendment was issued by POA on 15 January 2021.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to IAS 1.

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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 as of 31 December 2020 (continued)

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

Covid-19 related rent concession (Amendments to TFRS 16)

In May 2020, IASB issued Covid-19 related rent concession which amends TFRS 16 Leases which is also issued by POA on 5 June 2020.

The amendments allow lessees not to account for rent concessions as lease modifications if they arise as a direct consequence of COVID-19.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021
- no other substantive changes have been made to the terms of the lease.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

The Company shall apply these amendments for annual periods beginning on or after 1 June 2020 with earlier application permitted.

Property, Plant and Equipment—Proceeds before Intended Use (Amendments to TAS 16)

In May 2020, IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

The amendments improve transparency and consistency by clarifying the accounting requirements—specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. And then, TAS 16 amendment was issued on 27 July 2020 by POA to reflect these amendments.

Company shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

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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 as of 31 December 2020 (continued)

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

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to TAS 37)

In May 2020, IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. And then, TAS 37 amendment was issued on 27 July 2020 by POA to reflect these amendments.

IASB developed amendments to TAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

Annual Improvements to TFRS Standards 2018–2020

Improvements to TFRS's

For the current standards, "Annual Improvements in TFRSs / 2018-2020 Cycle" published by POA on 27 July 2020 is presented below. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Company does not expect that application of these improvements to TFRSs will have significant impact on its financial statements.

TFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of TFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts TFRS Standards later than its parent and applies TFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to TFRSs. This amendment will ease transition to TFRS Standards for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

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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 as of 31 December 2020 (continued)

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

IFRS 9 Financial Instruments

This amendment clarifies that – for the purpose of performing the “10 per cent test” for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

IFRS 16 Leases, Illustrative Example 13

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive. It will help to remove the potential for confusion in identifying lease incentives in a common real estate fact pattern.

IBOR Reform and its Effects on Financial Reporting—Phase 2

In August 2020, IASB issued amendments that complement those issued in 2019 and focus on the effects of the interest rate benchmark reform on a company’s financial statements that arise when, for example, an interest rate benchmark used to calculate interest on a financial asset is replaced with an alternative benchmark rate.

The Phase 2 amendments, Interest Rate Benchmark Reform—Phase 2, address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). In 2019, the Board issued its initial amendments in Phase 1 of the project.

The objectives of the Phase 2 amendments are to assist companies in:

- applying IFRS Standards when changes are made to contractual cash flows or hedging relationships because of the interest rate benchmark reform; and
- providing useful information to users of financial statements.

In Phase 2 of its project, the Board amended requirements in IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases relating to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities;
- hedge accounting; and
- disclosures.

The Phase 2 amendments apply only to changes required by the interest rate benchmark reform to financial instruments and hedging relationships.

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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 as of 31 December 2020 (continued)

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

Amendments are effective on 1 January 2020

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2020 are as follows:

1-) The revised Conceptual Framework (Version 2018)

2-) Amendments to IAS 1 and IAS 8 - Definition of Material

The application of the amendment to IAS 1 and IAS 8 is not expected to have a significant effect on the financial statements of the Company.

4-) Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The application of this amendment did not have a significant impact on the financial statements of the Company.

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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:

- While determining risk premiums, the amount of expected losses are considered and premium limits are determined accordingly.
- 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.
- It is aimed to achieve profitability in product basis and providing continuity.
- 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 2020		31 DECEMBER 2019	
	INSURANCE RISK (TL)	UNIT	INSURANCE RISK (TL)	UNIT
Death	74,541,474,909	2,274,403	57,415,582,363	2,298,152
Disability due to accident	59,542,481,659	2,111,847	45,039,323,649	2,092,738
Disability due to illness	22,127,446,717	1,362,502	20,221,897,401	1,489,065
Critical illness	335,436,569	11,056	392,691,407	13,819
Treatment costs due to accident	367,093,801	1,714	419,343,801	4,397
Involuntary unemployment	235,874,971	101,863	215,309,093	101,343
Death due to accident	235,955,010	101,952	215,332,484	101,434
Unemployment/Daily hospital benefit	291,168,386	363,679	231,187,591	353,772
Permanent disability benefit	252,947,816	1,082	171,786,836	983
Unemployment/ Temporary disability benefit	34,000	136	48,500	194

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.

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.

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.1 MANAGEMENT OF INSURANCE RISK (CONTINUED)

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 REINSURER	STANDARD & POORS			AM BEST			
	RATING	OUTLOOK	DATE	RATING	OUTLOOK	DATE	TARİH
Munich-Re	AA-	Stable	2017	A+	Stable	07/12/2017	07.12.2017
Swiss Re	AA-	Stable	25/11/2020	A+	Stable	17/07/2020	01.09.2017
RGA	AA-	Stable	01/06/2016	A+	Stable	10/06/2016	10.06.2016
Bnp Paribas Cardif	A-	Stable	05/04/2019	A+	Stable	06/06/2019	06.06.2019
Axa France Vie	AA-	Stable	24/07/2019	AA-	Stable	05/06/2019	5.06.2019
Arch Re	A+	Stable	25/06/2018	A+	Stable	11/10/2018	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)

4.1 MANAGEMENT OF INSURANCE RISK (CONTINUED)

The Company's risk management policies are established to identify and analyse 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 2020	31 DECEMBER 2019
Cash and cash equivalents (Note 14)	1,876,030,488	1,950,837,097
Financial assets and financial investments with risks on policyholders (Note 11)	964,490,540	172,310,401
Receivables from main operations (Note 12)	23,560,034,827	17,859,159,110
Reinsurer share in outstanding claims reserve (Note 10), (Note 17)	25,172,109	20,942,729
Due from shareholders (Note 12)	531	172
Other receivables (Note 12)	193,434	147,137
Total	26,425,921,929	20,003,396,646

(*) Stock shares amounting to TL 292.304 are not included (December 31, 2019: 292.304 TL).

As of December 31, 2020 and December 31, 2019, the aging of receivables from main operations is as follows:

	31 DECEMBER 2020		31 DECEMBER 2019	
	GROSS AMOUNT	PROVISION (*)	GROSS AMOUNT	PROVISION (*)
Not past due	23,598,768,979	-	17,893,393,115	-
Past due 0-30 days	10,810,122	-	8,345,494	-
Past due 31-60 days	530,022	-	374,326	-
Past due 61-180 days	426,896	-	372,512	-
Past due 181-365 days	803,687	-	285,212	-
More than one year	820,630	-	1,429,885	-
Total	23,612,160,336	(52,125,509)	17,904,200,544	(45,041,434)

(*) Provision for the impairment of entrance fees which could not be collected yet and other receivables related to the pension operations amounted to TL 52.097.854 (December 31, 2019: TL 44.985.691), 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 instalments 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 2020	1 JANUARY - 31 DECEMBER 2019
Provision for receivables from insurance and private pension operations at the beginning of the year	(45,041,434)	(36,003,857)
Provision for impairment (provided) / released during the year	(7,084,075)	(9,037,577)
Provision for receivables from insurance and private pension operations at the end of the year	(52,125,509)	(45,041,434)

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)

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 2020	CARRYING VALUE	UNALLOCATED	NO MATURITY	UP TO 1 MONTH	1 - 3 MONTH	3 - 6 MONTH	6 - 12 MONTH	MORE THAN 1 YEAR
Cash and cash equivalents	1,876,030,488	-	9,107,950	449,889,195	115,615,992	794,384,067	507,033,284	-
Financial assets and financial investments with risks on policyholders	964,782,844	292,304	-	353,926,049	116,180,863	-	325,414,988	168,968,640
Receivables from main operations	23,560,034,827	23,471,116,770	-	40,203,192	28,364,523	14,086,497	6,263,845	-
Due from related parties	531	-	-	531	-	-	-	-
Other receivables	179,658	-	-	179,658	-	-	-	-
Prepaid expenses and income accruals	60,874,599	-	-	9,234,922	15,802,517	18,402,516	15,931,351	1,503,293
Other current assets	4,262	-	-	-	4,262	-	-	-
Deposits and guarantees given	13,776	-	-	-	-	-	-	13,776
Total assets	26,461,920,985	23,471,409,074	9,107,950	853,433,547	275,968,157	826,875,080	854,643,468	170,485,709
Financial liabilities	1,346,261	-	-	317,265	350,273	82,742	170,751	425,230
Payables arising from main operations	23,738,614,923	23,494,931,366	-	239,431,702	521,247	3,183,852	546,756	-
Due to related parties	695,353,506	-	-	11,103,506	684,250,000	-	-	-
Other liabilities	3,362,426	-	-	3,362,426	-	-	-	-
Insurance technical provisions (*)	75,433,597	75,433,597	-	-	-	-	-	-
Provisions for taxes and other similar obligations	48,483,009	-	-	48,483,009	-	-	-	-
Provisions for other risks	19,054,287	-	-	-	-	-	4,902,363	14,151,924
Deferred expenses and income accruals	46,245,435	35,203,499	-	1,721,757	2,957,799	3,447,763	2,914,617	-
Total liabilities	24,627,893,444	23,605,568,462	-	304,419,665	688,079,319	6,714,357	8,534,487	14,577,154

(*) 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..

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)
4.2 FINANCIAL RISK MANAGEMENT (CONTINUED)

31 DECEMBER 2019	CARRYING VALUE	UNALLOCATED	NO MATURITY	UP TO 1 MONTH	1 - 3 MONTH	3 - 6 MONTH	6 - 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	292,304	-	-	-	2,311,839	53,495,000	116,503,562
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	17,770,043,691	7,116,410	1,768,034,154	241,941,773	34,201,820	87,438,591	118,290,882
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	-	-	-	-	-	3,558,265	9,327,638
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)

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 2020	US DOLLAR	EURO	OTHER	TOTAL
Cash and cash equivalents	35,159,257	1,800,514	-	36,959,771
Financial assets and financial investments with risks on policyholders	116,690,602	4,282,602	-	120,973,204
Receivables from main operations	8,647,746	55,915	-	8,703,661
Total foreign currency denominated assets	160,497,605	6,139,031	-	166,636,636
Payables arising from main operations	(1,628,972)	(14,362)	-	(1,643,334)
Insurance technical provisions	(83,048,204)	(2,922,702)	-	(85,970,906)
Investment contract liabilities	(24,886,998)	(1,484,252)	-	(26,371,250)
Total foreign currency denominated liabilities	(109,564,174)	(4,421,316)	-	(113,985,490)
Net financial position	50,933,431	1,717,715	-	52,651,146
31 DECEMBER 2019	US DOLLAR	EURO	OTHER	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)	(1,615,671)	-	(21,973,133)
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

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, 2020 and December 31, 2019. 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 2020	US DOLLAR	EURO
Foreign currency rate used in translation of balance sheet items	7.3405	9.0079
Foreign currency rates used in calculation of life mathematical provision and loans to the policyholders	7.3647	9.0376

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

Exposure to currency risk

A 10 percent devaluation of the TL against the following currencies as at December 31, 2020 and December 31, 2019 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 2020		31 DECEMBER 2019	
	PROFIT OR LOSS	EQUITY (*)	PROFIT OR LOSS	EQUITY (*)
US Dollar	4,898,264	5,093,343	4,683,685	4,813,515
Euro	145,691	171,772	(88,421)	(77,585)
Others	-	-	-	-
Total, net	5,043,955	5,265,115	4,595,264	4,735,930

(*) 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 2020	31 DECEMBER 2019
Banks (time deposit) (Note 14)	1,681,676,906	1,800,764,337
Financial investments with risks on policyholders - Available for sale financial assets - Eurobonds (Note 11)	38,555,142	30,460,569
Loans to the policyholders (Note 12)	375,266	265,143
Available for sale financial assets (Government Bonds)	849,884,490	141,849,832
Financial liabilities (Note 20)	1,346,261	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, 2020 and December 31, 2019 of the floating rate non-trading financial assets and financial liabilities held at December 31, 2020 and December 31, 2019. Interest rate sensitivity of equity is calculated by revaluing available-for-sale financial assets at December 31, 2020 and December 31, 2019 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 2020	STATEMENT OF INCOME		EQUITY (*)	
	100 BP INCREASE	100 BP DECREASE	100 BP INCREASE	100 BP DECREASE
Available for sale financial assets	-	-	(4,166,374)	4,307,431
Financial investments with risks on policyholders (Available for sale financial assets)	-	-	(79,256)	84,857
Total, net	-	-	(4,245,630)	4,392,288

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

(*) 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 2020			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial investments held for trading purpose (Note 11)	76,050,908	-	-	76,050,908
Financial investments with risks on policyholders classified as available for sale (Note 11)	38,555,142	-	-	38,555,142
Available for sale financial assets (Note 11)	792,424,445	57,460,045	-	849,884,490
Total financial assets	907,030,495	57,460,045	-	964,490,540

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4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

FINANCIAL ASSETS	31 DECEMBER 2019			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial investments held for trading purpose (Note 11)	30,460,569	-	-	30,460,569
Financial investments with risks on policyholders classified as available for sale (Note 11)	141,849,832	-	-	141,849,832
Total financial assets	172,310,401	-	-	172,310,401
Total financial assets	907,030,495	57,460,045	-	964,490,540

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 2020 as TL 249.921.917. As at 30 June 2020, the Company's total equity in its statutory financial statements amounted to TL 901.685.813 (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

GAINS AND LOSSES FROM FINANCIAL INSTRUMENTS	1 JANUARY - 31 DECEMBER 2020	1 JANUARY - 31 DECEMBER 2019
Interest income from bank deposits	141,962,016	306,439,392
Income accrual and valuation differences of financial assets	87,552,557	7,653,172
Foreign exchange gains (***)	21,566,634	9,840,105
Financial gains (*)	251,081,207	323,932,669
Foreign exchange losses	-	-
Others	(11,412,190)	(16,989,619)
Financial losses (**)	(11,412,190)	(16,989,619)
Financial gains and losses recognized in the statement of income. net	239,669,017	306,943,050

FINANCIAL GAINS AND LOSSES RECOGNIZED IN EQUITY	31 DECEMBER 2020	31 DECEMBER 2019
Valuation difference from financial assets	(4,632,350)	2,943,729
Deferred tax effect	926,470	(588,746)
Interest income end of the period	(3,705,880)	2,354,983

(*) 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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Notes to the Financial Statements As of 31 December 2020
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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 2020	LIFE	NON-LIFE	PRIVATE PENSION	OTHER/ UNALLOCATED	TOTAL
CONTINUING OPERATIONS					
Technical income	1,090,241,263	1,588	401,908,583	-	1,492,151,434
Technical expense	(736,408,801)	(14,109)	(260,957,859)	-	(997,380,769)
Other gains and losses, total	-	-	-	115,438,392	115,438,392
Technical net profit from ongoing operations	353,832,462	(12,521)	140,950,724	115,438,392	610,209,057
Profit before taxes	353,832,462	(12,521)	140,950,724	115,438,392	610,209,057
Income tax expense	-	-	-	(138,699,376)	(138,699,376)
Profit for the period (loss)	353,832,462	(12,521)	140,950,724	(23,260,984)	471,509,681

Other segment information

Amortisation expense (Note 8)	-	-	-	-	4,748,678
Depreciation expense (Note 6)	-	-	-	-	27,813,407

31 DECEMBER 2020	LIFE	NON-LIFE	PRIVATE PENSION	OTHER/ UNALLOCATED	TOTAL
Available for sale financial assets	-	-	292,304	849,884,490	850,176,794
Receivables from main operations	76,494,594	-	23,483,540,233	-	23,560,034,827
Tangible and intangible assets	-	-	-	42,624,270	42,624,270
Deferred acquisition costs	59,619,838	-	-	-	59,619,838
Other assets	38,555,142	-	-	1,976,384,547	2,014,939,689
Total assets	174,669,574	-	23,483,832,537	2,868,893,307	26,527,395,418
Insurance contract technical provisions	864,552,619	(267)	-	-	864,552,352
Other liabilities	43,432,888	-	23,706,223,971	802,802,988	24,552,459,847
Shareholders equity	-	-	-	1,110,383,219	1,110,383,219
Total liabilities	907,985,507	(267)	23,706,223,971	1,913,186,207	26,527,395,418

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5 SEGMENT REPORTING (CONTINUED)

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)	-	-	-	-	6,166,790
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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6 TANGIBLE ASSETS

Movement in tangible assets in the period from 1 January to 31 December 2020 is presented below:

	1 JANUARY 2020	ADDITIONS	DISPOSALS	31 DECEMBER 2020
COST:				
Furniture and fixtures	15,261,013	103,470	(128,306)	15,236,177
Other tangible assets (including leasehold improvements)	4,070,441	281,994	-	4,352,435
Tangible assets acquired through finance leasing	1,294,391	-	-	1,294,391
Right of use assets (*)	7,978,661	1,130,834	(2,368,776)	6,740,719
	28,604,506	1,516,298	(2,497,082)	27,623,722
ACCUMULATED DEPRECIATION:				
FURNITURE AND FIXTURES	(13,780,899)	(849,045)	127,405	(14,502,539)
Other tangible assets (including leasehold improvements)	(2,701,996)	(362,092)	-	(3,064,088)
Tangible assets acquired through finance leasing	(1,177,109)	(117,282)	-	(1,294,391)
Right of use assets (*)	(3,096,408)	(3,420,259)	934,846	(5,581,821)
	(20,756,412)	(4,748,678)	1,062,251	(24,442,839)
Net book value	7,848,094			3,180,883

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

(*) Right of use assets comprises from recognition of real estate lease payments under IFRS 16 accounting treatments. Please see note 20 for explanations in detail.

There is no change in depreciation method in the current period.

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7 INVESTMENT PROPERTIES

None.

8 INTANGIBLE ASSETS

Movement in intangible assets in the period from 1 January to 31 December 2020 is presented below:

	1 JANUARY 2020	ADDITIONS	DISPOSALS	31 DECEMBER 2020
COST:				
Rights	334,371	-	-	334,371
Other intangible assets (*)	209,548,914	21,453,309	-	231,002,223
	209,883,285	21,453,309	-	231,336,594
ACCUMULATED DEPRECIATION:				
Rights	(334,371)	-	-	(334,371)
Other intangible assets (*)	(163,745,429)	(27,813,407)	-	(191,558,836)
	(164,079,800)	(27,813,407)	-	(191,893,207)
Net book value	45,803,485			39,443,387

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	45,803,485	-	-	39,443,387
Other intangible assets (*)	175,353,835	34,195,079	-	209,548,914
	175,688,206	34,195,079	-	209,883,285
ACCUMULATED DEPRECIATION:				
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

(*) 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 2020	31 DECEMBER 2019
Reinsurance share of unearned premiums reserve (Note 17)	42,812,548	34,354,483
Reinsurance share of outstanding claims reserve (Note 17, Note 4.2)	25,172,109	20,942,729
Receivables from reinsurers (Note 12)	15,392,723	8,053,634
Total	83,377,380	63,350,846

There are no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	31 DECEMBER 2020	31 DECEMBER 2019
Deferred commission income (Deferred income) (Note 19)	11,041,936	6,978,135
Payables to the reinsurers related to premiums ceded (Note 19)	8,648,294	14,079,663
Total	19,690,230	21,057,798

	1 JANUARY - 31 DECEMBER 2020	1 JANUARY - 31 DECEMBER 2020
Ceded premiums to reinsurers during the period (Note 17)	(86,434,052)	(63,233,905)
Reinsurance share of unearned premiums reserve, at the beginning of the period (Note 17)	(34,354,483)	(19,316,147)
Reinsurance share of unearned premiums reserve, at the end of the period (Note 17)	42,812,548	34,354,483
Ceded premiums to reinsurers (Note 17)	(77,975,987)	(48,195,569)

Reinsurance share of claims paid, during the period (Note 17)	21,475,155	19,680,202
Reinsurance share of outstanding claims reserve, at the beginning of the period (Note 17)	(20,942,729)	(16,018,912)
Reinsurance share of outstanding claims reserve, at the end of the period (Note 17)	25,172,109	20,942,729
Reinsurance share of claims incurred (Note 17)	25,704,535	24,604,019

Commission income accrued from reinsurers during period (Note 32)	43,436,474	18,821,297
Deferred commission income, at the beginning of the period (Note 19)	6,978,135	4,678,473
Deferred commission income, at the end of the period (Note 19)	(11,041,936)	(6,978,135)
Commission income earned from reinsurers	39,372,673	16,521,635

Total	(12,898,779)	(7,069,915)
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GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020
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11 FINANCIAL ASSETS

As at 31 December 2020 and 2019, the Company's financial asset portfolio are detailed as follows:

FINANCIAL ASSETS AND FINANCIAL INVESTMENTS WITH RISK ON POLICYHOLDERS	31 DECEMBER 2020	31 DECEMBER 2019
Available for sale financial assets (*)	850,176,794	142,142,136
Alım-satım amaçlı finansal varlıklar	76,050,908	-
Financial investments with risks on saving life policyholders classified as available for sale	38,555,142	30,460,569
Total	964,782,844	172,602,705

(*) 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 2020 and 31 December 2019, the Company's available for sale financial assets in its own portfolio are detailed as follows:

	31 DECEMBER 2020		
	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	829,166,716	849,884,490	849,884,490
Total financial assets available for sale	829,459,020	850,176,794	850,176,794

(*) 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 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.

As at December, 31 2020 and December,31 2019, the Company's financial investments with risks on saving life policyholders ("FIRSLP") are detailed as follows:

	31 DECEMBER 2020		
	COST	FAIR VALUE	CARRYING VALUE
Debt instruments: Eurobonds issued by The Republic of Turkey Government	32,766,209	38,555,142	38,555,142
Financial investments with risks on saving life policyholders classified as available for sale	32,766,209	38,555,142	38,555,142

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

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11 FINANCIAL ASSETS (CONTINUED)

As at December 31, 2020 and December 31, 2019, 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 for sale	26,290,712	30,460,569	30,460,569

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
2020	(3,705,880)	(974,805)
2019	2,354,983	2,731,075
2018	55,808	376,092

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 2019: None).

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11 FINANCIAL ASSETS (CONTINUED)

Financial assets blocked in favor of the Undersecretariat of Treasury as a guarantee for the insurance activities are as follows:

	31 DECEMBER 2020		
	COST	FAIR VALUE	CARRYING VALUE
Financial investments with risks on saving life policyholders - Eurobonds	32,766,209	38,555,142	38,555,142
Total	32,766,209	38,555,142	38,555,142

	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
Total	26,290,712	30,460,569	30,460,569

The movement of financial assets within the period is as follows:

	31 DECEMBER 2020			
	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL INVESTMENTS WITH RISKS ON SAVING LIFE POLICYHOLDERS	FINANCIAL ASSETS AVAILABLE FOR SALE	TOTAL
Balance at the beginning of the period	-	30,460,569	142,142,136	172,602,705
Unrealized exchange differences on financial assets	-	7,459,030	313,768	7,772,798
Acquisitions during the period	76,050,908	-	1,547,075,301	1,623,126,209
Disposals (either sold or settled)	-	-	(835,033,041)	(835,033,041)
Change in the fair values of financial assets	-	787,070	(2,569,538)	(1,782,468)
Change in the amortised costs of the financial assets	-	(151,527)	(1,751,832)	(1,903,359)
Balance at the ending of the period	76,050,908	38,555,142	850,176,794	964,782,844

	31 DECEMBER 2019			
	FINANCIAL ASSETS HELD FOR TRADING	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

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12 LOAN AND RECEIVABLES

	31 DECEMBER 2020	31 DECEMBER 2019
Receivables from main operations (Note 4.2)	23,560,034,827	17,859,159,110
Receivables from related parties (Note 4.2)	531	172
Other receivables (Note 4.2)	179,658	142,952
Non-current receivables (Note 4.2)	13,776	4,185
Total	23,560,228,792	17,859,306,419
Short-term receivables	23,560,215,016	17,859,302,234
Mid-term and long-term receivables	13,776	4,185
Total	23,560,228,792	17,859,306,419

As of December 31, 2020, the Company's other expenses for next months are TL 1.254.761, consisting of maintenance, insurance, advertisement and other deferred expenses (31 December 2019: TL 1.101.148).

Details of the Company's receivables from main operations as of 31 December 2020 and 31 December 2019 are as follows:

	31 DECEMBER 2020	31 DECEMBER 2019
Receivables from policyholders	60,754,260	68,323,590
Receivables from reinsurance companies (Note 10)	15,392,723	8,053,634
Provisions for receivables from policyholders (Note 4.2)	(27,655)	(55,743)
Total receivables from insurance operations, net	76,119,328	76,321,481
Loans to the policyholders (Note 4.2)	375,266	265,143
Receivables from private pension operations (Note 18)	23,535,638,087	17,827,558,177
Provision for receivables from private pension operations (Note 4.2), (Note 18)	(52,097,854)	(44,985,691)
Receivables from main operations	23,560,034,827	17,859,159,110

Provision for both overdue receivables and receivables not due yet

- Receivables under legal or administrative follow up (due): None (December, 31 2019: None).
- Provision for premium receivables (due): TL 27.655 (December, 31 2019: TL 55.743).
- Provision for impairment of receivables from entrance fees: TL 52.097.854 (December 31, 2019: TL 44.985.691).

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.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

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13 DERIVATIVE FINANCIAL INSTRUMENTS

The Company has Eurobond transaction guarantee amounting to TL 76.050.908 that classified under financial assets held for trading.

14 CASH AND CASH EQUIVALENTS

As at December 31, 2020 and December 31, 2019, cash and cash equivalents are as follows:

	31 DECEMBER 2020		31 DECEMBER 2019	
	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	1,690,784,856	1,807,880,747	1,807,880,747	1,304,896,611
Receivables from credit card collections (less than 3 months)	185,245,632	142,956,350	142,956,350	144,397,948
Cash and cash equivalents in the balance sheet	1,876,030,488	1,950,837,097	1,950,837,097	1,449,294,559
Banks discount for short-term deposits	5,521,120	(11,191,302)	(11,191,302)	(2,854,948)
Time deposit more than 3 months	(211,735,719)	(60,734,256)	(60,734,256)	(490,628,971)
Blocked amount	(465,117,842)	(413,230,247)	(413,230,247)	(418,844,058)
Total	1,204,698,046	1,465,681,292	1,465,681,292	536,966,582

As at December, 31 2020 and December, 31 2019, the details of bank deposits are as follows:

	31 DECEMBER 2020	31 DECEMBER 2019
Foreign currency denominated bank deposits		
- time deposits	36,951,209	62,227,058
- demand deposits	8,562	2,508
Bank deposits in Turkish Lira		
- time deposits	1,644,725,697	1,738,537,279
- demand deposits	9,099,388	7,113,902
Cash at banks	1,690,784,856	1,807,880,747

As at December 31, 2020, cash collateral kept at banks in favour of the Undersecretariat of Treasury against insurance operations amounted to TL 465.117.842 (December 31, 2019: TL 413.230.247).

The Company's time deposits in T. Garanti Bankası A.Ş. is stated in note 45.

As at December 31, 2020 and 2019, the interest rate interval as follows:

	31 DECEMBER 2020		31 DECEMBER 2019	
	MATURITY (DAY)	INTEREST RATE(%)	MATURITY (DAY)	INTEREST RATE(%)
TL	4-377	10.50%-18.60%	4-377	8.50%-13.75%
USD	4-43	0.48%-5.75%	4-43	1.50%-5.75%
Euro	36	0.01%-0.00%	36	0.10%-0.15%

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15 EQUITY

Paid in capital

As at December, 31 2020 and 2019, 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.

According to Company's General Assembly meeting on 31 March 2020, the Company increased share capital amount to TL 500.000.000 from TL 50.000.000 by using extraordinary reserves. The decision issued at official gazette dated 17 April 2020.

Dividend distribution

In the ordinary General Assembly Meeting dated 31 March 2020 a decision is made regarding distribution of the net profit of Company amounting to TL 700.000.000 by offsetting from retained earnings.

The Law No. 7244 on the Reduction of the Effects of the Coronavirus (COVID-19) Epidemic on Economic and Social Life and the Law Amending Certain Laws ("Law") was published in the Official Gazette dated April 17, 2020. In accordance with the aforementioned Law, the Turkish Commercial Code numbered 6102 was amended and restrictions and restrictions regarding the distribution of profits were foreseen. The mentioned regulation has been implemented as of the publication date of the Law. Within the scope of this regulation, capital companies will be able to decide to distribute only 25% of the 2019 net profit for the general assemblies they will hold until September 30, 2020, and prior-years' profits and free reserves will not be subject to profit distribution. In addition, the board of directors cannot be authorized by the general assembly to distribute advance dividends. The duration of such restrictions and restrictions may be extended or shortened by a decision of the President for three months.

In the ordinary General Assembly Meeting dated 31 March 2020, a decision is made regarding distribution of net profit amount transferred to "Due to shareholders" account and the Company did not pay the amount as at 28 April 2020 in this regard. According to decision made at General Assembly Meeting the full payment to be completed after the date of 31 December 2020 rather than a partial payment as 25%.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

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15 EQUITY (CONTINUED)

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 2020	1 JANUARY - 31 DECEMBER 2019
Legal reserves at the beginning of the period	25,000,000	25,000,000
Reserves during the period	-	-
Legal reserves at the end of the period	25,000,000	25,000,000

	1 JANUARY - 31 DECEMBER 2020	1 JANUARY - 31 DECEMBER 2019
Extraordinary reserves		
Extraordinary reserves at the beginning of the period	809,465,400	355,908,608
Reserves used for capital increase	(450,000,000)	-
Reserves used for dividend distribution	(245,446,565)	-
Reserves during the period	-	453,556,792
Extraordinary reserves at the end of the period	114,018,835	809,465,400

Revaluation of financial assets

The period income and expenses accrued directly under equity as of balance sheet date is presented below:

	31 DECEMBER 2020	31 DECEMBER 2019
Valuation differences from financial assets	(1,218,506)	3,413,844
Deferred tax effect	243,701	(682,769)
Fair value reserves at the end of the period	(974,805)	2,731,075

16 OTHER RESERVES AND EQUITY COMPONENT OF DPF

As at 31 December 2020, 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'.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

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17 INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS

As at December 31, 2020 and December 31, 2019, provisions for technical reserves of the Company are disclosed as follows:

	31 DECEMBER 2020	31 DECEMBER 2019
Unearned premiums reserve, gross	164,802,145	130,788,675
Unearned premiums reserve, ceded (Note 10)	(42,812,548)	(34,354,483)
Unearned premiums reserve, net	121,989,597	96,434,192
Outstanding claims reserve, gross	100,605,706	80,034,944
Outstanding claims reserve, ceded (Note 10, Note 4.2)	(25,172,109)	(20,942,729)
Outstanding claims reserve, net	75,433,597	59,092,215
Life mathematical reserve (shot term and long term)	634,360,003	486,460,000
Equalization reserve, net	32,769,155	26,618,806
Total insurance technical reserves, net	864,552,352	668,605,213
Short-term	219,761,097	174,556,278
Medium and long-term	644,791,255	494,048,935
Total insurance technical provisions, net	864,552,352	668,605,213

As at December 31, 2020 and December 31, 2019, movements of the insurance liabilities and related reinsurance assets are presented below:

	1 JANUARY - 31 DECEMBER 2020		
UNEARNED PREMIUMS RESERVE	GROSS	REINSURER SHARE	NET
Unearned premiums reserve at the beginning of the period	130,788,675	(34,354,483)	96,434,192
Premiums written during the period	1,111,760,598	(86,434,052)	1,025,326,546
Premiums earned during the period	(1,077,747,128)	77,975,987	(999,771,141)
Unearned premiums reserve at the end of the period	164,802,145	(42,812,548)	121,989,597

	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 2020	1 JANUARY - 31 DECEMBER 2019
Equalization reserve at the beginning of the period	26,618,806	21,702,427
Increases during the period	6,150,349	4,916,379
Equalization reserve at the end of the period	32,769,155	26,618,806

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17 INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS (CONTINUED)

	1 JANUARY - 31 DECEMBER 2020		
OUTSTANDING CLAIMS RESERVE	GROSS	REINSURER SHARE	NET
Outstanding claims reserve at the beginning of the period	80,034,944	(20,942,729)	59,092,215
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	324,208,241	(25,704,535)	298,503,706
Claims paid during the period	(303,637,479)	21,475,155	(282,162,324)
Outstanding claims reserve at the end of the period	100,605,706	(25,172,109)	75,433,597

	1 JANUARY - 31 DECEMBER 2019		
OUTSTANDING CLAIMS RESERVE	GROSS	REINSURER SHARE	NET
Outstanding claims reserve at the beginning of the period	67,986,593	(16,018,913)	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	(24,604,018)	189,414,110
Claims paid during the period	(201,969,778)	19,680,202	(182,289,575)
Outstanding claims reserve at the end of the period	80,034,944	(20,942,729)	59,092,215

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 2020						
	2015	2016	2017	2018	2019	2020	TOTAL
Accident year	81,677,793	95,132,970	108,687,951	132,204,663	221,752,910	331,781,871	971,238,158
1 year later	79,018,060	96,678,810	108,732,524	134,612,425	221,228,339	-	640,270,158
2 years later	79,726,520	95,628,607	103,107,173	127,908,472	-	-	406,370,772
3 years later	79,883,028	91,626,502	102,347,509	-	-	-	273,857,039
4 years later	78,486,051	91,572,656	-	-	-	-	170,058,707
5 years later	84,083,973	-	-	-	-	-	84,083,973
Current estimate of cumulative claims	84,083,973	91,572,656	102,347,509	127,908,472	221,228,339	331,781,871	958,922,820
Cumulative payments up to date	(75,978,262)	(87,675,471)	(98,857,892)	(117,494,624)	(199,129,388)	(279,181,477)	(858,317,114)
Liability recognized in balance sheet	8,105,711	3,897,185	3,489,617	10,413,848	22,098,951	52,600,394	100,605,706
Total outstanding claims reserve, gross in the financial statements							100,605,706

ACCIDENT YEAR	31 DECEMBER 2020						
	2015	2016	2017	2018	2019	2020	TOTAL
Accident year	58,640,250	73,584,052	90,137,094	112,381,245	195,115,184	301,690,193	831,548,018
1 year later	55,512,051	73,095,017	89,936,686	112,864,797	196,756,888	-	528,165,439
2 years later	55,780,436	72,221,645	86,005,271	108,468,279	-	-	322,475,631
3 years later	55,988,466	70,119,620	85,248,443	-	-	-	211,356,529
4 years later	55,186,590	69,974,194	-	-	-	-	125,160,784
5 years later	59,793,641	-	-	-	-	-	59,793,641
Current estimate of cumulative claims	59,793,641	69,974,194	85,248,443	108,468,279	196,756,888	301,690,193	821,931,638
Cumulative payments up to date	(53,198,601)	(66,853,689)	(82,376,686)	(99,396,192)	(178,794,071)	(265,878,802)	(746,498,041)
Liability recognized in balance sheet	6,595,040	3,120,505	2,871,757	9,072,087	17,962,817	35,811,391	75,433,597
Total outstanding claims reserve, net in the financial statements							75,433,597

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

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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	TOPLAM
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, gross in the financial statements							59,092,215

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 2020		31 DECEMBER 2019	
	SHOULD BE PLACED (**)	PLACED (*)	SHOULD BE PLACED (**)	PLACED (*)
Life:				
Bank deposits		463,910,202		412,969,184
Financial assets (*)		277,389,185		172,311,661
Total	711,121,706	741,299,387	450,917,228	585,280,845
Non-life:				
Bank deposits		1,000,003		261,063
Total	712,121,709	742,507,027	451,083,901	585,541,908

(*)As at December, 31 2020 and December, 31 2019, 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 2020		1 JANUARY - 31 DECEMBER 2019	
	NUMBER OF POLICYHOLDERS	LIFE MATHEMATICAL RESERVE	NUMBER OF POLICYHOLDERS	LIFE MATHEMATICAL RESERVE
Beginning of the year	2,292,856	486,460,000	2,278,422	335,103,102
Additions during the year	2,055,184	352,536,298	2,168,190	322,215,623
Disposals during the year	(2,073,637)	(149,530,496)	(2,153,756)	(91,220,136)
Movements during the year (*)	-	(55,105,799)	-	(79,638,589)
Current	2,274,403	634,360,003	2,292,856	486,460,000

(*) Increase/Decrease of the reserves are related with currency rates during the year.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

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17 INSURANCE 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 2020			31 DECEMBER 2019		
	NUMBER OF CONTRACTS	GROSS PREMIUM	NET PREMIUM	NUMBER OF CONTRACTS	GROSS PREMIUM	NET PREMIUM
Individual	264	1,195,414	1,195,414	615	1,343,191	1,343,191
Group	2,054,920	1,256,474,965	1,256,474,965	2,167,575	945,721,904	945,721,904
Total	2,055,184	1,257,670,379	1,257,670,379	2,168,190	947,065,095	947,065,095

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 2020				31 DECEMBER 2019			
	NUMBER OF CONTRACTS	GROSS PREMIUM	NET PREMIUM	MATHEMATICAL RESERVE	NUMBER OF CONTRACTS	GROSS PREMIUM	NET PREMIUM	MATHEMATICAL RESERVE
Individual	590	202,879	202,879	2,090,919	721	149,039	149,039	10,175,511
Group	2,073,047	145,706,902	145,706,902	147,439,577	2,153,035	109,384,077	109,384,077	81,044,625
Total	2,073,637	145,909,781	145,909,781	149,530,496	2,153,756	109,533,116	109,533,116	91,220,136

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, 2020, deferred commission and other expenses amount to TL 44.130.254 and TL 15.489.584 (December 31, 2019: TL: 30.158.861 and TL 13.059.591).

The movement of deferred commission expenses as of December, 31 2020 and December, 31 2019 is as follows.

	1 JANUARY - 31 DECEMBER 2020	1 JANUARY - 31 DECEMBER 2019
Deferred commission expenses at the beginning of the period	30,158,861	16,251,547
Commissions accrued during the period	274,905,518	182,086,396
Paid commissions during the period	(260,934,125)	(168,179,082)
Deferred commission expenses at the end of the period	44,130,254	30,158,861

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020
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18 INVESTMENT CONTRACT LIABILITIES

The movements of life mathematical reserve for saving life policies as at December 31, 2020 and December 31, 2019 are as follows:

LIFE MATHEMATICAL PROVISION FOR SAVING LIFE POLICIES	1 JANUARY - 31 DECEMBER 2020	1 JANUARY - 31 DECEMBER 2019
Investment contract liabilities at the beginning of the period (Life-mathematical reserve)	31 December 2020	31 December 2019
Effect of foreign exchange differences	6,532,860	3,526,472
Written premiums during the period (saving life policies)	368,713	359,668
Disposals during the period (leaving policyholders)	(5,285,908)	(12,506,663)
Profit shares	1,724,752	1,648,366
Changes in the fair values of investments (Note 30)	1,057,700	1,118,953
Investment contract liabilities at the end of the period	26,371,250	21,973,132

Profit share distribution rates to life policyholders during the period December 31, 2020 and December 31, 2019:

	31 DECEMBER 2020	31 DECEMBER 2019
USD:	8.21%	7.76%
EURO:	4.84%	3.36%

Pension operations

The details of receivables and liabilities from pension operations as at December, 31 2020 and December, 31 2019:

	31 DECEMBER 2020	31 DECEMBER 2019
Receivables from clearing house on behalf of the participants	23,523,214,624	17,814,737,077
Receivables from participants (entrance fee)	12,423,463	12,821,100
Receivables from pension operations (Note 12)	23,535,638,087	17,827,558,177
Provision for the receivables from participants (Note 4.2). (Note 12)	(52,097,854)	(44,985,691)
Receivables from pension operations (Note 12)	23,483,540,233	17,782,572,486

	31 DECEMBER 2020	31 DECEMBER 2019
Payables to participants	23,494,931,366	17,793,618,598
Participants temporary account	203,528,121	151,685,201
Payables to clearing house	1,485,456	245,939
Payables to Emeklilik Gözetim Merkezi	364,690	285,000
Other liabilities	5,914,338	3,717,727
Payables due to pension operations (Note 19)	23,706,223,971	17,949,552,465

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020

(Currency:Turkish Lira (TL))

18 INVESTMENT CONTRACT LIABILITIES (CONTINUED)

Pension operations (continued)

As at December 31, 2020 and December 31, 2019 pension investment funds founded by the Company and their unit prices are as follows:

	31 DECEMBER 2020	31 DECEMBER 2019
	UNIT PRICES	UNIT PRICES
Katılım Katkı EYF	0.024991	0.020917
Katılım Standart EYF	0.022592	0.018762
Altın EYF	0.052116	0.033402
Hisse Senedi EYF	0.167048	0.128623
İkinci Değişken (SMART) EYF	0.024873	0.021551
Katılım Değişken EYF	0.030476	0.025780
Dengeli Değişken EYF	0.097146	0.081979
Temkinli Değişken EYF	0.045416	0.040814
Borçlanma Araçları EYF	0.082896	0.075448
Dış Borçlanma Araçları EYF	0.144994	0.105781
Dengeli Değişken Grup EYF	0.079071	0.065959
Borçlanma Araçları Grup EYF	0.053425	0.048272
Dış Borçlanma Araçları Grup EYF	0.101147	0.073118
Hisse Senedi Grup EYF	0.039599	0.029976
Sürdürülebilirlik Hisse Senedi EYF	0.025986	0.021880
Değişken EYF	0.072632	0.058044
Uzun Vadeli Kamu Borçlanma Araçları EYF	0.042526	0.039659
Katkı EYF	0.021093	0.018711
Para Piyasası EYF	0.075134	0.068254
Özel Sektör Borçlanma Araçları EYF	0.032455	0.022254
Standart EYF	0.022235	0.019985
Başlangıç EYF	0.017476	0.015789
Başlangıç Katılım EYF	0.016446	0.014881
OKS Temkinli Değişken Emeklilik Yatırım Fonu	0.015426	0.013640
OKS Temkinli Katılım Değişken EYF	0.014860	0.013617
OKS Dengeli Değişken Emeklilik Yatırım Fonu	0.015442	0.012970
OKS Dengeli Katılım Değişken EYF	0.016091	0.014446
OKS Dinamik Değişken Emeklilik Yatırım Fonu	0.015606	0.012630
OKS Dinamik Katılım Değişken EYF	0.018969	0.013814
OKS Agresif Değişken Emeklilik Yatırım Fonu	0.014216	0.012075
OKS Agresif Katılım Değişken EYF	0.020307	0.013759
OKS Standart Emeklilik Yatırım Fonu	0.015824	0.013502
OKS Katılım Standart Emeklilik Yatırım Fonu	0.016632	0.013959

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020

(Currency:Turkish Lira (TL))

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, 2020 and December 31, 2019:

	31 DECEMBER 2020			
	PARTICIPATION CERTIFICATE IN THE CIRCULATION		PARTICIPATION CERTIFICATE IN THE PORTFOLIO	
	NUMBER	AMOUNT	NUMBER	AMOUNT
Katılım Katkı EYF	19,789,204,586	494,551,072	1,480,210,795,414	36,991,947,988
Katılım Standart EYF	10,308,834,896	232,898,455	1,489,691,165,104	33,655,102,802
Altın EYF	86,004,387,036	4,482,222,971	1,413,995,612,964	73,691,795,365
Hisse Senedi EYF	3,683,323,057	615,290,264	1,496,316,676,943	249,956,708,250
İkinci Değişken (SMART) EYF	178,665,468,985	4,443,918,999	1,321,334,531,015	32,865,553,790
Katılım Değişken EYF	14,847,991,842	452,509,300	1,485,152,008,158	45,261,492,601
Dengeli Değişken EYF	8,168,447,969	793,534,476	1,491,831,552,031	144,925,467,954
Temkinli Değişken EYF	11,268,268,841	511,760,864	1,488,731,731,159	67,612,240,302
Borçlanma Araçları EYF	12,172,010,735	1,009,014,515	1,487,827,989,265	123,334,988,998
Dış Borçlanma Araçları EYF	12,486,803,795	1,810,507,119	1,487,513,196,205	215,680,488,371
Dengeli Değişken Grup EYF	2,105,427,477	166,478,873	1,497,894,572,523	118,440,021,744
Borçlanma Araçları Grup EYF	4,110,487,640	219,604,280	1,495,889,512,360	79,917,897,198
Dış Borçlanma Araçları Grup EYF	4,035,635,374	408,191,992	1,495,964,364,626	151,312,307,589
Hisse Senedi Grup EYF	3,737,163,644	147,988,418	1,496,262,836,356	59,250,512,057
Sürdürülebilirlik Hisse Senedi EYF	3,537,455,714	91,924,098	1,496,462,544,286	38,887,075,676
Değişken EYF	11,871,793,007	862,268,222	1,488,128,206,993	108,085,727,930
Uzun Vadeli Kamu Borçlanma Araçları EYF	540,480,989	22,984,355	1,499,459,519,011	63,766,015,505
Katkı EYF	129,292,219,760	2,727,203,532	1,370,707,780,240	28,912,339,209
Para Piyasası EYF	19,635,983,304	1,475,331,490	1,480,364,016,696	111,225,670,030
Özel Sektör Borçlanma Araçları EYF	13,280,645,060	431,022,020	1,486,719,354,940	48,251,476,665
Standart EYF	49,504,159,545	1,100,734,929	1,450,495,840,455	32,251,775,013
Başlangıç EYF	7,372,659,814	128,840,928	1,492,627,340,186	26,085,155,397
Başlangıç Katılım EYF	6,032,491,717	99,212,017	1,493,967,508,283	24,569,789,641
OKS Temkinli Değişken Emeklilik Yatırım Fonu	252,891,383	3,901,052	1,499,747,108,617	23,135,098,898
OKS Temkinli Katılım Değişken EYF	189,329,813	2,813,480	1,499,810,670,187	22,287,186,559
OKS Dengeli Değişken Emeklilik Yatırım Fonu	344,854,808	5,325,098	1,499,655,145,192	23,157,674,752
OKS Dengeli Katılım Değişken EYF	516,447,519	8,310,380	1,499,483,552,481	24,128,189,843
OKS Dinamik Değişken Emeklilik Yatırım Fonu	505,239,703	7,884,670	1,499,494,760,297	23,401,115,229
OKS Dinamik Katılım Değişken EYF	493,540,049	9,362,130	1,499,506,459,951	28,444,138,039
OKS Agresif Değişken Emeklilik Yatırım Fonu	571,932,796	8,130,514	1,499,428,067,204	21,315,869,403
OKS Agresif Katılım Değişken EYF	778,253,037	15,803,683	1,499,221,746,963	30,444,696,016
OKS Standart Emeklilik Yatırım Fonu	24,794,319,137	392,339,273	1,475,205,680,863	23,343,654,694
OKS Katılım Standart Emeklilik Yatırım Fonu	18,822,802,684	313,067,897	1,481,177,197,316	24,634,939,146
Total	659,720,955,716	23,494,931,366	48,840,279,044,284	2,159,224,112,654

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020

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18 INVESTMENT CONTRACT LIABILITIES (CONTINUED)

Pension operations (continued)

	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
Katki 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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Notes to the Financial Statements As of 31 December 2020

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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 2020			
	ADDITIONS DURING THE PERIOD	LEFT/CANCELLATIONS DURING THE PERIOD	OUTSTANDING	TOTAL AMOUNT
Individual	116,444	122,268	945,460	8,849,726,201
Group	42,288	25,407	242,823	3,001,031,884
Total	158,732	147,675	1,188,283	11,850,758,085

	1 JANUARY - 31 DECEMBER 2019			
	ADDITIONS DURING THE PERIOD	LEFT/CANCELLATIONS DURING THE PERIOD	OUTSTANDING	TOTAL AMOUNT
Individual	198,791	171,962	951,081	7,219,653,013
Group	39,679	34,492	225,942	2,444,395,727
Total	238,470	206,454	1,177,023	9,664,048,740

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups

	31 DECEMBER 2020			31 DECEMBER 2019		
	NUMBER OF CONTRACTS	GROSS CONTRIBUTIONS	NET CONTRIBUTIONS	NUMBER OF CONTRACTS	GROSS CONTRIBUTIONS	NET CONTRIBUTIONS
Individual	116,444	518,421,623	518,415,216	198,791	484,812,864	484,808,735
Group	42,288	315,038,933	315,035,551	39,679	115,678,829	115,672,808
Total	158,732	833,460,556	833,450,767	238,470	600,491,693	600,481,543

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 2020			31 DECEMBER 2019		
	NUMBER OF CONTRACTS	GROSS CONTRIBUTIONS	NET CONTRIBUTIONS	NUMBER OF CONTRACTS	GROSS CONTRIBUTIONS	NET CONTRIBUTIONS
Individual	3,501	189,467,781	189,467,781	4,933	234,909,393	234,909,393
Group	1,361	71,713,306	71,713,306	1,459	71,284,064	71,284,064
Total	4,862	261,181,087	261,181,087	6,392	306,193,457	306,193,457

Distribution of individual and group participants and their gross and net contributions which were transferred from life insurance portfolio during the period

None.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020
(Currency:Turkish Lira (TL))

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 2020			31 DECEMBER 2019		
	NUMBER OF CONTRACTS	GROSS CONTRIBUTIONS	NET CONTRIBUTIONS	NUMBER OF CONTRACTS	GROSS CONTRIBUTIONS	NET CONTRIBUTIONS
Individual	122,268	1,706,987,604	1,706,867,620	171,962	1,798,764,977	1,798,440,542
Group	25,407	479,313,596	479,302,490	34,492	520,383,915	520,364,945
Total	147,675	2,186,301,200	2,186,170,110	206,454	2,319,148,892	2,318,805,487

19 TRADE AND OTHER PAYABLES AND DEFERRED INCOME

	31 DECEMBER 2020	31 DECEMBER 2019
Payables due to main operations	23,738,614,923	17,986,854,781
Taxes and other liabilities and provisions	48,483,009	32,881,697
Due to related parties	695,353,506	6,695,835
Deferred commission income (Note 10)	11,041,936	6,978,135
Expense accruals (*)	35,203,499	29,431,263
Other various payables (**)	3,362,426	5,077,873
Total	24,532,059,299	18,067,919,584
Short term liabilities	24,532,059,299	18,067,919,584
Total	24,532,059,299	18,067,919,584

(*) Expense accruals as of December 31, 2020 and December 31, 2019 consist of personnel premium accruals, performance accruals and other expense accruals. As of December, 31 2020, other expense accruals consist of free provision TL 12.000.000 (December 31, 2019: TL 12.000.000).

(**) As at December 31, 2020 and December 31, 2019, 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, 2020 and December 31, 2019 are detailed below:

	31 DECEMBER 2020	31 DECEMBER 2019
Payables to reinsurers (Note 10)	8,648,294	14,079,663
Payables to agencies	23,645,224	22,497,980
Payables to policyholders	97,434	724,673
Total payables due to insurance operations	32,390,952	37,302,316
Payables s due to pension operations (Note 18)	23,706,223,971	17,949,552,465
Payables from main operations	23,738,614,923	17,986,854,781

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020
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19 TRADE AND OTHER PAYABLES AND DEFERRED INCOME (CONTINUED)

Corporate tax provision and prepaid taxes are disclosed below:

	31 DECEMBER 2020	31 DECEMBER 2019
Corporate tax provision	138,699,376	133,230,019
Prepaid taxes during the period	(102,434,722)	(114,660,339)
Corporate tax payable, net	36,264,654	18,569,680

Total amount of investment incentives which will be benefited in current and forthcoming periods.

None.

20 FINANCIAL LIABILITIES

As of December 31, 2020, the Company recognized TL 1.408.533 financial lease liability (31 December 2019: TL 6.512.388) and TL 62.272 deferred lease liability (31 December 2019: TL 1.163.483) recognized in financial statement for TFRS 16 purpose.

21 DEFERRED TAXES

As at December, 31 2020 and December, 31 2019, the detailed analysis of the items resulting deferred tax assets and liabilities are as follows:

	31 DECEMBER 2020	31 DECEMBER 2019
	DEFERRED TAX ASSETS/ (LIABILITIES)	DEFERRED TAX ASSETS/ (LIABILITIES)
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(2,652,766)	(2,854,939)
Provision for impairment in receivables from participants	10,419,571	9,643,148
Equalization provision	6,553,831	5,323,761
Provision for employment termination benefits and unused vacation pay liability	3,001,767	2,053,701
Provision for personnel bonus	-	-
Plan bonus provision	1,397,003	1,946,972
Entrance fee discount provision	1,805,232	1,320,885
Provisions for lawsuits	809,091	540,587
Other expense accruals	1,516,434	900,945
Deferred tax asset/(liability), net	22,850,163	18,875,060

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 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%.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020
(Currency:Turkish Lira (TL))

21 DEFERRED TAXES (CONTINUED)

Movement of the deferred tax assets / (liabilities) during the periods ending December 31, 2020 and December 31, 2019 is presented below:

	1 JANUARY - 31 DECEMBER 2020	1 JANUARY - 31 DECEMBER 2019
Beginning balance, January 1	18,875,060	18,086,467
Recognized in the income statement (Note 35)	2,484,899	1,632,634
Recognized in the equity (Note 4.2)	1,490,204	(844,041)
Closing balance as of end of the period	22,850,163	18,875,060

22 RETIREMENT BENEFIT OBLIGATIONS

None.

23 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

As at December 31, 2020 and 2019; the details of the provisions for other risks are as follows:

	31 DECEMBER 2020	31 DECEMBER 2019
Provision for unused vacation pay liability (long term)	1,757,243	1,772,202
Provision for unused vacation pay liability (short term)	856,910	855,332
Provisions for lawsuits	4,045,453	2,702,933
Provisions for costs	6,659,606	5,330,467
Provision for employment termination benefits	12,394,681	7,555,436
Total provisions for other risks	19,054,287	12,885,903

Movement of provision for employment termination benefits during the period is presented below:

	1 JANUARY - 31 DECEMBER 2020	1 JANUARY - 31 DECEMBER 2019
Provision for employment termination benefits at the beginning of the period	7,555,436	7,707,639
Interest cost	1,014,896	1,316,588
Service cost	1,638,553	2,353,857
Payments during the period	(632,875)	(2,546,172)
Actuarial loss	2,818,671	(1,276,476)
Provision for employment termination benefits at the end of the period	12,394,681	7,555,436

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020
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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 2020	1 JANUARY - 31 DECEMBER 2019
Fund management fee	294,355,805	216,349,252
Management fee deduction	80,105,472	73,364,456
Entrance fee	26,817,148	43,752,268
Management fee deduction in case of interruption	630,158	1,904,700
Other technical income	-	-
Total pension technical income	401,908,583	335,370,676

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 2020, fees charged to saving life policyholders amounts to TL 21.767 (December, 31 2019: TL 21.029).

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

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 2020 (January, 1 - December 31, 2019: None).

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020
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30 INVESTMENT CONTRACT BENEFITS

As at and for the year ended December 31, 2020 and December 31, 2019, 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 2020	1 JANUARY - 31 DECEMBER 2019
Change in life mathematical provisions for investment contracts recognized in the statement of income	3,340,417	(6,972,157)
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)	1,057,700	1,118,953
Change in life mathematical provisions for investment contracts	4,398,117	(5,853,204)

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 2020 and December 31, 2019, the details of operating expenses are as follows:

	1 JANUARY - 31 DECEMBER 2020	1 JANUARY - 31 DECEMBER 2019
Commission expenses	(353,897,127)	(225,611,076)
<i>Commissions to intermediaries accrued during period</i>	(370,578,354)	(242,040,634)
<i>Change in deferred commission expenses</i>	14,251,234	12,124,185
<i>Deferred commission expenses</i>	2,429,993	4,305,373
Employee benefit expenses (Note 33)	(96,379,596)	(96,345,316)
Commission income from reinsurers	39,372,673	16,521,635
<i>Commission income from reinsurers accrued during period (Note 10)</i>	43,436,474	18,821,297
<i>Change in deferred commission income</i>	(4,063,801)	(2,299,662)
Information technology expenses	(39,300,231)	(23,961,288)
Office expenses	(14,296,242)	(9,008,492)
Advertisement and public related expenses	(7,983,628)	(11,221,234)
Other expenses	(6,611,139)	(7,988,888)
Total	(479,095,290)	(357,614,659)

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020
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33 EMPLOYEE BENEFIT EXPENSES

For the year ended December 31, 2020 and December 31, 2019, the details of employee benefit expenses are as follows:

	1 JANUARY - 31 DECEMBER 2020	1 JANUARY - 31 DECEMBER 2019
Wages and salaries	(57,089,617)	(53,232,518)
Bonus, premium and commissions	(9,625,856)	(15,713,379)
Employer's share in social security premiums	(10,868,689)	(9,955,148)
Employment termination benefits and unused vacation expenses	(458,271)	(745,803)
Other benefits	(18,337,163)	(16,698,468)
Total (Note 32)	(96,379,596)	(96,345,316)

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:	(138,699,376)	(133,291,729)
Deferred tax income:	2,484,899	1,632,634
Total income tax expense presented in the statement of income	(136,214,477)	(131,659,095)

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, 2020 and December 31, 2019 is as follows:

	1 JANUARY - 31 DECEMBER 2020		1 JANUARY - 31 DECEMBER 2019	
PROFIT BEFORE TAXES	607,724,158	TAX RATE (%)	439,268,985	TAX RATE (%)
Taxes on income per statutory tax rate	(133,699,315)	(22)	(128,966,757)	(22)
(Additions)/discounts, net	(2,515,162)	(0.41)	(2,692,338)	(0.46)
Total income tax expense presented in the statement of income	(136,214,477)	(22.41)	(131,659,095)	(22.46)
Total income tax expense presented in the statement of income	(136,214,477)	(22.41)	(131,659,095)	(22.46)

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020
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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 2020, the probable liability amount that will arise in the situation that all the cases that Company is defendant results against the Company is TL 16.001.948 (December, 31 2019: TL 15.044.499) in gross. The Company has recorded provision of TL 26.511.810 (December, 31 2019: TL 24.679.852) for such lawsuits including interests and other expenses in the outstanding claims reserve in the accompanying financial statements.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020
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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 2020	31 DECEMBER 2019
Less than 1 year	3,758,652	3,915,729
More than 1 year less than 5 years	1,778,715	4,344,252
Total of minimum rent payments	5,537,367	8,259,981

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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Notes to the Financial Statements As of 31 December 2020
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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, 2020 and December 31, 2019 are as follows:

	31 DECEMBER 2020	31 DECEMBER 2019
T.Garanti Bankası A.Ş.- demand deposits	7,667,799	7,116,412
T.Garanti Bankası A.Ş.- time deposits and debt securities	1,903,751,383	1,315,202,274
Banks	1,911,419,182	1,322,318,686
T.Garanti Bankası A.Ş. - credit card collections	185,245,632	142,956,350
Receivables from credit card collections less than 3 months (Not 14)	185,245,632	142,956,350
Garanti Faktoring Hizmetleri A.Ş.	8	71,604
T. Garanti Bankası A.Ş.	427,776	-
Garanti Hizmet Yönetimi A.Ş. - portfolio management	-	-
Garanti Finansal Kiralama A.Ş.	630	1,038
Garanti Bilişim Teknoloji Ve Tic.A.Ş.	-	92
Garanti Portföy Yönetimi A.Ş.	-	-
Garanti Gayrimenkul Yatır. Ortak. A.Ş.	378	-
Garanti Filo Yönetim Hizmetleri A.Ş.	-	-
Receivables from main operations	428,792	72,734
T. Garanti Bankası A.Ş.	-	71,772
Due from shareholders	-	71,772
T. Garanti Bankası A.Ş. - commissions payable (net)	23,158,292	22,873,603
Payables from main operations	23,158,292	22,873,603
Eureko Sigorta A.Ş. - shared expenses and premiums written	709,441	104,860
T. Garanti Bankası A.Ş.- (*)	594,531,554	1,690,175
Garanti Hizmet Yönetimi A.Ş. - portfolio management	187,890	168,000
Achmea b.v (*)	89,250,000	-
Due to shareholders	684,678,884	1,963,035
Garanti Portföy Yönetimi A.Ş. - pension funds management	10,627,389	4,665,787
Antur Turizm A.Ş. - transportation expenses	-	6,887
Garanti Filo Yönetim Hizmetleri A.Ş. - car rental expenses	725	22,541
Payables to related parties	10,628,114	4,695,215

(*) As of 31 December 2020, comprises from dividend payables due to shareholders.

No guarantees have been taken for the receivables from related parties.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020
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45 RELATED PARTY TRANSACTIONS (CONTINUED)

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.

The transactions with related parties during the year ended December 31, 2020 and December 31, 2019 are as follows:

	1 JANUARY - 31 DECEMBER 2020	1 JANUARY - 31 DECEMBER 2019
T. Garanti Bankası A.Ş.	8,358,718	7,866,221
Garanti Ödeme Sistemleri A.Ş.	213,565	218,437
Garanti Yatırım Menkul Kıymetler A.Ş.	154,206	140,570
Garanti Finansal Kiralama A.Ş.	149,158	131,163
Eureko Sigorta A.Ş.	-	-
Garanti Portföy Yönetimi A.Ş.	100,632	87,689
Other	296,690	310,170
Written premium	9,272,969	8,754,250
T. Garanti Bankası A.Ş.	4,493,951	3,170,555
Claim paid	4,493,951	3,170,555
T. Garanti Bankası A.Ş.- interest income on bank deposits	96,081,527	203,874,673
Investment income	96,081,527	203,874,673
T. Garanti Bankası A.Ş. - paid commissions (*)	363,596,658	236,209,207
T. Garanti Bankası A.Ş.- rent, tax and other expenses	27,783,024	20,873,898
Eureko Sigorta A.Ş. - health and casco premiums	102,212	96,736
Garanti Filo Yönetim Hizmetleri A.Ş.- vehicle rent	2,883,833	2,430,558
Antur Turizm A.Ş. - tourism expenses	-	-
Garanti Portföy Yönetimi A.Ş.	10,627,389	4,665,787
Operations expense	404,993,115	264,276,186

(*)Amounts are demonstrated as gross amounts without deferred commission expenses.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

Notes to the Financial Statements As of 31 December 2020

(Currency:Turkish Lira (TL))

46 EVENTS AFTER THE REPORTING PERIOD

None.

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, 2020 and December 31, 2019, details of the rediscount and provision expenses are as follows:

	1 JANUARY - 31 DECEMBER 2020	1 JANUARY - 31 DECEMBER 2019
Provision for employment termination benefits (Note 23)	(2,653,449)	(3,670,445)
Provision for entrance fee receivables (Note 4.2)	803,302	(2,285,040)
Provision for lawsuits (Note 23)	(1,342,520)	(710,703)
Provision for unused vacation pay liability (Note 23)	13,381	(342,457)
Provision (expense) / release for receivables from main operations (Note 12)	28,088	8,106
Other (*)	-	(9,000,000)
Total provision expenses	(3,151,198)	(16,000,539)

(*) As of December 31, 2020, other's amount is reflection of free provision TL 12.000.000 in income statement (December 31, 2019: TL 12.000.000).

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DESPITE
CHALLENGING
CIRCUMSTANCES,
WE HAVE CONTINUED
TO WORK TOGETHER
FOR OUR FUTURE
WITH THE SAME CARE
AND EXCITEMENT!