



 **Garanti Emeklilik**
"Always by your side"

GARANTİ PENSION
ANNUAL REPORT 2014



Annual Journal of a Pension Company

GARANTİ
PENSION
2014
ANNUAL
REPORT

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Always by your
side.
That's why we
are #1!

As Garanti Pension employees, we stand beside each other under any circumstances. We draw strength from each other to succeed and, with this strength, we are always by our customers' side.

We stand together with our colleagues, participants, policyholders and stakeholders; therefore, we are the most preferred and #1 private pension company in Turkey!

 **Garanti Emeklilik**
"Always by your side"

Financial Indicators

Garanti Pension and Life's fund size climbed to TL 5.6 billion with 871 thousand participants at year-end 2014.

Total Pension Funds
(TL million)



↑ 37.3%
Growth

Number of Participants
(thousand)



↑ 14.1%
Growth

As in previous years, Garanti Pension and Life was the market leader in terms of the number of private pension participants in 2014.

Garanti Pension and Life has been the most profitable company in the sector for the past five years.*

Life Insurance
Premium Production
(TL million)



↑ 6.9%
Growth

Net Profit
(TL million)



↑ 23.1%
Growth

*The source is TSE, dated 30.09.2014.

About Garanti Pension and Life

Garanti Pension and Life not only aims to achieve success, but also places great importance on continuing its track record of achievements. Thanks to this approach, the Company ranks among the most powerful players in the sector.

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

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

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

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

In all of its operations, Garanti Pension and Life strives to provide a happy and a secure future for customers, and places great importance on continuing its successful track record of achievements. Thanks to this approach, the Company ranks among the most powerful players in the sector. For Garanti Pension and Life, providing customer satisfaction is a top priority and the Company develops its product and service offering accordingly. In addition, Garanti Pension and Life has a dynamic organizational structure that can rapidly meet emerging needs; the Company also maintains a strong position in a changing market environment. With all these competitive advantages, the Company adds significant value to Turkey’s pension and life insurance sectors. Garanti Pension and Life has achieved many “firsts” in its two operational sectors, with customer-tailored services that result from its people-oriented approach. The Company continues to serve as a model for other companies operating in the sector, thanks to its know-how in bancassurance and deep financial expertise.



The Company has achieved many “firsts” in the sector by developing products and services tailored to customers’ needs.



We support success

We place great importance on achieving the best in our business, and believe in continuous improvement.

Journey to Market Leadership

Innovative approaches for changing market conditions

Marketing activities to promote corporate pension plans started.

Due to evolving customer needs, the Company updated its Credit Life products and added "Guarantor Life Insurance" to the product lineup.

Different solutions for different needs

Garanti 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.

Thought leader of the sector

The "Garanti Pension Hobby Clubs" initiative, which aims to add value to the social lives of customers, launched.

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

Introducing pension products to customers

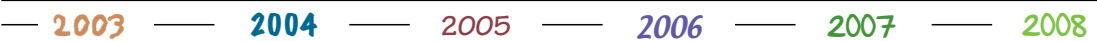
Garanti Pension and Life entered the sector by offering pension products.

Market leader in group plans in its third year

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

Strong international partnerships

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



The "Garanti Pension" brand grows stronger with innovations

The Company launched the "Online Pension Advisor" service, a first in the sector.

Private pension plans were developed specially for participation banking customers.

The Company launched the corporate social responsibility initiative "Back to School."

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

"Always by your side"

Garanti Pension and Life maintained its market leadership in the number of participants throughout 2013 and 2014.

Garanti Pension's new communication concept is "Always by your side".

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

Garanti Pension and Life won the "Highest Corporate Governance Rating Score" award in the "Private Companies" category at the 8th International Corporate Governance Summit.

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

The Company updated its private pension products in line with new legislation. Garanti Pension and Life developed special products for self-employed and young customers.

A pioneer in innovation

Garanti 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.

By rolling out the Mobile Branch application, Garanti Pension and Life allowed customers to monitor their accounts via cell phones 24/7.

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

Customer-focused investments and practices

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

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

Sector leader in number of participants

Thanks to the coordination with Garanti Bank and effective marketing campaigns, the Company became sector leader in number of participants.

The Company revamped garantiemeklilik.com.tr with an appealing visual quality, user-friendliness and advanced functionality to further improve customer accessibility and increase user satisfaction.

Having performed strongly in the compliance review by Investors in People (IIP), the world's only international human resources quality standard, Garanti Pension and Life became the first and the only company in the sector to be awarded "Silver" certification.

2009

2010

2011

2012

2013

2014

Vision


To become the best
Private Pension and Life Insurance Company
in Europe

Mission

We stake a claim on the happy future of
our stakeholders, guide them, add value
and make them feel assured.

Core Values

- I exceed customers' expectations.
- I believe in open dialogue.
- I strictly abide by all applicable laws.
- I conduct myself in an honest and ethical manner.
- I achieve customer satisfaction with happy employees.
- I strive to learn continuously to achieve the best performance in my job.
- I am innovative and creative.



"Innovation and creativity"
are among the core values of
Garantí Pension and Life.



We support happiness

We believe happy customers can only be attained with happy employees.

Competitive Advantages



Empowered by the strength of the Garanti brand, Garanti Pension and Life stands out and makes a difference in the sector with its customer-focused approach, advanced technology infrastructure, know-how and experience.

Garanti Pension and Life's most important competitive advantage in both private pension and life insurance is its experience and skill in the bancassurance area. The synergy between the Company and its main distribution channel Garanti Bank is an unrivaled model that has attracted the sector's attention for many years. Garanti Pension and Life has a significant competitive advantage with not only the compatibility between the Company and Garanti Bank in terms of advanced technology infrastructure, systems and regional sales organization, but also with the depth of collaboration carried out within a shared corporate culture and service approach.

Brand equity of "Garantİ"

- The reliability provided by the Garanti brand
- The synergy and collaboration with Garanti Bank

Financial strength and an advanced technology infrastructure

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

Customer-centric service approach

- Customized and exclusive solutions for the needs of customers
- Continuous development of after sales services
- Practices that reinforce closer customer relationships

Corporate culture and human resources

- Organizational structure that enables rapid adaptation to a changing market environment
- Creative and highly competent workforce capable of taking initiative
- Emphasis on life-long development
- Internal customer satisfaction efforts

Effective sales force

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

Garanti Bank in Brief

Garanti Bank has pursued a profitable and sustainable growth strategy since day one. The Bank has also served as a pioneer in all its operational areas.

Established in Ankara in 1946, Garanti Bank is Turkey's second largest private bank with consolidated assets totaling over US\$ 107 billion as of September 30, 2014.

Garanti Bank operates in corporate, commercial, private, retail and investment banking as well as in SME banking and payment systems. The Bank serves as an integrated financial services group with subsidiaries that operate in the life insurance and private pension, leasing, factoring, securities and asset management sectors. Garanti Bank's international subsidiaries are located in the Netherlands, Russia and Romania.

As of September 30, 2014, Garanti Bank provides a wide range of financial services to more than 12.8 million customers with about 19 thousand employees. The Bank's branch network includes 987 domestic locations and eight foreign branches, with six in Cyprus and one each in Luxembourg and Malta. In addition, the Bank has representative offices in London, Düsseldorf and Shanghai; over 4,000 ATMs; an award-winning Call Center; an extensive distribution network consisting of internet and mobile branches as well as social banking platforms, all of which feature an advanced technology infrastructure.

Garanti Bank has pursued a profitable and sustainable growth strategy since day one. The Bank has also served as a pioneer in all its operational areas. Thanks to its skilled and dynamic workforce, unrivalled technology infrastructure, customer-focused service approach, innovative and high quality products and services, Garanti Bank is the leader of the Turkish banking industry.

Adopting the best practices in corporate governance, Garanti Bank is jointly managed by two powerful corporations, Doğuş Holding and Banco Bilbao Vizcaya Argentaria S.A. (BBVA), on an equal partnership basis. The Bank's shares are publicly listed and traded in Turkey with a free float of 49.93% on Borsa Istanbul as of September 30, 2014. In addition, Garanti Bank depositary receipts are traded in the UK and US.

Standing out with a dynamic business model, Garanti Bank facilitates the lives of customers through the use of advanced technology applications, which are integrated into its innovative products and services. Custom-tailored solutions and a wide product variety play a key role in the Bank's US\$ 79 billion cash and non-cash loan portfolio. Garanti Bank's high asset quality is achieved through advanced risk management systems and a well-established risk management culture, which differentiate the Bank in the sector.

Garanti Bank aims to create value not only for customers and shareholders, but also for all stakeholders as well as society as a whole. The long-term contributions it provides in the areas of culture, arts, the environment, education, and sports reflect Garanti Bank's heightened social awareness and the importance placed on sustainability.



Achmea B.V. in Brief

Achmea Group is a leading international insurance group with 200 years of experience. The Group is headquartered in the Netherlands and operates with 22,000 employees in the Benelux region and in eight other European countries. Achmea Group's main area of business is insurance and it ranks among the leading companies in the sector in Europe. The Group serves customers with a rich portfolio of services consisting of pension, health insurance and non-life insurance products within its insurance and financial services business.

Achmea Group works to help people live healthier lives, provide coverage and protection from damages resulting from fire, traffic accidents and burglary and ensure long term financial security. Through its micro insurance projects, Achmea also contributes to the development of economic sustainability 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 strong market positions in Turkey, Russia, Slovakia, Ireland, Romania and Bulgaria.

Active in all insurance branches and distribution channels, Achmea is preferred by one in two people in the Netherlands.



Chairman's Message

We all feel well-deserved pride in again becoming the most profitable company in the sector, just as we have for the previous four years.

Global economic recovery continued in 2014, as in the previous year. While developed economies showed gradual improvement, the opposite occurred in developing countries and their growth performance weakened.

Starting from the second quarter of 2013, the US moved towards an exit from its expansionary monetary policy, leading to fluctuations in financial markets worldwide and resulting in a negative impact on many developing countries, Turkey among them. As a result, capital outflows, fluctuations in financial markets and currency depreciation followed, and were particularly evident in developing countries burdened with high current account deficits. With the weak performance of the Chinese economy in the first quarter of 2014, growth forecasts were revised downward for 2014 and 2015.

Turkey entered the year 2014 facing volatility arising from the Fed's activities and from abroad, as well as from the country's own political situation. Thankfully, declining domestic demand was countered by an increase in exports and thus the drop was less than expected. Further, with results of local elections generating a more positive outlook, the market recovered its losses. Compared to 2013, Turkey achieved a slight improvement in economic growth, largely balancing its current account deficit and moving closer to normalization in 2014.

Political volatility diminished to a certain degree following the presidential election in August; however, the US dollar continued to rise in the third quarter, crisis erupted in the Middle East, and geopolitical risks emerged due to the conflict between Ukraine and Russia. All these factors heightened the risks threatening the Turkish economy and markets. At the same time, the decline in oil prices caused by an oil surplus was the most promising development for Turkey - a commodity-importing country - as it pointed towards a reduction in the current account deficit.

While the real economy showed modest growth and the current account deficit shrunk in 2014, high inflation and unemployment continued to prevail. Turkey completed the normalization process in dealing with its current account deficit problem, yet the country's currency significantly depreciated in 2014; the current account deficit and inflation are expected to resume their downward trend in 2015 due to low oil prices. Meanwhile, domestic demand is expected to contribute more to economic growth, and expansionary monetary policies in Europe could lead to higher foreign demand.

In 2014, Garanti Pension and Life was the first company in the sector to reach a total of 800,000 participants, and it continues its strong performance in the pension sector.

The Turkish government believes that the private pension system plays an important role in curbing the current account deficit by boosting the domestic savings rate; therefore, it has taken significant steps to encourage participation in the system. In particular, the government's 25% match to participants' monthly contribution has lifted the sector.

Thanks to legislative changes, Turkey's private pension system experienced a banner year in 2013, and gained more than 1 million new participants. This growth momentum continued in 2014 as well. With more than 5 million participants, a total of TL 35 billion in pension funds and TL 3 billion in state contributions have accumulated in the private pension system, which is based on voluntary contribution.

Having maintained its leadership position in participant numbers in 2013 and 2014, Garanti Pension is a major player in the sector. In 2014, Garanti Pension and Life was the first company in the sector to reach a total of 800,000 participants, and it continues its strong performance in the pension sector.

The life insurance segment, our second area of business, contracted by 4% due to the decline in consumer loans during the first half of the year. However, Garanti Pension and Life maintained steady growth and managed to increase its market share to 10%.

We all feel well-deserved pride in becoming, once again, the most profitable* company in the sector, just as we have in the previous four years. As the leader of the sector, we will continue our journey of success through further improving our sales and service models in line with our customer-oriented business strategy. I would like to express my deepest gratitude to all our employees, who have helped us create this wonderful portrait of success and pride, and also to all our participants, policyholders and stakeholders.

Respectfully yours,

*The source is TSB, dated 30.09.2014.



Ergun ÖZEN
Chairman of the Board of Directors

CEO's Message

Today, Garanti Pension and Life is always by its customers' side in every city across Turkey.

Looking back at the global economy in 2014, we see that growth rose in developed countries, while developing countries experienced a slowdown in economic growth. Turkey began the year facing economic volatility abroad and political uncertainties domestically. However, during the year, markets recovered their losses and the current account deficit dropped.

In order to stabilize its current account deficit, Turkey must raise its domestic savings rate - which dropped to 13% in 2013 - to about 19%. The private pension system will be the greatest contributor in achieving this goal.

The Turkish private pension sector continues to grow.

The state's subsidy contribution, which boosted interest in the private pension system and led to considerable growth in participant numbers and significant expansion in the sector, has grown to TL 3 billion since 2013. In 2014, the number of participants in the system increased 22%, climbing to 5.1 million. More good news for the sector is that this remarkable growth has been realized across the entire country, as targeted. In addition to the rapid growth in the number of participants, the system's fund size also increased, reaching TL 35 billion.

The number of our participants and our fund size are growing rapidly...

Garanti Pension and Life continues its rapid growth thanks to successful bancassurance operations carried out in collaboration with Garanti Bank. Leading the sector in 2013 in terms of the number of participants, Garanti Pension also became the first private pension company to reach a total of 800,000 participants in 2014: Our leadership journey continued with 871,000 participants. The fund volume of Garanti Pension and Life expanded by 37% in 2014, reaching TL 5.6 billion. Today, Garanti Pension and Life stands beside its customers in every city across Turkey.

Our growth in the life insurance segment also continues...

In 2014, our Company recorded a solid performance in the life insurance segment as well. The life insurance sector contracted by 4% during the first half of 2014, mainly due to a decline in consumer loans; but it entered a recovery period in the second half of the year. In 2014, premium production in the life insurance sector dropped 4% compared to the previous year. At the same time, Garanti Pension and Life maintained a strong performance throughout the year, and achieved 7% growth with premium production totaling TL 319 million. With its customer-centric service approach, technology investments and successful sales strategy, our Company continues to set an example for other companies in the sector.

A step-by-step journey to customer satisfaction

While our customer base is expanding rapidly, we place great importance on developing new approaches and business models by investing in technology - without compromising on service quality. In line with our Company's customer-focused strategy, we continued to improve our sales and service models throughout 2014, and our ongoing efforts were recognized with numerous awards in international platforms. In 2015, we will continue to lead the sector by prioritizing the evolving needs of our customers and restructuring our business processes to ensure that customers feel our support on their journey to retirement.

Under the "Back to School" project, we helped 525 children return to school.

In addition to creating value for its customers and employees, Garanti Pension and Life also continued to add value to society throughout 2014. With our social responsibility project "Back to School," ongoing for more than four years now, we have reached out to approximately 5,000 students and parents. To date, our Company has helped a total of 525 children (225 children in 2014) leave their jobs and return to school, where they belong. Our purpose is to enable our children to resume their education and become well-educated, self-confident individuals. As the Garanti Pension family, we will continue to provide support for the education and wellbeing

Garanti Pension and Life continues its rapid growth thanks to the successful bancassurance operations carried out in collaboration with Garanti Bank.

of our children - who are the future of our country - through our social responsibility projects in the coming years.

Our financial achievements stand out in the sector

Achieving its sustainable profitability goal in 2014 as well, Garanti Pension and Life generated technical profit of TL 127 million in the life insurance segment, and TL 21 million in the private pension segment. About 69% of our Company's pre-tax profit originated from the technical profit gained in our operating sectors. Garanti Pension and Life increased its net profit to TL 170 million in 2014, standing out as the most profitable* company in the sector. Thanks to financial awareness and effective balance sheet management, our Company continues to grow and gain value in its sector.

The Company of "Firsts"

Solidifying its achievements through steady investments in human capital, Garanti Pension won Peryön's Human Management Award in 2014, outpacing some of its major competitors. Our Company received another important award in the field of Corporate Governance. In 2013, Garanti Pension and Life became the first company to be rated for corporate governance compliance among all insurance and private pension companies. In 2014, our Company further excelled in this area, and received the highest rating score among private companies.

Thanks to our pioneering practices in every area, we will continue to go from strength to strength and enjoy the pride of major awards in the coming years. At Garanti Pension and Life, our primary goal for 2015 is to further increase our profitability and become the sector's leading and most preferred company.

I would like to express my deepest gratitude to all our valuable employees, with whom we celebrate the great achievements of Garanti Pension and Life and confidently move forward on our leadership journey; to our participants and policyholders who have preferred our Company; and to our stakeholders, with whom we create a wonderful synergy.

I am looking forward to sharing with you the joy and pride of further achievements in 2015.

Respectfully yours,



Cemal ONARAN
CEO

*The source is TSB dated 30.09.2014.

Overview of the Economy in 2014

The year 2014 started with uncertainties arising from the Federal Reserve Bank policies, abroad and, as well, Turkey's political situation. In January, the Central Bank of Turkey (CBRT) raised interest rates significantly to alleviate unease in the markets; yet it was unable to entirely banish the negative perceptions that had developed. Thankfully, declining domestic demand was countered by an increase in exports and thus the tumble was smoother than expected. In addition, a positive perspective on the local elections also stimulated the market's recovery.

Starting with the elections, which led to a more positive outlook, the BIST 100 Index rose and the economy grew 4.3% in the first quarter. Nevertheless, mounting inflation rose to 9.66% in the second quarter. In the year's second quarter, uneasiness grew as well in the domestic market due to the steady rise of the US dollar, fluctuations in the BIST, and growth dipped to 2.1%.

Political volatility eased following the presidential election in August; however, the US dollar continued to rise in the third quarter, crises erupted in the Middle East, and geopolitical risks emerged due to the conflict between Ukraine and Russia. All these factors expanded the risks threatening the Turkish economy and market. Additionally, the monetary policies implemented by the US and European Central Banks produced volatility in international markets while the economic slowdown in the Eurozone and China led to larger concerns over global economic growth. At the same time, the 25% decline in oil prices caused by the oil surplus, and the resulting drop in the current account deficit, were the most promising developments for Turkey.

The BIST 100 Index showed a strong performance from the first quarter of 2014, but in October fell to its lowest level in six months due to fluctuations in the third quarter. However, as a result of the drop in the current account deficit, as well as positive expectations toward lower inflation and higher growth in 2015, it regained strength and surpassed 84,000.

The BIST 100 Index rose and the economy grew ~~4.3%~~ 4.3% in the first quarter of the year.



The current account deficit, a major problem for the Turkish economy, dropped 35% compared to 2013, mainly due to the decline in oil prices, and totaled US\$ 47.6 billion in the 12-month period. At the same time, Turkey's economic growth lost pace in 2014 in conjunction with the global economic slowdown. After experiencing 2.2% growth in 2012 and 4.1% in 2013, Turkey's GDP expanded by 4.7% in the first quarter of 2014, and 2.1% in the second quarter; and the country posted 3.4% growth in the first two quarters of this year.

The one-week repo rate, which stood at 4.5% at year-end 2013, rose to 10% at the beginning of 2014. Thereupon, the CBRT gradually reduced its policy interest rate down to 8.25%. The overnight and prime lending rates followed a similar pattern, with overnight and prime lending rates rising to 8% and 12% at the beginning of 2014, from 3.5% and 7.75% at year-end 2013, respectively. During the year's last period, these rates were announced as 7.5% and 11.25%, respectively.

Standing at 10% at year-end 2013, Turkey's unemployment rate dropped to 8.8% in May 2014, mainly as a result of GDP growth and first quarter figures; however, it went up to 10.1% in August.

The inflation rate, another key economic indicator, continued to rise during the year and reached 8.96%, according to October data. Meanwhile, the PPI, 6.97% at year-end 2013, rose to 12.98% in 2014 and fell to 10.1% in October.

While the real economy showed modest growth and the current account deficit dropped due to the decline in oil prices, high inflation and unemployment remained prevalent in 2014. However, heightened expectations towards relief in the European markets, and a gradual increase in special consumption and investment as well as foreign capital inflows and exports should geopolitical tensions ease, could lead to strengthened economic growth in Turkey in 2015.

Starting from the first quarter of 2014, the BIST 100 Index performed to expectations.

Sector Developments in 2014

The Private Pension System continues to grow

Thanks to the legislative changes implemented in 2013 and, particularly, the state subsidy contribution of 25%, the private pension system continued its rapid growth in 2014.

Turkey shows a great interest in the PPS

The purpose of the legislative changes was to increase the domestic savings rate - a key factor in reducing the current account deficit - via the private pension system. In particular, the 25% state contribution was aimed at expanding the system through encouraging the participation of housewives, non-tax payers, and unemployed people. Since January 2013, the total number of participants in the system has increased by 63% while the regions of Eastern and Southeastern Anatolia recorded the swiftest growth, with 88% and 87%, respectively. These figures demonstrate that the goal of expanding the system across Turkey has been successfully achieved.

Garanti Pension: Leader of the Sector

Becoming the first company in the sector to reach 800,000 participants, Garanti Pension and Life closed the year 2014 with a total of 871,000 participants and as the leader of the sector. With TL 5.6 billion in funds and 16.1% market share, Garanti Pension continues its rapid growth.

While the life insurance sector shrank, Garanti Pension continued to grow

The overall life insurance sector contracted by 4% compared to the previous year, mainly due to the decline in consumer loans during the first half of the year. However, Garanti Pension successfully managed growth in premium production due to diversified products tailored to the needs of customers and customer-centric practices.

With the legislative changes implemented in 2013 and the 25% state subsidy contribution, the private pension system continued its rapid growth in 2014.



Financial Strength of Garanti Pension and Life

By maintaining a solid market position and supporting its customers in every way, thanks to its robust financial structure and effective balance sheet management, Garanti Pension and Life again achieved great success in 2014. Garanti Pension and Life is considered a pioneer of new practices and a model in the sector, and the Company consistently targets sustainable profitability in the private pension and life insurance segments. With its customer-focused strategies, HR practices aimed at employee satisfaction, investments in technology infrastructure, integrated communications, and marketing and sales activities, as well as effective balance sheet management, Garanti Pension and Life recorded a very strong performance in 2014. The Company achieved rapid growth in total assets and profitability ratios during the year, as in prior reporting periods.

In 2014, Garanti Pension's total assets grew 38%, to TL 7.4 billion, while shareholders' equity was up 24%, to TL 877 million. Further strengthening its already robust financial structure with these results, the Company increased net profit after taxes by 23% over the previous year, to TL 170 million. The Company was once again the most profitable company in the sector, as in last four years.

A significant proportion of the Garanti Pension's profit originated from technical profit earned from operations in life insurance and private pension. Gross technical profit amounted to TL 148 million in 2014. Some 69% of the Company's pre-tax profit of TL 215 million for the year was comprised of technical profit.

Ensuring that customers feel the Company's unwavering support is a primary goal of Garanti Pension and Life in 2015. Moreover, the Company aims to maintain leadership in participant numbers and increase market share by expanding its fund size. Garanti Pension and Life plans to continue its successful performance in the life insurance segment in 2015 as well, by investing in technology and introducing new products.

Review of 2014 Operations



Garanti Pension and Life maintained sector leadership in the number of private pension participants in 2014 as well.

Sector leadership in number of participants

In February 2013, Garanti Pension became the first company to reach 800,000 participants, and thus the sector leader in terms of participant numbers. The Company closed the year 2014 as the leader of the sector with a total of 871,000 participants and 17.2% market share.

While the life insurance sector shrank, Garanti Pension continued to grow

In 2014, premium production in the life insurance sector dropped 4% compared to the previous year; meanwhile, Garanti Pension achieved 7% growth in premium production and increased its market share by 98 basis points. Generating TL 319 million in premiums, the Company increased its market share to 9.9%.



Koray Pişirici
Retail Sales



New sales processes changed the course of competition

We began implementing our new sales processes, developed by listening and responding to the needs of our customers and sales teams. With this customer-centric model, we brought customer and employee experience to the highest possible level. This model helped us create a common language to better understand the concerns of our customers and offer them better solutions through all our sales channels; the model also enabled us to offer customers an identical experience in all our sales channels. Thanks to these new sales processes, 107,000 new participants preferred Garanti Pension and Life in 2014.

The highest market share gain in fund size in six years

In 2014, Garanti Pension and Life increased its fund size by 37%, to TL 5,6 billion. With its market share reaching 16.1%, the Company has gained the highest share in total fund size over the last six years. After the new sales processes launched in 2014, the average amount of contributions in new private pension contracts increased 15% over the previous year.

Improvements in credit life insurance processes raised service quality

The Company increased customer and user satisfaction through systematic improvements to its business processes. The coverage terms and policy periods for credit life insurance products were aligned with loan terms and conditions, placing customers and business partners at the center. With this new process, the Company achieved internal and external customer satisfaction.

We began implementing our new sales processes, developed by listening and responding to the needs of our customers and sales teams. With this customer and employee-centric model, we brought customer and employee experience to the highest possible level.



Review of 2014 Operations

Garanti Pension and Life began working with 450 new corporations for employer-sponsored group plans.



Özlem ÖZKÖK
Corporate Sales

Automatic Enrolment: A new era

Garanti Pension and Life participated as a pilot company in the Automatic Enrolment project, which is expected to take the private pension sector in Turkey to an entirely new level. Efforts related to this new initiative will continue in 2015.

High ranking in employer-sponsored group plans

In 2014, Garanti Pension and Life began to work with 450 new corporations for employer-sponsored group plans. With 9% market share and 30,819 contracts, the Company moved up two spots to third place.

To accelerate the expansion of Turkey's private pension system, the Undersecretariat of the Treasury strongly encouraged the transfer of savings from foundations and trusts into the system, creating the necessary legal framework in 2014. After the Regulation went into effect, savings from the Fortis Bank Employees Security Foundation and the CBRT Members Social Security and Retirement Trust Foundation were transferred to the private pension system. Garanti Pension took a leading role in these transfers.

Garanti Pension and Life's Success Statement in Private Pensions

	2010	2011	2012	2013	2014
Pension Fund Size (TL million)	1,834.9	2,345.8	3,325.1	4,056.4	5,569.1
Pension Fund Size Market Share (%)	15.3	16.4	16.3	16.1	16.1
Number of Pension Participants	455,386	529,076	610,487	763,520	870,953
Pension Participants Market Share (%)	20.0	20.0	19.5	18.4	17.2
Total Pension Contributions (TL million)	1,501.8	2,058.4	2,677.3	3,567.7	4,512.3
Pension Contributions Market Share (%)	15.8	16.6	16.5	16.3	16.1

A Year of Growth in the Life Insurance Sector

Increase in Life Insurance Premium Production Continued

The overall life insurance sector significantly in 2014, mainly due to the decline in consumer loans during the first half of the year. Premium production in the sector shrank by 4%, and totaled TL 3.2 billion. While closely monitoring developments in the sector and designing new products accordingly, the Company also improved its existing product offering in line with customer needs. Garanti Pension and Life increased its life insurance premium production in 2014, with direct premium production of TL 319 million; the Company ranked fourth in the sector with a market share of 9.9%, an 98 basis-point improvement over 2013.

Thanks to its fruitful collaboration with Garanti Bank in the area of life insurance production, the Company has proven to be highly successful in bancassurance, setting an example for other companies in the sector. Through the Bank's extensive branch network, Garanti Pension and Life reaches a broad customer base. The Company's market share in risk life premium production was 11.4% in 2014. Garanti Pension and Life was the dominant market leader among all insurance providers in life insurance premium production through alternative distribution channels in 2014.

With TL 75.5 million in premium production generated through alternative distribution channels, Garanti Pension and Life is the sector leader. The Company plans to further bolster its sector leading position in this area in coming years.

Garanti Pension and Life's Success Statement in Life Insurance

	2010	2011	2012	2013	2014
Life Insurance Premium Production (TL million)	234.2	240	262.9	298.1	319
Life Insurance Premium Production Market Share (%)	10.9	9.1	9.8	8.9	9.9

The most successful practitioner of bancassurance in both private pension and life insurance segments, and the most profitable company in the sector, Garanti Pension and Life will continue to implement its effective and profitable business model in the coming years.

In 2014, Garanti Pension and Life became the sector leader in life insurance premium production through alternative distribution channels.

Customer-Centric Strategies



Aylin EŞKİNAT
Customer Relationship Management,
Marketing and Strategic Planning

Garanti Pension and Life shapes all of its activities in line with business models that place the customer at the center.

In 2014, Garanti Pension and Life successfully managed its ever-expanding customer base by using effective segmentation methods and adopting “the right channel and the right service” approach. To that end, the Company continued to diversify its range of customer services. In order to improve customer experience and ensure efficient use of the right resources, the Company performed trend analyses within the scope of data mining efforts, which are aimed at offering unique, proactive services tailored to customers’ needs. Additionally, Garanti Pension developed smart business processes to improve customer loyalty by analyzing the depth and impact of customer relationships with the Company.

Garanti Pension effectively communicated its personalized services and projects via social media and other interactive channels, created awareness about the private pension system, and provided guidance to everyone - whether or not they were customers - through successful 360-degree marketing campaigns. Additionally, the Company improved its business processes and technology infrastructure by adopting a customer and employee-centric approach in order to better meet the needs of customers and employees. As a result of these efforts, Garanti Pension and Life won the “Silver Award” in the category of “Insurance Sector - Marketing Campaign of the Year” at the Stevie Awards, the world’s premier business awards.

*“Silver Stevie Award” in
the category of “Insurance
Sector - Marketing
Campaign of the Year”*

Placing customers at the heart of its strategies, Garanti Pension and Life aims to create a “memorable customer experience.” Accordingly, the Company structured all of its projects in 2014 to fulfill the needs of customers and assure them of the Company’s support on their journey to retirement. In 2014, Garanti Pension obtained and evaluated feedback from 60,000 customers through the “Customer’s Voice” project, launched by the Company three years ago and consistently improved year after year to enhance customer satisfaction and exceed expectations.

Garanti Pension and Life considers this goal a core value, and continues to be a sector pioneer with its services and integrated channel strategy.

Due to the close collaboration with Garanti Bank and their shared corporate values, Garanti Pension and Life adds to its achievements in its operational areas, and maintains a high level of customer satisfaction. By effectively using Garanti Bank’s extensive distribution network, the Company demonstrates an exceptional performance in bancassurance while offering customers the opportunity to choose from a wide range of products with a “one-stop shop” approach.

Garanti Pension and Life continues to be a sector pioneer with its services and integrated channel strategy.



The Customer’s Voice project has been ongoing for 3 years.

Wide Range of Products



Şenol Serkan ŞENTÜRK
Product Development and Actuary

Thanks to the state contribution system, the private pension sector maintained growth momentum in 2014, and the number of participants exceeded 5 million.

Garanti Pension and Life customers can confidently choose from 5 different private pension plans, each of which will ensure a happy and secure retirement.

Private pension plans

The introduction of state subsidy contributions to private pensions led to considerable growth, and the sector maintained growth momentum in 2014. The number of participants in the system exceeded 5 million.

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

1. Practical Pension Plan: targets participants who want to make advantageous investments with modest savings.
2. Prestige Pension Plan: offers exclusive advantages for those customers who prefer to make large contributions with a prestigious retirement in mind.
3. Select Pension Plan: is designed for participants who would like to accumulate resources rapidly with the most advantageous plan.
4. Self-employed Pension Plan: is exclusively developed for small- and medium-size business owners.
5. The e-Pension Plan: is for customers who prefer to apply on the Internet and want to take advantage of the exclusive features offered by this innovative plan.

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



In order to meet the needs of customers in different segments and to further enhance customer satisfaction, the Company obtained approval from the Undersecretariat of Treasury for four plans and 22 additional benefits in 2014.

The Company offers customers a total of 21 fund options under private pension plans, including the Public and Private Sector Securities Fund, Contribution Fund, Alternative Contribution Fund, Gold Fund and Alternative Standard Fund.

Insurance products that cover a broad range of risks

Garanti Pension and Life's insurance products insure individuals and their families against unexpected risks in life, within certain coverage limits. With the effective and extensive use of bancassurance, the Company always takes into account the changing circumstances and needs of customers, and enhances its insurance product portfolio accordingly.

Garanti Pension and Life's insurance products include:

- Credit life insurance products,
- Risk life insurance products,
- Guaranteed Tomorrows Insurance which offers financial coverage against critical illnesses,
- Education Insurance for those customers who would like to secure the educational expenses of their loved ones,
- Hospitalization Insurance covers the cost of medical treatments in case of accidents or sickness, within the claim amounts payable under the policy.



Şadiye ÇİMELİ
Fund Management, Budgeting and Reporting

Taking into account the changing circumstances and needs of customers, Garanti Pension further enhanced its insurance product portfolio.

Wide Range of Products



Şükürü YILDIRIM
Operations

In 2014, the Company executed 13,719 claims payments to policyholders.

Unemployment insurance products:

- Income Protection Insurance guarantees monthly income in case of job loss,
- Payment Protection Insurance makes the customer's loan payments in the event of unemployment,
- Garanti Credit Card Unemployment Insurance pays customers' credit card debt in case of job loss,
- Overdraft Account Payment Protection Insurance makes the policyholder's overdraft account payments in case of loss of employment,
- Bill Payment Insurance pays the customer's monthly bills in the event of unemployment.

In 2014, the Company executed 13,719 claims payments to policyholders.

In addition to these products, the Company initiated efforts to develop an Income Insurance product tailored for participants who have earned the right to retirement. With the payback options, which will be offered to participants in line with their needs during retirement, the Company aims to pay salaries to support participants' social security wages.

Improvements to the Indemnity Project and related processes

Garanti Pension and Life launched the Indemnity Project to deliver superior service in claims processing, as in every other area, which exceeds customers' expectations. By improving the processes and technology infrastructure within the framework of this customer-centric project, Garanti Pension aims to make customers feel supported through every step of the process.



We are by our customers' side

We strive to achieve a high level of customer satisfaction that exceeds expectations.

Developments in Credit Life Insurance Products

In 2014, the coverage terms and policy periods of credit life insurance products, which provide protection on consumer loans, were aligned with the terms and conditions of loans taken out by customers. The purpose of this change was to allow customers to pay premiums only against credit risk and only for the duration of the credit risk. This initiative aims to increase trust in credit life insurance products, and eliminate the perception that credit life insurance is an extra “credit cost.”

Garanti Pension and Life introduced another important improvement on the same date. Accordingly, the Company began to terminate credit life policies within five business days in case of early payoff, unless otherwise specified by the customer. Hence, customers do not have to pay any premiums for the period after the loan is repaid, and also do not need to file a second application to terminate their policies.

Additionally, handwritten consent is obtained from customers with regard to renewing their credit life insurance policies during the policy-writing stage. In this way, customers are assured that their policies will be renewed for the duration of the loan period and potential conflicts averted. Declaration and signature sections were also added to application forms so that customers can respond to questions about their health condition in their own handwriting and thus be actively involved in the application process.

The Company simplified the underwriting rules related to credit life insurance after Garanti Bank began to allocate loans via its Internet branch in 2014. Accordingly, the Company became able to quickly respond to customers’ online applications for credit life insurance and complete their transactions in a very short time. These improvements also helped reduce the time it takes to credit process.

In 2014, coverage terms and policy periods for credit life insurance products, which provide protection on consumer loans, were aligned with the terms and conditions of loans taken out by customers.

Organization, Process and Project Management

The Sales and Marketing functions were separated as part of organizational restructuring efforts.

ISO 9001 - 2008 Quality Management Certification audit

An internal audit was performed across all departments. The Company's quality management system certification was renewed following the periodic audit conducted by TUV SUD auditors on October 16, 2014.

Separation of sales and marketing functions

To utilize the power of marketing more effectively, the Sales and Marketing departments were restructured into two distinct entities on May 1, 2014. Kaan Günay was appointed to the new post of Executive Vice President for Sales.

Under the new organizational structure, department names were changed, and the field sales function was separated from other marketing operations.

Establishment of the Customer Services and Call Center Department

As part of restructuring efforts, the After Sales Services and Call Center department were divided into two separate units, "Central Sales" and "Customer Services and Call Center," on May 1, 2014.

Credit Terms Alignment Project

The new Consumer Protection Law stipulates that the credit life insurance policy period offered to customers who take out loans from banks must match the loan term. Accordingly, the Company undertook system developments in order to comply with this condition, and achieved customer satisfaction by producing credit life insurance policies that match credit terms.

Selling Credit Life Insurance Online

Once Garanti Bank began accepting loan applications via its Internet branch, Garanti Pension and Life began to sell credit life insurance at the time of loan applications. In accordance with the Regulation on Distance Sales, the Company began to sell life insurance products without requiring a signature or formal documents.



Aykut TAMER

Organization, Process and Project Management

Garanti Pension and Life's Distribution Channels

Garanti Pension and Life's close collaboration with Garanti Bank, its main distribution channel, has been an important model for other companies in the sector for many years now. By effectively using bancassurance in its two areas of operations, the Company stands apart from the competition.

Additionally, the Company's partnership with Türkiye Finans Katılım Bankası is continuing within the framework of its bancassurance operations. This partnership was established in 2010.

Garanti Pension and Life uses alternative distribution channels effectively. Since 2005, the After Sales Services Department has been responding to customers' needs with its ever-growing team and functionality, while at the same time increasing its share in overall production.

To manage customer-focused practices more effectively and proficiently, Customer Services and Call Center functions were organized under a separate department in 2014. Accordingly, processes related to inbound calls and customer demand management and those related to outbound calls and telesales functions were separated to ensure focused expertise in these areas.

Proactive customer communication processes aimed at enhancing customer experience start with "Welcome" calls, and continue with outbound calls until the customer's retirement, to provide information and encourage greater contribution. All employees strive to support customers on this long journey.

Complementing the existing customer service model, the telesales business model developed by Garanti Pension and Life to acquire new customers is a unique initiative that distinguishes the Company in the sector. With its "Distance Sales" practice, the Company has significantly increased the number of private pension contracts as well as life premium production.

Garanti Pension always stands beside its customers in after sales services.



Engin EKER
Telemarketing

Always standing beside its customers, Garanti Pension meets all customer needs through its Call Center, with an expert team dedicated to providing utmost customer satisfaction.

In 2014, Garanti Pension and Life divided Customer Services and Call Center functions into two separate units to manage customer-focused services more effectively.

Always standing beside its customers, Garanti Pension and Life meets all customer needs through the Call Center, the initial point of contact with the Company, with an expert team dedicated to providing utmost customer satisfaction. The Customer Services unit meticulously handles all feedback, complaints, and information and transaction requests, and promptly resolves all problems.

In 2014, the Call Center responded to about 1.4 million calls, achieving a response rate of 98% and a service rate of 73%. The Customer Services unit responded to about 60,000 customer queries and resolved complaints within 1.6 business days, on average.



Mert ÇABUKER
Customer Services and Call Center

Communication Activities



Deniz GÜNEY
Corporate Communications and
Digital Marketing



CORPORATE COMMUNICATIONS ACTIVITIES

Garanti Pension is the most preferred provider in Turkey!

Garanti Pension and Life continued to express the “leadership” concept, launched in 2013, through its communications in 2014. The Company communicated the “leadership” concept during the first half of the year, and the “Always by your side” concept in the second half of the year via a range of media that included newspapers, radios, magazines, outdoor and digital.

We are always by your side. That’s why we are #1!

As a customer-oriented company, Garanti Pension and Life places customers at the heart of its communication activities, as in all other operations. Accordingly, the Company embraces the concept, “Always by your side”.

Garanti Pension and Life communicated this concept via a range of media that included newspapers, magazines and outdoor. The advertisements featured selfie photographs shot by Garanti Pension employees and customers in various locations.

*We are always by your side.
That’s why we are #1!*

Hobby Clubs project received the United Nations Special Award.

Launched in 2008, Garanti Pension and Life Hobby Clubs celebrated its sixth anniversary in 2014. Hobby Clubs gained 4,281 new members in 2014. More than 24,000 customers have participated in the activities since 2008.

To date, the Hobby Clubs project has won a total of 14 international and national awards. In 2014, the project won two awards in the categories of “Public Relations” and “Financial Services” at the International Public Relations Association (IPRA) Golden World Awards; it was also granted the United Nations Special Award.

Leader of the online world!

Through consistent sharing on its Facebook page, Garanti Pension maintains warm, sincere engagement with its followers. The Company’s Facebook page is the most popular private pension page in the sector.

In March 2014, Garanti Pension added Twitter and LinkedIn to its communication channels, further strengthening its social media presence. The Company’s Twitter and LinkedIn accounts rapidly gained popularity soon after their launch. Garanti Pension responds to customers’ questions instantly via its Twitter account, and maintains professional communications on LinkedIn.



Garanti Pension and Life is the most popular private pension company on social media, thanks to frequent shares and engagement with its followers.

Communication Activities

We are always by your side on garantiemeklilik.com.tr!

Using digital channels extensively, Garanti Pension and Life ensures that customers feel its unwavering support via its corporate website, serving them in an innovative, dynamic and transparent manner.

Garanti Pension and Life closely follows the latest technology trends and strives to provide the best customer service possible via online channels. In 2014, the Company launched its mobile website, which is compatible with all iOS and Android devices. To create a better customer experience in the mobile environment and allow customers easy access to all types of information, the Company revised its website content to enable easier accessibility from mobile devices.

Garanti Pension and Life offers its corporate website as a platform providing a comprehensive range of information on private pension and life insurance products and the sector in general. The Company also sells private pension products through its website. Garanti Pension and Life effectively uses Garanti Bank's Internet branch, ATMs and other online channels to sell and promote its products. In 2014, the Company launched successful campaigns utilizing the most up-to-date digital advertising tools and trends.

Garanti Pension launched its mobile website, which is compatible with all mobile devices.





We are by our employees' side

We place great importance on supporting the highest performance from our employees and believe in continuous development.

Communication Activities

SOCIAL RESPONSIBILITY PROJECTS

Since its establishment, Garanti Pension and Life has acted in a socially responsible manner in all its business activities, which is a key component of the Company's management approach. As a result, Garanti Pension and Life aims to contribute to society as a whole with social responsibility projects centered on the education and healthcare of children. The Company further improved and implemented these initiatives in 2014.

In the 4th year of the "Back to School" project, Garanti Pension and Life continued to be a guiding light for working children, by helping them shape their future...

Since 2010, Garanti Pension and Life has implemented the "Back to School" initiative, developed in collaboration with the Istanbul Province National Education Directorate and Boğaziçi University. This project seeks to lure elementary-age children who are working for a living back to school on a full time basis. In 2014, Garanti Pension carried out its "Back to School" project at 14 schools in 8 districts in Istanbul, reaching out to 1,500 students and their parents.

Garanti Pension believes that families play a key role in sending their children back to school and providing them with a bright future. Therefore in 2014, the Company started the "Family and Children Communication Seminars," delivered by a psychological counselor and aimed at educating parents regarding child labor, including "a child's right not to work for a living, parents' behaviors and the negative effects of these behaviors on children."

The "Drama Workshops," organized in collaboration with Uygur Children's Theater for the last 3 years, continued with 5th and 6th grade students in 2014.

In 2014, Garanti Pension carried out its "Back to School" project at 14 schools in eight districts in Istanbul, reaching out to 1,500 students and their parents.

Garanti Pension supports numerous social responsibility projects, primarily those that focus on healthcare and pediatrics.

350 Garanti Pension volunteers participated.

In 2014, 350 Garanti Pension volunteers actively participated in and provided support to the “Back to School” project. The Company’s volunteers helped children with their schoolwork and organized several extracurricular activities, including trips to the aquarium, museum visits, a Bosphorus tour and art workshops, while serving as role models for these youngsters.

525 working children went “Back to School”.

To date, “Back to School” has reached out to 5,000 students and their parents; with the invaluable support of caring educators and 750 Garanti Pension employee volunteers, 525 working children have returned to school full time.

Other projects supported by the Company

Since 2005, Garanti Pension has been actively supporting the “Mobile Health Services” project carried out by the Ayhan Şahenk Foundation. This social responsibility project is primarily focused on general medicine and pediatrics. Garanti Pension also undertakes social responsibility efforts in the field of education. To that end, the Company provides support to the Community Volunteers Foundation for their projects aimed at village schools; it also provides courses on private pension and life insurance to the students of the Cappadocia Vocational School.



Communication Activities

AWARDS

Annual Report Competition Awards

Garanti Pension and Life's 2013 Annual Report won the "Gold Award" at the Annual Report Competition (ARC). Considered the "Oscars" of annual reports, ARC is organized by MerComm, an American awards organization dedicated to defining the standards of excellence in communication.

Garanti Pension and Life's 2013 Annual Report received the "Gold Award" in the category of "Non-Traditional Annual Report - Insurance" at the 28th ARC Awards, which annually brings communications professionals together in New York.

IPRA Golden World Awards

Launched in 2008, Garanti Pension and Life Hobby Clubs won two awards in the categories of "Public Relations" and "Financial Services" at the IPRA Golden World Awards in addition to its 16 international and national awards.

IPRA is the world's most relevant, resourceful and influential public relations professional association, with members from 80 different countries. It has been organizing the Golden World Awards, considered the most prestigious public relations award worldwide, for more than 20 years. At this year's ceremony, Garanti Pension won two awards in two different categories from among 210 finalist projects submitted from 50 countries.

At the same awards ceremony, the Garanti Pension Hobby Clubs project also received the United Nations Special Award, which is granted to only one project among the 500 participants and 210 finalists. This project has now won a total of 16 international and national awards.

Garanti Pension and Life's 2013 Annual Report won the "Gold Award" in the category of "Non-Traditional Annual Report - Insurance" at the 28th ARC Awards, which brings together communications professionals annually in New York.



LACP Vision Awards

Garanti Pension and Life's 2013 Annual Report was named the best annual report in two different categories at the League of American Communications Professionals (LACP) Vision Awards. The Company's annual report won the prestigious "Platinum" award in the insurance category for the EMEA region, as well as the "Best Annual Report Cover Platinum" award. Garanti Pension and Life's 2013 Annual Report was named the world's 56th best annual report in all categories and the 21st best annual report in the EMEA region.

PERYÖN Award

With its approach to training, practices and projects, Garanti Pension and Life won first prize in the "Training and Development Management" category under Peryön's Human Management Awards Program. The program aims to support human resources management, provide guidance to corporations according to internationally recognized criteria, and reward successful organizations.

Stevie Awards

Garanti Pension effectively communicated its personalized services and projects via social media and other interactive channels, created awareness about the private pension system, and provided guidance to both customers and non-customers through successful 360-degree marketing campaigns. The Company also improved its business processes and technology infrastructure by adopting a customer- and employee-centric approach to more effectively meet the needs of its customers and employees. As a result of these efforts, Garanti Pension and Life won the "Silver Award" in the category of "Insurance Sector - Marketing Campaign of the Year" at the Stevie Awards, the world's premier business awards.



*Garanti Pension
and Life won 5 more
prestigious awards
in 2014.*

Board of Directors

S. ERGUN ÖZEN

Chairman of the Board of Directors

A graduate of the State University of New York, Faculty of Economics, and Harvard Business School Executive Management Program, S. Ergun Özen joined the Garanti Family in 1992, where he has been serving as President, CEO and Board Member since April 1, 2000. Ergun Özen serves as a Board Member at the Banks Association of Turkey, GarantiBank Moscow, GarantiBank International NV, Turkish Industrialists' and Businessmen's Association (TÜSİAD), and the Istanbul Foundation for Culture and Arts (İKSV). In addition, Mr. Özen is the Chairman of the Board of Garanti Asset Management, Garanti Securities, Garanti Pension and Life, Garanti Leasing, Garanti Factoring and the Teachers Academy Foundation.

GÖKHAN ERÜN

Vice Chairman of the Board of Directors

Gökhan Erün holds a BS degree in Electronics and Communications from Istanbul Technical University, and an MBA from Yeditepe University. He joined Garanti Bank in 1994 in the Treasury Department. He worked as Director of the Commercial Marketing and Sales Department from 1999 until 2004. He was appointed General Manager of Garanti Pension and Life in 2004, and later Executive Vice President in charge of Human Resources and Investment Banking at Garanti Bank in 2005. Mr. Erün serves as Vice Chairman of the Board of Garanti Pension and Life and the Teachers Academy Foundation; he is also a Board Member at Garanti Asset Management and Garanti Securities. In addition, Mr. Erün is the Chairman of the Garanti Bank Pension Fund Foundation.

ERHAN ADALI

Board Member

Erhan Adalı is a graduate of Istanbul University, Department of Political Science Public Administration. He joined Garanti Bank as an Assistant Internal Auditor in 1989. He served as Branch Manager, Regional Manager and SME Banking Coordinator and he was the CEO of Garanti Pension and Life during the period 2005 to 2012. Mr. Adalı was appointed to his current position on August 3, 2012. He is also a Board Member of Garanti Leasing.

H. MURAT AKA

Board Member

Murat Aka received a BBA from Middle East Technical University in 1984, and an MBA from Boğaziçi University in 1987. He completed the Advanced Management Program (172nd term) at Harvard Business School in 2007. Mr. Aka joined Doğuş Group in 1987 and currently serves as a Board Member at Doğuş Automotive Service, Doğuş Automotive Marketing, VDF Consumer Finance and Leaseplan Fleet Leasing. In addition, Mr. Aka is the Chairman of the Audit/Risk Committee and a Board Member at Garanti Pension and Life, Doğuş Real Estate Investment Trust and Doğuş Sports Investments.

ONUR GENÇ

Board Member

Onur Genç is a graduate of Boğaziçi University, Department of Electrical and Electronics Engineering; subsequently, he received an MBA from Carnegie Mellon University. Starting his career in 1996 in the US and most recently serving as Director and Country Manager of McKinsey & Company, a global management consultancy, Mr. Genç joined Garanti Bank on March 20, 2012 as Executive Vice President responsible for Retail and Private Banking. As of May 2012, Mr. Genç also assumed CEO responsibilities at Garanti Payment Systems. Onur Genç is a Board Member of Garanti Asset Management, Garanti Pension and Life, Garanti Technology, Garanti Bank SA (Romania), Garanti Payment Systems and Chairman of Garanti Mortgage.

MANUEL PEDRO GALATAS SANCHEZ HARGUINDEY**Board Member**

Manuel Galatas Sanchez Harguindey has a degree in Business Administration and International Finance from Georgetown University. After working as an executive at various private corporations, he joined Argentaria (today BBVA) in 1994. Before joining Garanti, he was based in Hong Kong as the General Manager in charge of all BBVA Branches and Representative Offices in Asia/Pacific. He is now both Board Member and Audit Committee Member of Garanti Bank Turkey and General Manager of BBVA Turkey Representative Office based in Garanti Bank Headquarters in Istanbul.

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, and she became a Certified Financial Analyst after attending the EFFAS certification program between 1993 and 1994. In 1990, Ms. Hernandez joined BBVA Group, where she served in several roles within Portfolio Management. She served as 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, an asset management company of BBVA Group, and was in charge of the management of Private Pension and Investment Funds for Spain and Portugal. Since January 2012, Ms. Hernandez has been heading BBVA Group's Global Portfolio Management.

F. NAFİZ KARADERE**Board Member**

F. Nafiz Karadere is a graduate of Ankara University, Faculty of Political Sciences, Department of International Relations. After working as a senior executive at various private banks, he was appointed Executive Vice President in charge of SME Banking/Corporate Brand Management and Marketing Communications at Garanti Bank in 1999. Mr. Karadere is also a Board Member at Garanti Pension and Life and the Teachers Academy Foundation.

JOHANNES ANTONIUS NIJSSSEN**Board Member**

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

M. CÜNEYT SEZGİN**Board Member**

A graduate of Middle East Technical University, Department of Business Administration, M. Cüneyt Sezgin obtained an MBA from Western Michigan University and a PhD from Istanbul University Faculty of Economics. He has served in various executive positions at several private banks. Mr. Sezgin is the Country Director of Global Association of Risk Professionals, and he also serves as a Board Member at Garanti Bank SA, Garanti Pension and Life, Garanti Factoring, Garanti Leasing, Eureko Insurance and the Garanti Bank Pension Fund Foundation.

CEMAL ONARAN**Board Member and CEO**

(See page 46.)

Executive Management

CEMAL ONARAN (1)

Board Member and CEO

Cemal Onaran graduated from Middle East Technical University, Department of Public Administration in 1990, and began his professional career the same year as Assistant Auditor on the Audit Committee of Garanti Bank. After working as Regional Manager at various regional offices of Garanti Bank until 2007, he was appointed CEO of Garanti Mortgage, a subsidiary of Garanti Bank, in October 2007. Since August 1, 2012, Mr. Onaran has been the CEO of Garanti Pension and Life.

K. ÇAĞLAYAN BAKAÇHAN (2)

Executive Vice President

K. Çağlayan Bakaçhan graduated from Middle East Technical University, Department of Guidance and Psychological Counseling. Between 1998 and 2006, he assumed various duties in the Human Resources Department at Garanti Bank. In 2006, Mr. Bakaçhan was appointed Human Resources Manager at Garanti Pension and Life. In October 1, 2012, he was promoted to his current position as Executive Vice President in charge of Human Resources, Procurement and Administrative Affairs, Organization, Process and Project Management, Customer Relations and Call Center.

KAAN GÜNAY (3)

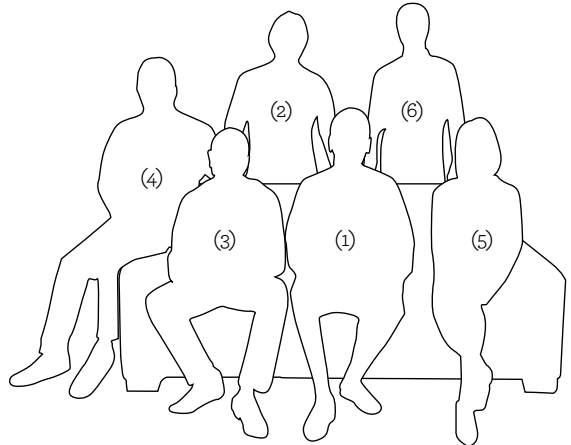
Executive Vice President

Kaan Günay is a graduate of Istanbul University, Department of Economics (English). He began his banking career in 1998 as a Direct Sales Specialist at Garanti Bank's Business Development Department for "Açık Card," and held various roles within the Bank until 2004. Mr. Günay joined Garanti Pension in 2004 as Regional Manager, and worked as Department Manager of Individual Sales from 2005 to 2014. Mr. Günay has been serving as Executive Vice President in charge of Individual and Corporate Sales since May 2014.

AHMET KARAMAN (4)

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 assumed various positions at Garanti Bank headquarters, where he worked until 2005. He was then appointed to the position of Finance and Management Reporting Department Manager at Garanti Pension and Life. Since September 2009, Mr. Karaman has been Executive Vice President in charge of Fund Management, Budget and Reporting, Finance and Operations.





E. YASEMEN KÖNE (5)

Executive Vice President

E. Yasemen Köne holds a BBA (English) from Marmara University. She started her professional career as Assistant Specialist in the Corporate and Commercial Loans Department at Garanti Bank in 1994, and later worked in the Corporate Banking Marketing Department. She was promoted to the position of Corporate Banking Portfolio Executive, and to Corporate Branch Marketing Executive, respectively. In November 2005, Ms. Köne left her Commercial Branch Manager position in Gebze to join Garanti Pension and Life as Executive Vice President in charge of Corporate Communication and Digital Marketing, Customer Relationship Management, Marketing and Strategic Planning and Central Sales Offices.

CEMŞİT TÜRKER (6)

Executive Vice President

Cemşit Türker graduated from Istanbul Technical University with a BS degree in Industrial Engineering. He began his professional career at Garanti Bank as an Assistant Specialist in 1991 and was appointed Retail Banking Business Development Executive in 1996. Until 2004, Mr. Türker served as Branch Director, Small Enterprises Targeting and Overseeing Executive, Retail Regional Marketing Director, and Retail Regional Sales Director, respectively. He was appointed Director of the Corporate Business and Performance Development Department at Garanti Pension and Life in March 2004. He continues his position as Executive Vice President in charge of Product Development, Operation and, Legal Affairs.

Committees and Meeting Attendance

A- Corporate Governance Committee

The Committee was established in 2011, pursuant to the Circular on Corporate Governance Principles of Insurance, Reassurance and Pension Companies published by the Undersecretariat of Treasury. The Corporate Governance Committee held two meetings in 2014 with all members present.

Committee Members

M. CÜNEYT SEZGİN

Committee Chairman - Board Member

GÖKHAN ERÜN

Committee Member - Vice President of the Board of Directors

Committee Activities

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

The duties and authorities of the Corporate Governance Committee include:

- Making sure 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 financial situation while deciding on the remuneration policy;
- Taking necessary precautions to enable the exercise of rights resulting from laws, rules and regulations, the Company's Articles of Association and other internal bylaws for the exercise of shareholder rights by the Company;
- Preparing a Corporate Governance Principles Compliance Report^(*) every March pursuant to the Circular on Corporate Governance Principles, presenting the report to the Board of Directors and disclosing it to the Undersecretariat of Treasury.

(*) The Corporate Governance Principles Compliance Report 2014 is accessible on www.garantiemeklilik.com.tr in the Corporate Governance section.

B- Remuneration Committee

Operating directly under the Board of Directors, the Remuneration Committee was formed in 2014. Gökhan Erün and Manuel Pedro Galatas Sanchez Harguindey were elected as members of the Committee. The Remuneration Committee held four meetings in 2014.

Committee Members

GÖKHAN ERÜN

Committee Member - Vice Chairman of the Board of Directors

MANUEL PEDRO GALATAS SANCHEZ HARGUINDEY

Committee Member - Board Member

Committee Activities

The Committee is responsible for:

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

C- Audit Committee

The Committee is currently composed of two non-executive Board Members. The Audit Committee held four meetings in 2014 with all members present.

Committee Members

M. CÜNEYT SEZGİN

Committee Member - Board Member

H. MURAT AKA

Committee Member - Board Member

Committee Activities

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

The Committee is responsible for:

- Overseeing the functioning and effectiveness of the activities within the scope of internal systems, on behalf of the Board of Directors;
- Conducting necessary preliminary evaluations for the selection of independent audit firms by the Board of Directors and obtaining information about the activities carried out by these firms if necessary.

The duties and authorities of the Audit Committee include:

- Assisting the Board of Directors in carrying out its monitoring task regarding internal control, internal audit and risk management;
- Making sure that internal audit system operates within the scope and target designated in the Circular on Corporate Governance Principles of Insurance, Reassurance and Pension Companies;
- Evaluating the internal annual audit plan and Internal Audit Regulation prepared by the Internal Audit Committee and the Board of Directors;
- Assessing if Company management shares the importance of internal auditing with personnel as required, and determining if a sound internal audit culture has taken root at the Company;
- Obtaining information about the results of the internal audits, which are periodically carried out for the processes by the Internal Audit Committee, for the internal check system and for the application errors and deficiencies.

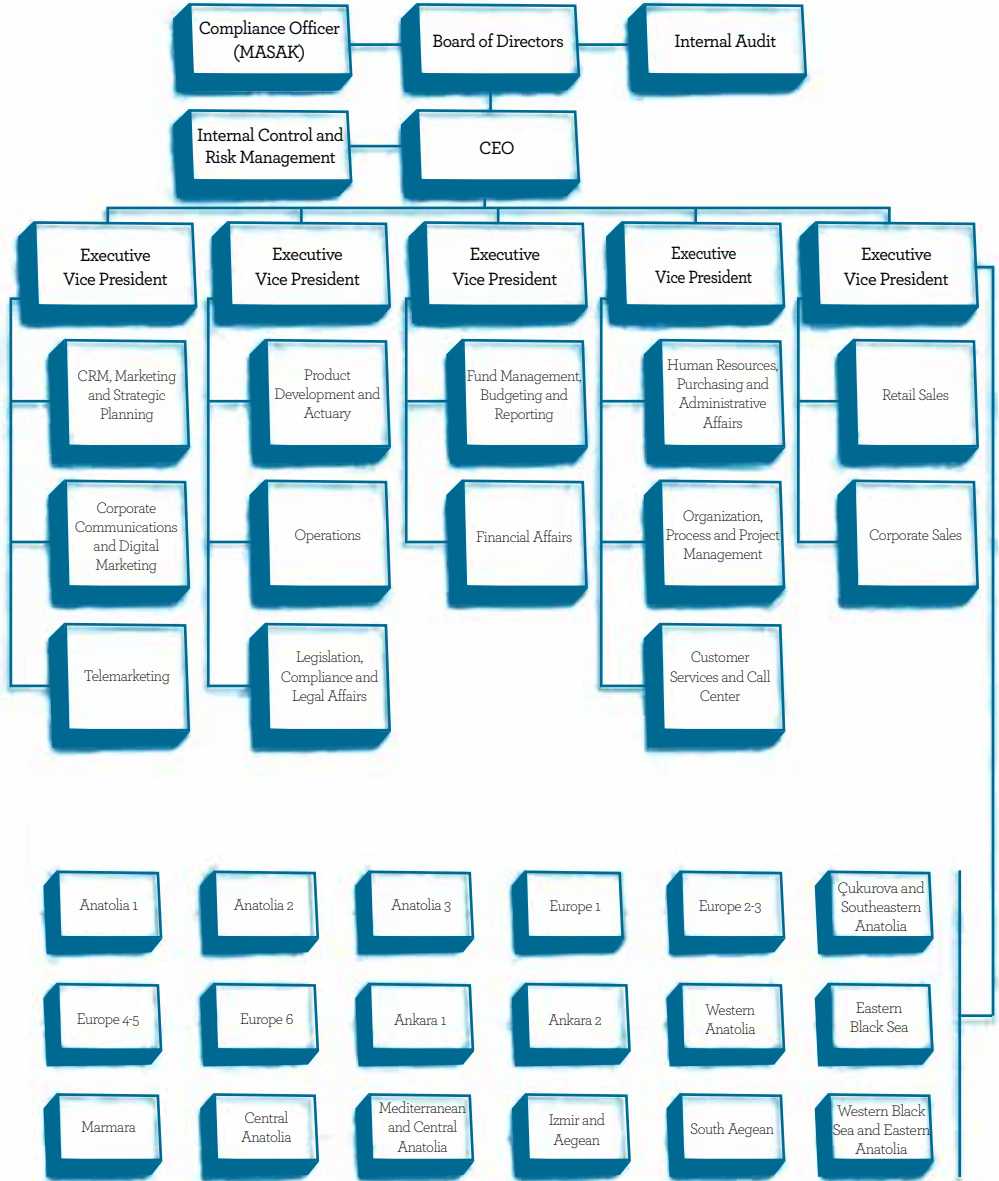
Board of Directors Meeting Attendance

In 2014, the Garanti Pension and Life A.Ş. Board of Directors held 26 meetings. 9 members attended 8 of these meetings, 8 attended 9 meeting, 7 attended 4 meetings, 10 attended 5 meetings.

Board of Directors

Meeting Dates	Meeting No.	No. Present
February 28, 2014	367	8
February 28, 2014	368	8
February 28, 2014	369	8
February 28, 2014	370	8
February 28, 2014	371	8
March 25, 2014	372	9
March 25, 2014	373	9
March 25, 2014	374	9
March 25, 2014	375	9
March 25, 2014	376	9
March 25, 2014	377	9
April 24, 2014	378	8
April 24, 2014	379	8
April 28, 2014	380	8
May 27, 2014	381	9
May 27, 2014	382	9
September 09, 2014	383	8
November 06, 2014	384	7
November 06, 2014	385	7
November 06, 2014	386	7
November 06, 2014	387	7
December 15, 2014	388	10
December 15, 2014	389	10
December 15, 2014	390	10
December 15, 2014	391	10
December 15, 2014	392	10

Organizational Chart



Human Resources



Ayşegül GÜRKALE

Human Resources, Purchasing and
Administrative Affairs

Garanti Pension and Life aims to reach its strategic goals with a dynamic workforce; thus, it motivates employees to be innovative and creative.

GARANTI PENSION AND LIFE HUMAN RESOURCES

Garanti Pension and Life acts in accordance with the principle that customer satisfaction can only be achieved with happy employees. Through effective human resources practices, the Company establishes one-to-one communication with personnel, and makes necessary improvements in line with their needs and issues. Garanti Pension and Life aims to reach its strategic goals with a dynamic workforce; thus, it motivates employees to be innovative and creative. Accordingly, the Company always strives to provide the means for the professional and personal development of its employees as required by their respective duties and responsibilities. Orientation programs aim to help new personnel quickly adapt to the corporate culture, learn the Garanti Pension and Life way of doing business and to create a workforce dedicated to the Company's values.

Number of Employees at Garanti Pension and Life in 2014

Operating in the areas of private pension and life insurance, Garanti Pension and Life employed 875 personnel at year-end 2014.

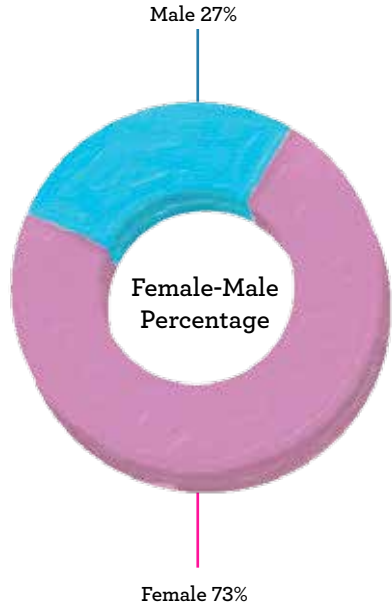
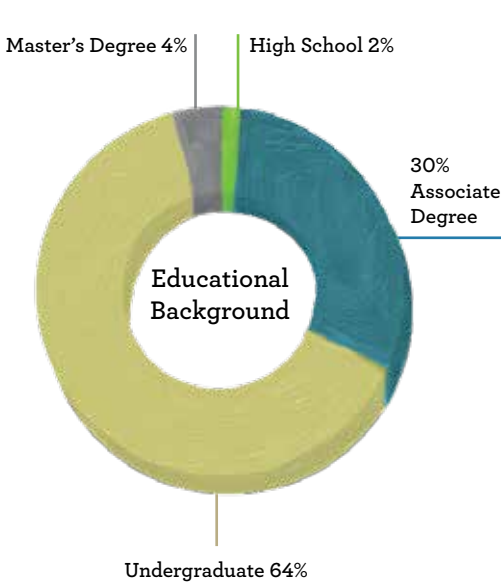
Orientation programs are aimed at helping new personnel learn the ways of doing business at Garanti Pension and Life and creating a workforce dedicated to the Company's values.

Garanti Pension and Life has 18 Regional Offices: eight in Istanbul, two in Ankara, and one regional office each in İzmir, Bursa, Balıkesir, Adana, Kayseri, Antalya, Trabzon and Denizli.

Demographic Data for Garanti Pension and Life

Average Age

Female	28
Male	30
Company	29



Human Resources

RECRUITING PRACTICES

During the recruitment process, Garanti Pension and Life evaluates potential job candidates according to their competencies. In order to assess the competencies that are required for specified positions, the Human Resources Department conducts skills testing, profile analyses, personality surveys, group and skills-based interviews.

In an effort to increase efficiency, the Company cooperates with some recruitment consulting firms to fill certain positions.

The recruiting model was revised for Sales and Call Center positions. Candidates undergo an on-the-job test during the interview process.

Employee Relations

HR Business Partners walk beside our employees on their career journey, identifying their needs in a timely manner and offering prompt solutions and guidance.

We secure a happy future for our employees and support them at every step along their career. Garanti Pension and Life continues to conduct interviews with personnel to improve effective communication with them, help plan their career paths, sustain employee satisfaction in the workplace and to maintain a positive relationship with their managers.

To speed up and standardize the orientation process of newly recruited Sales Team employees, the Company commenced an ongoing development monitoring process. Our Employee Relations team holds meetings with employees and managers on areas of improvement.

Career Planning and MT Program

Garanti Pension and Life strives to train candidates for managerial positions from among its existing employees, and encourages personnel to actively plan their careers.

In 2014, 46 Head Office employees and 113 employees from the sales team were promoted into higher-ranking positions; in addition, 20 employees transferred to Garanti Bank in line with the career opportunities provided by the Company.

With the "Management Trainee" program organized for the fourth time in 2014, the Company aims for the MT process to become a sustainable and deep-rooted component of its corporate culture. In 2014, the Management Trainee program received 1,445 applications, and candidates for management positions underwent a stringent selection process. The selected candidates started their jobs after attending an extensive training program.

To assess the competencies required for specified positions, the Human Resources Department conducts skills testing, profile analyses, personality tests, and group and competency-based interviews.



TRAINING PRACTICES

Training Approach

Recognizing that life-long learning is one of the main principles underlying sustainable success, Garanti Pension and Life organizes training programs that enable employees to quickly adapt to changing market conditions with their knowledge base and skills. Training processes are carried out according to annual plans and in line with the Company's strategic objectives.

In 2014, Garanti Pension employees received 7,5 days of training per person.

Continuous development for sustainable success

The Human Resources Department organizes orientation, Management Trainee (MT) and other training programs customized for the needs of different business units. In addition, the Company administers Private Pension Intermediaries Licensing Training, Garanti Pension Product Training, Sales Compass Training, On-the-Job Training, and Catalogue Training.

Furthermore, employees have the opportunity to attend conferences and seminars related to their job descriptions. In 2015, Company employees will be able to attend training programs that they can select from a training catalogue offering 56 different alternatives.

Supervisor Development Program

Organized for the second time in 2013, the Supervisor Development Program comprises of seven modules with a duration of one and a half years. The Program will conclude in March 2015, with presentations from 30 directors. The third edition of the Supervisor Development Program will be start in 2015.

Leadership Model

In 2014, a leadership model was developed for Garanti Pension managers. Accordingly, the conduct expected of a leader at Garanti Pension was defined and written down in collaboration with managers.

Guaranteed Steps Internship Program

The Guaranteed Steps Internship Program, organized for the first time in July and September 2014, is intended to establish a pool of MTs for future positions. It also prepares interns for the professional world, based on the work experience gained during their internship, and contributes to the Garanti Pension corporate brand.

Garanti Pension encourages employees to actively plan their careers.



In 2015, Company employees will be able to attend training programs that they can select from a training catalogue offering 56 different alternatives.

Human Resources

The Program consists of three parts:

1. I'm Learning

Interns undergo technical and personal development training during the first week. They are also given a project assignment, which they must complete by the end of the program.

2. I'm Observing

Interns observe operations at different business units and fulfill duties assigned to them. At this stage, experienced employees provide coaching to the interns.

3. I'm Experiencing

Interns present their project assignments on the program's final day. Senior executives and department managers also attend these presentations.

PERYÖN Award

With its approach to training, practices and projects, Garanti Pension and Life won first prize in the "Training and Development Management" category under Peryön's Human Management Awards Program.

ESPP

Garanti Pension and Life employees become eligible for the employer-sponsored pension plan (ESPP) after completing their first year at the Company. In 2014, all employees became eligible to benefit from the ESPP. The Company provided flexibility with regard to contribution amount and eliminated distinctions due to job titles.

Bonus payment for foreign languages

Garanti Pension and Life will start awarding a bonus of one month's salary to employees who take the foreign language exams accepted by the Company; or who demonstrate or improve their proficiency level. Employees who are documenting a foreign language proficiency for the first time must have at least six months of employment at the Company.

With its comprehensive approach to training, practices and projects, Garanti Pension and Life won first prize in the "Training and Development Management" category under Peryön's Human Management Awards Program.

With the Guaranteed Steps Internship Program:

I'm Learning

I'm Observing

I'm Experiencing

Annual leave entitlement

Garanti Pension and Life made changes to employees' annual leave privileges. Taking into consideration the annual leave taken by the sales team, the Company revised sales targets. In addition, the Company retains seniority and annual leave privileges for male employees for the duration of their military service. Employees may take a half-day leave on the eve of national holidays. In addition, employees with children starting their first year of elementary school are entitled to a half-day's leave on the first day of that academic year.

*Garanti Pension and Life
is the first Turkish company
in the sector to receive
IIP certification.*

EMPLOYEE RELATIONS

Employee-centric organizational structure

In conjunction with placing Garanti Pension and Life employees and customers at the strategic heart of the Company, the Human Resources Department's duties and responsibilities were also revised. The purpose of these efforts is to restructure business flows and functions in a way that best serves both present and future needs.

The Employee Relations team, aiming to serve as a HR business partner to personnel, will identify employees' needs in a timely manner, offer prompt and appropriate solutions and guide employees on their career journey.

Rewarding employee success

The Rewards Program serves to incentivize high employee performance, and is critical in setting a good example for the Company in general by showcasing the model actions and attitudes of dedicated personnel in various departments. Under the Rewards Program in 2014, some 129 Company employees received recognition and rewards for their exemplary job performance.

Investors in People (IIP)

Thanks to its exceptional human resource applications, Garanti Pension and Life received the "Silver Award" from Investors in People (IIP), which recognizes companies that prioritize the value of human life. The Company was the first and only in the sector to receive the prestigious IIP certification. In addition, Garanti Pension and Life was the first company to win this award on the first application to the competition and one of only two Turkish companies that have won the "Silver Award."

With its approach to training, practices and projects, Garanti Pension and Life won first prize in the "Training and Development Management" category under Peryön's Human Management Awards Program.

*In line with placing
Garanti Pension and
Life employees and
customers at the
strategic heart of
the Company, the
Human Resources
Department's duties
and responsibilities
were also revised.*

Summary Report of the Board of Directors to the General Assembly

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 23rd Fiscal Year of Garanti Emeklilik ve Hayat Sigorta Anonim Şirketi.

Our Company's nominal paid-in capital in 2014 stood at TL 50,000,000 while shareholders' equity reached TL 876,578,446, corresponding to a 24% increase over the previous year.

Our Company's net life insurance premium production (gross premiums, minus any premiums ceded to reinsurers) increased 5% over the previous year and amounted to TL 269,904,992.

Our Company's Private Pension fund size grew 43%, from TL 4,249,324,274 at year-end 2013 to TL 6,092,808,313 at year-end 2014.

Achieving many accomplishments in 2014, our Company sustained its lasting growth and attained its objectives.

Dear Shareholders,

Our Company, whose operations are summarized above, generated pre-tax accounting profit of TL 214,571,789 in 2014, corresponding to net profit of TL 169,916,412 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 2015.

Respectfully yours,

Cemal Onaran

Member of the Board of Directors and CEO

Report on Compliance of the Annual Report

To the General Assembly of Garanti Emeklilik ve Hayat Anonim Şirketi;

Report of the Board of Directors Regarding with Annual Report Auditing within the Framework of Independent Audit Standards

We have audited the Annual Report of Garanti Emeklilik ve Hayat Anonim Şirketi (“the Company”) for the accounting period ending on December 31, 2014.

Management’s Responsibility for the Annual Report

Pursuant to Article 514 of the Turkish Commercial Code (“TCC”) No: 6102 and the provisions set forth in the “Regulation on Financial Structures of Insurance, Reassurance and Pension Companies” (“Regulation”) published in the Official Gazette No: 26606 on August 7, 2007, the Management is responsible for the preparation of the annual report in a way to ensure consistent and accurate representation the Company’s financial statements. This responsibility includes implementing and maintaining internal controls deemed necessary for the preparation of such an annual report.

Independent Auditor’s Responsibility

Our responsibility is to express an opinion on whether the financial information in the Company’s annual report is a consistent and accurate representation of the financial statements, based on the independent audit we have conducted in accordance with TCC Article 397 and the Regulation.

We conducted our audit in accordance with the independent auditing principles set forth in insurance laws and regulations, and Independent Auditing Standards (“IAS”) issued by the Public Oversight Accounting and Auditing Standards Authority. These standards require that we comply with ethical rules, and plan and perform the audit to obtain reasonable assurance whether the financial statements presented in the annual report are free from material misstatement.

An independent audit involves performing procedures to obtain audit evidence about the amounts and disclosures in financial statements. The procedures selected depend on the auditor’s professional judgment.

We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial information provided in the Board of Directors’ annual report is an accurate and consistent representation of the audited financial statements.

Responsibilities arising from other regulatory requirements

In accordance with Paragraph 3, Article 402 of the Turkish Commercial Code, and within the framework of IAS 570 “Business Continuity;” we have seen no evidence or cause that may jeopardize the existence and the continuity of the Company in the foreseeable future.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Müjde Şehsuvaroğlu

Auditor,

Istanbul, February 2, 2015

Information on Financial Structure



Salih İLERİ
Financial Affairs

As of December 31, 2014, Garanti Pension and Life recorded a 43.4% increase in participants' funds compared to the previous year.

As in previous years, Garanti Emeklilik ve Hayat A.Ş. (Garanti Pension and Life) continued to achieve rapid growth both in total assets and profitability in 2014.

Pre-tax profit grew 23.1% over the prior year and amounted to TL 214,571,789. The Company paid TL 137,980,697 in taxes in 2014, resulting in profit after tax of TL 169,916,412.

During the same period, technical profit from life insurance and pension operations totaled TL 148,329,957. Shareholders' equity increased 24% to TL 876,578,446 in the reporting year. As of December 31, 2014, the Company's total assets grew 38.5% compared to a year ago and reached TL 7,364,522,430.

The increase in total assets is largely due to private pension activities as of December 31, 2014. The Company recorded a 43.4% increase in participants' funds compared to previous year. The Company's total pension fund size amounted to TL 6,092,808,313.

The share of cash assets in total assets stood at 13.7% as of December 31, 2014, while financial assets constituted 1.4% of total assets.

As of December 31, 2014, the share of the Company's insurance technical reserves in total liabilities stood at 3.38%. The Company's source of premium income is derived from the life insurance sector; total earned premium in the fiscal year ending on December 31, 2014 was TL 278,954,537.

Assessment of Financial Position, Profitability and Claims Servicing Capacity

In 2014, total life insurance claims decreased 26.54% from the previous year, dropping to TL 39,055,558. The Company's technical profit was up 8.32% to TL 148,329,957.

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 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, 2014, the change in reserve for outstanding claims stood at TL 13,779,893.

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

Board of Directors' Annual Activity Report

Board of Directors' Annual Activity Report

January 1, 2014 - December 31, 2014

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

1. General Information

Reporting period	: 2014
Trade name	: Garanti Emeklilik ve Hayat A.Ş.
Registration number	: 288647
Central Registration System Number	: 0008006750900016
Head Office address	: Mete Cad. No: 30 34437 Taksim Istanbul

Contact Information

Phone	: + 90 212 334 70 00
Fax	: + 90 212 334 63 00
E-mail	: GEMusteriHizmetleri@garantiemeklilik.com.tr
Website	: www.garantiemeklilik.com.tr

A- THE COMPANY'S ORGANIZATIONAL, CAPITAL AND OWNERSHIP STRUCTURE

Capital Structure and Ownership Structure

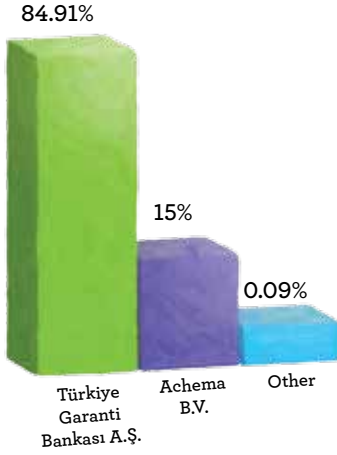
In 2007, Achmea B.V. acquired 15% of the shares of Garanti Pension and Life for € 100 million. There were no changes in the Company's ownership structure in 2014.

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

Shareholder's Name-Last Name-Title	Address	Number of		Nominal (TL)
		Shares	Share (%)	
Türkiye Garanti Bankası A.Ş. (Garanti Bank)	Nispetiye Mah. Aytar Cd. No: 2 Levent/Istanbul	4,245,619,000	84.91	42,456,190
Achmea B.V. (Achmea)	Handelseug 2 3707 NH Zeist, the Netherlands	750,000,000	15	7,500,000
Other		4,381,000	0.09	43,810
Total		5,000,000,000	100	50,000,000

The Chairman and the Members of the Board of Directors, and the Company's CEO and Executive Vice Presidents do not hold any Company shares.

There have been no changes in the ownership structure and capital distribution during the accounting period.



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 is the Board of Directors comprising 11 members. The names and the titles of the Board Members are as follows:

Name-Last Name	Title
Sait Ergun Özen	Chairman
Gökhan Erün	Vice Chairman
Muammer Cüneyt Sezgin	Member
Faruk Nafiz Karadere	Member
Manuel Pedro Galatas Sanchez Harguindey	Member
Johannes Antonius Nijssen	Member
Hayrullah Murat Aka	Member
Maria de la Paloma Piqueras Hernandez	Member
Erhan Adalı	Member
Onur Genç	Member
Cemal Onaran	Member, CEO

b) The Company's Executive Managers are as follows:

Name-Last Name	Title
Cemal Onaran	CEO
E. Yasemen Köne	Executive Vice President
Cemşit Türker	Executive Vice President
Ahmet Karaman	Executive Vice President
K. Çağlayan Bakaçhan	Executive Vice President
Kaan Günay	Executive Vice President

Board of Directors' Annual Activity Report

c) Number of Employees: 875.

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 5,343,510 in 2014.

3) The Company's Research and Development Activities

The Company did not carry out any research and development activities in 2014.

4) Company Operations and Related Important Developments

a) The Company did not make any investments during the accounting period.

b) The Company does not have any direct or indirect subsidiaries.

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.

During 2014, the Company has been subject to ordinary audits carried out by the Insurance Auditing Board of the Undersecretariat of Treasury related to internal system practices.

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 aid made by the Company throughout the year, as well as about expenditures related to social responsibility initiatives, is as follows:

Garanti Pension made a total expenditure of TL 59,981 in 2014.

i) Transactions carried out with the parent company and affiliated companies within the Group are ordinary commercial activities. There are 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, in this respect.

j) In cases where a legal transaction is made or required, measures are taken or refrained from, 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.

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 2014, Garanti Pension achieved profit of TL 214,571,789. While the Company's total assets were TL 7,364,522,430, shareholders' equity amounted to TL 876,578,446. The Company's fixed assets totaled TL 95,245,502, of which TL 14,236,192 has been allocated for depreciation.

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:

	2013 (TL)	2014 (TL)
Profit / (Loss) for the Period	174,315,613	214,571,789
Corporate Tax Liability Provision	36,334,916	44,655,377
Net Profit / (Loss) for the Period	137,980,697	169,916,412

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

The Company shareholders' equity totaled TL 876,578,446, 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, 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 has not distributed profit from the date of its establishment to December 12, 2014; all profits have been transferred to the reserves.

Board of Directors' Annual Activity Report



Mehmet Emin ALKAN
Internal Audit

The Board of Audit is structured directly under the Board of Directors in the organizational scheme of the Company; its main principles include independence, objectivity and being risk-focused.



6. Internal Audit

Internal Audit activities are carried out by the Board of Audit where the Company activities are managed in line with the applicable laws, rules and regulations along with the strategies, policies and targets of the Company to. The Board of Audit provides assurance to the Board of Directors on the issues of internal control, risk management, the efficiency and sufficiency of the systems. The Board of Audit is structured directly under the Board of Directors in the organizational scheme of the Company; its main principles include independence, objectivity and being risk-focused.

The Board of Audit carries out its activities within the framework of the Internal Audit Plan which is in accordance with the Circular on Internal Systems of Insurance, Reassurance and Pension Companies by the Undersecretariat of Treasury. The Internal Audit Plan is designed on the risk assessments and approved by the Board of Directors, and the results of which are shared with the Board of Directors through the Audit Committee. Established to help the Board of Directors carry out auditing and monitoring activities, the Audit Committee is comprised of two non-executive members of the Board of Directors.

During the periodic and risk-based audits carried out at the Company's head office departments, regional offices and agencies, the factors detailed below are inspected and assessed:

- Compliance of operations with applicable laws and regulations as well as with the Company's strategies, policies, procedures, and other bylaws;
- Effectiveness and adequacy of internal control and risk management practices;
- Accuracy and reliability of the accounting records and financial statements;

The Legislation, Compliance and Legal function oversees that all operations are carried out in compliance with applicable laws and regulations, Company policies, procedures and ethical values, as well as the standart practices in the sector.

- Compliance of operational activities with the designated procedures, and the progress of related internal control practices;
- Reliability of the electronic data system;
- Accuracy and reliability of the reporting presented to the Board of Directors and disclosed to the public.

In 2014, 15 head office departments, 18 regional offices, 12 agencies and Garanti Service Management, Garanti Asset Management and Deniz Asset Management underwent audits, and necessary investigations were carried out.

In addition, the Board of Audit aims to determine any insufficient and defective practices, and offers its opinions and suggestions to prevent the recurrence of such situations and to enable the effective and efficient use of Company resources.

7. Legal Compliance and Legal Affairs

In line with the Company's evolving structure, the Legislation, Compliance and Legal Department was established in 2014 in order to carry out all relevant processes related to insurance and private pension in a more systematic and coordinated manner, and under one roof.

As part of its legislative and compliance efforts, the Company closely followed all draft legislation and amendments to insurance law, the private pension system and other relevant regulations. Opinions were shared with public authorities for evaluation, and the Company ensured that all products and processes comply with applicable laws and regulations. The Department oversees that all operations are carried out in compliance with the rules and policies adopted by the Company as well as the practices in the sector; and undertakes the necessary system developments as required by law; and informs employees.

As part of the legal efforts in 2014, the Company provided legal consulting with regard to transactions performed by various Departments and Regional Offices and helped resolve problems by taking into account the satisfaction of policyholders and participants, and also ethical values.

Regarding lawsuits filed against the Company by third parties or filed by the Company, the Department aimed to protect legal rights and benefits, and complete all related transactions in the shortest time possible.



Talat SOYSAL
Legislation and Legal Compliance

Board of Directors' Annual Activity Report

The Internal Control function ensures that a healthy internal control environment is established and coordinated within the Company, and that the Company's activities are conducted in accordance with current laws, rules and regulations.



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Internal Control and Risk Management

8. Internal Control and Risk Management

a.1. Internal Control

The Internal Control function makes sure that a healthy internal control environment and its coordination within the Company is formed, and that the Company's activities are conducted in accordance with current laws, rules and regulations. Activities are carried out for the functional differentiation of the tasks, sharing of authority and responsibilities, forming of a consensus infrastructure and for placing necessary controls on the processes. With the periodic controls determined in proportion to the detected level of risk, error concentrations and defects in the process are identified and necessary measures are taken. The controls, their results, effects and the actions are regularly reported to the executive management.

The identification, assessment, monitoring and reporting of the operational and financial risks the Company is exposed to be carried out by the Risk Management Department. Business Continuity Management (BCM) in the event of emergency also falls within the scope of the Risk Management Department. In this context, apart from practices to keep the current plan updated, periodic tests and drills are carried out to make sure those critical processes, back-up systems, alternative working areas are ready to be utilized when necessary.

a.2. Financial Crimes Investigation Board (MASAK) Compliance

Within the framework of MASAK (Financial Crimes Investigation Board) Compliance, the duties and the responsibilities of the Compliance Officer were amended and put in writing in accordance with the Regulation on Anti-Money Laundering Compliance Program. The Company closely follows all international and national laws on the prevention of laundering proceeds of crime and financing of terrorism; evaluates new and existing products and processes according to applicable laws; and performs routine controls on completed transactions.

a.3. Risk Management (Risk Management Activities under the Responsibility of Internal Control Department)**Operational Risk Management**

Operational risks are defined as risks related to loss stemming from errors, breaches, defects or damages caused by internal processes, personnel or external incidents. The Company carries out the required work to manage operational risks under the topic areas below and these are monitored and reported on a monthly basis:

- 1) Operational Loss Data,
- 2) Key Risk Indicators, and
- 3) Risk Control Self-Assessment.

Data related to operational loss is collected from every department and analyzed on a monthly basis. This data is essential in measuring and scenario analyses modeling to calculate “Risk Based Capital Adequacy,” which will be implemented in the future pursuant to the Solvency II Directive.

Risk Control Self-Assessment enables the monitoring of the operational risks around the risk matrix formed by grouping the processes and functions that are considered risky in accordance with risks, probabilities and effects. Periodic changes in critical operations and transactions as well as the underlying reasons are examined by the monitoring and analysis of Key Risk Indicators, and these are reported to the executive management.

Additionally, all scenarios, teams and trainings related to “Business Continuity Management” (BCM), an important topic in risk management, have already been established, transcribed and shared with Company employees.

The Company's risk management policies have been formulated to identify and analyze risks encountered by the Company, to define risk limits and controls, and to monitor the risks and compliance with set limits.

Board of Directors' Annual Activity Report

Financial Risk Management

The Company is exposed to the following risks originating from the use of financial instruments:

- Credit risk,
- Liquidity risk, and
- Market risk.

The entire responsibility to establish and supervise the risk management structure rests with the Board of Directors. The Board of Directors executes risk-management system operations through the Company's Risk Management Department.

The Company's risk management policies have been formulated to identify and analyze risks encountered by the Company, to define risk limits and controls, and to monitor the risks and compliance with set 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.

Credit Risk

Credit risk is defined as 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 assets and cash equivalents (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, and
- Prepaid taxes and funds.

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

Liquidity risk is the risk that the Company might have difficulty in fulfilling its liabilities resulting from its monetary obligations.

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.

Market Risk

Market risk is based on potential variations in market prices such as interest rates and foreign currency exchange rates that might affect the Company's income or the value of financial instruments it holds. Market risk management is intended to optimize risk profitability and control the market risk amount within acceptable parameters.

Currency 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 translated and 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 translated based on the foreign exchange buying rate of the Central Bank of Turkey (CBT), effective on December 31, 2013. 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 Exposure

Risk exposure of the trading securities portfolio is based on fluctuations in market prices of relevant securities resulting from changes in interest rates. 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 risk is managed through monitoring of the interest rate range and setting pre-approved limits for re-pricing ranges.

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, 2013 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, 2013 as a result of the presumed variations in interest rates. During this analysis, other variables, particularly foreign exchange rates, are assumed to be fixed.

Board of Directors' Annual Activity Report

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.

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.

b) Assessment of Insurance Risk and Management Body

Insurance Pricing Policies

Garanti 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 Pension and Life undertakes efforts to develop new products that include additional coverage that policyholders might need during their lifetime.

The breakdown of the Company's premium production by product category in 2014 reveals that the share of universal life insurance policies increased, compared to last year. This was mainly due to the alignment of insurance policies with the terms and periods of loans. Variable universal life insurance policies continue to decline due to the lack of new production. Taking high profitability into consideration in product pricing practices is important in terms of safeguarding the Company's future. Therefore, while developing new products, the Company aims to sign agreements that stipulate transferring risks to reinsurers to a large extent, but at the same time provide high profit sharing.

Risk Assessment Policies

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

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

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

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

Reinsurance Policy

At Garanti Pension and Life, reinsurance processes are performed only on risk benefits (death and additional coverage) of life insurance policies. Due to the high underwriting profitability of risk-based life insurance plans, each year an amount equivalent to the maximum retention level, as set based upon actuarial estimations, is kept with the Company. The excess amount is transferred under surplus reinsurance treaties. Nevertheless, attention is paid to keep the retention level at more limited ratios and amounts over those risk benefits (for example, life-threatening illnesses coverage and the like) that pose greater uncertainty for the Company. For life-threatening illnesses and unemployment coverage, the Company operates under quota-share reinsurance treaties. Additionally, to conserve retention after extensive natural disasters such earthquakes, floods, traffic accidents involving mass transportation vehicles or terrorist attacks, each year an excess of loss reinsurance agreements are signed to secure catastrophic claims in a way most suitable for the portfolio.

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

Board of Directors' Annual Activity Report

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

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

The leading reinsurer in reinsurance agreements is the Munich-based Münchener Rückversicherungs AG (Munich RE). In terms of share in reinsurance agreements, the second-ranking reinsurer is Milli Reasürans T.A.Ş. (Milli Re). Other reinsurers with the same share are Reinsurance Group of America (RGA) based in Milan and the French reinsurer Scor Global Life. For life insurance products with unemployment coverage, the Company is also engaged in the reinsurance business with Istanbul-based Cardif Hayat Sigorta A.Ş., a BNP Paribas subsidiary, and with Scor Global Life. Garanti Pension and Life works with London-based Financial Insurance Company Limited (Genworth) for the daily hospital benefits paid to policyholders during their hospitalization period due to an accident or sickness, and for some types of life-threatening illnesses.

7. Subsequent Events

There have not been any material events, which might affect the rights of shareholders, recipients 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 Activity 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.

S. Ergun Özen

Chairman of Board of Directors

Gökhan Erün

Vice Chairman of Board of Directors

Cemal Onaran

CEO

Member of Board of Directors

**Garanti
Emeklilik
ve Hayat
Anonim
Şirketi**

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2014

*Translated into English from
The Original Turkish Report*

GARANTİ EMeklİLİK VE HAYAT ANONİM ŞİRKETİ

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Garanti Emeklilik ve Hayat A.Ş.

Report on Financial Statements

We have audited the accompanying financial statements of Garanti Emeklilik ve Hayat Anonim Şirketi ("the Company") which comprise the balance sheet as at 31 December 2014, and statement of income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Company's Management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable accounting principles and standards issued based on insurance laws and regulations. This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued based on insurance laws and regulations and Independent Auditing Standards which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Garanti Emeklilik ve Haya Anonim Şirketi as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the applicable accounting principles and standards issued (Note 2), based on insurance laws and regulations.

Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Company's set of accounts and financial statements prepared for the period 1 January-31 December 2014 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

Additional paragraph for the English translation:

The effect of the differences between the accounting principles summarized in Note 2 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Company's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Müjde Şehsuvaroğlu, SMMM
Partner

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

**THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014**

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, 2 February 2015

Didem SAYIM
Actuary

Salih İLERİ
Financial Affairs
Unit Manager

Ahmet KARAMAN
Executive Vice President

Cemal ONARAN
Member of the Board of
Directors, General Manager

Garanti Emeklilik ve Hayat Anonim Şirketi

Balance Sheet as of 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

ASSETS			
I-Current Assets	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
A-Cash and Cash Equivalents	14	1.010.804.992	786.835.656
1-Cash	14	-	48
2-Cheques Received		-	-
3-Banks	14	929.250.473	718.310.731
4-Cheques Given and Payment Orders (ç)		-	-
5-Bank Guaranteed Credit Card Receivables (Less than 3 months)	14	79.860.132	66.948.255
6-Other Cash and Cash Equivalents	14,45	1.694.387	1.576.622
B-Financial Assets and Investments with Risks on Policy Holders	11	106.353.740	123.056.814
1-Financial Assets Available for Sale	11	59.338.704	69.591.784
2-Financial Assets Held to Maturity		-	-
3-Financial Assets Held for Trading	11	27.671.218	29.877.209
4-Loans		-	-
5-Provision for Loans (ç)		-	-
6-Investments with Risks on Policy Holders	11	19.343.818	23.587.821
7-Equity Shares		-	-
8-Diminution in Value of Financial Assets (ç)		-	-
C-Receivables from Main Operations	12	6.172.161.959	4.342.294.297
1-Receivables from Insurance Operations	12	58.554.373	74.938.128
2-Provision for Receivables from Insurance Operations (ç)	12	(43.056)	(143.057)
3-Receivables from Reinsurance Operations		-	-
4-Provision for Receivables from Reinsurance Operations (ç)		-	-
5-Cash Deposited for Insurance & Reinsurance Companies		-	-
6-Loans to Policyholders	2,8,12	72.358	59.194
7-Provision for Loans to Policyholders (ç)		-	-
8-Receivables from Private Pension Operations	12,18	6.113.578.287	4.267.440.032
9-Doubtful Receivables from Main Operations		-	-
10-Provisions for Doubtful Receivables from Main Operations (ç)		-	-
D-Due from Related Parties	12,45	-	-
1-Due from Shareholders	45	-	-
2-Due from Affiliates		-	-
3-Due from Subsidiaries		-	-
4-Due from Joint Ventures		-	-
5-Due from Personnel		-	-
6-Due from Other Related Parties	45	-	-
7-Discount on Receivables Due from Related Parties (ç)		-	-
8-Doubtful Receivables Due from Related Parties		-	-
9-Provisions for Doubtful Receivables Due from Related Parties (ç)		-	-
E-Other Receivables	12	12.969	6.817
1-Lease Receivables		-	-
2-Unearned Lease Interest Income (ç)		-	-
3-Deposits and Guarantees Given		-	-
4-Other Receivables	12	12.969	6.817
5-Discount on Other Receivables (ç)		-	-
6-Other Doubtful Receivables		-	-
7-Provisions for Other Doubtful Receivables (ç)		-	-
F-Prepaid Expenses and Income Accruals		40.173.724	41.099.897
1-Deferred Acquisition Costs	17	39.288.829	40.923.032
2-Accrued Interest and Rent Income		-	-
3-Income Accruals		-	-
4-Other Prepaid Expenses		884.895	176.865
G-Other Current Assets		13.576	-
1-Inventories		-	-
2-Prepaid Taxes and Funds		-	-
3-Deferred Tax Assets		-	-
4-Business Advances		4.250	-
5-Advances Given to Personnel		9.326	-
6-Stock Count Differences		-	-
7-Other Current Assets		-	-
8-Provision for Other Current Assets (ç)		-	-
I-Total Current Assets		7.329.520.960	5.293.293.481

The accompanying notes form an integral part of these financial statements.

Garanti Emeklilik ve Hayat Anonim Şirketi

Balance Sheet as of 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

ASSETS		Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
II-Non Current Assets	Note		
A-Receivables from Main Operations			
1-Receivables from Insurance Operations		-	-
2-Provision for Receivables from Insurance Operations		-	-
3-Receivables from Reinsurance Operations		-	-
4-Provision for Receivables from Reinsurance Operations		-	-
5-Cash Deposited for Insurance & Reinsurance Companies		-	-
6-Loans to Policyholders		-	-
7-Provision for Loans to Policyholders ()		-	-
8-Receivables from Private Pension Operations		-	-
9-Doubtful Receivables from Main Operations		-	-
10-Provision for Doubtful Receivables from Main Operations		-	-
B-Due from Related Parties			
1-Due from Shareholders		-	-
2-Due from Affiliates		-	-
3-Due from Subsidiaries		-	-
4-Due from Joint Ventures		-	-
5-Due from Personnel		-	-
6-Due from Other Related Parties		-	-
7-Discount on Receivables Due from Related Parties		-	-
8-Doubtful Receivables Due from Related Parties		-	-
9-Provisions for Doubtful Receivables Due from Related Parties		-	-
C-Other Receivables		4.169	4.169
1-Leasing Receivables		-	-
2-Unearned Leasing Interest Income		-	-
3-Guarantees Given		4.169	4.169
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	5.561.628	4.496.232
1-Investment Properties		-	-
2-Diminution in Value for Investment Properties ()		-	-
3-Owner Occupied Properties		-	-
4-Machinery and Equipment		-	-
5-Furnitures and Fixtures	6	12.713.746	10.120.021
6-Vehicles		-	-
7-Other Tangible Assets (Including Leasehold Improvements)	6	2.136.319	1.841.193
8-Leased Tangible Assets	6	168.464	168.464
9-Accumulated Depreciation ()	6	(9.456.901)	(7.833.446)
10-Advances Paid for Tangible Assets (Including Construction In Progress)		-	-
F-Intangible Assets	8	24.558.126	17.952.119
1-Rights	8	334.371	334.371
2-Goodwill		-	-
3-Establishment Costs		-	-
4-Research and Development Expenses		-	-
6-Other Intangible Assets	8	79.892.602	60.874.049
7-Accumulated Amortization ()	8	(55.668.847)	(43.256.301)
8-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	4.877.547	2.865.019
1-Effective Foreign Currency Accounts		-	-
2-Foreign Currency Accounts		-	-
3-Inventories		-	-
4-Prepaid Taxes and Funds		-	-
5-Deferred Tax Assets	21	4.877.547	2.865.019
6-Other Non-current Assets		-	-
7-Other Non-current Assets Amortization		-	-
8-Provision for Other Non-current Assets		-	-
II-Total Non-current Assets		35.001.470	25.307.539
TOTAL ASSETS		7.364.522.430	5.318.601.020

The accompanying notes form an integral part of these financial statements.

Garanti Emeklilik ve Hayat Anonim Şirketi

Balance Sheet as of 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

LIABILITIES			
III-Short Term Liabilities	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
A-Borrowings		-	-
1-Borrowings from Financial Institutions		-	-
2-Finance Lease Payables		-	-
3-Deferred Finance Lease Borrowing Costs		-	-
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 (ç)		-	-
8-Other Financial Borrowings (Liabilities)	20,45	-	-
B-Payables from Main Operations	19	6.199.159.980	4.336.230.338
1-Payables Due To Insurance Operations	19	25.756.348	23.766.485
2-Payables Due To Reinsurance Operations		-	-
3-Cash Deposited by Insurance & Reinsurance Companies		-	-
4-Payables Due To Private Pension Operations	18,19	6.173.403.632	4.312.463.853
5-Payables from Other Operations		-	-
6-Discount on Other Payables from Main Operations, Notes Payable (ç)		-	-
C-Due to Related Parties		10.254.752	2.342.638
1-Due to Shareholders	45	115.370	342.188
2-Due to Affiliates		-	-
3-Due to Subsidiaries		-	-
4-Due to Joint Ventures		-	-
5-Due to Personnel		42.814	46.923
6-Due to Other Related Parties	45	10.096.568	1.953.527
D-Other Payables	19,47	2.303.936	5.010.329
1-Guarantees and Deposits Received		-	-
2-Payables to Social Security Institution		-	-
3-Other Payables	19,47	2.303.936	5.010.329
4-Discount on Other Payables (ç)		-	-
E-Insurance Technical Reserves	17	137.527.260	168.890.121
1-Unearned Premiums Reserve-Net	17	100.010.958	109.056.214
2-Unexpired Risk Reserves-Net		-	-
3-Life Mathematical Reserves-Net	17,18	4.392.865	12.930.577
4-Outstanding Claims Reserve-Net	17	33.123.437	46.903.330
5-Provision for Bonus and Discounts-Net		-	-
6-Other Technical Reserves - Net		-	-
F-Taxes and Other Liabilities and Provisions	19	10.158.134	8.882.229
1-Taxes and Dues Payable		3.708.135	2.836.024
2-Social Security Premiums Payable		967.489	908.311
3-Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4-Other Taxes and Liabilities		-	-
5-Corporate Tax Liability Provision on Period Profit	19	44.775.645	36.334.916
6-Prepaid Taxes and Other Liabilities on Period Profit (ç)	19	(39.294.135)	(31.197.032)
7-Provisions for Other Taxes and Liabilities		-	-
G-Provisions for Other Risks	23	1.112.741	1.141.093
1-Provision for Employment Termination Benefits		-	-
2-Pension Fund Deficit Provision		-	-
3-Provisions for Costs	23	1.112.741	1.141.093
H-Deferred Income and Expense Accruals	19	10.172.963	6.341.716
1-Deferred Commission Income	10,19	5.231.481	4.123.272
2-Expense Accruals	19	4.941.482	2.218.444
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		6.370.689.766	4.528.838.464

The accompanying notes form an integral part of these financial statements.

Garanti Emeklilik ve Hayat Anonim Şirketi

Balance Sheet as of 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

LIABILITIES			
IV-Long Term Liabilities	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
A-Borrowings		-	-
1-Borrowings from Financial Institutions		-	-
2-Finance Lease Payables		-	-
3-Deferred Finance Lease Borrowing Costs		-	-
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	111.090.852	77.885.424
1-Unearned Premiums Reserve-Net		-	-
2-Unexpired Risk Reserves-Net		-	-
3-Life Mathematical Reserves-Net	17,18	101.665.227	70.536.922
4-Outstanding Claims Reserve-Net		-	-
5-Provision for Bonus and Discounts - Net		-	-
7-Other Technical Reserves - Net	17	9.425.625	7.348.502
F-Other Liabilities and Provisions	23	1.694.740	1.396.601
1-Other Liabilities		-	-
2-Overdue, Deferred or By Installment Other Liabilities		-	-
3-Other Liabilities and Expense Accruals	23	1.694.740	1.396.601
G-Provisions for Other Risks	23	4.468.626	3.591.774
1-Provision for Employment Termination Benefits	23	4.468.626	3.591.774
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		117.254.218	82.873.799

The accompanying notes form an integral part of these financial statements.

Garanti Emeklilik ve Hayat Anonim Şirketi

Balance Sheet as of 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

SHAREHOLDERS' EQUITY

V-Shareholders' Equity	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
A-Paid in Capital		53.084.445	53.084.445
1-(Nominal) Capital	2,13,15	50.000.000	50.000.000
2-Unpaid Capital (-)		-	-
3-Positive Inflation Adjustment on Capital		3.084.445	3.084.445
4-Negative Inflation Adjustment on Capital (-)		-	-
5-Capital to Be Registered		-	-
B-Capital Reserves		-	-
1-Equity Share Premiums		-	-
2-Cancellation Profits of Equity Shares		-	-
3-Profit on Sale to be Transferred to Capital		-	-
4-Translation Reserves		-	-
5-Other Capital Reserves		-	-
C-Profit Reserves		653.577.589	515.823.615
1-Legal Reserves	15	10.000.000	10.000.000
2-Statutory Reserves		-	-
3-Extraordinary Reserves	15	643.590.337	505.609.640
4-Special Funds (Reserves)		-	-
5-Valuation of Financial Assets	11,15	383.604	213.975
6-Other Profit Reserves	23	(396.352)	-
D-Previous Years' Profits		-	-
1-Previous Years' Profits		-	-
E-Previous Years' Losses (-)		-	-
1-Previous Years' Losses		-	-
F-Net Profit of the Period		169.916.412	137.980.697
1-Net Profit of the Period		169.916.412	137.980.697
2-Net Loss of the Period		-	-
3-Nondistributed Net Profit of the Period		-	-
Total Shareholders' Equity		876.578.446	706.888.757
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		7.364.522.430	5.318.601.020

The accompanying notes form an integral part of these financial statements.

Garanti Emeklilik ve Hayat Anonim Şirketi

Income Statement for the Year Ended 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

I-TECHNICAL PART	Note	Audited Current Period (01/01/2014-31/12/2014)	Audited Prior Period (01/01/2013-31/12/2013)
A-Non-Life Technical Income		2.621	1.441
1-Earned Premiums (Net of Reinsurer Share)	17	2.621	1.441
1.1-Premiums (Net of Reinsurer Share)	17	6.911	1.233
1.1.1-Gross Premiums	17	6.979	1.233
1.1.2-Ceded Premiums to Reinsurers		(68)	-
1.1.3-Premiums Transferred to SSI(-)		-	-
1.2-Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward)	17	(4.290)	208
1.2.1-Unearned Premiums Reserve	17	(4.290)	208
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 Sotvage Income (+)		-	-
B-Non-Life Technical Expense (-)		(15.067)	(21.854)
1-Total Claims (Net of Reinsurer Share)	17	-	2.318
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)	17	-	2.318
1.2.1-Outstanding Claims Reserve	17	-	2.318
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	(15.067)	(24.172)
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 (+)		-	-

The accompanying notes form an integral part of these financial statements.

Garanti Emeklilik ve Hayat Anonim Şirketi

Income Statement for the Year Ended 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

I-TECHNICAL INCOME	Note	Audited Current Period (01/01/2014-31/12/2014)	Audited Prior Period (01/01/2013-31/12/2013)
C-Non Life Technical Net Profit (A-B)		(12.446)	(20.413)
D-Life Technical Income		292.924.072	258.104.417
1-Earned Premiums (Net of Reinsurer Share)	17	278.954.537	241.545.052
1.1-Premiums (Net of Reinsurer Share)	17	269.904.992	257.074.731
1.1.1-Gross Premiums (+)	17	318.757.789	298.108.201
1.1.2-Ceded Premiums to Reinsurers (-)	10, 17	(48.852.797)	(41.033.470)
1.2-Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	17	9.049.545	(15.529.679)
1.2.1-Unearned Premiums Reserve (-)	17	5.271.734	(16.277.939)
1.2.2-Reinsurance Share of Unearned Premiums Reserve (+)	10	3.777.811	748.260
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		13.895.662	16.434.761
3-Accrued (Unrealized) Income from Investments		-	-
4-Other Technical Income (Net of Reinsurer Share)		73.873	124.604
4.1-Gross Other Technical Income (+/-)		73.873	124.604
4.2-Reinsurance Share in Gross Other Technical Income (+)		-	-
5-Accrued Subrogation Income (+)		-	-
E-Life Technical Expense		(165.510.777)	(147.054.374)
1-Total Claims (Net of Reinsurer Share)	17	(39.055.558)	(53.166.314)
1.1-Claims Paid (Net of Reinsurer Share)	17	(52.835.451)	(48.462.647)
1.1.1-Gross Claims Paid (-)	17	(80.428.009)	(74.110.253)
1.1.2-Reinsurance Share of Claims Paid (+)	10, 17	27.592.558	25.647.606
1.2-Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17	13.779.893	(4.703.667)
1.2.1-Outstanding Claims Reserve (-)	17	16.083.760	(4.088.442)
1.2.2-Reinsurance Share of Outstanding Claims Reserve (+)	10, 17	(2.303.867)	(615.225)
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) (+/-)		(21.292.054)	(57.194)
3.1-Life Mathematical Reserves		(21.292.054)	(57.194)
3.1.1-Actuarial Mathematical Reserve (+/-)		(21.292.054)	(57.194)
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	(2.077.123)	(2.030.971)
5-Operating Expenses	32	(100.125.333)	(85.425.119)
6-Investment Expenses		-	-
7-Unrealized Losses from Investments (-)		-	-
8-Investment Income Transferred to Non Technical Divisions (-)		(2.960.709)	(6.374.776)

The accompanying notes form an integral part of these financial statements.

Garanti Emeklilik ve Hayat Anonim Şirketi

Income Statement for the Year Ended 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

I-TECHNICAL PART	Note	Audited Current Period (01/01/2014-31/12/2014)	Audited Prior Period (01/01/2013-31/12/2013)
F-Life Technical Profit/(Loss) (D – E)		127.413.295	111.050.043
G-Private Retirement Technical Income	25	137.922.170	110.240.462
1-Fund Management Fee		82.826.415	62.680.304
2-Management Fee Deduction		16.839.533	14.345.311
3-Entrance Fee Income		31.725.193	30.280.404
4-Management Fee In Case of Temporary Suspension		6.521.513	2.895.694
5-Withholding Tax		-	-
6-Increase in Market Value of Capital Commitment Advances		-	38.212
7-Other Technical Income		9.516	537
H-Private Retirement Technical Expenses		(116.993.062)	(84.333.105)
1-Fund Management Expenses (-)		(18.999.471)	(5.437.249)
2-Decrease in Market Value of Capital Commitment Advances (-)		-	-
3-Operating Expenses (-)	32	(89.441.486)	(72.934.313)
4-Other Technical Expenses (-)		(8.552.105)	(5.961.543)
I-Private Retirement Technical Profit/(Loss) (G – H)		20.929.108	25.907.357

The accompanying notes form an integral part of these financial statements.

Garanti Emeklilik ve Hayat Anonim Şirketi

Income Statement for the Year Ended 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

II-NON-TECHNICAL	Note	Audited Current Period (01/01/2014-31/12/2014)	Audited Prior Period (01/01/2013-31/12/2013)
C-Non Life Technical Net Profit (A-B)		(12.446)	(20.413)
F-Life Technical Profit/(Loss) (D – E)		127.413.295	111.050.043
I-Private Pension Technical Profit/(Loss) (G – H)		20.929.108	25.907.357
J-General Technical Net Profit (C+F+I)		148.329.957	136.936.987
K-Investment Income		84.951.641	58.257.533
1-Income from Financial Investments		58.461.247	40.373.586
2-Income from Sale of Financial Investments		1.083.370	1.802.813
3-Valuation of Financial Investments		20.672.622	6.304.849
4-Foreign Exchange Gains		1.773.693	3.401.509
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		2.960.709	6.374.776
L-Investment Expenses (-)		(18.699.647)	(16.538.848)
1-Investment Management Expenses (Including Interest)		(123.684)	(53.153)
2-Valuation Allowance of Investments		(125.767)	-
3-Losses On Sales of Investments		(2.600.235)	(2.392.951)
4-Investment Income Transferred to Life Technical Part		-	-
5-Losses from Derivatives		-	-
6-Foreign Exchange Losses		(1.580.141)	(2.940.410)
7-Depreciation and Amortization Expenses	6, 8	(14.236.192)	(10.245.595)
8-Other Investment Expenses		(33.628)	(906.739)
M-Other Income and Expenses (+/-)		(10.162)	(4.340.059)
1-Provisions Account	47	(2.222.572)	(4.088.503)
2-Discount Account		572.930	(186.354)
3-Specialty Insurances Account		-	-
4-Inflation Adjustment Account		-	-
5-Deferred Tax Asset Accounts		-	-
6-Deferred Tax Liability Accounts	21, 35	1.965.847	1.141.795
7-Other Income and Revenues		657.102	374.274
8-Other Expense and Losses	47	(983.469)	(1.581.271)
9-Prior Period Income		-	-
10-Prior Period Losses		-	-
N-Net Profit/(Loss)		169.916.412	137.980.697
1-Profit/(Loss) Before Tax		214.571.789	174.315.613
2-Corporate Tax Charge (-)	35	(44.655.377)	(36.334.916)
3-Net Profit/(Loss) for the Period		169.916.412	137.980.697
4-Inflation Adjustment Account		-	-

The accompanying notes form an integral part of these financial statements.

Garanti Emeklilik ve Hayat Anonim Şirketi

Change in Shareholders' Equity for the Year Ended 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ CHANGE IN SHAREH TL OLDERS' EQUITY													
Audited PRIOR PERIOD	15	50,000,000	Capital	Treasury Shares	Valuation of Financial Assets	Inflation Adjustment on Shareholders' Equity	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit (Loss) for the Period	Previous Years' Profits/ Losses	Total
I-Closing balance of Prior Period (01/01/2013)	15	50,000,000	Capital	Treasury Shares	Valuation of Financial Assets	Inflation Adjustment on Shareholders' Equity	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit (Loss) for the Period	Previous Years' Profits/ Losses	Total
A-Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-
1-Cash	-	-	-	-	-	-	-	-	-	-	-	-	-
2-Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-
B-Change in treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
C-Income/(expense) recognized directly in the equity	-	-	-	-	-	-	-	-	-	-	-	-	-
D-Value increase/(decrease) in financial assets	-	-	-	(197,409)	-	-	-	-	-	-	-	-	(197,409)
E-Translation reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
F-Other income/(expenses)	23	-	-	-	-	-	-	-	-	-	-	(2,077,482)	(2,077,482)
G-Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-	-	-
H-Net profit for the period	-	-	-	-	-	-	-	-	-	-	137,980,697	-	137,980,697
I-Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-
J-Transfer	-	-	-	-	-	-	-	-	-	146,888,944	(123,046,493)	2,317,482	-
II-Closing Balance at 31/12/2014 (I+H-B-C-D+E+F+G+H+I+J)			50,000,000	-	213,975	3,084,445	-	10,200,000	-	595,609,640	137,980,697	-	706,888,757
TL													
Audited CURRENT PERIOD	15	50,000,000	Capital	Treasury Shares	Valuation of Financial Assets	Inflation Adjustment on Shareholders' Equity	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit (Loss) for the Period	Previous Years' Profits/ Losses	Total
I-Closing balance of Prior Period (01/01/2014)	15	50,000,000	Capital	Treasury Shares	Valuation of Financial Assets	Inflation Adjustment on Shareholders' Equity	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit (Loss) for the Period	Previous Years' Profits/ Losses	Total
A-Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-
1-Cash	-	-	-	-	-	-	-	-	-	-	-	-	-
2-Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-
B-Change in treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
C-Income/(expense) recognized directly in the equity	-	-	-	-	-	-	-	-	-	-	-	-	-
D-Value increase/(decrease) in financial assets	-	-	-	169,629	-	-	-	-	-	-	-	-	169,629
E-Translation reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
F-Other income/(expenses)	23	-	-	-	-	-	-	-	-	(395,352)	-	-	(395,352)
G-Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-	-	-
H-Net profit for the period	-	-	-	-	-	-	-	-	-	-	169,916,412	-	169,916,412
I-Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-
J-Transfer	-	-	-	-	-	-	-	-	-	137,980,697	(137,980,697)	-	-
II-Closing Balance at 31/12/2014 (I+H-B-C-D+E+F+G+H+I+J)			50,000,000	-	383,604	3,084,445	-	10,200,000	-	643,193,985	169,916,412	-	876,578,446

The accompanying notes form an integral part of these financial statements.

Garanti Emeklilik ve Hayat Anonim Şirketi

Cash Flow Statement for the Year Ended 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

	Note	Audited Current Period (01/01/2014- 31/12/2014)	Audited Current Period (01/01/2013- 31/12/2013)
A. CASH FLOWS FROM THE OPERATING ACTIVITIES			
1. Cash inflows from the insurance operations		359.141.256	285.124.980
2. Cash inflows from the reinsurance operations		-	-
3. Cash inflows from the private pension operations		455.439.196	110.240.462
4. Cash outflows due to the insurance operations (ç)		(208.981.801)	(161.009.220)
5. Cash outflows due to the reinsurance operations (ç)		-	-
6. Cash outflows due to the private pension operations (ç)		(420.268.623)	(78.718.899)
7. Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)		185.330.028	155.637.323
8. Interest payments		-	-
9. Income tax payments		(44.432.019)	(39.962.878)
10. Other cash inflows		23.960.862	16.956.606
11. Other cash outflows		(16.449.851)	(14.691.922)
12. Net cash generated from the operating activities		148.409.020	117.939.129
B. CASH FLOWS FROM THE INVESTING ACTIVITIES			
1. Sale of tangible assets		1.283	-
2. Purchase of tangible assets	6	(2.891.910)	(2.800.796)
3. Acquisition of financial assets		(70.118.213)	(282.762.777)
4. Sale of financial assets		91.869.982	239.989.950
5. Interest received		62.745.274	49.247.939
6. Dividends received		37.436	-
7. Other cash inflows		19.140.223	9.776.285
8. Other cash outflows (ç)		(38.586.767)	(15.311.233)
9. Net cash generated from the investing activities		62.197.308	(1.860.632)
C. CASH FLOWS FROM THE FINANCING ACTIVITIES			
1. Issue of equity shares		-	-
2. Cash inflows from borrowings		-	-
3. Payments of financial leases		-	-
4. Dividends paid		-	-
5. Other cash inflows		-	-
6. Other cash outflows		-	-
7. Cash generated from the financing activities		-	-
D. EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS			
		765.137	(2.208.141)
E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)		211.371.465	113.057.949
F. Cash and cash equivalents at the beginning of the period	14	779.167.710	666.109.761
G. Cash and cash equivalents at the end of the period (E+F)	14	990.539.175	779.167.710

The accompanying notes form an integral part of these financial statements.

Garanti Emeklilik ve Hayat Anonim Şirketi

Statement of Profit Distribution for the Year Ended 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

Note	AUDITED Current Period (31/12/2014) ^o	AUDITED Prior Period (31/12/2013)
I. DISTRIBUTION OF PROFIT FOR THE PERIOD		
1.1. PROFIT FOR THE PERIOD	214.571.789	174.315.613
1.2. TAXES PAYABLE AND LEGAL LIABILITIES	(44.655.377)	(36.334.916)
1.2.1. Corporate Tax (Income Tax)	(44.655.377)	(36.334.916)
1.2.2. Income Tax Deduction	-	-
1.2.3. Other Taxes And Legal Liabilities	-	-
A NET PROFIT FOR THE PERIOD (1.1 - 1.2)	169.916.412	137.980.697
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))"]	169.916.412	137.980.697
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 (-)	-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. PROFIT PER SHARE		
3.1. TO OWNERS OF ORDINARY SHARES	-	-
3.2. TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3. TO OWNERS OF PREFERRED SHARES	-	-
3.4. TO OWNERS OF PREFERRED SHARES (%)	-	-
IV. DIVIDENDS PER SHARE		
4.1. OWNERS OF ORDINARY SHARES	-	-
4.2. TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3. TO OWNERS OF PREFERRED SHARES	-	-
4.4. TO OWNERS OF PREFERRED SHARES (%)	-	-

^o As the statement of profit distribution to be authorized by the General Assembly is not determined by the Board of Directors, only the net profit available for distribution is presented in the statement of profit distribution for the year 2014.

The accompanying notes form an integral part of these financial statements.

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

1. General information

1.1 Parent Company and the Ultimate Owner of the Company

As at 31 December 2014, 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. Başbakanlık Hazine Müsteşarlığı ("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.

As of 31 December 2014, the Company has twenty one pension investment funds in total (As at 31 December 2013: Twenty one pension investment funds in total).

According to signed Funds Portfolio Management Service Agreement, 20 of pension investment funds are managed by Garanti Portföy Yönetimi A.Ş., 1 of the 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 Individual Pension Saving and Investment System No.4632 (the "Individual Pension Law") issued on 7 April 2001 in Official Gazette No.4366 and issues policies/contracts in life, personal accident, and pension branches.

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

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:

	2014	2013
Key management personnel	7	6
Other personnel	900	892
Total	907	898

1.6 Remuneration and fringe benefits provided to top management

As of 31 December 2014, 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 5,343,510 (31 Aralık 2013: TL 4,586,410).

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.

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 has not prepared consolidated financial statements as at and for the year ended 31 December 2014.

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

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.

Although the 4th standard of the Turkish Accounting Standards Board (“TASB”) for the ‘Insurance contracts’ became effective on 25 March 2006 for the accounting periods that begin on or after 31 December 2005, it is stated that IFRS 4 will not be implemented at this stage since the second phase of the Turkish Accounting Standards Board project about the insurance contracts has not been completed yet. In this context, “Communiqué on Technical Reserves for Insurance, Reinsurance and Private Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves” (“Communiqué on Technical Reserves”) is published in the 7 August 2007 dated Official Gazette, numbered 26606 and became effective on 1 January 2008. Subsequent to the publication of the Communiqué on Technical Reserves, some other circulars and sector announcements which contain explanations and regulations related to application of the Communiqué on Technical Reserves are published. Accounting policies applied for the insurance contracts based on these communiqué, circulars and other sector announcements are summarized on its own caption in the following sections.

The accompanying financial statements are based on Turkish Accounting Standards/Turkish Financial Reporting Standards and the related statements and reviews of (“IAS/IFRS”) which was imposed by Public Oversight, Auditing and Accounting Standards Authority.

“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.

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

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 15 January 2003 and numbered 25290. Inflation accounting is no longer applied starting from 1 January 2005, in accordance with the same declaration of the Turkish Treasury.

Other accounting policies

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

2.1.3 Functional and presentation currency

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

2.1.4 Rounding level of the amounts presented in the financial statements

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

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

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

2.1.6 Accounting policies, changes in accounting estimates and errors

(a) Amendments to TASs affecting amounts reported in the financial statements

None.

(b) New and revised standards applicable in 2014 with no material effect on the financial statements of the Company

Amendments to TFRS 10, 11, TAS 27
Amendments to TAS 32
Amendments to TAS 36
Amendments to TAS 39
TFRS Interpretation 21
Amendments to TAS 21

Investment Entities¹
Offsetting Financial Assets and Financial Liabilities¹
Recoverable Amount Disclosures for Non-Financial Assets¹
Novation of Derivatives and Continuation of Hedge Accounting¹
Levies¹
The Effect of Changes in Foreign Exchange Rates²

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective from 12 November 2014

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

Amendments to TFRS 10, 11, TAS 27 Investment Entities

This amendment with the additional provisions of TFRS 10 provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss.

Amendments to TAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to TAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

Amendments to TAS 36 Recoverable Amount Disclosures for Non-Financial Assets

As a consequence of TFRS 13 Fair Value Measurements, there are amendments in the explanations about the measurement of the recoverable amount of an impaired asset. This amendment is limited to non-financial assets and paragraphs 130 and 134 of TAS 36 have been changed.

Amendments to TAS 39 Novation of Derivatives and Continuation of Hedge Accounting

This amendment to TAS 39 makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

TFRS Interpretation 21 Levies

TFRS Interpretation 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

Amendments to TAS 21 The Effect of Changes in Foreign Exchange Rates

Clause (b) of Paragraph 39 of TAS 21 Effects of Changes in Foreign Exchange Rates has been amended as below:

“(b) Income and expenses for each statement of comprehensive income or separate income statement presented (ie including comparatives) shall be translated at exchange rates at the dates of the transactions.”

(c) New and revised standards in issue but not yet effective

The Group has not applied the following new and revised TFRSs that have been issued but are not yet effective:

TFRS 9	<i>Financial Instruments</i>
Amendments to TFRS 9 and TFRS 7	<i>Mandatory Effective Date of TFRS 9 and Transition Disclosures</i>
Amendments to TAS 19	<i>Defined Benefit Plans: Employee Contributions¹</i>
Annual Improvements to 2010-2012 Cycle	<i>TFRS 2, TFRS 3, TFRS 8, TFRS 13, TAS 16 and TAS 38, TAS 24, TFRS 9, TAS 37, TAS 39¹</i>
Annual Improvements to 2011-2013 Cycle	<i>TFRS 3, TFRS 13, TMS 40¹</i>
Amendments to TAS 16 and TAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation²</i>
Amendments to TAS 16 and TAS 41	<i>Agriculture: Bearer Plants 2</i>
TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40	
Amendments to TFRS 11 and TFRS 1	<i>Accounting for Acquisition of Interests in Joint Operations²</i>

¹ Effective for annual periods beginning on or after 30 June 2014.

² Effective for annual periods beginning on or after 31 December 2015.

TFRS 9 Financial Instruments

TFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. TFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Amendments to TFRS 9 and TFRS 7 Mandatory Effective Date of TFRS 9 and Transition Disclosures

On November 2013, it is tentatively decided that the mandatory effective date of TFRS 9 will be no earlier than annual periods beginning on or after 1 January 2017. This revision has not been published by POA yet.

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

Amendments to TAS 19 *Defined Benefit Plans: Employee Contributions*

The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service.

Annual Improvements to 2010-2012 Cycle

TFRS 2: Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'

TFRS 3: Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

Annual Improvements to 2010-2012 Cycle

TFRS 8: Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

TFRS 13: Clarify that issuing TFRS 13 and amending TFRS 9 and TAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

TAS 16 and TAS 38: Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

TAS 24: Clarify how payments to entities providing management services are to be disclosed.

Annual Improvements to 2011-2013 Cycle

TFRS 3: Clarify that TFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

TFRS 13: Clarify the scope of the portfolio exception in paragraph 52.

TAS 40: Clarifying the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property.

Amendments to TAS 16 and TAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

This amendment clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

Amendments to TFRS 11 and TFRS 1 *Accounting for Acquisition of Interests in Joint operations*

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in TFRS 3 and other TFRSs, except for those principles that conflict with the guidance in TFRS 11
- disclose the information required by TFRS 3 and other TFRSs for business combinations.

This amendment on TFRS 11 caused revisions on related parts of TFRS 1.

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.

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

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

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

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

Depreciation rates and estimated useful lives are as follows:

Tangible Assets	Estimated Useful Lives (years)	Depreciation Rates (%)
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%.

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.

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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.

Securities are recognized at the date of settlement.

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 2014, total amount of loans to the policyholders amounts to TL 72,358 (31 December 2013: TL 59,194).

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 2014, 95% of the difference between fair values and amortized costs of those assets backing liabilities amounted to TL 3,325,635 (31 December 2013: TL 2,027,096) is recorded in life mathematical provisions.

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

Derecognition

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

2.9 Impairment on assets

Impairment on financial assets

Financial assets or group of financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the Company estimates the amount of impairment. Impairment loss incurs 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 incur due to future events are not recognized even if the probability of loss is high.

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

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

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.

On each balance sheet date, the Company evaluates whether there is an indication of impairment of fixed assets. If there is an objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the IAS 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.

Discount and provision expenses of the period are disclosed in Note 47 - Others.

2.10 Derivative financial instruments

As at balance sheet date, the Company does not hold any derivative financial instruments.

2.11 Offsetting of financial assets

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

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

2.12 Cash and cash equivalents

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

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2.13 Capital

As at 31 December 2014, 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.

As at 31 December 2014 and 2013, the share capital and ownership structure of the Company are as follows:

Name	31 December 2014		31 December 2013	
	Nominal Value of the Shares (TL)	Percentage (%)	Nominal Value of the Shares (TL)	Percentage (%)
Türkiye Garanti Bankası A.Ş.	42.456.190	84,91	42.456.190	84,91
Achmea BV	7.500.000	15,00	7.500.000	15,00
Other	43.810	0,09	43.810	0,09
Paid-in Capital	50.000.000	100,00	50.000.000	100,00

Sources of the capital increases during the year: None.

Privileges on common shares representing share capital: None.

Registered capital system in the Company: None.

Repurchased own shares by the Company: None.

2.14 Insurance and investment contracts – classification

An insurance contract is a contract under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing 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 caption "written premiums".

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

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

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2.15 Insurance contracts and investment contracts with discretionary participation feature

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

- (i) that are likely to comprise a significant portion of the total contractual benefits,
- (ii) whose amount or timing is contractually at the discretion of the Issuer; and
- (iii) that are contractually based on:

- (1) the performance of a specified pool of contracts or a specified type of contract;
- (2) realized and/or unrealized investments returns on a specified pool of assets held by the Issuer; or
- (3) the profit or loss of the Company, Fund or other entity that issues the contract.

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

2.16 Investment contracts without DPF

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

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

2.17 Liabilities

Financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity. Financial liabilities of the Company are measured at their discounted values. 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.

2.18 Income taxes

Corporate tax

Statutory income is subject to corporate tax at 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.

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Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. 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.

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 taxes

In accordance with TAS 12 - Income taxes, deferred tax assets and liabilities are recognized 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.

The 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 set off 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. In case where gains/losses resulting from the subsequent measurement of the assets are recognized in the statement of income, then the related current and/or deferred tax effects are also recognized in the statement of income. On the other hand, if such gains/losses are recognized as an item under equity, then the related current and/or deferred tax effects are also recognized directly in the 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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2.19 Employee benefits

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 31 December 2014 is TL 3,541 (31 December 2013: TL 3,254).

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 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
Interest Rate	%6,10	%7,03
Expected Rate of Salary/Limit Increase	%6,10	%5,00
Discount Rate	%8,60	%1,93

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 Provision

A provision is made for an existing obligation resulted 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 balance sheet 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 footnotes 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.

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.

Commission income and expense

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.

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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 in the statement of income 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.

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.

Expense deductions charged on participants on condition that this would not exceed two percent, at a maximum, at contributions paid by them into their personal retirement accounts are booked under management expense deduction account.

Those amounts which are accrued when participants are firstly admitted into personal retirement system on condition that this would not exceed certain percentages of gross minimum wage in effect at date on which the retirement proposal form has been signed or approved are booked in admission dues account.

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That portion of the admission dues which is collected upfront may not exceed ten percent of monthly gross minimum wage in effect at date on which the proposal form has been signed or approved. Total amount of the admission dues collected upfront and on deferred payment scheme may not exceed the following percentages of monthly gross minimum wage in effect at date on which the proposal form has been signed or approved;

- a) for those participants who left the company within three years as from effectiveness date of the agreement, seventy five percent,
- b) in the event of agreements which completed the three-year time as from effectiveness date of the agreement, for those participants who left the company before six-year time is completed, fifty percent,
- c) in the event of agreements which completed the six-year time as from effectiveness date of the agreement, for those participants who left the company before ten-year time is completed, twenty five percent.

For Pratik and ESNAP retirement plans, a certain portion of the admission dues is collected upfront, or is made payable in up to 9 installments, at a maximum, while another portion of it being deferred to the plan-leaving date, albeit no longer than 10 years. In Prestige, Select and Doğuş Group Retirement plans, no admission dues are charged at the time of admission and that portion of the admission dues which has been deferred up to the plan-leaving date is collected only if participants opt for leaving their personal retirement system within 10 years. In both cases, no revenue accrual is made for those admission dues which have been deferred up to the plan-leaving date.

No admission dues payable under deferred payment scheme are collected from those participants who completed their tenth year as from the effective date of their retirement agreements and from those participants who left their plan owing to death or disability, for merely by exercising their right to be pensioned off.

Portfolio value changes which come to pass between the date on which fund portfolio is created for retirement investment funds and the date on which fund units are sold are entered in income statement and are shown under retirement branch technical revenues as capital advance allocation interest revenues.

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.

2.22 Leasing transactions

The maximum period of the lease contracts is 4 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.

Payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease.

As at balance sheet date, the Company does not have any leasing transaction.

2.23 Dividend distribution

In the Ordinary General Meeting held on 21 March 2014, it has been resolved to transfer the net profit for the year 2013 to reserves instead of distributing as dividend.

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2.24 Technical Reserves

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.

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 exceeds 95% in future periods for the estimated claim premium ratio of insurance branches, the amount calculated multiplying ratio exceeding 95% by net unearned premiums reserve is called net provision for unexpired risk reserve, and the amount calculated multiplying ratio exceeding 95% by gross unearned premiums reserve is called gross provision for unexpired risk reserve. As at 31 December 2014 and 31 December 2013, related test have not resulted any deficiency in the premiums of the Company.

Outstanding claims reserve

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.

The nature and requirements of incurred but not reported claims are calculated by using the actuarial chain ladder method or any other method prescribed by the Undersecretariat.

The Undersecretariat may determine the method (actuarial chain ladder method) to be used in the calculation of incurred but not reported claims for each insurance branches and companies. Method used in the calculation of incurred but not reported claims for each branch is disclosed in the notes to the financial statements.

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Weighted average amount of which is calculated by dividing incurred but not reported life claims related to prior periods into annual average coverage related to prior period is taken into account in the calculation of incurred but not reported life claims for life branch and incurred but not reported claims for the current period is calculated by multiplying the weighted average by annual average coverage related to the current period.

The calculation should be based on gross amounts. Existing or related reinsurance agreements reflect net amounts.

Accordingly, as of 31 December 2014, the Company has provided TL 8,987,708 of net outstanding claims provision in relation to incurred but not reported claims in its financial statements (31 December 2013: TL 9,331,639).

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.

Also, the Company's actuary can eliminate significant claims for branches having a total number of insurance files related to the main branch, excluding life branch, not exceeding 1/1000 or below, as well as for branches having less than 300 claims files under the Circular No: 2010-12. Therefore, companies are required to prepare their gross outstanding claims adequacy tables in terms of branches at each period-end based on the format determined by the Undersecretariat. For these branches, outstanding claims adequacy table is prepared for the following period. As of 31 December 2014, the Company is not required to provide any additional provisions in relation to outstanding adequacy testing performed at each period-end (31 December 2013: None).

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 above.

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Equalization reserves

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.

2.25 Related parties

For the purpose of the accompanying financial statements, shareholders, key management and members of board of directors together with their families and companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties.

2.26 Earnings per share

In respect of IAS 33, "Earnings Per Share" standard, companies whose stocks are not traded in the stock market, do not have to disclose earnings per share. Since the Company's shares are not traded in the stock market, earnings per share are not disclosed in the accompanying financial statements.

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2.27 Subsequent events

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.

2.28 Comparative Information and Restatement of Prior Period Financial Statements

Financial statements of the Company have been prepared comparatively with the prior period in order to give information about financial position and performance. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified in line with the related changes.

3 Critical accounting estimates and judgments in applying accounting policies

The Notes given in this section are provided to addition/supplement the commentary on the management of insurance risk Note 4.1 - Management of insurance risk and Note 4.2 - Financial risk management.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas at estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following Notes:

- Note 4.1 - Management of insurance risk
- Note 4.2 -Financial risk management
- Note 6 - Tangible assets
- Note 8 - Intangible assets
- Note 10 - Reinsurance assets/liabilities
- Note 11 - Financial assets
- Note 12 - Loans and receivables
- Note 14 - Cash and cash equivalents
- Note 17 - Insurance liabilities and reinsurance assets
- Note 17 - Deferred acquisition costs
- Note 18 - Investment contract liabilities
- Note 18- Receivables from private pension operations
- Note 21 - Deferred income taxes
- Note 23 - Provisions for other liabilities and charges

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4 Management of insurance and financial risk

4.1 Management of insurance risk

Pricing policies

The pricing policies and principles of the Company are as follows:

- i) While determining risk premiums, the amount of expected losses are considered and premium limits are determined accordingly.
- ii) During the study of pricing activities as a part of developing a new product, working of relevant units together within the Company is maintained by considering the needs of the customers and competition in the market.
- iii) It is aimed to achieve profitability in product basis and providing continuity.
- iv) Results of the pricing studies are compared with the prices of the competitors and international pricing cases.

When the distribution of the products in accordance with the premiums written for each product within last one year is analysed it is observed that premiums written for long term life and saving products have decreased, on the other hand, premiums written for one year term life products have increased. The Company management is in the opinion that this development in the production structure of the Company results positive effect on the profitability ratios. 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 2014		31 December 2013	
	Insurance risk (TL)	Unit	Insurance risk (TL)	Unit
Death	32.773.991.348	2.431.699	31.367.900.217	2.655.382
Disability due to accident	22.694.714.950	2.178.414	21.069.021.652	2.385.193
Disability due to illness	4.429.584.247	592.593	1.794.971.360	227.782
Critical illness	1.468.290.460	61.350	2.115.325.392	85.002
Treatment costs due to accident	1.052.641.827	597.554	2.560.568.934	1.394.482
Involuntary unemployment	237.841.138	161.962	271.262.864	201.410
Death due to accident	434.865.087	8.943	367.174.515	7.769
Unemployment/Daily hospital benefit	102.533.457	431.501	173.528.109	877.314
Permanent disability benefit	214.000	837	459.750	1.643
Unemployment/Temporary disability benefit	12.337.996	619	16.855.493	832

The Company gives importance to the diversification of the insurance risk.

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.

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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).

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.

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The decisive criteria for the relationship with reinsurers are as follows:

- i) Financial strength,
- ii) Long-term business relationship approach,
- iii) Competitive prices
- 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. Milli Reasürans TAŞ (“Milli Re”) is the second reinsurance firm in terms of its reinsurance share. The third big reinsurance firm is Scor Global Company. Fourth reinsurance firm is RGA and fifth reinsurance firm is Genworth.

In unemployment insurance, the Company has engaged quota share reinsurance treaties with 100% reinsurance share ratio with BNP Paribas Cardif Hayat Sigorta AŞ (“Cardif”) and Scor Global starting from 2012.

Recent ratings of these companies given by international institutions are as follows:

Reinsurer	Standard & Poors			AM Best		
	Rating	Outlook	Date	Rating	Outlook	Date
Munich Re	AA-	Stable	22 Aralık 2006	A+	Stable	7 Eylül 2007
Milli Re	trAA+	-	22 Temmuz 2014	B+	Negative	13 Haziran 2014
Scor Global Re	A +	Positive	21 Kasım 2013	A	Stable	15 Mart 2012
RGA	AA-	Positive	2013	A+	Positive	2013
BNP Paribas Cardif	AA	Negative	25 Ekim 2012	A+	Positive	22 Mart 2011
Genworth	A-	Positive	29 Eylül 2014	A	Positive	29 Eylül 2014

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.

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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.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Credit risk

Credit risk is basically defined as the possibility that a counterparty will fail to meet its obligations in accordance under agreed terms of a contract. The main financial statement balances that the Company has credit risk exposure is as follows:

- cash at banks
- other cash and cash equivalents
- available for sale financial assets
- financial assets held for trading
- investments with risks on policyholders
- premium receivables from policyholders
- receivables from intermediaries (agencies)
- receivables from private pension operations; 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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Net carrying value of the assets that is exposed to credit risk is shown in the table below:

	31 December 2014	31 December 2013
Receivables from main operations (Note 12)	6.172.161.959	4.342.294.297
Cash and cash equivalents (Note 14)	1.010.804.992	786.835.656
Financial assets and financial investments with risks on policyholders (Note 11)	106.353.740	123.056.814
Reinsurer share in outstanding claims reserve (Note 10), (Note 17)	11.238.057	13.541.924
Other receivables (Note 12)	17.138	10.986
Total	7.300.575.886	5.265.739.677

As at 31 December 2014 and 31 December 2013, the aging of the receivables from main operations is as follows:

	31 December 2014		31 December 2013	
	Gross amount	Provision	Gross amount	Provision
Not past due	6.150.070.140	-	4.319.959.836	-
Past due 0-30 days	11.032.473	-	13.792.516	-
Past due 31-60 days	1.860.912	-	952.117	-
Past due 61-180 days ^(*)	1.312.978	-	1.430.720	-
Past due 181-365 days	1.453.440	-	1.815.109	-
More than one year	10.293.784	-	7.745.705	-
Total	6.176.023.727	(3.861.768)	4.345.696.003	(3.401.706)

^(*) Provision for the impairment of entrance fees which could not be collected yet and other receivables related to the pension operations amounted to TL 3.818.708 (31 December 2014: TL 3.258.649), presented as netted off from receivables from private pension operations in the accompanying financial statements

The Company books provision for the portion of entry fee receivables which is accrued during the entry and will be collected in maximum 12 installments.

The movement of the provision for receivables from private pension operations and insurance operations are as follows:

	1 January – 31 December 2014	1 January – 31 December 2013
Provision for receivables from insurance and private pension operations at the beginning of the year	(3.401.706)	(303.840)
Provision (provided)/released during the year	(460.062)	(3.097.866)
Provision for receivables from insurance and private pension operations at the end of the year	(3.861.768)	(3.401.706)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments.

Management of the 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 following table provides an analysis of assets and liabilities of the Company into relevant maturity groupings based on the remaining periods to repayments:

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31 December 2014	Carrying value	Unallocated	No Maturity	Up to 1 month	1 to 3 Month	3 to 6 month	6 to 12 month	More than 1 year
Cash and cash equivalents	1.010.804.992	-	7.285.917	225.375.625	117.914.146	289.962.936	370.666.368	-
Financial assets and financial investments with risks on policyholders	1.063.353.740	263.221	-	16.423.176	41.198.024	54.688.457	13.621.947	41.637.915
Receivables from main operations	6.172.161.959	6.036.293.046	-	39.976.339	20.066.367	12.695.862	31.310.322	33
Due from related parties	-	-	-	-	-	-	-	-
Other receivables	12.969	-	-	12.969	-	-	-	-
Prepaid expenses and income accruals	40.173.724	-	-	6.162.506	10.520.796	12.431.578	11.058.844	-
Other current assets	13.576	-	-	-	13.576	-	-	-
Deferred tax asset	4.877.547	4.877.547	-	-	-	-	-	-
Deposits and guarantees given	4.169	-	-	-	-	-	-	4.169
Tangible assets	5.561.628	5.561.628	-	-	-	-	-	-
Intangible assets	24.558.126	24.558.126	-	-	-	-	-	-
Total assets	7.364.522.430	6.131.553.568	7.285.917	2.877.950.615	189.712.909	320.158.823	386.218.481	41.642.117
Payables arising from main operations	6.199.159.980	6.093.307.525	-	89.877.478	8.036.918	5.691.454	2.246.605	-
Due to related parties	10.254.752	-	-	10.254.752	-	-	-	-
Other liabilities	2.503.936	-	-	2.503.936	-	-	-	-
Insurance technical provisions (*)	222.881.506	122.850.548	-	15.591.536	26.759.131	31.726.217	25.924.074	-
Investment contract liabilities (*)	25.756.606	-	-	-	-	-	-	25.756.606
Provisions for taxes and other similar obligations	10.158.134	-	-	10.158.134	-	-	-	-
Provisions for other risks	7.276.107	-	-	579.616	1.413.555	1.628.225	1.324.917	4.468.626
Other Liabilities and Provisions	10.172.983	-	-	-	-	-	-	-
Equity	876.578.446	876.578.446	-	-	-	-	-	-
Total liabilities	7.364.522.430	7.092.736.519	-	133.982.002	36.219.604	39.045.996	32.313.077	30.225.232

(*) Outstanding claims reserve is presented within unallocated column in the table above.

(**) Investment contracts including savings and profit sharing provisions for saving life products are presented in more than 1 year column in the table above.

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31 December 2013	Carrying Value	Unallocated	No Maturity	Up to 1 month	1 to 3 Month	3 to 6 month	6 to 12 month	More than 1 year
Cash and cash equivalents	786,895,856	-	4,315,209	193,700,166	136,101,658	225,092,432	227,696,191	-
Financial assets and financial investments with risks on policyholders	123,056,814	263,221	-	21,374,407	5,886,482	29,496,259	11,943,085	54,089,360
Receivables from main operations	4,342,294,297	4,251,616,620	-	28,939,179	32,601,024	177,667,783	11,370,639	42
Due from related parties	-	-	-	-	-	-	-	-
Other receivables	6,817	-	-	6,817	-	-	-	-
Prepaid expenses and income accruals	41,099,897	-	-	6,566,164	11,091,991	12,953,918	10,487,824	-
Other current assets	-	-	-	-	-	-	-	-
Deferred tax asset	2,855,019	2,855,019	-	-	-	-	-	-
Deposits and guarantees given	4,169	-	-	-	-	-	-	4,169
Tangible assets	4,496,232	4,496,232	-	-	-	-	-	-
Intangible assets	17,952,119	17,952,119	-	-	-	-	-	-
Total assets	5,318,601,020	4,277,182,211	4,315,209	250,590,733	185,681,165	285,239,392	264,497,739	54,098,571
Payables arising from main operations	4,336,230,338	4,243,572,896	-	72,217,895	6,750,074	5,641,604	2,047,889	-
Due to related parties	2,342,688	-	-	2,342,688	-	-	-	-
Other liabilities	5,010,329	-	-	5,010,329	-	-	-	-
Insurance technical provisions (*)	217,941,097	108,884,885	-	17,250,494	29,734,636	34,627,593	27,443,469	-
Investment contract liabilities (*)	28,834,448	-	-	-	-	-	-	28,834,448
Provisions for taxes and other similar obligations	8,882,229	-	-	8,882,229	-	-	-	-
Provisions for other risks	6,129,468	-	-	-	-	-	11,411,093	4,988,375
Other liabilities and provisions	6,341,716	-	-	2,887,269	1,109,297	1,292,847	10,524,303	-
Equity	706,888,757	706,888,757	-	-	-	-	-	-
Total liabilities	5,318,601,020	5,065,346,538	-	108,590,854	37,594,007	41,562,044	31,684,754	33,822,823

(*) Outstanding claims reserve is presented within unallocated column in the table above.

(**) Investment contracts including savings and profit sharing provisions for saving life products are presented in more than 1 year column in the table above.

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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 2014	US Dollar	Euro	Other Currencies	Total
Cash and cash equivalents	9.358.834	907	486.571	9.846.312
Financial assets and financial investments with risks on policyholders	16.833.252	2.510.566	-	19.343.818
Receivables from main operations	4.456.702	145.500	-	4.602.202
Total foreign currency denominated assets	30.648.788	2.656.973	486.571	33.792.332
Payables arising from main operations	(372.283)	(15.578)	(82)	(387.943)
Insurance technical provisions	(3.101.760)	(759.664)	(2.249)	(3.863.673)
Investment contract liabilities	(23.339.151)	(2.417.456)	-	(25.756.606)
Total foreign currency denominated liabilities	(26.813.194)	(3.192.698)	(2.331)	(30.008.222)
Balance sheet position	3.835.594	(535.725)	484.240	3.784.110
31 December 2013	US Dollar	Euro	Other Currencies	Total
Cash and cash equivalents	9.078.908	3.431	-	9.082.338
Financial assets and financial investments with risks on policyholders	18.685.944	4.901.877	-	23.587.821
Receivables from main operations	2.787.570	118.795	1.066	2.907.431
Total foreign currency denominated assets	30.552.422	5.024.103	1.066	35.577.590
Payables arising from main operations	(90.863)	(14.026)	(306)	(105.195)
Insurance technical provisions	(2.571.383)	(855.214)	(4.282)	(3.430.879)
Investment contract liabilities	(24.717.609)	(4.116.840)	-	(28.834.449)
Total foreign currency denominated liabilities	(27.379.855)	(4.986.081)	(4.588)	(32.370.523)
Balance sheet position	3.172.567	38.022	(3.522)	3.207.067

TL equivalents of the related monetary amounts denominated in foreign currencies are presented in the table above.

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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 31 December 2014. 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 2014	US Dollar	Euro
Foreign currency rate used in translation of balance sheet items	2,3189	2,8207
Foreign currency rates used in calculation of life mathematical provision and loans to the policyholders	2,3265	2,8300
31 December 2013	US Dollar	Euro
Foreign currency rate used in translation of balance sheet items	2,1343	2,9365
Foreign currency rates used in calculation of life mathematical provision and loans to the policyholders	2,1413	2,9462

Exposure to currency risk

A 10 percent devaluation of the TL against the following currencies as at 31 December 2014 and 31 December 2013 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 2014		31 December 2013	
	Profit or loss	Equity^(*)	Profit or loss	Equity^(*)
US Dollar	342.488	383.559	290.055	317.257
Euro	(55.712)	(53.572)	(3.843)	3.802
Others	48.424	48.424	(352)	(352)
Total, net	335.200	378.411	285.860	320.707

^(*)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. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for reprising bands.

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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 2014	31 December 2013
Fixed income financial assets		
Financial assets with fixed interest rates:		
Banks (time deposit) (Not 14)	923,658,945	715,572,191
Financial investments with risks on policyholders - Available for sale financial assets - Eurobonds (Note 11)	19,343,818	23,587,821
Financial assets held for trading purpose - government bonds (Note 11)	56,015,173	54,663,712
Financial assets held for trading purpose - private sector bills (Note 11)	3,798,473	9,650,689
Loans to the policyholders (Note 12)	-	203,647
Financial assets with variable interest rates:	564,607	4,318,692
Financial assets held for trading purpose - private sector bills (Note 11)	72,358	-
Financial assets held for trading purpose - government bonds (Note 11)		
Non-fixed income financial assets:		
Financial assets held for trading purpose - private sector bills (Note 11)	3,060,310	5,153,650
Financial assets held for trading purpose - investment funds (Note 11)	23,308,138	11,957,371
Financial liabilities:	None	None

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 31 December 2014 and 31 December 2013 of the floating rate non-trading financial assets and financial liabilities held at 31 December 2014 and 31 December 2013. Interest rate sensitivity of equity is calculated by revaluing available-for-sale financial assets at 31 December 2014 and 31 December 2013 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 2014	Statement of income		Equity ^(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets held for trading purpose	(278,437)	285,611	(278,437)	285,611
Available for sale financial assets	-	-	(142,618)	145,150
Financial investments with risks on policyholders (Available for sale financial assets)	-	-	(47,985)	53,198
Total, net	(278,437)	285,611	(469,040)	483,959
31 December 2013	Income statement		Equity ^(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets held for trading purpose	(459,233)	480,373	(459,233)	480,373
Available for sale financial assets	-	-	(342,881)	348,617
Financial investments with risks on policyholders (Available for sale financial assets)	-	-	(33,117)	36,299
Total, net	(459,233)	480,373	(835,231)	865,288

^(*) Equity effect also includes 100 base point (bp) effect of increase and decrease in interest rates on profit or loss.

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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

IFRS 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:

	31 December 2014			Total
	Level 1	Level 2	Level 3	
Financial assets				
Available for sale financial assets (Note 11) [○]	59.075.483	-	-	59.075.483
Financial assets held for trading (Note 11)	27.671.218	-	-	27.671.218
Financial investments with risks on policyholders classified as available for sale (Note 11)	19.343.818	-	-	19.343.818
Total financial assets	106.090.519	-	-	106.090.519

[○]The Company's has equity instruments that are classified as available-for-sale investments that do not have quoted prices in an active market TL 263.221 and whose fair values cannot be reliably measured are stated at cost (31 December 2013: TL 263.221).

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	31 December 2013			Total
	Level 1	Level 2	Level 3	
Financial assets				
Available for sale financial assets (Note 11) ^o	69,328,563	-	-	69,328,563
Financial assets held for trading (Note 11)	29,877,209	-	-	29,877,209
Financial investments with risks on policyholders classified as available for sale (Note 11)	23,587,821	-	-	23,587,821
Total financial assets	122,793,593	-	-	122,793,593

^oThe Company's equity instruments that are classified as available-for-sale investments amounting to TL 263,221, that do not have quoted prices in an active market and whose fair values cannot be reliably measured are stated at cost.

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 28761 numbered Official Gazette, the Company measured its minimum capital requirement as at 31 December 2014 as TL 92,850,568. As at 31 December 2014, the Company's total equity in its statutory financial statements amounted to TL 886,004,078 which is above the minimum capital requirement amount.

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Gains and losses from financial instruments

Financial gains and losses recognized in the statement of income	1 January- 31 December 2014	1 January- 31 December 2013
Interest income from bank deposits	77.787.468	50.476.374
Interest income/(expense) from financial assets	12.366.267	5.093.508
Income from investment funds	-	158.663
Gains from trading of debt securities	1.379.625	1.802.813
Income from Turkish Derivatives Exchange transactions	640.874	986.474
Foreign exchange gains (**)	24.366.082	26.542.787
Dividend Income	37.436	21.990
Financial gains (*)	116.577.752	85.082.609
Foreign exchange losses (***)	(22.397.064)	(19.705.500)
Losses from trading of debt securities	(2.016.314)	(2.842.908)
Losses from Turkish Derivatives Exchange transactions	(592.245)	(399.305)
Others	(148.990)	(110.630)
Financial losses (**)	(25.154.613)	(23.058.343)
Financial gains and losses recognized in the statement of income. net	91.423.139	62.024.266

(*) Total financial gains also include life investment income.

(**) Total financial losses do not include depreciation and amortisation expenses.

(***) Includes the foreign exchange income and losses shown under life branch investment income.

Financial gains and losses recognized in equity	31 December 2014	31 December 2013
Interest income from financial assets	479.505	267.469
Deferred tax effect	(95.901)	(53.494)
Financial gains and losses recognized in equity, net	383.604	213.975

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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 2014	Life	Non-Life	Private Pension	Other/ Unallocated	Total
Continuing operations					
Technical income	292.924.072	2.621	137.922.170	-	430.848.863
Technical expense	(165.510.777)	(15.067)	(116.993.062)	-	(282.518.906)
Other gains and losses, total	-	-	-	66.241.832	66.241.832
Technical net profit from ongoing operations	127.413.295	(12.446)	20.929.108	66.241.832	214.571.789
Profit before taxes	127.413.295	(12.446)	20.929.108	66.241.832	214.571.789
Income tax expense				(44.655.377)	(44.655.377)
Profit for the period (loss)	127.413.295	(12.446)	20.929.108	21.586.455	169.916.412

Other segment information

Depreciation expense (Note 6)	-	-	-	-	1.823.646
Amortisation expense (Note 8)	-	-	-	-	12.412.546

31 December 2014

Segment assets	117.216.319	-	6.113.841.510	1.133.464.601	7.364.522.430
Total segment assets	117.216.319	-	6.113.841.510	1.133.464.601	7.364.522.430
Segment liabilities	279.610.631	(4.690)	6.173.403.632	911.512.857	7.364.522.430
Total segment liabilities	279.610.631	(4.690)	6.173.403.632	911.512.857	7.364.522.430

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1 January-31 December 2013	Life	Non-Life	Private Pension	Other/ Unallocated	Total
Continuing operations					
Technical income	258.104.417	1.441	110.240.462	-	368.346.320
Technical expense	(147.054.374)	(21.854)	(84.333.105)	-	(231.409.333)
Other gains and losses, total	-	-	-	37.378.626	37.378.626
Technical net profit from ongoing operations	111.050.043	(20.413)	25.907.357	37.378.626	174.315.613
Profit before taxes	111.050.043	(20.413)	25.907.357	37.378.626	174.315.613
Income tax expense	-	-	-	(36.334.916)	(36.334.916)
Profit for the period	111.050.043	(20.413)	25.907.357	1.043.710	137.980.697
Other segment information					
Depreciation expense (Note 6)	-	-	-	-	1.285.863
Amortisation expense (Note 8)	-	-	-	-	8.960.674
31 December 2013					
Segment assets	139.365.118	-	4.267.440.032	911.795.870	5.318.601.020
Total segment assets	139.365.118	-	4.267.440.032	911.795.870	5.318.601.020
Segment liabilities	274.664.902	400	4.312.463.853	731.471.865	5.318.601.020
Total segment liabilities	274.664.902	400	4.312.463.853	731.471.865	5.318.601.020

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6 Tangible assets

Movement in tangible assets in the period from 1 January to 31 December 2014 is presented below:

	1 January 2014	Additions	Disposals	31 December 2014
Cost:				
Furniture and fixtures	10.120.022	2.596.784	(3.060)	12.713.746
Other tangible assets (including leasehold improvements)	1.841.193	295.126	-	2.136.319
Tangible assets acquired through finance leasing	168.464	-	-	168.464
	12.129.679	2.891.910	(3.060)	15.018.529
Accumulated depreciation:				
Furniture and fixtures	(5.678.747)	(1.787.539)	190	(7.446.096)
Other tangible assets (including leasehold improvements)	(1.786.234)	(56.107)	-	(1.842.341)
Tangible assets acquired through finance leasing	(168.464)	-	-	(168.464)
	(7.633.445)	(1.823.646)	190	(9.456.901)
Net book value	4.496.234			5.561.628

Movement in tangible assets in the period from 1 January to 31 December 2013 is presented below:

	1 January 2013	Additions	Disposals	31 December 2013
Cost:				
Furniture and fixtures	9.214.680	2.800.796	(1.895.454)	10.120.022
Other tangible assets (including leasehold improvements)	1.898.379	-	(57.187)	1.841.193
Tangible assets acquired through finance leasing	168.464	-	-	168.464
	11.281.523	2.800.796	(1.952.641)	12.129.678
Accumulated depreciation:				
Furniture and fixtures	(6.358.802)	(1.215.399)	1.895.454	(5.678.747)
Other tangible assets (including leasehold improvements)	(1.772.956)	(70.466)	57.187	(1.786.235)
Tangible assets acquired through finance leasing	(168.464)	-	-	(168.464)
	(8.300.222)	(1.285.865)	1.952.641	(7.633.446)
Net book value	2.981.301			4.496.232

There is not any change in depreciation method in the current period.

There are no finance lease re-payments during the current and the prior year.

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7 Investment properties

None.

8 Intangible assets

Movement in intangible assets in the period from 1 January to 31 December 2014 is presented below:

	1 January 2014	Additions	Disposals	31 December 2014
Cost:				
Rights	334.371	-	-	334.371
Other intangible assets ^(*)	60.874.049	19.018.553	-	79.892.602
	61.208.420	19.018.553	-	80.226.973
Accumulated amortisation:				
Rights	(334.371)	-	-	(334.371)
Other intangible assets ^(*)	(42.921.930)	(12.412.546)	-	(55.334.476)
	(43.256.301)	(12.412.546)	-	(55.668.847)
Net book value	17.952.119			24.558.126

Movement in intangible assets in the period from 1 January to 31 December 2013 is presented below:

	1 January 2013	Additions	Disposals	31 December 2013
Cost:				
Rights	334.371	-	-	334.371
Other intangible assets ^(*)	46.605.698	14.268.352	-	60.874.049
	46.940.069	14.268.352	-	61.208.420
Accumulated amortisation:				
Rights	(334.371)	-	-	(334.371)
Other intangible assets ^(*)	(33.961.256)	(8.960.674)	-	(42.921.930)
	(34.295.627)	(8.960.674)	-	(43.256.301)
Net book value	12.644.442			17.952.119

^(*) 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 2014	31 December 2013
Reinsurance share of unearned premiums reserve (Note 17)	24.367.468	20.589.658
Reinsurance share of outstanding claims reserve (Note 17)	11.238.057	13.541.924
Receivables from reinsurers (Note 12)	5.513.784	2.287.825
Total	41.119.309	36.419.407

There is not any impairment losses recognized for reinsurance assets.

Reinsurance liabilities	31 December 2014	31 December 2013
Deferred commission income (Deferred income) (Note 19)	5.231.481	4.123.272
Payables to the reinsurers related to premiums ceded (Note 19)	11.026.835	7.883.753
Total	16.258.316	12.007.025

Gains and losses recognized in the statement of income in accordance with existing reinsurance contracts are as follows:

	1 January – 31 December 2014	1 January – 31 December 2013
Ceded premiums to reinsurers during the period (Note 17)	(48.852.797)	(41.033.470)
Reinsurance share of unearned premiums reserve, at the beginning of the period (Note 17)	(20.589.658)	(19.841.398)
Reinsurance share of unearned premiums reserve, at the end of the period (Note 17)	24.367.468	20.589.658
Ceded premiums to reinsurers (Note 17)	(45.074.987)	(40.285.210)
Reinsurance share of claims paid, during the period (Note 17)	27.592.558	25.647.606
Reinsurance share of outstanding claims reserve, at the beginning of the period (Note 17)	(13.541.924)	(14.157.149)
Reinsurance share of outstanding claims reserve, at the end of the period (Note 17)	11.238.057	13.541.924
Reinsurance share of claims incurred (Note 17)	25.288.691	25.032.381
Commission income accrued from reinsurers during period	15.050.013	11.241.843
Deferred commission income, at the beginning of the period (Note 19)	4.123.272	3.611.023
Deferred commission income, at the end of the period (Note 19)	(5.231.481)	(4.123.272)
Commission income earned from reinsurers	13.941.804	10.729.594
Profit Sharing commissions calculated at the end of the period	-	-
Total	(5.844.492)	(4.523.235)

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11 Financial assets

As at 31 December 2014 and 2013, the Company's financial asset portfolio are detailed as follows:

Financial assets and financial investments with risk on policyholders	31 December 2014	31 December 2013
Financial assets held for trading	27.671.218	29.877.209
Financial investments with risks on saving life policyholders classified as available for sale	19.343.818	23.587.821
Available for sale financial assets	59.338.704	69.591.784
Total	106.353.740	123.056.814

As at 31 December 2014 and 31 December 2013, the Company's financial assets held for trading are detailed as follows:

	31 Aralık 2014		
	Cost	Fair value	Carrying value
Debt instruments:			
Government bonds - TL	554.297	564.607	564.607
Private sector bills	26.755.687	27.106.611	27.106.611
	27.309.984	27.671.218	27.671.218
Total financial assets held for trading purpose	27.309.984	27.671.218	27.671.218

[○]Total financial assets held for trading purpose consist of of government bonds and private sector bills amounting to TL 27.671.218. Private sector bills is composed of Aktif Yatırım Bankası A.Ş., Akfen Holding A.Ş., Global Yatırım A.Ş., Kapital Faktoring A.Ş., DD Konut Finansman A.Ş., Bank Pozitif A.Ş., Çelik Motor A.Ş., Limak Yatırım A.Ş., Deva Holding A.Ş., Rönesans Holding, Turkasset Varlık Yönetimi A.Ş., Arzum Ev Aletleri A.Ş., Sarten Ambalaj A.Ş., Gözde Yatırım Sermayesi, Alternatif Finansal Kiralama A.Ş. private sector bills.

	31 December 2013		
	Cost	Fair value	Carrying value
Debt instruments:			
Government bonds - TL	4.676.518	4.318.692	4.318.692
Private sector bills [○]	22.046.443	21.608.060	21.608.060
	26.722.961	25.926.752	25.926.752
Other non-fixed income financial assets:			
Equity shares	228.748	203.647	203.647
Investment funds	3.667.924	3.746.810	3.746.810
	3.896.672	3.950.457	3.950.457
Total financial assets held for trading purpose	30.619.633	29.877.209	29.877.209

[○] Private sector bills is composed of T. Garanti Bankası A.Ş., Akbank T.A.Ş., Akfen Holding A.Ş., Garanti Finansal Kiralama A.Ş. ve Otokoç Otomotiv Sanayi ve Ticaret A.Ş. private sector bills.

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As at 31 December 2014 and 31 December 2013, the Company's available for sale financial assets in its own portfolio are detailed as follows:

	31 Aralık 2014		
	Cost	Fair value	Carrying value
Debt instruments:			
Private sector bills ^(*)	55.320.111	59.075.483	59.075.483
Equity shares and other non-fixed income financial assets:			
Equity shares ^(**)	263.221	263.221	263.221
Total financial assets available for sale	55.583.332	59.338.704	59.338.704

	31 December 2013		
	Cost	Fair value	Carrying value
Debt instruments:			
Private sector bills ^(*)	53.656.748	53.992.690	53.992.690
Government Bond - TL	5.638.920	5.824.672	5.824.672
Investment funds	9.500.029	9.511.201	9.511.201
Equity shares and other non-fixed income financial assets:			
Equity shares ^(**)	263.221	263.221	263.221
Total financial assets available for sale	69.058.918	69.591.784	69.591.784

^(*) Private sector bills is composed of T. Garanti Bankası A.Ş., Bank Pozitif A.Ş. and Global Yatırım A.Ş. private sector bills. Private sector bills issued by T. Garanti Bankası A.Ş. amounts to TL 32.575.811.

^(**) The financial assets available for sale whose fair values could not be reliably measured are presented at their cost value.

As at 31 December 2014 and 31 December 2014, the Company's financial investments with risks on saving life policyholders ("FIRSLP") are detailed as follows:

	31 December 2014		
	Cost	Fair value	Carrying value
Debt instruments:			
Eurobonds issued by The Republic of Turkey			
Government	15.506.919	19.343.818	19.343.818
Total available for sale financial assets	15.506.919	19.343.818	19.343.818

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	31 December 2013		
	Cost	Fair value	Carrying value
Debt instruments:			
Eurobonds issued by The Republic of Turkey			
Government	21.890.396	23.587.821	23.587.821
Total available for sale financial assets	21.890.396	23.587.821	23.587.821

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 3 years:

Year	Change in value increase/(decrease)	Total increase/ (decrease) in value
2014	169.629	383.604
2013	(197.408)	213.975
2012	136.997	411.383

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:

As at 31 December 2014, the Company has TL 59,075,483 of investment funds, classified as private sector bills (31 December 2013: TL 53,992,690 of private sector bills)

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

	31 December 2014		
	Cost	Fair value	Carrying value
Financial investments with risks on saving life policyholders - Eurobonds	15.506.919	19.343.818	19.943.818
Total	15.506.919	19.343.818	19.943.818

	31 December 2013		
	Cost	Fair value	Carrying value
Financial investments with risks on saving life policyholders - Eurobonds	21.890.396	23.587.821	23.587.821
Total	21.890.396	23.587.821	23.587.821

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12 Loan and receivables

	31 December 2014	31 December 2013
Receivables from main operations (Note 4.2)	6.172.161.959	4.342.294.297
Other receivables (Note 4.2)	12.969	6.817
Non-current receivables	4.169	4.169
Total	6.172.179.097	4.342.305.283
Short-term receivables	6.172.174.928	4.342.301.114
Mid-term and long-term receivables	4.169	4.169
Total	6.172.179.097	4.342.305.283

As at 31 December 2014 and 31 December 2013, receivables from main operations are detailed as follows:

	31 December 2014	31 December 2013
Receivables from policyholders	53.040.589	72.650.303
Receivables from reinsurance companies (Note 10)	5.513.784	2.287.825
Provisions for doubtful receivables from policyholders (Note 4.2)	(43.059)	(143.057)
Total receivables from insurance operations, net	58.511.314	74.795.071
Loans to the policyholders (Note 4.2)	72.358	59.194
Receivables from private pension operations (Note 18)	6.117.396.995	4.270.698.681
Provision for receivables from private pension operations (Note 4.2), (Note 18)	(3.818.708)	(3.258.649)
Receivables from main operations	6.172.161.959	4.342.294.297

Provision for both overdue receivables and receivables not due yet

- Receivables under legal or administrative follow up (due): None (31 December 2013: None).
- Provision for premium receivables (due): TL 43.059 (31 December 2013: TL 143.057).
- Provision for impairment of receivables from entrance fees: TL 3.818.708 (31 December 2013: TL 3.258.649)

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.

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13 Derivative financial instruments

The Company does not have any derivative financial instruments as of 31 December 2014 and 31 December 2013.

14 Cash and cash equivalents

As at 31 December 2014 and 31 December 2013, cash and cash equivalents are as follows:

	31 December 2014		31 December 2013	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	-	48	48	48
Bank deposits	929.250.473	718.310.731	718.310.731	620.450.633
Receivables from credit card collections (less than 3 months) ^(*)	79.860.132	66.948.255	66.948.255	51.686.327
Other cash and cash equivalents ^(**)	1.694.387	1.576.622	1.576.622	-
Cash and cash equivalents in the balance sheet	1.010.804.992	786.835.656	786.835.656	672.137.008
Interest accruals on bank deposits	(20.265.817)	(7.667.946)	(7.667.946)	(6.027.247)
Total	990.539.175	779.167.710	779.167.710	666.109.761
Blocked amount	(123.681.234)	(91.739.720)	(91.739.720)	(110.734.995)

^(*) Other cash and cash equivalents consist of derivative exchange collaterals.

As at 31 December 2014 and 31 December 2013, the details of bank deposits are as follows:

	31 December 2014	31 December 2013
Foreign currency denominated bank deposits		
-time deposits	9.748.862	9.077.575
-demand deposits	97.450	4.763
Bank deposits in Turkish Lira		
-time deposits	913.910.082	706.494.616
-demand deposits	5.494.079	2.733.777
Cash at banks	929.250.473	718.310.731

As at 31 December 2014, cash collateral kept at banks in favour of the Undersecretariat of Treasury against insurance operations amounted to TL 123.681.234 (31 December 2013: TL 91.739.720).

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

As at 31 December 2014 and 2013, the interest rate interval as follows:

	31 December 2014	31 December 2013
	Interest rate(%)	Interest rate(%)
TL	%9,26-%12,40	%8-%10
Foreign Currency	%0,15	%0,35-%3,30

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15 Equity

Paid in capital

As at 31 December 2014 and 2013, 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 Netherland based company Achmea BV having 15,00% of outstanding shares.

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 2014	1 January- 31 December 2013
Legal reserves at the beginning of the period	10.000.000	10.000.000
Distribution of profit for the year	-	-
Legal reserves at the end of the period	10.000.000	10.000.000
Extraordinary Reserves		
	1 January- 31 December 2014	1 January- 31 December 2013
Extraordinary reserves at the beginning of the period	505.609.640	378.770.696
Distribution of profit for the year	137.980.697	126.838.944
Extraordinary reserves at the end of the period	643.590.337	505.609.640

Revaluation of financial assets

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

	31 December 2014	31 December 2013
Interest income from financial assets	479.505	267.469
Deferred tax effect	(95.901)	(53.494)
Fair value reserves at the end of the period	383.604	213.975

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16 Other reserves and equity component of DPF

As at 31 December 2014, 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'.

17 Insurance contract liabilities and reinsurance assets

As at 31 December 2014 and 31 December 2013, provisions for technical reserves of the Company are disclosed as follows:

	31 December 2014	31 December 2013
Unearned premiums reserve, gross	124.378.426	129.645.871
Unearned premiums reserve, ceded (Note 10)	(24.367.468)	(20.589.658)
Unearned premiums reserve, net	100.010.958	109.056.214
Outstanding claims reserve, gross	44.361.494	60.445.255
Outstanding claims reserve, ceded (Note 10)	(11.238.057)	(13.541.924)
Outstanding claims reserve, net	33.123.437	46.903.331
Life mathematical reserve (short term and long term)	106.058.092	83.467.499
Equalization reserve, net	9.425.625	7.348.502
Total insurance technical reserves, net	248.618.112	246.775.546
Short-term	137.527.260	168.890.121
Medium and long-term	111.090.852	77.885.424
Total insurance technical provisions, net	248.618.112	246.775.545

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As at 31 December 2014 and 2013, movements of the insurance liabilities and related reinsurance assets are presented below:

1 January-31 December 2014			
Unearned premiums reserve	Gross	Reinsurer share	Net
Unearned premiums reserve at the beginning of the period	129.645.871	(20.589.658)	109.056.213
Premiums written during the period	318.764.768	(48.852.865)	269.911.903
Premiums earned during the period	(324.032.215)	45.075.055	(278.957.160)
Unearned premiums reserve at the end of the period	124.378.426	(24.367.468)	100.010.956

1 January-31 December 2013			
Unearned premiums reserve	Gross	Reinsurer share	Net
Unearned premiums reserve at the beginning of the period	113.368.140	(19.841.398)	93.526.742
Premiums written during the period	298.109.434	(41.033.470)	257.075.964
Premiums earned during the period	(281.831.703)	40.285.210	(241.546.493)
Unearned premiums reserve at the end of the period	129.645.872	(20.589.658)	109.056.214

	1 January – 31 December 2014	1 January – 31 December 2013
Equalization reserve at the beginning of the period	7.348.502	5.317.531
Increases during the period	2.077.123	2.030.971
Equalization reserve at the end of the period	9.425.625	7.348.502

1 January – 31 December 2014			
Outstanding claims reserve	Gross	Reinsurer share	Net
Outstanding claims reserve at the beginning of the period	60.445.255	(13.541.924)	46.903.331
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	64.344.248	(25.288.691)	39.055.557
Claims paid during the period	(80.428.009)	27.592.558	(52.835.451)
Outstanding claims reserve at the end of the period	44.361.494	(11.238.057)	33.123.437

1 January – 31 December 2013			
Outstanding claims reserve	Gross	Reinsurer share	Net
Outstanding claims reserve at the beginning of the period	56.359.131	(14.157.149)	42.201.982
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	78.196.377	(25.032.381)	53.163.996
Claims paid during the period	(74.110.253)	25.647.606	(48.462.647)
Outstanding claims reserve at the end of the period	60.445.255	(13.541.924)	46.903.331

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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.

31 December 2014							
Accident year	2009	2010	2011	2012	2013	2014	Total
Accident year	29.867.197	33.985.735	44.370.132	88.457.043	98.752.008	86.156.919	381.589.034
1 year later	31.642.019	33.288.475	41.964.897	64.914.834	88.880.162	-	260.690.387
2 years later	31.022.327	35.559.821	40.461.421	60.957.165	-	-	168.000.734
3 years later	33.493.254	40.284.581	38.514.161	-	-	-	112.291.996
4 years later	33.208.350	38.232.491	-	-	-	-	71.440.841
5 years later	32.861.087	-	-	-	-	32.861.087	
Current estimate of cumulative claims	32.861.087	38.232.491	38.514.161	60.957.165	88.880.162	86.156.919	345.601.985
Cumulative payments up to date	(31.136.870)	(37.164.412)	(36.888.016)	(58.427.220)	(79.803.049)	(57.820.924)	(301.240.491)
Liability recognized in balance sheet	1.724.217	1.068.079	1.626.145	2.529.945	9.077.113	28.335.995	44.361.494
Total outstanding claims reserve, gross in the financial statements							44.361.494

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31 December 2014							
Accident year	2009	2010	2011	2012	2013	2014	Total
Accident year	19.750.410	17.205.786	32.899.049	43.365.883	60.859.042	59.352.208	233.432.378
1 year later	17.137.663	19.543.791	35.850.760	34.700.322	51.629.197	-	158.861.733
2 years later	16.387.884	21.943.357	34.658.339	31.103.144	-	-	104.092.724
3 years later	19.319.250	21.923.279	32.972.944	-	-	-	74.215.473
4 years later	19.240.306	20.118.465	-	-	-	-	39.358.771
5 years later	18.753.032	-	-	-	-	-	18.753.032
Current estimate of cumulative claims	18.753.032	20.118.465	32.972.944	31.103.144	51.629.197	59.352.208	213.928.990
Cumulative payments up to date	(17.151.109)	(19.149.202)	(31.775.196)	(28.897.859)	(44.146.226)	(39.685.961)	(180.805.553)
Liability recognized in balance sheet	1.601.923	969.263	1.197.748	2.205.285	7.482.971	19.666.247	33.123.437
Total outstanding claims reserve, net in the financial statements							33.123.437

31 December 2013							
Accident year	2008	2009	2010	2011	2012	2013	Total
Accident year	16.473.990	29.867.197	33.985.735	44.370.132	89.681.784	98.973.581	313.352.419
1 year later	17.804.120	31.642.019	33.288.475	41.964.897	66.139.576	-	190.839.087
2 years later	16.010.648	31.022.327	35.559.821	40.461.421	-	-	123.054.217
3 years later	16.548.849	33.494.803	40.284.581	-	-	-	90.328.233
4 years later	18.360.861	33.209.900	-	-	-	-	51.570.761
5 years later	22.180.310	-	-	-	-	-	22.180.310
Current estimate of cumulative claims	22.180.310	33.209.900	40.284.581	40.461.421	66.139.576	98.973.581	301.249.369
Cumulative payments up to date	(17.772.263)	(30.538.725)	(36.564.938)	(35.578.761)	(57.832.657)	(62.516.771)	(240.804.114)
Liability recognized in balance sheet	4.408.047	2.671.175	3.719.643	4.882.660	8.306.919	36.456.810	60.445.255
Total outstanding claims reserve, gross in the financial statements							60.445.255

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31 December 2013							
Accident year	2008	2009	2010	2011	2012	2013	Total
Accident year	11.816.177	19.750.410	17.205.786	32.899.049	43.365.883	66.668.007	191.705.313
1 year later	14.576.267	17.137.663	19.543.791	35.850.760	34.700.322	-	121.808.803
2 years later	14.805.872	16.387.884	21.943.357	34.658.339	-	-	87.795.452
3 years later	16.081.938	19.319.250	21.923.279	-	-	-	57.324.468
4 years later	17.561.127	19.240.306	-	-	-	-	36.801.433
5 years later	17.871.529	-	-	-	-	-	17.871.529
Current estimate of cumulative claims	17.871.529	19.240.306	21.923.279	34.658.339	34.700.322	66.668.007	195.061.781
Cumulative payments up to date	(16.744.185)	(16.675.282)	(18.606.706)	(30.648.430)	(27.497.518)	(37.986.330)	(148.158.451)
Liability recognized in balance sheet	1.127.344	2.565.023	3.316.574	4.009.909	7.202.804	28.681.677	46.903.330
Total outstanding claims reserve, net in the financial statements							46.903.330

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 2014		31 December 2013	
	Should be placed (**)	Placed (*)	Should be placed (**)	Placed (*)
Life:				
Bank deposits		123.325.673		91.413.352
Financial assets (*)		19.248.546		25.604.025
Total	132.539.634	142.574.219	109.797.536	117.017.377
Non-life:				
Bank deposits	166.703	355.561	166.674	326.368
Total	132.706.337	142.929.780	109.964.210	117.343.745

(*) As at 31 December 2014 and 31 December 2013, 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.

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Company's number of life insurance policies, additions, disposals during the year and the related mathematical reserves

	1 January-31 December 2014		1 January-31 December 2013	
	Number of policyholders	Life mathematical reserve	Number of policyholders	Life mathematical reserve
Beginning of the year	2.655.382	83.467.498	2.570.902	85.436.347
Additions during the year	3.451.254	43.334.593	3.194.133	26.155.517
Disposals during the year	(3.674.937)	(13.932.114)	(3.109.653)	(25.167.146)
Movements during the year(*)	-	(6.811.885)	-	(2.957.219)
Current	2.431.699	106.058.092	2.655.382	83.467.499

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

Distribution of new life insurance policyholders in terms of numbers and gross and net premiums as individual or group during the period

	31 December 2014			31 December 2014		
	Number of contracts	Gross premium	Net premium	Number of contracts	Gross premium	Net premium
Individual	1.811	1.887.113	1.887.113	2.450	2.230.438	2.230.438
Group	3.449.443	316.870.676	316.870.676	3.191.683	295.877.763	295.877.763
Total	3.451.254	318.757.789	318.757.789	3.194.133	298.108.201	298.108.201

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 2014				31 December 2013			
	Number of contracts	Gross premium	Net premium	Mathematical reserve	Number of contracts	Gross premium	Net premium	Mathematical reserve
Individual	2.242	867.184	867.184	(6.971.457)	3.487	831.279	831.279	(14.743.632)
Group	3.672.695	112.818.863	112.818.863	(6.960.657)	3.106.166	84.632.850	84.632.850	(10.423.514)
Total	3.674.937	113.686.047	113.686.047	(13.932.114)	3.109.653	85.464.129	85.464.129	(25.167.146)

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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 31 December 2014, deferred commission and other expenses amount to TL 25.156.306 TL and TL 14.132.523 (31 December 2013: TL 23.469.387 and TL 17.453.645)

The movement of deferred commission expenses as of 31 December 2014 and 31 December 2013 is as follows.

	1 January- 31 December 2014	1 January- 31 December 2013
Deferred commission expenses at the beginning of the period	23,469,387	21,302,988
Commissions accrued during the period	62,630,777	52,917,657
Paid commissions during the period	(60,943,858)	(50,751,258)
Deferred commission expenses at the end of the period	25,156,306	23,469,387

18 Investment contract liabilities

The movements of life mathematical reserve for saving life policies as at 31 December 2014 and 31 December 2013 are as follows:

	1 January- 31 December 2014	1 January- 31 December 2013
Life mathematical provision for saving life policies		
Investment contract liabilities at the beginning of the period (Life-mathematical reserve)	28,834,448	37,679,829
Effect of foreign exchange differences	1,460,167	4,910,379
Written premiums during the period (saving life policies)	624,002	816,927
Disposals during the period (leaving policyholders)	(7,961,091)	(14,167,333)
Profit shares	1,500,541	1,464,397
Policyholders' portion of unrealized gains and losses due to changes in the fair values of investments with risks on policy holders, classified as available for sale financial assets (%95) (Note 30)	1,298,539	(1,869,751)
Investment contract liabilities at the end of the period	25,756,606	28,834,448

Profit share distribution rates to life policyholders during the period 31 December 2014 and 31 December 2013:

	31 December 2014	31 December 2013
USD:	5,45%	5,71%
EUR:	10,3%	6,71%

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Pension operations

The details of receivables and liabilities from pension operations as at 31 December 2014 and 31 December 2013 are presented below:

	31 December 2014	31 December 2013
Receivables from clearing house on behalf of the participants	6.100.111.755	4.254.875.269
Receivables from participants (entrance fee)	17.285.240	15.823.412
Receivables from pension operations (Note 12)	6.117.396.995	4.270.698.681
Provision for the impairment of receivables from participants (Note 4.2), (Note 12)	(3.818.708)	(3.258.649)
Receivables from pension operations. Net	6.113.578.287	4.267.440.032
	31 December 2014	31 December 2013
Payables to participants	6.093.947.698	4.249.324.274
Participants temporary account	75.238.965	61.829.903
Payables to clearing house	3.289.496	168.204
Payables to Emeklilik Gözetim Merkezi	47.000	4.234
Other liabilities	927.473	1.137.238
Payables due to pension operations (Note 19)	6.173.403.632	4.312.463.853

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As at 31 December 2014 and 31 December 2013 pension investment funds founded by the Company and their unit prices are as follows:

	31 December 2014	31 December 2013
	Unit prices	Unit prices
Alternatif Katkı EYF	0,010915	0,009913
Alternatif Standart EYF	0,010993	0,010146
Altın EYF	0,011050	0,010387
Büyüme Amaçlı Hisse Senedi EYF	0,070617	0,054878
Esnek (TL) EYF	0,012964	0,011122
Esnek Alternatif EYF	0,015190	0,013502
Esnek EYF	0,044500	0,037881
Gelir Amaçlı Esnek EYF	0,021551	0,019169
Gelir Amaçlı Kamu Borçlanma Araçları EYF	0,047818	0,042000
Gelir Amaçlı Kamu Dış Borçlanma Araçları EYF	0,038873	0,031069
Gruplara Yönelik Esnek EYF	0,033659	0,028431
Gruplara Yönelik Gelir Amaçlı Kamu Borçlanma Araçları EYF	0,029204	0,025382
Gruplara Yönelik Gelir Amaçlı Kamu Dış Borçlanma Araçları EYF	0,026239	0,020989
Gruplara Yönelik Hisse Senedi EYF	0,015261	0,011787
Hisse Senedi EYF	0,013732	0,010793
İkinci Gelir Amaçlı Esnek EYF	0,024214	0,021941
Kamu Borçlanma Araçları EYF	0,024748	0,021909
Özel Sektör Borçlanma Araçları EYF	0,012060	0,010857
Katkı EYF	0,011185	0,009632
Likit-Esnek EYF	0,035818	0,032846
Standart EYF	0,012871	0,011157

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Number and amount of participation certificate in the portfolio and in circulation is such as follows as of 31 December 2014 and 31 December 2013:

	31 Aralık 2014			
	Participation certificate in the circulation		Participation certificate in the portfolio	
	Number	Amount	Number	Amount
Alternatif Katkı EYF	1.811.159.203	19.768.802	1.498.188.840.796	16.352.731.197
Alternatif Standart EYF	407.020.227	4.474.373	499.592.979.772	5.492.025.626,
Altın EYF	3.586.750.273	39.633.590	496.413.249.726	5.485.366.409
Büyüme Amaçlı Hisse Senedi EYF	2.507.797.707	177.093.150	7.492.202.292	529.076.849
Esnek (TL) EYF	35.444.244.273	459.499.182	1.464.555.755.726	18.986.500.817
Esnek Alternatif EYF	7.856.253.399	119.336.489	1.492.143.746.600	22.665.663.510
Esnek EYF	13.351.540.586	594.143.556	1.486.648.459.413	66.155.856.443
Gelir Amaçlı Esnek EYF	2.100.231.304	45.262.084	7.899.768.695	170.247.915
Gelir Amaçlı Kamu Borçlanma Araçları EYF	39.650.917.832	1.896.027.588	160.349.082.167	7.667.572.411
Gelir Amaçlı Kamu Dış Borçlanma Araçları EYF	2.732.182.072	106.208.113	7.267.817.927	282.521.886
Gruplara Yönelik Esnek EYF	5.131.226.363	172.711.948	1.494.868.773.636	50.315.788.051
Gruplara Yönelik Gelir Amaçlı Kamu Borçlanma Araçları EYF	14.320.485.150	418.215.448	85.679.514.849	2.502.184.551
Gruplara Yönelik Gelir Amaçlı Kamu Dış Borçlanma Araçları EYF	1.109.475.412	29.111.525	1.498.890.524.587	39.329.388.474
Gruplara Yönelik Hisse Senedi EYF	3.018.174.341	46.060.358	1.496.981.825.658	22.845.439.641
Hisse Senedi EYF	6.113.158.982	83.945.899	1.493.886.841.017	20.514.054.100
İkinci Gelir Amaçlı Esnek EYF	2.924.875.828	70.822.943	7.075.124.171	171.317.056
Kamu Borçlanma Araçları EYF	1.138.399.925	28.173.121	8.861.600.074	219.306.878
Özel Sektör Borçlanma Araçları EYF	4.669.208.988	56.310.660	5.330.791.011	64.289.339
Katkı EYF	42.792.853.132	478.638.062	1.457.207.146.867	16.298.861.937
Likit-Esnek EYF	19.102.017.296	684.196.055	1.480.897.982.703	53.042.803.944
Standart EYF	43.754.835.760	563.168.491	1.456.245.164.239	18.743.331.508
Total	253.522.808.062	6.092.801.446	17.606.477.191.938	367.834.328.554

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	31 Aralık 2013			
	Participation certificate in the circulation		Participation certificate in the portfolio	
	Number	Amount	Number	Amount
Esnek Alternatif EYF	5.227.750.190	70.587.438	4.772.249.810	64.434.917
Gelir Amaçlı Esnek EYF	1.380.848.066	26.469.590	8.619.151.934	165.220.523
Gruplara Yönelik Esnek EYF	5.867.868.018	166.828.144	1.494.132.131.982	42.479.670.644
Gruplara Yönelik Hisse Senedi EYF	3.008.340.060	35.459.354	1.496.991.659.940	17.645.040.696
Büyüme Amaçlı Hisse Senedi EYF	2.505.478.672	137.496.234	7.494.521.328	411.284.341
Gelir Amaçlı Kamu Borçlanma Araçları EYF	36.570.420.310	1.535.952.656	163.429.579.690	6.864.042.347
Likit Karma EYF	13.379.157.401	439.452.479	1.486.620.842.599	48.829.548.196
Alternatif Standart EYF	43.134.234	437.652	499.956.865.766	5.072.562.360
Gelir Amaçlı Uluslararası Borçlanma Araçları EYF	1.861.039.771	40.832.534	8.138.960.229	178.576.926
Altın EYF	1.480.489.563	15.378.154	498.519.510.437	5.178.122.155
Gelir Amaçlı Devlet İç Borçlanma Araçları Standart EYF	21.141.371.141	235.869.882	1.478.858.628.859	16.499.625.722
Esnek EYF	12.524.145.925	474.431.353	12.475.854.075	472.597.828
Gruplara Yönelik Gelir Amaçlı Kamu Borçlanma Araçları EYF	15.485.800.925	393.060.132	84.514.199.075	2.145.139.401
Gelir Amaçlı Kamu Dış Borçlanma Araçları (Eurobond) EYF	1.404.091.845	43.623.955	8.595.908.155	267.066.270
Hisse Senedi EYF	6.071.117.315	65.526.292	3.928.882.685	42.404.431
Katkı EYF	19.886.197.301	191.544.596	1.480.113.802.699	14.256.456.148
Gruplara Yönelik Gelir Amaçlı Kamu Dış Borçlanma Araçları (Eurobond) EYF	536.873.017	11.268.301	1.499.463.126.983	31.472.231.572
Alternatif Katkı EYF	685.939.460	6.799.906	1.499.314.060.540	14.862.700.282
Kamu Ve Özel Sektör Borçlanma Araçları EYF	3.156.201.847	34.267.021	6.843.798.153	74.303.117
Esnek (TL) EYF	26.867.713.473	298.826.216	1.473.132.286.527	16.384.177.291
Kamu Borçlanma Araçları EYF	1.150.776.686	25.212.385	8.849.223.314	193.877.634
Total	180.234.755.218	4.249.324.274	13.224.765.244.782	223.559.082.802

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

Portfolio amounts in terms of number of new participants, left or cancelled participants, and existing participants for individuals and groups

1 January – 26 December 2014

	Additions during the period	Left/cancellations during the period	Outstanding	Total amount
Individual	173.778	65.088	722.236	3.433.758.373
Group	34.376	26.349	211.490	1.078.517.003
Total	208.154	91.437	933.726	4.512.275.376

1 January – 27 December 2013

	Additions during the period	Left/cancellations during the period	Outstanding	Total amount
Individual	191.872	56.452	612.631	2.674.863.240
Group	29.319	22.564	201.989	875.213.002
Total	221.191	79.016	814.620	3.550.076.242

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

	31 December 2014			31 December 2013		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	173.778	330.842.119	328.346.716	191.872	352.813.159	349.713.669
Group	34.376	168.294.971	168.211.629	29.319	55.618.658	55.347.213
Total	208.154	499.137.090	496.558.345	221.191	408.431.817	405.060.882

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 2014			31 December 2013		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	1.653	47.971.478	47.952.333	1.974	35.804.276	35.798.600
Group	637	16.914.634	16.914.048	539	25.665.131	25.664.589
Total	2.290	64.886.112	64.866.381	2.513	61.469.407	61.463.189

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

None.

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

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 2014			31 December 2013		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	65,088	421.620.044	420.836.875	56,452	311.674.209	311.528.041
Group	26,349	237.680.678	237.494.886	22,564	112.297.909	112.255.891
Total	91.437	659.300.722	658.331.761	79.016	423.972.118	423.783.932

19 Trade and other payables and deferred income

	31 December 2014	31 December 2013
Payables due to main operations	6.199.159.980	4.336.230.338
Deferred commission income	10.158.134	8.882.229
Expense accruals	10.254.752	2.342.638
Taxes and other liabilities and provisions	5.231.481	4.123.272
Due to related parties	4.941.482	2.218.444
Other various payables (Note 47) ^(*)	2.303.936	5.010.329
Total	6.232.049.765	4.358.807.250
Short term liabilities	6.232.049.765	4.358.807.250
Mid term and long term liabilities	-	-
Total	6.232.049.765	4.358.807.250

^(*) Other payables are comprised of payables to third party service providers as at 31 December 2014.

Payables from main operations of the Company as at 31 December 2014 and 31 December 2013 are detailed below:

	31 December 2014	31 December 2013
Payables to reinsurers (Note 10)	11.026.835	7.883.753
Payables to agencies	14.641.119	15.594.062
Payables to policyholders	88.394	288.669
Total payables due to insurance operations	25.756.348	23.766.484
Payables s due to pension operations (Note 18)	6.173.403.632	4.312.463.853
Payables from main operations	6.199.159.980	4.336.230.337

Corporate tax provision and prepaid taxes are disclosed below:

	31 December 2014	31 December 2013
Corporate tax provision	44.776.645	36.334.916
Prepaid taxes during the period	(39.294.135)	(31.197.032)
Corporate tax payable, net	5.482.510	5.137.884

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

None.

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

20 Financial liabilities

None.

21 Deferred taxes

As at 31 December 2014 and 31 December 2013, the detailed analysis of the items resulting deferred tax assets and liabilities are as follows:

	31 December 2014	31 December 2013
	Deferred Tax Assets/ (Liabilities)	Deferred Tax Assets/ (Liabilities)
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(1.697.931)	(1.314.252)
Equalization provision	1.885.125	1.469.700
Provision for employment termination benefits and unused vacation pay liability	1.396.261	1.137.754
Provision for personnel bonus	534.615	270.000
Discount on receivables and payables	(18.348)	(73.407)
Provisions for lawsuits	58.960	88.140
Provision for impairment in receivables from insurance operations	7.000	5.400
Provision for impairment in receivables from participants	8.612	28.611
Other expense accruals	991.618	651.729
Provision for bonus and discounts to policyholders	398.817	106.876
Other insurance technical provisions	1.312.818	484.467
Deferred tax asset/(liability), net	4.877.547	2.855.0181

Movement of the deferred tax assets/(liabilities) during the periods ending 31 December 2014 and 31 December 2013 is presented below:

	1 January- 31 December 2014	1 January- 31 December 2013
Beginning balance, January 1	2.855.019	1.112.001
Recognized in the income statement	1.965.847	1.766.281
Recognized in the equity	56.681	(23.263)
Closing balance as of end of the period	4.877.547	2.855.019

22 Retirement benefit obligations

None.

Garanti Emeklilik ve Hayat Anonim Şirketi

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as of 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

23 Provisions for other liabilities and charges

As at 31 December 2014 and 2013; the details of the provisions for other risks are as follows:

	31 December 2014	31 December 2013
Provision for unused vacation pay liability(long term)	1.694.740	1.396.601
Provision for unused vacation pay liability(short term)	817.941	700.393
Provisions for lawsuits	294.800	440.700
Provisions for costs	2.807.481	2.537.694
Provision for employment termination benefits	4.468.626	3.591.774
Total provisions for other risks	7.276.107	6.129.468

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

	1 January – 31 December 2014	1 January – 31 December 2013
Provision for employment termination benefits at the beginning of the period	3.591.774	141.309
Interest cost	294.606	2.699
Service cost	1.048.813	1.427.992
Payments during the period	(962.007)	(739.581)
Actuarial loss ^(*)	495.440	2.759.355
Provision for employment termination benefits at the end of the period	4.468.626	3.591.774

^(*) The total actuarial loss amounting to TL 396.353 is accounted under equity after deferred tax net off of TL 99.088 TL.

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 2014	1 January – 31 December 2013
Fund management fee	82.826.415	62.680.304
Management fee deduction	16.839.533	14.345.311
Entrance fee	31.725.193	30.280.404
Management fee deduction in case of interruption	6.521.513	2.895.694
Increase in market value of capital commitment advances	-	38.212
Other technical income	9.516	537
Total pension technical income	137.922.170	110.240.462

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 2014, fees charged to saving life policyholders amounts to TL 37,044 (31 December 2013: TL 48,251)

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

26 Investment income

Presented in Note 4.2 - Financial risk management.

27 Net realized gains on financial assets

Presented in Note 4.2 - Financial risk management.

28 Net fair value gains on assets at fair value through profit or loss

Presented in Note 4.2 - Financial risk management.

29 Insurance rights and claims

The Company has no branch based subrogation income or expense for the period between 1 January - 31 December 2014 (1 January - 31 December 2013: None).

30 Investment contract benefits

As at and for the year ended 31 December 2014 and 31 December 2013, 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 2014	1 January– 31 December 2013
Change in life mathematical provisions for investment contracts recognized in the statement of income	(4,376,380)	(6,975,092)
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)	1,298,539	(1,869,751)
Change in life mathematical provisions for investment contracts	(3,077,841)	(8,844,843)

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 31 December 2014 and 31 December 2013, the details of operating expenses are as follows:

	1 January-31 December 2014	1 January – 31 December 2013
Commission expenses	(102,099,839)	(75,986,461)
Commissions to intermediaries accrued during period	(100,465,635)	(81,120,213)
Change in deferred commission expenses	1,686,919	2,166,399
Deferred commission expenses	(3,321,123)	2,967,353
Employee benefit expenses (Note 33)	(60,526,562)	(55,949,541)
Commission income from reinsurers	13,941,845	10,729,475
Commission income from reinsurers accrued during period	15,050,013	11,241,723
Change in deferred commission income	(1,108,167)	(512,248)
Advertisement and public related expenses	(11,646,828)	(12,186,281)
Office expenses	(12,363,545)	(10,838,434)
Information technology expenses	(6,859,076)	(5,270,564)
Taxes and duties expenses	(4,287,580)	(3,180,598)
Other expenses	(5,740,300)	(5,701,200)
Total	(189,581,886)	(158,383,604)

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

33 Employee benefit expenses

For the year ended 31 December 2014 and 31 December 2013, the details of employee benefit expense are as follows:

	1 January – 31 December 2014	1 January – 31 December 2013
Wages and salaries	(32.728.149)	(29.156.074)
Employer's share in social security premiums	(6.204.673)	(5.732.205)
Employment termination benefits and unused vacation expenses	(324.905)	(1.131.177)
Bonus, premium and commissions	(11.245.712)	(10.778.002)
Other benefits	(10.023.123)	(9.152.083)
Total (Note 32)	(60.526.562)	(55.949.541)

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 2014	1 January – 31 December 2013
Provision for corporate tax expense:	(44.655.377)	(36.334.916)
Provision for corporate tax expense:	(44.655.377)	(36.334.916)
Deferred taxes:	1.965.847	1.141.795
Total income tax expense presented in the statement of income	(42.689.530)	(35.193.121)

A 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 31 December 2014 and 31 December 2013 is as follows:

	1 January – 31 December 2014	1 January – 31 December 2013
Profit before taxes	212.605.942	173.173.818
Taxes on income per statutory tax rate: 20%	(42.521.188)	(34.634.764)
Non-deductible expenses	(196.694)	(365.979)
Others	28.352	(192.378)
Total income tax expense presented in the statement of income	(42.689.530)	(35.193.121)

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 IAS 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.

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

38 Dividends per share

Net profit of the Company for the year ended 31 December 2014 amount to TL 169,916,412. (In the General Meeting held on 25 March 2014, it has been resolved to transfer the net profit 137,980,697 for the year 2014 to reserves instead of distributing as dividend).

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 31 December 2014, the probable liability amount that will arise in the situation that all the cases that Company is defendant results against the Company is TL 5,447,620 (31 December 2013: TL 3,304,630) in gross. The Company has recorded provision of TL 8,370,448 (31 December 2013: TL 5,150,349) for such lawsuits including interests and other expenses in the outstanding claims reserve in the accompanying financial statements.

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 2014	31 December 2013
Less than 1 year	2,521,753	2,494,516
More than 1 year less than 5 years	2,759,888	4,426,669
More than 5 years	-	-
Total of minimum rent payments	5,281,641	6,921,185

44 Business mergers

None.

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.

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Notes to the Financial Statements

as of 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

The related party balances as of 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
T.Garanti Bankası A.Ş. - credit card collections	80.773.832	66.948.255
Vob Teminatları	780.687	1.576.622
Diğer nakit ve nakit benzeri varlıklar (Not 14)	81.554.519	68.524.877
T.Garanti Bankası A.Ş.- cash at banks	597.284.926	587.444.538
Bankalar	597.284.926	587.444.538
Garanti Bankası T.A.Ş.- yatırım fonu	32.575.811	54.401.601
Satılmaya hazır finansal varlıklar (Not 11)	32.575.811	54.401.601
T. Garanti Bankası A.Ş.	3.016	184.712
Doğuş Holding A.Ş.	-	204
Garanti Portföy Yönetimi A.Ş.	-	173
Doğuş Otomotiv Servis A.Ş.	638	3.761
Eureko Sigorta A.Ş.	1.695	87
Garanti Faktoring Hizmetleri A.Ş.	16.720	-
Doğuş Oto Pazarlama Ve Tic A.Ş.	374	4.383
Garanti Ödeme Sistemleri A.Ş.	-	(64)
Garanti Finansal Kiralama A.Ş.	-	419
Yön Doğuş Otomotiv Servis A.Ş.	270	-
Doğuş Planet Elektronik Tic ve Bilişim Hizmetleri A.Ş.	94	-
Garanti Filo Yönetim Hizmetleri A.Ş.	180	-
Diğerleri	866	32.491
Esas faaliyetlerden alacaklar	23.853	226.165
Garanti Hizmet Yönetimi A.Ş. - fund management	7.261.077	5.510.560
İlişkili taraflardan alacaklar (Not 12)	7.261.077	5.510.560
T. Garanti Bankası A.Ş. - commissions payable(net)	14.806.290	15.835.645
Esas faaliyetlerden borçlar	14.806.290	15.835.645
T. Garanti Bankası A.Ş.- shared expenses	14.458	256.297
Eureko Sigorta A.Ş. - shared expenses and premiums written	1.373	7.019
Garanti Hizmet Yönetimi A.Ş. - portfolio management	99.539	77.910
Ortaklara borçlar	115.370	341.226
T. Garanti Bankası A.Ş. - outstanding claims provision	290.813	53.533
Doğuş Holding A.Ş.	19.386	71.375
Muallak tazminat karşılığı	310.199	124.907
Garanti Portföy Yönetimi A.Ş. - pension funds	10.053.952	1.752.094
Garanti Filo Yönetim Hizmetleri A.Ş. - car leases	-	102.151
Doğuş Yayın Grubu A.Ş.	37.363	-
Antur Turizm A.Ş. - transportation expenses	3.630	71.186
Others	1.623	1.041
Payables to other related parties	10.096.568	1.926.472

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

There are no doubtful receivables and payables from shareholders, subsidiaries and joint ventures. There are no liabilities like guarantee, commitment and loan on behalf of shareholders, subsidiaries and associates.

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The transactions with related parties during the year ended 31 December 2014 and 31 December 2013 are as follows:

	31.12.2014	31.12.2013
T. Garanti Bankası A.Ş.	3473.531	2.424.094
Garanti Ödeme Sistemleri A.Ş.	109.010	76.947
Doğuş Holding A.Ş.	200.372	48.429
Doğuş Oto Pazarlama ve Tic A.Ş.	132.469	102.459
Doğuş Otomotiv Servis A.Ş.	117.876	91.878
Eureko Sigorta A.Ş.	51.590	41.738
Garanti Yatırım Menkul Kıymetler A.Ş.	77.966	59.091
Garanti Finansal Kiralama A.Ş.	54.342	35.002
Garanti Portföy Yönetimi A.Ş.	59.547	23.836
Diğerleri	232.901	126.961
Written premium	4.509.604	3.030.435
T. Garanti Bankası A.Ş.- banks deposits	59.351.265	45.222.594
Investment income	59.351.265	45.222.594
T. Garanti Bankası A.Ş.	24.364	54.971
Garanti Portföy Yönetim A.Ş.	127.058	66.854
Investment expense	151.422	121.826
T. Garanti Bankası A.Ş.- commissions paid	96.769.215	78.398.727
T. Garanti Bankası A.Ş.- rent, tax and other expenses	9.384.630	7.070.393
Garanti Portföy Yönetimi A.Ş.	5.712.079	4.318.897
Garanti Bilişim Tekn. ve Tic. A.Ş. - information technology expenses	11.351.292	8.159.908
Antur Turizm A.Ş. - tourism expenses	2.941.303	2.564.288
Garanti Filo Yönetim Hizmetleri A.Ş.- car rental expenses	1.414.474	1.214.483
Eureko Sigorta A.Ş. - health and automobile insurance premiums	1.696.775	1.580.383
Doğuş Yayın Grubu A.Ş. - advertisement expenses	54.764	104.901
Others	121.847	97.480
Operating expenses	129.446.379	103.509.460

⁽¹⁾ Amounts are demonstrated as gross amounts without deferred commission expenses.

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2014

(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

46 Subsequent events

None.

47 Others

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

	31 December 2014	31 December 2013
Telecommunication services received	447,370	1,407,108
Consulting services received	41,266	1,033,545
Advertising expenses	267,835	512,072
Takasbank –customer care commission payables	244,451	213,301
Policy and contract consignment payables	166,908	136,727
Personnel life insurance payables	2,459	33,907
Personnel service and food payables	212	8,878
Tax payables	279,167	813,520
Other payables	854,268	851,271
Total	2,303,936	5,010,329

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.

Garanti Emeklilik ve Hayat Anonim Şirketi

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As at and for the year ended 31 December 2014 and 2013, details of discount and provision expenses are as follows:

	1 January – 31 December 2014	1 January – 31 December 2013
Provision for unused vacation pay liability (Note 23)	(415,687)	(286,249)
Provision (expense)/release for receivables from main operations (Note 4.2)	99,998	(56,578)
Provision for lawsuits (Note 23)	145,900	(13,278)
Provision for employment termination benefits (Note 23)	(1,492,723)	(691,110)
Provision for entrance fee receivables (Note 4.2)	(560,060)	(3,041,288)
Total provision expenses	(2.222.572)	(4.088.503)

Other expenses are as follows:

	1 January– 31 December 2014	1 January– 31 December 2013
Non deductible expenses related to life insurance policy holders	(289,369)	(360,781)
Non deductible expenses related to pension fund receivable early severance	(319,611)	(211,196)
Special communication taxes	(89,179)	(105,422)
Donations and grants	(15,982)	(15,780)
Other	(269,328)	(888,092)
Total other expenses	(983.469)	(1.581.271)

Summary of Five-year Financial Information

Financial Information	2010		2011		2012		2013		2014	
	(TL thousand)	(USD thousand)	(TL thousand)	(USD thousand)	(TL thousand)	(USD thousand)	(TL thousand)	(USD thousand)	(TL thousand)	(USD thousand)
Individual Pension System										
Fund Size	1,834,480	1,186,598	2,345,410	1,241,680	3,324,797	1,865,139	4,249,324	1,990,968	6,092,808	2,627,456
Technical Reserves	140,772	91,056	159,487	84,434	226,326	126,964	246,776	115,624	248,618	107,214
Paid-in Capital	53,084	34,336	53,084	28,103	53,084	29,779	53,084	24,872	53,084	22,892
Shareholders' Equity	329,597	213,193	442,130	234,067	571,313	320,494	706,889	331,204	876,578	378,015
Total Assets	2,375,643	1,536,638	3,023,728	1,600,788	4,223,858	2,369,493	5,318,601	2,491,965	7,364,522	3,175,869
Life Insurance Premium Production (net)	140,632	90,965	152,628	80,803	233,056	130,739	257,075	120,449	269,905	116,394
Technical Income and Expense Balance	109,122	70,583	109,467	57,953	120,049	67,345	136,937	64,160	148,330	63,966
Non-operating Income and Expense Balance	16,644	10,766	32,278	17,088	42,489	23,835	37,379	17,513	66,242	28,566
Profit/Loss Before Tax	125,766	81,349	141,744	75,040	162,539	91,181	174,316	81,674	214,572	92,532
Net Profit	100,040	64,709	112,606	59,615	129,046	72,392	137,981	64,649	169,916	73,274
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Return on Assets	5.29	5.29	4.69	4.69	3.85	3.85	3.28	3.28	2.91	2.91
Return on Equity	38	38	32	32	28	28	25	25	24	24

Foreign Exchange Rates

(MBDA)

31.12.2010	USD 1	TL 1,5460
31.12.2011	USD 1	TL 1,8889
31.12.2012	USD 1	TL 1,7826
31.12.2013	USD 1	TL 2,1343
31.12.2014	USD 1	TL 2,3189

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ÇUKUROVA AND SOUTHEAST ANATOLIAN REGIONAL OFFICE

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