



 **Garanti** | Pension  
BBVA Group

ANNUAL REPORT 2017

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Contact Information of Regional Offices

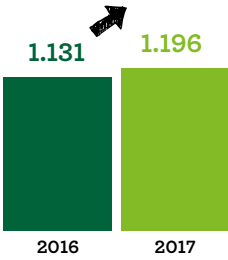
Having celebrated its 25<sup>th</sup> anniversary in 2017, **Garanti Pension** continues to create value for the Turkish economy as the leader of the industry with 17.3% market share in terms of the number of private pension participants. Garanti Pension is the shining star of the sector with its fund size of nearly TL 12 billion and premium production of TL 499 million, according to 2017 year-end data. At year-end 2013, Garanti Pension had 2,975 private pension participants whereas today the Company serves 1.5 million participants including the Auto Enrolment System.



## Financial Indicators

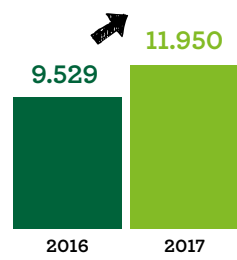
**Garanti Pension recorded 1,196 thousand\* participants and TL 11,950 million\*\* in funds under management.**

Number of Participants  
(thousand)



**6%  
Growth**

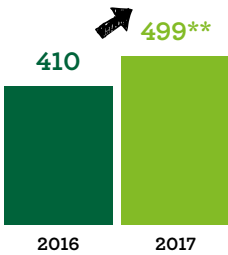
Fund Size  
(TL million)



**25%  
Growth**

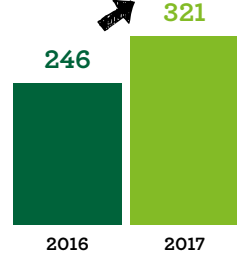
**346\***  
**Thousand**  
Auto Enrolment System  
Participants

Life Insurance  
Premium (TL million)



**22%  
Growth**

Net Profit  
(TL million)



**30%  
Growth**

Garanti Pension and Life maintains steady and rapid growth in the private pension, auto enrolment and life insurance industry. Garanti Pension and Life reinforced its position as the industry leader in terms of the number of PPS participants while becoming an exemplary company for the industry by further improving its financial strength.

\* The source is Pension Monitoring Center, dated 29.12.2017

\*\* The source is TSB, dated 31.12.2017

## About Garanti Pension and Life

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

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.

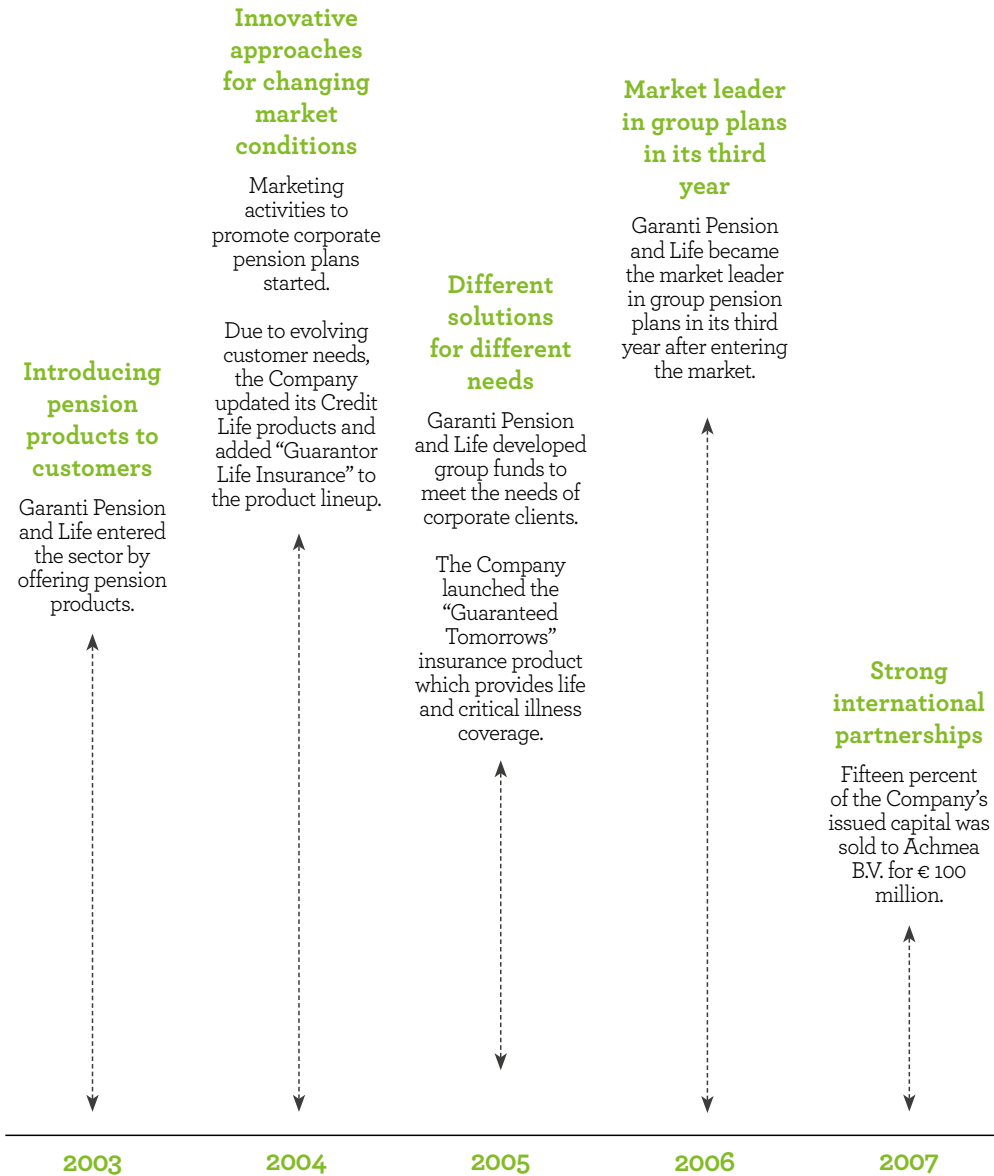
Following the decision to include private pension in its field of activities, the Company applied to convert from a life insurance company to a pension company on November 14, 2002. The Company’s name was changed initially to “Garanti Emeklilik Anonim Şirketi” and then to “Garanti Emeklilik ve Hayat 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.

Embracing a customer satisfaction, employee-oriented and profitable business models approach, Garanti Pension and Life has always aimed for sustainable success and has led the industry for 25 years. The Company adds value to Turkey’s private pension and life insurance sectors with a focus on customer satisfaction in product and service offerings and dynamism that keeps pace with emerging needs. Garanti Pension and Life also has the capability to rapidly adapt to a changing legislative and regulatory landscape and maintain stability regardless of economic conditions. The Company implements pioneering practices by adopting innovations in both sectors in which it operates. Garanti Pension and Life broke new ground in the industry by restructuring its technological applications as part of its customer-oriented approach. As the most preferred company in the Private Pension System, Garanti Pension continues to set a good example for the industry by maintaining its steady and rapid growth.

*Garanti Pension and Life also has the capability to rapidly adapt to a changing legislative and regulatory landscape and maintain stability regardless of economic conditions.*

# From Past to Today Garanti Pension and Life



**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.

The Company launched its mobile website, a first-of-its-kind in the sector, thus allowing customers to monitor their accounts via mobile phones 24/7.

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

**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.

**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.

**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.

2008

2009

2010

2011



### 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.

Garanti Pension and Life has launched unique products specially designed for self-employed and young customers.

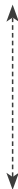


### Sector leader in number of participants

The Company became the sector leader in terms of the number of private pension 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.



### "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.



### "We achieve customer satisfaction with happy employees!"

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

Garanti Pension and Life signed the United Nations Global Compact, the world's largest voluntary corporate responsibility initiative which is based on signatories' commitment to implement universal sustainability principles and signed the United Nations Women's Empowerment Principles.

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

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



2012

2013

2014

2015



## From Past to Today Garanti Pension and Life

### The first company to receive ISO 14001 Environmental Management System certification

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

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

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

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

Garanti Pension issued a Declaration of Human Rights.

Garanti Pension joined the WWF Green Office Program.

Garanti Pension Mobile Branch application was launched.



2016

### The first company to provide robotic consulting services in the sector

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

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

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

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

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

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

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

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



2017

## 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.*
- *I care about society and the environment.*

## Competitive Advantages

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

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

## Our Outmaneuvering Advantages

Garanti Pension and Life's most important competitive advantages include:

### Brand equity of "Garantî"

- 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

### A sustainable approach

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

## Garanti Bank in Brief

**Thanks to its skilled and dynamic workforce, technology infrastructure, customer-focused service approach, innovative products and services, Garanti Bank is the leader of the Turkish banking industry.**

Established in Ankara in 1946, Garanti Bank is Turkey's second largest private bank with consolidated assets totaling TL 356.3 billion as of December 31, 2017.

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 life insurance, private pension, leasing, factoring, securities and asset management sectors. Garanti Bank's international subsidiaries are located in the Netherlands and Romania.

As of December 31, 2017, Garanti Bank provides a wide range of financial services to more than 15 million customers with 19 thousand employees. The Bank's branch network includes 937 domestic locations and eight foreign branches, with seven in Cyprus and one each in Malta. In addition, the Bank has representative offices in London, Düsseldorf and Shanghai; 5,003 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.

Aiming to achieve sustainable growth by creating value for all its stakeholders, Garanti builds its strategy on the principles of "transparency", "straightforwardness" and "accountability". The Company continually works to improve customer experience by offering customers products and services that are tailored to meet their needs. 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.

## Garanti Bank in Brief

In addition, Garanti Bank strives to adopt the best corporate governance practices. Banco Bilbao Vizcaya Argentaria S.A. (“BBVA”) owns 49.85% of Garanti Bank shares. The Bank’s shares are publicly listed and traded in Turkey with a free float of 50.07% on Borsa Istanbul as of December 31, 2017. In addition, Garanti Bank depositary receipts are traded in the UK and US.

With its dynamic business model and pioneering approach that integrates technology into its products and services, Garanti Bank continues to make a difference in the sector while making life easier for its customers. 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 TL 285,5 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.

Building on the Bank’s Core Values, Garanti defines sustainability as a commitment to create a strong, successful business model for the future, while minimizing negative environmental and social impacts, and sharing long-term values with its customers, employees, shareholders and the local communities, wherever it operates. Garanti continues to bolster its approach to sustainable banking with social investment programs in various areas, including sports, education, arts, the environment and business information.

*Garanti Bank continues to make a difference and facilitate the lives of its customers with a dynamic work model and pioneering technology that is integrated with innovative products and services.*

## Achmea B.V. in Brief

Achmea is a leading international insurance group with 200 years of experience. Based in the Netherlands, Achmea is one of the world's largest cooperative insurance organizations, operating with 18,000 employees in seven countries. Achmea provides customers with products and services that are transparent, financially affordable and easily understandable.

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

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

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

Achmea's gross premium production under contract totals EUR 20 billion, shareholders' equity amounts to EUR 9,7 billion, and the Group's solvency ratio stands at 202%. International credit rating agency Standard & Poor's affirmed Achmea's Insurer Financial Strength Rating as 'A+'.

Operating in the non-life insurance market, Eureka Sigorta is a member of Achmea in Turkey and the country's leader in bancassurance, thanks to its powerful partnership with Garanti Bank.

In March 2007, Achmea (formerly Eureka B.V.) entered into a partnership agreement with Garanti Bank in Turkey to acquire 80% stake in Garanti Insurance's non-life insurance operations and 15% stake in Garanti Pension's life insurance and pension operations. In May 2011, Achmea completed the share transfer process, which had started with the initial agreement in 2007. Pursuant to the initial agreement, the Company acquired the remaining 20% stake in Eureka Insurance held by Garanti Bank to become the sole owner of Eureka Insurance.

*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, Slovakia, Ireland, and Romania.*

## Chairman's Message

**With 346,000\* participants, Garanti Pension and Life has become the leader among pension companies, excluding public companies.**

Contrary to expectations at the beginning of the year, 2017 was in fact a very good year for developing countries. Thanks to the positive effect of global economic recovery, capital flows to developing countries increased.

In 2017, the global economy performed better than expected. The U.S. economy, which had remained relatively subdued in 2016, gained momentum after the presidential election. During the election period, the S&P 500 index traded around the level of 2,100, and since then it has reached the level of 2,800. In 2017, the U.S. economy grew 2.3% with a record-low unemployment rate. The U.S. 10-year bond yields are still low and we believe that this is due to the market prices set with the expectation that inflation will remain low, and not because of poor economic growth performance.

Meanwhile, the Eurozone economy, which had expanded 3% before the global financial crisis in 2008, finally recovered from a long period of slow growth and expanded 2.7% in 2017.

Despite all unfavorable developments in 2017, the Turkish economy performed very well and grew 7.4% in 2017. On the other hand, economic growth had a negative impact on other macroeconomic variables. Compared to 2016, economic indicators including unemployment, inflation, and external debt deteriorated. However, it is expected that risks will be reduced in line with the anticipated economic normalization in 2018.

In 2017, the Turkish Lira continued to depreciate against the U.S. dollar, albeit at a slower rate than in 2016. In Turkey, costs are generally denominated in U.S. dollars, therefore a rise in FX rates increases inflationary pressure. As annual inflation rate hit 11.93%, its highest level in 14 years, the Central Bank raised the weighted average interest rate to 12.75%.

The World Bank forecasts global economic growth to rise from 3.6% in 2017 to about 3.7% in 2018. Meanwhile in developing countries, portfolio flows may remain low due to increased interest rates and tightening of quantitative easing programs. On the other hand, we think that the spread of economic recovery across Europe will make a positive impact on the Turkish economy through exports and tourism.

We expect that the continued recovery in investment, manufacturing and trade will support global macro outlook in 2018. Thanks to the macroprudential measures implemented in Turkey, we believe that GDP growth will cascade down to benefit society as a whole and inflation rate will drop to single digit in 2018.



Garanti Pension and Life continues to reinforce its strong position in the Private Pension System, which was introduced to increase savings and has reached a certain maturity level over the past 14 years. The Company manages a total of TL 11.8\* billion in retirement savings for its 1.2\* million participants.

The Auto Enrolment System launched in 2017 marked a revolutionary milestone in terms of society's saving habits and retirement savings. Garanti Pension and Life includes large numbers of people in the Auto Enrolment System in a quick and easy way. With 346,000\* participants, Garanti Pension and Life has become the leader among pension companies, excluding public companies.

This year, total premium production in the life insurance segment grew substantially because of KOSGEB and the Credit Guarantee Fund. As a major contributor to this growth, Garanti Pension increased its year-end premium production by 22% to TL 499 million.

The profitable business models we have developed for private pension and life insurance segments made a positive impact on our financial statements. In 2017, Garanti Pension and Life posted a solid net profit of TL 321 million, a further confirmation of the Company's strong financial structure.

Garanti Pension and Life works relentlessly to achieve its primary strategic objectives, which are customer orientation, employee satisfaction, continuity and implementation of digital transformation strategies. Accordingly, Garanti Pension and Life won the "Best Customer Service" designation in the Europe, Middle East and Africa (EMEA) Region at the Contact Center World Awards, which was a huge global success for the Company.

Garanti Pension and Life constantly develops new projects with a social and environmental responsibility in addition to considering financial success. The Company continues to take major steps in the areas of social responsibility and sustainability to meet the needs of the present without compromising the ability of future generations to meet their own needs. In 2017, Garanti Pension and Life set a good example for the industry with its projects and received important awards and certifications.

In the coming period, Garanti Pension and Life we will continue to lead the industry in the private pension and life insurance sectors by offering its customers the best possible service and ensuring that they always feel the Company's unwavering support. In 2018, Garanti Pension will achieve further success with new projects in areas such as process innovation, operational efficiency and smart business processes. I would like to extend my thanks to our employees, participants and stakeholders for all the success we have achieved in 2017, propelled forward by our efficient business management.

Sincerely,

\* According to data provided by the Pension Monitoring Center dated December 29, 2017.



*Garanti Pension and Life works relentlessly to achieve its primary strategic objectives, which are customer orientation, employee satisfaction, continuity and implementation of digital transformation strategies.*

**Ali Fuat ERBİL**

Chairman of the Board of Directors

## CEO's Message

# Garanti Insurance and Life became the first-of-its-kind in the insurance industry and initiated a robotic consulting service, a rising trend in the investing world.

Turkey and the rest of the world witnessed significant developments in 2017. While markets in Turkey and the world picked up momentum, the U.S. dollar appreciated against the Turkish Lira, due to foreign financing needs. GDP growth rates in the U.S., Euro Area and developing countries seem promising for 2018. As current account deficit and external debt widens, foreign financing will become more important in 2018.

Our country is taking significant steps to boost savings in order to curb its current account deficit. The Private Pension System, which was launched in 2003, complements the social security system and aims to provide individuals with additional income during their retirement so that they can maintain their current living standards. The Private Pension System, which has fully matured since its launch, has expanded to 6.9\* million participants and a fund size of TL 68\* billion, including TL 10\* billion in government contributions.

In 2017, Turkey introduced yet another important initiative to support our country's economic growth. The Auto Enrolment System, which was launched on January 1, 2017, is a revolutionary milestone for the private pension sector as well as an important development in terms of society's saving habits and retirement savings. Large numbers of people have been quickly and easily included in the Auto Enrolment System. More than 8 million employees enrolled in the system to start investing for the future and earn additional income during retirement. The Auto Enrolment System offers employees the opportunity to generate good returns through small savings. 2.5 million participants, who didn't have a private pension plan before, automatically enrolled in the system and started saving for retirement. In its first year, the system has already reached 3.4\* million participants and a fund size of TL 1.8\* billion.

As the Private Pension System continued to expand in 2017, the Auto Enrolment System remained the hottest topic for pension companies, employees and employers. Garanti Pension and Life maintained and further strengthened its leadership position in the Private Pension System while substantially increasing the number of its participants in the Auto Enrolment System. In addition to its leading position, with a market share of 17.3%\* in the Private Pension System, Garanti Pension and Life has also become the sector leader in the Auto Enrolment System with 10.1% market share among all pension companies, excluding public companies. Meanwhile the life insurance segment, our other core business area, grew substantially in 2017 because of KOSGEB and the Credit Guarantee Fund. As a major contributor to this growth, Garanti Pension and Life continues to make a

difference in the life insurance sector with its effective service delivery models. Our company closed the year with a total premium production of TL 499\*\* million and market share of 7.4%\*\*.

### **We are the industry leader with our customer-oriented approach!**

Having celebrated its 25th anniversary in 2017, Garanti Pension and Life places customer orientation at the center of its business operations. In line with the rapid increase in the number of our participants, we introduced a major technological innovation and launched our Mobile Branch in late 2016 in order to quickly respond to our customers' expectations and achieve a high level of customer satisfaction. We are delivering superior customer service through our technology-based channels, namely Garanti Pension Mobile Branch, which is currently used by more than 100,000 customers and Garanti Pension Internet Branch which has over 240,000 users.

### **We achieved another first in the industry: "Robotic Consulting"**

In line with our customer-oriented business strategy and pursuing the vision of becoming a pioneer in the field of technology, Garanti Pension and Life launched "Fund Coach" in 2017 to respond to all needs of customers. Fund Coach is a robotic consulting service, the first-of-its-kind in the insurance industry and a rising trend in the investing world. Fund Coach provides fund recommendations based on customers' investment experiences, preferences and return expectations. It also offers a digital environment for making changes in fund distributions so that customers' investments can be guided quickly and easily. Fund Coach, which is offered exclusively through our digital channels and used by more than 12,000 customers, makes life easier for our customers. In the coming period, Garanti Pension and Life will continue to deliver the best service possible through new technology projects.

### **We revamped our Corporate Website!**

After the launch of the Auto Enrolment System in 2017, a significant number of customers became acquainted with the pension sector. In the next period, the participant base will expand further with the enrollment of small-sized companies in the Auto Enrolment System and Garanti Pension and Life aims to offer an exceptional experience to this important customer segment. To this end, we revamped Garanti Pension's website in 2017. Companies can easily perform the most time-consuming transactions through our new corporate website, which, in this regard, offers them a convenient service. In addition to enabling

customers registered in the system to perform all of their transactions online, our corporate website also features assistance videos, which help companies perform employee transactions easily. Garanti Pension and Life continues efforts to deliver an excellent customer experience by analyzing customers in the Auto Enrolment System on the micro basis.

#### **We place great importance on employee development!**

Garanti Pension and Life continues to develop projects aimed at boosting employee satisfaction with the belief that customer satisfaction can only be achieved with happy employees. Therefore, we have restructured our core human resources strategies - including recruitment processes, training modules and career maps - and we review every process that will benefit staff development.

#### **We continue to shape the future for our society through our social responsibility projects.**

Garanti Pension and Life has been acting in a socially responsible manner since its foundation. Over the past seven years, our Company has reached out to more than 5,700 students and their parents in 13 districts and 44 schools in Istanbul, where child labor is most prevalent, through its "Back to School" project. In 2017, Garanti Pension and Life also began supporting the efforts undertaken by the Turkish National Committee for UNICEF, which works to protect children's right to life, survival and development; and to ensure that all children have equal access to health and education services. In addition to fulfilling the basic needs of children, Garanti Pension and Life supports the development of projects that will provide long-term benefits for children.

#### **"Garanti Pension and Life" continues to grow.**

The Company's technical profit from life insurance and pension operations amounted to TL 184 million and TL 95 million, respectively. Garanti Pension and Life remains the most profitable\*\*\* company in the industry for the past three years, in terms of technical profit in the pension sector. Garanti Pension and Life continues to digitalize its operational processes to make life easier for customers and employees while maximizing its profitability. In 2017, the Company's net profit rose to TL 321 million. Garanti Pension and Life continues its growth through effective balance sheet management, financial awareness and the use of cutting-edge technology to create value for the industry.

#### **Together toward many 25 years to come!**

I would like to thank all our participants for choosing our Company in the pension and life insurance sectors; our employees who add value to our Company; and all our stakeholders for their unwavering support during this successful period and our 25th anniversary.

I hope 2018 brings happiness to all our participants and new customers who will prefer our Company in the new year. I am looking forward to further growth and celebrating new successes together in the coming period.

Sincerely,



*Having celebrated its 25th anniversary in 2017, Garanti Pension and Life places customer orientation at the center of its business operations.*

**Burak Ali GÖÇER**  
CEO

\* According to data provided by the Pension Monitoring Center dated December 29, 2017.

\*\* According to data provided by the Insurance Association of Turkey dated December 31, 2017.

\*\*\* According to data provided by the Insurance Association of Turkey dated September 30, 2017.

## Sector Developments and Garanti Pension in 2017

2017 was a year full of political and geopolitical risks, uncertainties regarding global growth and interest rate policies of central banks. High fluctuations in stocks, bond rates and foreign exchange rates continued throughout the year.

Despite all unfavorable developments in 2017, the Turkish economy performed very well and grew 7.4% in 2017. Even though economic growth had a limited positive impact on other macroeconomic variables, the funds set up by Garanti Pension and Life, including equity funds, variable annuities, and funds denominated in foreign currency, were able to turn this situation into an opportunity.

In 2017, the BIST 100 index rose by 47.6% while the Company's Equity Fund yielded 50.3%, outperforming the category average.

Variable annuities, which have a flexible portfolio structure, yielded an average return of 18.3% in 2017, providing returns higher than inflation (11.9%) and time deposits (8.1%).

Meanwhile FX-denominated Government Bond Fund yielded 17.4% in 2017, providing returns 7.1% higher than Turkish Lira and well above U.S. dollar gains.

### **The Private Pension System continues to grow, albeit at a slower rate than in previous years.**

Turkey's private pension system entered a rapid growth phase due to legislative changes made in 2013, particularly the 25% state contribution. The PPS penetration rate increased, climbing to 6.9 million participants in 14 years. The Private Pension System's expansion rate slowed slightly due to the Auto Enrolment System (AES), introduced at the beginning of the year to increase individuals' savings awareness and savings rate in Turkey. In 2016, the industry added 588,000 net participants to the 3<sup>rd</sup> level PPS; however, participation declined 49.7% in 2017 and only 295,000 participants were included in the system.

### **Auto Enrolment System**

The implementation of the Auto Enrolment System, took effect in 2017, launched a new era in the private pension system. One of the biggest steps taken to boost the savings rate in Turkey, the Auto Enrolment System aims to provide employees additional income during their retirement. As of January 1, 2017, employees under the age of 45 started saving by paying a monthly contribution that equals 3% of

their insurance base. The system initially started for companies with more than 1,000 employees. However, the system expanded to about 8 million participants after the gradual inclusion of public employees and companies with more than 250 employees (as of April 1, 2017), and companies with more than 100 employees (as of July 1, 2017). The gradual transition will continue in 2018 and 2019 with some 13 million additional employees automatically included as participants. These new participants will include the staff of any company with more than five employees as well as those working in municipalities and state economic enterprises.

The Auto Enrolment System will allow participants to withdraw from the system within the first two months without loss of any contribution that they have already paid. Other unique advantages include: a 25% state contribution in addition to the current state contribution; an additional state contribution of TL 1,000 for those participants who do not exercise their right to withdraw from the system; and an additional state contribution of up to 5% of the savings amount to those who purchase annual income insurance when they retire. The new system will be a fresh start for both Turkey and the industry.

#### **Industry Leader: Garanti Pension**

While participant acquisition rate slowed across the industry in 2017, Garanti Pension outperformed the sector and maintained its strong position. Industry-wide, new participant numbers dropped 49.7%\* compared to a year earlier. However, Garanti Pension added 65,000 net participants to reach a total of 1.2 million participants, and captured a 22% share of overall participation growth in the industry. Thanks to this successful performance, Garanti Pension increased its market share in terms of the number of participants from 17.1% to 17.3%, and further strengthened its leadership position in the industry.

#### **Life insurance segment expanded 36%**

In 2017, competition intensified in Turkey's life insurance market.

Thanks to government subsidized home loans introduced in October 2016, and CGF-KOSGEB loans launched in 2017, the life insurance sector saw a substantial increase in premium production compared to last year.

Such that, total premium production in nine months exceeded annual production in 2016. As of year-end, total premium production reached TL 6.8 billion\*\* and the life insurance sector achieved 36% year-over-year growth.

*Garanti Pension increased the number of its participants to 1.2 million, capturing a 22% share of net participant growth in the industry, and maintained its leadership position.*

\*According to data provided by the Pension Monitoring Center dated December 29, 2016.

\*\* According to data provided by the Insurance Association of Turkey dated December 31, 2017.

## Financial Strength of Garanti Pension and Life

Deriving its strength from the powerful Garanti brand, and thanks to its robust financial structure and effective balance sheet management, Garanti Pension and Life had a very productive and successful year. The substantial increase in the number of participants after the launch of the Auto Enrolment System in 2017 brought along the need for major investments in human resources, infrastructure and technology.

Focusing its strategies on happy customers, happy employees and an efficient business model, Garanti Pension and Life took operational efficiency to a higher level by investing in technology. In 2017, the Company exceeded its sales and profitability targets by focusing on process innovation and smart business processes after a close examination of all expense areas.

In 2017, Garanti Pension's total assets grew 25%, to TL 14.2 billion, while shareholders' equity was up 24%, to TL 1.6 billion. Further strengthening its already robust financial structure with these results, the Company increased net profit after taxes by 30% over the previous year, to TL 321 million. The Company was once again the most profitable company in the sector. Garanti Pension sets a good example for the industry with its financial strength.

A significant portion of Garanti Pension and Life's profit originates from technical profit generated by operations in life insurance and private pension segments. In 2017, the Company's gross technical profit amounted to TL 278 million. Technical profit accounted for 68% of TL 407 million, profit before tax in 2017.

Garanti Pension and Life's goals for 2018 include happier customers, happier employees and maintaining steady growth in its core business areas by implementing more efficient business models. In the new period, the Company will develop digital projects to make life easier for its customers and design new products that meet customers' needs and expectations while maximizing business productivity and sustaining its financial strength.

## Review of 2017 Operations

### Continued industry leadership in participant numbers

The Private Pension System, which completed its 14th year in 2017, entered a period of rapid growth, especially after the introduction of government contributions in 2013. Thanks to this growth momentum, the number of participants increased from 4.1 million in 2013 to 6.9 million in 2017. Overall fund size also expanded by 170% in 5 years to reach TL 67.6 billion. Leading the growth in the industry, Garanti Pension increased the number of its participants to 1.2 million and its fund size to TL 10.2 billion in 2017. Hence, the Company maintained its industry leadership in terms of participant numbers.

The Auto Enrolment System, introduced in early 2017 with the aim of increasing individuals' savings awareness and savings rate in Turkey, contributed to the overall growth of the private pension sector and to increasing product awareness. On the other hand, the Private Pension System, which is completely voluntary, experienced slower growth compared with the same period last year. Meanwhile, Garanti Pension outperformed the industry in 2017 and added 65,000 net participants, capturing a 22% share of overall participation growth in the industry. As a result of this, the Company's cumulative market share in terms of the number of participants increased from 17.1% to 17.3%. Thereby, Garanti Pension further reinforced its leadership position in the industry.

In 2017, Garanti Pension sold more than 18,000 employer-sponsored group contracts. The total number of employer-sponsored group contracts exceeded 77,000; and the Company's market share increased from 11.4% in 2016 to 12.8% in 2017.



**Koray Pişirici**  
Retail Marketing

*Garanti Pension increased its cumulative market share in terms of the number of participants from 17.1% to 17.3%, and thus further reinforced its leadership position in the industry.*

## Review of 2017 Operations



**Göktuğ Acar**  
Life Marketing

*In the optional life insurance category, which is not extended on the basis of any bank risk, Garanti Pension generated an additional TL 55.8 million in premiums, achieving 36% year-over-year growth.*

### **Life insurance premium production increased 21.7% year-on-year**

As of 2017 year-end, Garanti Pension generated TL 499 million in life insurance premiums. As a result of new sales in credit life insurance/ personal loan products, which account for 74.4% of total premium production, the Company increased its market share in long-term products from 77% in the first half of the year to 84.9% in the second half. Meanwhile, the Company's monthly premium production expanded by 25.3%.

In 2017, the Company placed more emphasis on loan applications submitted through digital channels, and the pricing and presentation of life insurance policies to customers. The share of premium production from credit life insurance policies provided through digital channels in total credit life insurance premiums was 23.4% in 2017.

As of 2017 year-end, Garanti Pension and Life's penetration rate in mortgage life insurance segment reached 29% and the Company generated TL 29.7 million in mortgage life insurance premiums.

In the optional life insurance category, which is not extended on the basis of any bank risk, Garanti Pension generated an additional TL 55.8 million in premiums, achieving 36% year-over-year growth. This growth was achieved mainly with products associated with customer risk. The sales team held one-on-one meetings with customers to present these products. Concerning other life insurance products, the Company undertook efforts to improve the productivity of Savings and Assurance Experts (SAE) working at the branches.

With the launch of life insurance screens, the Company initiated efforts to improve user satisfaction among field sales representatives and digitalize operational processes.

The Credit Guarantee Fund (CGF) scheme, introduced in the first quarter of 2017 to support SMEs with government incentives, and KOSGEB (Small and Medium Enterprises Development Organization) made a positive impact on life insurance premium production.

The Company's Central Sales-Life Insurance team and the life insurance sales teams at the Bank's Call Center generated an additional TL 25.6 million in life insurance premiums in 2017.



### **Auto Enrolment System**

The new era of Auto enrolment in the private pension system commenced on January 1, 2017.

During the first three months, companies with more than 1,000 employees enrolled in the Auto Enrolment System. In April, companies with more than 250 employees, and later in July, companies with more than 100 employees also registered. In terms of enrollments, Garanti Pension ranks first among private companies with 18% market share. The Company ranks second, with 13% market share, when public companies are included.

In 2017, Garanti Pension started working with 3,047 companies concerning auto enrolment.

The Corporate Website, which was revamped in line with digital trends, was relaunched in December 2017 to serve both existing and new customers. Additionally, the Company continues to improve the technology infrastructure of its Internet Branch, through which automatic enrollment transactions can be performed quickly and easily.



**Özlem Özkök**  
Corporate Marketing

***In 2017, Garanti Pension started working with 3,047 companies concerning auto enrolment.***

## Review of 2017 Operations

### Garanti Pension Five Years Statement in Private Pensions

	2013	2014	2015	2016	2017
Pension Fund Size (TL million)	4,249,32	6,092.81	7,580.28	8,357.81	11,950.40
Pension Fund Size Market Share (%)	16.2	16.1	15.8	15.6	15.1*
Number of Pension Participants	763,520	872,224	995,416	1,130,878	1,196,397*
Pension Participants Market Share (%)	18.4	17.1	16.5	17.1	17.3*
Total Pension Contributions (TL million)	3,567.71	4,542.90	5,789.90	6,842.86	7,907.08*
Pension Contributions Market Share (%)	16.3	16.0	15.6	15.4	15.0*

### Auto Enrolment System Statement

	2017*
Pension Fund Size (TL million)	136.1
Pension Fund Size Market Share (%)	7.6
Number of Pension Participants	346,402
Pension Participants Market Share (%)	10.1**
Total Pension Contributions (TL million)	131.7
Pension Contributions Market Share (%)	7.6

\* Pension Monitoring Center data, dated December 29, 2017.

\*\* Year-end market share including public and private sectors.

## Customer-Focused Strategies

Customers are at the center of Garanti Pension and Life's core values. Garanti Pension designs customer experience from the outside to inside. The Company designs its systems and processes by closely following the footsteps of its customers to provide the best solutions. In 2017, Garanti Pension prioritized its projects with this vision, defining first and foremost what kind of experience it would like to deliver to customers.

Starting in 2013, Garanti Pension improved each experience moment via the conceptualization of emotional maps, comparisons of desired and expected results, and special needs analyses that are specific to that moment of customer experience. In 2017, the Company added new strategic moments of experience to these efforts and developed new projects in parallel to its customers' needs.

The Company manages its strategies with the assumption that a continuously evolving customer experience is one of the most important components of sustainable economic performance. As such, the Company is the leader of the industry with its comprehensive business solutions that are structured by putting customers at the center.

### Customer Friendly Projects

#### Proactive service approach

Garanti Pension and Life develops its products and services with this insight: organizations that listen to their customers, accurately identify their needs and benefit from their experiences have a customer-oriented vision. The Company aims to integrate this vision into its customers' lives in every channel it operates.

Garanti Pension conducted data mining work to diversify the proactive services, which was among the 2017 priorities. This effort improved customer experience and enabled the most efficient use of the right channels. The Company has also conducted pilot studies on the applicability of existing data mining projects, with some project results selected for implementation as regular practices. Garanti Pension increased the success of its purchase trend models by adding data – related to banking, channel usage, and demographics as well as the responses of customers to various offers – to its models for certain products.

#### We are a recommended company

Garanti Pension and Life has always closely listened to its customers. The Company developed the "Customer's Voice" initiative, ongoing for many years, in order to deliver the best experience to its customers. In 2017, Garanti Pension achieved great success with its recommendation score to 61\*.

As a result, the Company maintained its world-class Net Promoter Score. In addition to monitoring overall net promoter score, in 2017, Garanti Pension also started calculating net promoter score for critical points of contact in order to identify areas for improvement for each point of contact and take necessary actions to deliver a better customer experience. The Company undertakes efforts to measure/evaluate more points of contact.

\*IPSOS 2017 Net Promoter Score Survey.



**Elif Sükan Sönmez**

Customer Relations Management and  
Marketing

*Garanti Pension maintains  
its world-class Net  
Promoter Score of 61.*

## Wide Range of Products for Everyone



**Şenol Serkan Şentürk**

Product Development and Actuary

*Garanti Pension and Life customers, who want to start saving for the future, can confidently choose from among five different private pension plans, each of which will ensure a happy and secure retirement.*

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 offers customers the opportunity to choose from a wide range of products with a "one-stop shop" approach.

### **Private pension plans**

The introduction of state subsidy contributions to private pensions led to considerable growth, and the sector maintained growth momentum in 2017.

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. 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.
5. Select ABU Pension Plan: offers exclusive benefits to those who want to take advantage of the highest limit of government contributions, and it is designed for participants who would like to accelerate their savings and enjoy a comfortable retirement.

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.

### **Life Insurance products**

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.

### **Life Insurance**

- 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 and children,
- Hospitalization Insurance covers the cost of medical treatments in case of accidents or sickness, within the claim amounts payable under the policy.
- The Healthy Women Insurance provides coverage against life-threatening diseases for women.

### **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.
- Loan Payment Protection Based on Age for Mortgage Loans in Case of Unemployment

*Using bancassurance effectively, Garanti Pension always takes into account the changing circumstances and customers' needs, and enhances its insurance product portfolio accordingly.*

## Fund Options for Everyone



**Şadiye Çimeli**

Fund Management and Collection

*In October, Garanti Pension and Life launched its robotic consulting service “Fund Coach,” a first in the sector.*

### **New asset management firms in the new period**

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. This number rose to 33 with the addition of 12 new auto enrolment funds.

Through its professional asset management firm, Garanti Pension aims to provide good returns to its participants in the long term with all of its funds. The Company’s past fund returns indicate a very successful performance. Under Law No. 4632, as of January 1, 2018, the same asset management firm will not be able to manage more than 40% of the net asset value of any private pension fund offered within the Private Pension System. This amendment will affect the operational processes of pension companies that have been working with multiple asset management firms since their establishment. Garanti Pension takes into account several important criteria for the selection of asset management firms. Since this selection will affect participants’ investment decisions, the Company will maintain its “service quality” at the same level since its establishment and will conduct evaluations in different categories. The main priorities are: The asset management firm, which will manage the collected funds, should have adequate experience and expertise, be capable of managing fund risks, and should have an infrastructure that can be integrated into Garanti Pension’s system. While this process continues, the Company will continue to offer its participants pension funds in different risk categories. As before, the participants in the system will be able to choose from among different pension plans and will earn the highest returns under changing market conditions. Garanti Pension will closely monitor the performance of both its funds and asset management firms, and will periodically impose penalties based on performance.

### **Fund Coach**

Putting customers at the center of its business, Garanti Pension and Life achieved yet another first in the industry. In October 2017, the Company launched “Fund Coach”, a robotic consulting service, on its Internet Branch. This entirely digital service determines customers’ risk-taking tendencies after customers fill out a form; and Fund Coach recommends fund distributions based on customers’ risk profiles. In order to manage risks for participants and to meet their expectations, fund distributions are offered jointly by Garanti Pension and Life and its solution partner “ZEKAI”, a brand of OHE Consulting. ZEKAI, the first robotic consulting brand in Turkey, engages in financial engineering and robotic consulting technologies for recommending fund distributions. Since 2010, ZEKAI has been analyzing the behavioral characteristics of asset classes in the Private Pension System and creating financial models for determining the most optimal distributions for different age and risk groups, and sharing these models with Garanti Pension. All efforts are focused on achieving a high level of participant satisfaction and developing a robotic consulting service by keeping professionals within the system. The Fund Coach uses mathematical algorithms to interpret the markets, and then determines fund distributions. Markets can be evaluated through this perspective in order to offer customers with similar personality traits fund distributions by taking into account their risk profiles and the investment period. Fund distributions recommended by the Fund Coach may change in line with the changes in the market. Customers are proactively notified via SMS and e-mail. Garanti Pension is the first and only private pension company to offer this consulting service in Turkey with the aim of improving customer satisfaction and increasing its competitive power in the market.

### **Sustainability Equity Pension Fund**

As part of its ongoing sustainability efforts, Garanti Pension introduced the Sustainability Equity Pension Fund.

Garanti Pension customers will now be able to invest their savings in the stocks of companies listed on the “BIST Sustainability Index,” whose constituents demonstrate sensitivity towards issues such as global warming, natural resources, health, safety and employment. Garanti Pension also provides financing to companies that adhere to the principles of sustainability and corporate social responsibility through the BIST Sustainability Index, which evaluates companies based on their environmental, social and corporate governance performance.

*As part of its ongoing sustainability efforts, Garanti Pension introduced the Sustainability Equity Pension Fund.*

## Fund Options for Everyone

### FUND NAMES

OLD FUND NAME	NEW FUND NAME
Garanti Pension and Life Liquid-Flexible PMF	Garanti Pension and Life Money-Market PMF
Garanti Pension and Life Fixed-Income Public Borrowing Instruments PMF	Garanti Pension and Life Public Borrowing Instruments PMF
Garanti Pension and Life Fixed-Income Public Borrowing Instruments (FX) PMF	Garanti Pension and Life Borrowing Instruments (FX) PMF
Garanti Pension and Life Growth Equity PMF	Garanti Pension and Life Equity PMF
Garanti Pension and Life Flexible PMF	Garanti Pension and Life Balanced Flexible PMF
Garanti Pension and Life Fixed-Income Flexible PMF	Garanti Pension and Life Conservative Flexible PMF
Garanti Pension and Life Fixed-Income Public Borrowing Instruments Group PMF	Garanti Pension and Life Public Borrowing Instruments Group PMF
Garanti Pension and Life Fixed-Income Public Borrowing Instruments (FX) Group PMF	Garanti Pension and Life Public Borrowing Instruments (FX) Group PMF
Garanti Pension and Life Flexible Group PMF	Garanti Pension and Life Balanced Flexible Group PMF
Garanti Pension and Life Flexible Alternative PMF	Garanti Pension and Life Participation Dynamic Flexible PMF
Garanti Pension and Life Flexible (TL) PMF	Garanti Pension and Life Dynamic Flexible PMF
Garanti Pension and Life Equity PMF for Groups	Garanti Pension and Life Equity Group PMF
Garanti Pension and Life Alternative Contribution PMF	Garanti Pension and Life Participation State Contribution PMF
Garanti Pension and Life Alternative Standard PMF	Garanti Pension and Life Participation Standard PMF
Garanti Pension and Life Equity PMF	Garanti Pension and Life Sustainability Equity PMF
Garanti Pension and Life Public Borrowing Instruments PMF	Garanti Pension and Life Long-Term Public Borrowing Instruments PMF
Garanti Pension and Life Secondary-Income Flexible PMF	Garanti Pension and Life Flexible PMF

On February 1, 2017, the Company launched Garanti Pension and Life Initial Pension Mutual Fund and Garanti Pension and Life Initial Participation Pension Mutual Fund, which “enable participants enrolled in the Private Pension System by their employers to invest their pension contributions during the period determined by the Undersecretariat, including the 2-month withdrawal period, as per the 2nd amendment to the Law and the 2<sup>nd</sup> Provisional article.”

The savings of employees, who have completed their first year in the auto enrolment certificate, and do not have any fund preferences, were invested in Garanti Pension and Life Standard PMF “with interest” and Garanti Pension and Life Standard Participation PMF “without interest.”



On January 1, 2018, the Company set up a total of eight funds - four “with interest” and four “without interest” - for employees who choose to withdraw from the Initial Fund or the Standard Fund, which have been included in the system pursuant to the 2nd amendment to the Law and the 2nd Provisional article.

#### **Flexible AES Funds With Interest**

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Garanti Pension and Life AES Conservative Flexible PMF

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Garanti Pension and Life AES Balanced Flexible PMF

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Garanti Pension and Life AES Dynamic Flexible PMF

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Garanti Pension and Life AES Aggressive Flexible PMF

#### **Flexible AES Funds Without Interest**

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Garanti Pension and Life AES Conservative Participation Flexible PMF

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Garanti Pension and Life AES Balanced Participation Flexible PMF

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Garanti Pension and Life AES Dynamic Participation Flexible PMF

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Garanti Pension and Life AES Aggressive Participation Flexible PMF

**All users have been provided with access to the reports through a shared portal.**

Data from multiple sources has been modeled to provide all users with access to the reports through a shared portal on personal computers and mobile devices.

A business data glossary has been created to standardize terminology used in the reports.

Report preparation and access times, and the number of reports have been reduced to improve resource efficiency.



**Ahmet Metin Karakaş**

Budgeting and Management Reporting

*Data from multiple sources has been modeled to provide all users with access to the reports through a shared portal on personal computers and mobile devices.*

## Improved Claim Processes



**Şükri Yıldırım**  
Operations

*A comparison of indemnity related complaints received in 2016 and 2017 shows a 67% improvement in one year.*

Garanti Pension set up a support line to respond to all needs of companies included in the Auto Enrolment System, which was launched in January 2017.

In 2014, Garanti Pension launched the Indemnity Project, an important initiative for improving customer satisfaction. The Company achieved its goals in terms of both timing and customer experience. In 2017, Garanti Pension made a total of 8,833 indemnity payments amounting to TL 56,592,935. A comparison of indemnity related complaints received in 2016 and 2017 shows a 67% improvement in one year.

As part of support services provided by the Operations Unit, the Pension Help Desk team at Garanti Bank branches responded to approximately 27,558 calls in 2017 with 93.60% service capacity. Garanti Bank aims to boost not only overall customer satisfaction but also internal customer satisfaction by raising the quality of support services provided to its employees.

## Organization and Process Management

Organization and Process Management Unit is responsible for designing organizational structures and improving efficiency and processes to ensure that Garanti Pension's processes are managed and developed in accordance with the Company's strategies.

### Process Management

#### ***Establishing Auto Enrolment System (AES) processes and Service Team***

Under the Auto Enrolment System project, Garanti Pension has undertaken process and project work to ensure that employer-employee-pension company relationship continues with maximum efficiency and satisfaction. An AES Service Team was established under the Operations Unit to respond to employers' questions and demands concerning the Auto Enrolment System. The team began serving employers through the AES Support Line on January 1, 2017. The team's organizational development is monitored according to companies' date of inclusion in the Auto Enrolment System. Meanwhile, improvement efforts continue to improve the processes that will be conducted in 2018.

The Company configured its processes in a way that AES services can be delivered to employees through the IVR system. As a result, Customer Services and Call Center workload arising from AES transactions was reduced by 76%.



**Aykut Tamer**

Organization and Process Management

***Thanks to the IVR service provided within the Auto Enrolment System, Customer Services and Call Center workload arising from AES transactions was reduced by 76%.***

## Organization and Process Management

### ***Sales Process Review***

In August, branches across Turkey were visited. The Company reviewed the business processes in the regions, identified the areas for improvement, measured how much time an employee spends for sales, customers and other transactions in one day, and analyzed the effect of new screens and processes on sales processes.

### ***Life Insurance Sales via New Screens***

After the launch of the new screens in the 2nd phase of the Life Plus project, 57,5% efficiency was achieved in the operational transactions related to life insurance sales processes. All sales transactions performed by the Central Sales and Operations Unit were transferred to a single screen.

### ***Other Efforts Related to Processes***

The Company undertook efforts to ensure that all processes and forms used for collecting personal information comply with the Personal Data Protection Law.

Under the PCI DSS project, processes involving customers' credit card information have been updated to prevent easy access and to store such data securely.

All processes related to Customer Services and Call Center operations have been reviewed and updated.

### **The New ARIS Platform**

The ARIS program, which is used as a Process Management Platform for facilitating process reporting and analysis, has been upgraded.

### **Organization Management**

In February, the Company made changes to the organizational structure of its Regional Offices; as a result, the Company now has 12 Regional Offices.

In April, Internal Communications and Sustainability function was reorganized under the Human Resources Department. Life Insurance Marketing Unit was established to carry out life insurance sales and marketing activities.

As part of reorganization efforts in September, Budget and Management Reporting Unit and Project Management Unit were established.

The Company updated its Internal Control Model as part of BBVA compliance efforts undertaken in December.

### **Quality Management**

#### ***ISO 9001-2015 Quality Management System Certification***

The Company successfully passed the audit conducted by TÜV AUSTRIA inspectors on March 21-22, 2017. As a result, the quality certification was updated and Garanti Pension became the first private pension company in the industry to receive the ISO 9001-2015 Quality Management System Certification.

## Project Management

In line with its customer-oriented approach and commercial focus in project management, Garanti Pension carries out projects that lead the industry and increase productivity. Keeping abreast of technological advancements and digital transformation, Garanti Pension initiated more than 100 projects in 2017.

### **Exclusive services for companies and their employees included in the Auto Enrolment System**

Garanti Pension provided systems-based services to both employees and employers to meet their demands as soon as possible within the Auto Enrolment System, which enables the employees of private and public companies to automatically participate in the Private Pension System, while ensuring maximum efficiency and satisfaction in employer-employee-pension company relationship. The Company upgraded the IVR system of its Internet Branch and Call Center so that company employees and individual customers can perform their transactions quickly and easily.

### **We are reducing our paper consumption because we love nature.**

As part of its sustainability efforts, Garanti Pension took actions to reduce paper usage, such as sending private pension contracts, life insurance policies and savings statements via e-mail. The Company stopped sending receipts and enabled its customers to access payment information via the Internet or the Mobile Branch.

### **Fund distributions can now be changed on the Mobile Branch!**

In addition to the Internet Branch, Garanti Pension customers are now able to change their fund distributions on the Mobile Branch. Customers can also view their current risk profiles and choose previous preferences while making changes.

### **New platforms for life insurance sales are offered to sales teams.**

The Company reconfigured the production processes of other life insurance products, and offered these to Garanti Bank and Garanti Pension sales teams on a new platform. Thanks to the new platform, the Company became able to offer its customers personalized products while achieving 57.5% improvement in life insurance sales processes.



**Görkem Öngören**  
Project Management

*Keeping abreast  
of technological  
advancements and digital  
transformation, Garanti  
Pension initiated more  
than 100 projects in 2017.*

## Garanti Pension and Life's Distribution Channels



**Okan Arman**  
Telemarketing

*Furthermore, daily insurance sales per person which make up a significant portion of phone sales has also increased.*

The Central Sales Unit further improved twenty-year customer experience and its contribution to the Company's productivity.

By investing in the technology of the "distance sales" system, which was introduced in 2013, Garanti Pension enabled the central sales team to conduct their sales operations more quickly and more accurately.

Furthermore, daily insurance sales per person, which make up a significant portion of phone sales, has also increased.

In addition to sales calls, the central sales team also makes outbound calls for purposes such as welcoming customers, providing information about pension plans, encouraging greater contribution, debt collection, and customer recovery. In these efforts, segmentation is always the main focus. The rate of increase in contributions per call rose 23% over the previous year, contributing to the Company's fund size.

While undertaking these efforts, Garanti Pension gives top priority to customer orientation. Accordingly, the Company reviews its business processes and improves its systems as necessary in order to provide clear and accurate information to customers in every call and to respond to customers' demands as quickly as possible. The Company uses call scripts, which have been created based on past experiences, in order to provide accurate and up-to-date information. Calls are recorded and evaluated for information accuracy. Feedback obtained through quality evaluations is used for improving customer experience. The increase in production and quality scores clearly indicates the level of importance the Central Sales Unit places on customer orientation.

**Garanti Pension delivers its services through a customer-oriented approach.**

Garanti Pension Customer Services and Call Center serves customers with the aim of realizing their dreams for the future and supporting them through difficult times by establishing simple, continuous and high-quality communications, effectively meeting customers' demands with a solution-oriented approach, and delivering superior customer experience and satisfaction.

Staffed by expert, satisfaction-oriented and customer-centric customer representatives, the Call Center meets all the needs of customers related to private pension, life and unemployment insurance seven days a week. At the same time, customers are also able to obtain self-service assistance on many issues without needing to be connected to a customer representative 24 hours a day, seven days a week. More than 30% of incoming calls are directed to the self-service menu, where customers can obtain information about products and perform their transactions seamlessly and conveniently.

Conducting all of its activities with the primary objectives of satisfying customers, meeting their demands, and providing suggestions that will help improve the Company's business processes, Garanti Pension Customer Services Unit carefully monitors all communication channels and provides alternative solutions to customers by contacting them as soon as possible with regard to their feedback, dissatisfaction, information and transaction requests.



**Yiğit Oflazer**

Customer Services and Call Center

***Garanti Pension has further solidified its leadership position in terms of customer satisfaction and solution orientation.***

## Garanti Pension and Life's Distribution Channels

In 2017, Garanti Pension Call Center received about 2 million calls and completed the year with 97% coverage and service level of 79% thanks to updated processes, technological improvements and effective human resource management, despite the high volume of calls received during year about the Auto Enrolment System and changes in legislation. Customer Services, meanwhile, responded to more than 80,000 different customer requests, including those from corporate customers. Customer queries were resolved within a very short time, an average of 1 business day.

### #1 in the industry in terms of solution orientation

şikayetvar.com website, a comprehensive platform for customer complaints in Turkey, evaluates the complaint resolution process, efforts and the quality of the services offered during this process, customers' brand perception throughout the process, and most importantly the level of customer satisfaction based directly on customer feedback. On şikayetvar.com's Customer Experience Index, Garanti Pension scored 71.6 points in the first quarter of 2017, 72.2 points in the second quarter, and 74.3 points in the third quarter to remain the industry leader by far.

### Garanti Pension received ISO 10002 Customer Satisfaction Certification

Garanti Pension's primary vision and goal is to achieve superior service quality and create a solution- and customer-oriented business culture. Accordingly at the beginning of 2017, the Company initiated efforts to establish the ISO 10002:2015 Customer Satisfaction Management System within the organization to obtain certification for its practices and processes aimed at improving customer satisfaction. In April 2017, Garanti Pension received the "Customer Satisfaction Management System Certification" for all of its locations after successfully passing the audit conducted by TÜV AUSTRIA Turk, an independent audit firm.

*On şikayetvar.com's Customer Experience Index, Garanti Pension scored 71.6 points in the first quarter of 2017, 72.2 points in the second quarter, and 74.3 points in the third quarter to remain the industry leader by far.*



## Communication Activities

### **We are always by your side!**

As a customer-oriented company, Garanti Pension and Life places customers at the heart of its communication activities, as in all its other operations. Garanti Pension continued its marketing communication activities under the slogan “We are always by your side!” throughout 2017. The Company’s communications efforts focused on the Mobile Branch, launched in late 2016, especially during the first months of 2017. The communication channels used included radio, newspapers, magazines, and digital media. Garanti Pension heavily communicated the Auto Enrolment System during the year through radio, newspapers and magazines.

### **Hobby Clubs exceeded 45,000 participants.**

Launched in 2008, Garanti Pension and Life Hobby Clubs celebrated its ninth anniversary.

The Company’s Hobby Clubs – numbering 18 and with over 150 program partners – aim to introduce various hobbies to members and facilitate socializing among members. To date, nearly 45,000 participants attended.

### **All transactions are one click away on Garanti Pension’s Internet and Mobile Branches.**

Garanti Pension’s Internet and Mobile Branches are used by an increasing number of private pension and life insurance customers every day. Additionally, the Company’s digital customer base is expanding rapidly. Customers can easily track products and perform their transactions via the Internet Branch or the Mobile Branch on their desktop computers, mobile phones or tablets, whenever they want.

### **Indemnity payments can be tracked on the Internet Branch.**

Garanti Pension continues to improve customer satisfaction and introduce new practices to meet customers’ needs through its digital channels. Life insurance and unemployment insurance customers can check the status of their indemnity files concerning additional coverage (excluding death and unemployment) on Garanti Pension’s Internet Branch, and they can also upload their documents.

### **Social media**

Garanti Pension adopts a warm and friendly tone when communicating with customers, like it does in all other areas, and the Company is always open to innovation. Accordingly, Garanti Pension launched a “future-themed” campaign to improve its communication with existing and potential customers through social media channels and to adapt to digital trends. The Company expanded its social media coverage by 118% and increased its social media engagement by 63% year-over-year.



**Aylin Eşkinat**

Corporate Communications, Digital Marketing and Strategic Planning

*Customers can track products and easily perform their transactions via the Internet Branch or the Mobile Branch on their desktop computers, mobile phones or tablets, whenever they want.*

## Awards

### **Turkey's Most Admired Companies Awards**

In 2017, Garanti Pension and Life was selected as the "Most Admired Private Pension Company" in "Turkey's Most Admired Companies" survey conducted by Capital Magazine. The selection criteria for the most admired companies included employee satisfaction, management's compliance with corporate governance principles, customer satisfaction, product and service quality. Total of 1,401 managers from more than 500 companies participated in the survey. The most admired companies in different industries were selected according to the responses of respective industry representatives. The "Most Admired Private Pension Company" title earned in 2017 confirms that Garanti Pension and Life is a customer-oriented, pioneering company that values its employees and offers the right products to different customer groups in both private pension and life insurance segments.

*In 2017, Garanti Pension and Life was selected as the "Most Admired Private Pension Company" in "Turkey's Most Admired Companies" survey conducted by Capital Magazine.*

### **TKYD (Corporate Governance Association of Turkey ) Corporate Governance Awards**

Garanti Pension and Life won the "Highest Corporate Governance Rating Score" award in the "Private Companies" category at the 10th Corporate Governance Summit, which is organized by the Corporate Governance Association of Turkey (TKYD) every year in January. TKYD awards program evaluates the Corporate Governance Ratings of companies that are included in the BIST Corporate Governance Index. Garanti Pension and Life earned a score of 9.50 with its commitment to Corporate Governance Principles and was selected as the "Company with the Highest Corporate Governance Rating" among "private companies."

### **2017 Global Business Excellence Awards – Outstanding HR Team**

Garanti Pension and Life won the "Outstanding HR Team" award at the "Global Business Excellence Awards", one of the world's highest profile business awards. Many international companies are nominated for these awards, and the selection criteria include financial position, approach to innovation, and benefits offered to customers, employees, investors, and society.

**Contact Center World Awards**

Garanti Pension and Life achieved a huge success at the Contact Center World Awards, one of the world's most prestigious awards programs for recognizing the best practices in the call center and customer services industry around the world. At the 12th edition of the Contact Center World Awards held in 2017, the Company won the Gold Award in the "Customer Services" category in the Europe, Middle East and Africa (EMEA) Region.

**A.C.E. (Achievement in Customer Excellence)**

Focusing on customer satisfaction in all of its activities, Garanti Pension Customer Services won the "Best Management of Customer Experience" award in the "Life and Pension" category at the A.C.E. competition, which is organized by şikayetvar.com and evaluates customer experience and satisfaction levels based on survey responses of customers.

**Stevie Awards for Sales & Customer Service**

Garanti Pension and Life won the Bronze Award in the category of "Best Use of Technology in Customer Service" at the 11th edition of Stevie Awards for Sales & Customer Service, which is recognized as one of the world's top international business awards. The Stevie Awards for Sales & Customer Service, to which both organizations and individuals from around the world can compete with their successful projects, received more than 2,300 applications in 2017 and the candidates were evaluated by a jury panel comprised of over 130 executives from all corners of the world. At this grand competition, Garanti Pension and Life won the "Bronze Award" in the "Best Use of Technology in Customer Service" category with its innovative practices in after-sales service and customer service.

*Garanti Pension and Life won the "Bronze Award" in the "Best Use of Technology in Customer Service" category with its innovative practices in after-sales service and customer service.*

## Awards

### **2017 Hermes Creative Awards – Outstanding Innovation in Training**

Garanti Pension and Life won the Gold Award at “2017 Hermes Creative Awards,” which aim to recognize successful marketing, communications, advertising and online projects around the world, with its “Continuous Learning Platform: Go-On,” which offers employees continuous learning programs in a digital environment.

### **International CSR Excellence Awards**

In 2017, Garanti Pension and Life’s “Back to School” project won the champion award in the “CSR Initiatives” category at the 5th edition of “International CSR Excellence Awards,” which aim to recognize “The Most Caring Companies” around the world.

### **Communitas Awards**

Garanti Pension and Life’s “Back to School” project won awards in two different categories - “Leadership in Community Service” and “Corporate Social Responsibility” - at the “Communitas Awards,” one of the world’s most prestigious international awards programs, which is organized since 2010 by the Association of Marketing and Communication Professionals (AMCP) headquartered in Texas, USA. Garanti Pension was the only Turkish company to receive an award.

### **European Excellence Awards in Public Affairs**

The “Back to School” project was awarded in the “Social Impact” category at the 4th edition of “Sustainable Business Awards”, organized by the Sustainability Academy in 2017. The awards program aims to support the development of sustainable business models and accelerate change in Turkey. The winners were selected by a jury panel comprised of 29 industry leaders in Turkey.

*Garanti Pension and Life won the Gold Award at “2017 Hermes Creative Awards,” with its “Continuous Learning Platform: Go-On,” which offers employees continuous learning programs in a digital environment.*

### **Sustainable Business Awards**

The “Back to School” project was awarded in the “Social Impact” category at the 4th edition of “Sustainable Business Awards”, organized by the Sustainability Academy in 2017. The awards program aims to support the development of sustainable business models and accelerate change in Turkey. The winners were selected by a jury panel comprised of 29 industry leaders in Turkey.

### **Stevie International Business Awards**

Garanti Pension and Life’s CSR project “Back to School,” which the Company has been carrying out since 2010, won the “Silver” award in the category of “Corporate Social Responsibility Program of the Year- in Europe” at the 14th edition of “Stevie International Business Awards” held in 2017. The program received more than 3,000 applications from over 60 countries. The applicants were evaluated by 12 separate jury committees and the winners were selected by a jury panel comprised of more than 200 executives.

### **2017 Best in Biz Awards**

Garanti Pension and Life’s “Back to School” project won the “Silver” award in the category of “The Most Socially Responsible Company of the Year” at the 5th edition of “Best in Biz Awards 2017 International,” which was organized in the U.K. 300 public and private companies operating in various industries in more than 300 countries were evaluated in award such as public relations, media, customer management and product. The winners were selected by a jury panel consisting of members of the press and industry analysts.

*Garanti Pension and Life’s “Back to School” project won the “Silver” award in the category of “The Most Socially Responsible Company of the Year” at the 5th edition of “Best in Biz Awards 2017 International,” which was organized in the U.K.*

## Board of Directors

### **Ali Fuat Erbil**

#### **Chairman of the Board of Directors**

Fuat Erbil graduated from Middle East Technical University, Department of Computer Engineering. He went on to obtain his MBA from Bilkent University and a doctorate degree in Banking and Finance from Istanbul Technical University. Mr. Erbil joined Garanti in 1997 as Distribution Channels Unit Manager. He has served as CEO of Garanti Bank since September 2, 2015. Mr. Erbil is also the Chairman of the Board of Directors of Garanti Pension and Life.

### **Didem Dinçer Başer**

#### **Board Member**

Didem Başer graduated from Boğaziçi University, Department of Civil Engineering. She went on to obtain her M. Eng. from the University of California Berkeley, College of Engineering. Starting her professional career in 1995, Ms. Başer worked at McKinsey & Company, a global management consulting firm, for seven years prior to joining Garanti Bank; her most recent position at McKinsey was Associate Partner. She joined Garanti Bank in 2005 and worked as Coordinator in Retail Banking for seven years. Ms. Başer was appointed to her current position in 2012. With 19 years of experience in banking and business administration, Ms. Başer is the Vice President of Digital Banking.

### **Javier Bernal Dionis**

#### **Board Member**

Javier Bernal Dionis obtained his Law Degree from the University of Barcelona, received an MBA from IESE Business School, University of Navarra, and then completed the Accounting Program of EADA Business School. After working at Barna Consulting Group as Partner and at Promarsa (New York, USA) as General Manager, he joined BBVA in 1996. Until 1999, he served as Segment Manager of Retail Banking (Spain) at BBVA. Mr. Dionis founded an Internet portal outside of BBVA between 2000 and 2003. From 2004 to present, he has assumed various roles within BBVA, including Head of Innovation and Business Development reporting to the CEO (2004-2005); Head of Business Development for Spain & Portugal and Executive Committee Member (2006-2010); Head of Commercial & Retail Banking under Global Retail and Business Banking (2011-2014); and Business Alignment Director for BBVA and Garanti (2014-2015). Mr. Dionis has served as Board Member of Garanti Bank since July 27, 2015. He is also in charge of coordination between BBVA and Garanti.

### **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.

**Mahmut Akten****Board Member**

After earning his BSc degree in Electrical and Electronics Engineering at Boğaziçi University, and his MBA from Carnegie Mellon University, Mahmut Akten started his career in 1999 in the United States. He served in various positions in the Finance and Treasury departments of a global construction company before joining a global management consulting firm in 2006. Between 2006 and 2012, he worked at Boston and Istanbul offices, and lastly as an Associate Partner at this consulting firm. Mr. Akten joined Garanti Bank on July 1, 2012 as Manager of Mass Retail Banking Department. As of January 1, 2017, he was appointed Executive Vice President of Retail Banking. He also serves as a Board Member at Garanti Technology. Mr. Akten has 17 years of experience in banking and business administration, and he is in charge of Retail Banking Marketing, Mass Retail Banking Marketing and Private Banking Marketing.

**Johannes Antonius Nijssen****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 Sezgin****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. Cüneyt Sezgin is the Country Director of Global Association of Risk Professionals, and he also serves as a Board Member at Garanti Bank Romania, Garanti Pension and Life, and Garanti Securities.

**Cemal Onaran****Board Member**

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 between 2000 and 2007, he was appointed CEO of Garanti Mortgage, a subsidiary of Garanti Bank, in October 2007. As of August 2012, he was appointed General Manager at Garanti Emeklilik ve Hayat A.Ş. As of January 1, 2017, he was promoted to Deputy Chief Executive Officer of SME Banking at Garanti Bank. Mr. Onaran, who has 26 years of experience in banking and business administration, is a member of the Board of Directors at Garanti Emeklilik ve Hayat A.Ş.

**Burak Ali Göçer****Board Member/CEO\***

See page 46 for biography.

## Executive Management



**Burak Ali Göçer**  
**Board Member/CEO**

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



**E. Yasemen Köne**  
**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. Yasemen Köne joined Garanti Pension in November 2005 as Executive Vice President in charge of Organization and Process Management, Project Management, Corporate Communications, Digital Marketing and Strategic Planning, Customer Relationship Management, and Marketing.



**Cemşit Türker**  
**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 and Actuary, Operation Legislation and Legal Compliance and, Legal Affairs.





**Ahmet Karaman**  
**Executive Vice President**

Ahmet Karaman is a graduate of Middle East Technical University, Department of Economics. He began his professional career in the banking sector and 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. Mr. Karaman has been serving as Executive Vice President in charge of Fund Management and Collections, Financial Affairs, and Budget and Management Reporting.



**K. Çağlayan Bakaçhan**  
**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 roles in the Human Resources Department of Garanti Bank. In 2006, Mr. Bakaçhan was appointed Human Resources Manager at Garanti Pension and Life. Since October 2012, he has been serving as Executive Vice President in charge of Human Resources, Purchasing and Administrative Affairs, Customer Services and Call Center, and Central Sales.



**Kaan Günay**  
**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.

## 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 2017 with all members present.

#### Committee Members

M. Cüneyt Sezgin

Committee Chairman - Board Member

Cemal Onaran

Committee Member - Board Member

#### Committee Activities

The Committee is responsible for: ensuring that the Company adheres to the Corporate Governance Principles, implementing necessary measures to create a general corporate governance culture, making suggestions to the Board of Directors in 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 is accessible on [www.garantiemeklilik.com.tr](http://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 2013. The Committee held three meetings in 2017.

#### Committee Members

Didem Dinçer Başer

Committee Member - Vice Chairman of the Board of Directors

Fuat Erbil

Committee Member - Chairman of the Board of Directors

#### Committee Activities

The Committee is responsible for:

- Conducting the oversight and supervision process required to ensure that the Company's remuneration policy and practices comply with applicable laws and regulations and risk management principles;
- Determining and approving salary packages for executive and 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 2017 with all members present.

#### Committee Members

M. Cüneyt Sezgin

Committee Member - Board Member

Cemal Onaran

Committee Member - Board Member

### **Committee Activities**

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

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

The duties and authorities of the Audit Committee include:

- Assisting the Board of Directors in carrying out its monitoring task 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.

Evaluating the results of risk management, monitoring and control activities, and internal audits, which are carried out under the compliance program; implementing necessary measures to eliminate errors and deficiencies in a timely manner; ensuring that all activities related to the compliance program are carried out in an effective and a coordinated manner.

### **D- Early Risk Detection Committee**

The Committee consists of two members of the Board of Directors who currently do not have any executive or operational duties. Both members participated in the two meetings held by the Early Risk Detection Committee in 2016.

#### **Current Committee Members**

Dr. M. Cüneyt Sezgin

Committee Member – Member of the Board of Directors  
Cemal Onaran

Committee Member –Board Member

#### **Activities of the Committee**

Outlined below are the main responsibilities of the Early Risk Detection Committee, which was established under the Board of Directors for the early identification of risks that may jeopardize the existence, development, and continuation of the Company:

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

The duties and responsibilities of the Early Risk Detection Committee include the following:

- The Committee works towards the early identification of risks that may jeopardize the existence, development, and continuation of the Company, taking necessary measures related to identified risks, and risk management.
- The Committee submits in writing its recommendations and opinions to the Board of Directors concerning the formation and development of the Company's risk management system, which aims to reduce the effects of risks that may affect shareholders and the rest of the stakeholders.

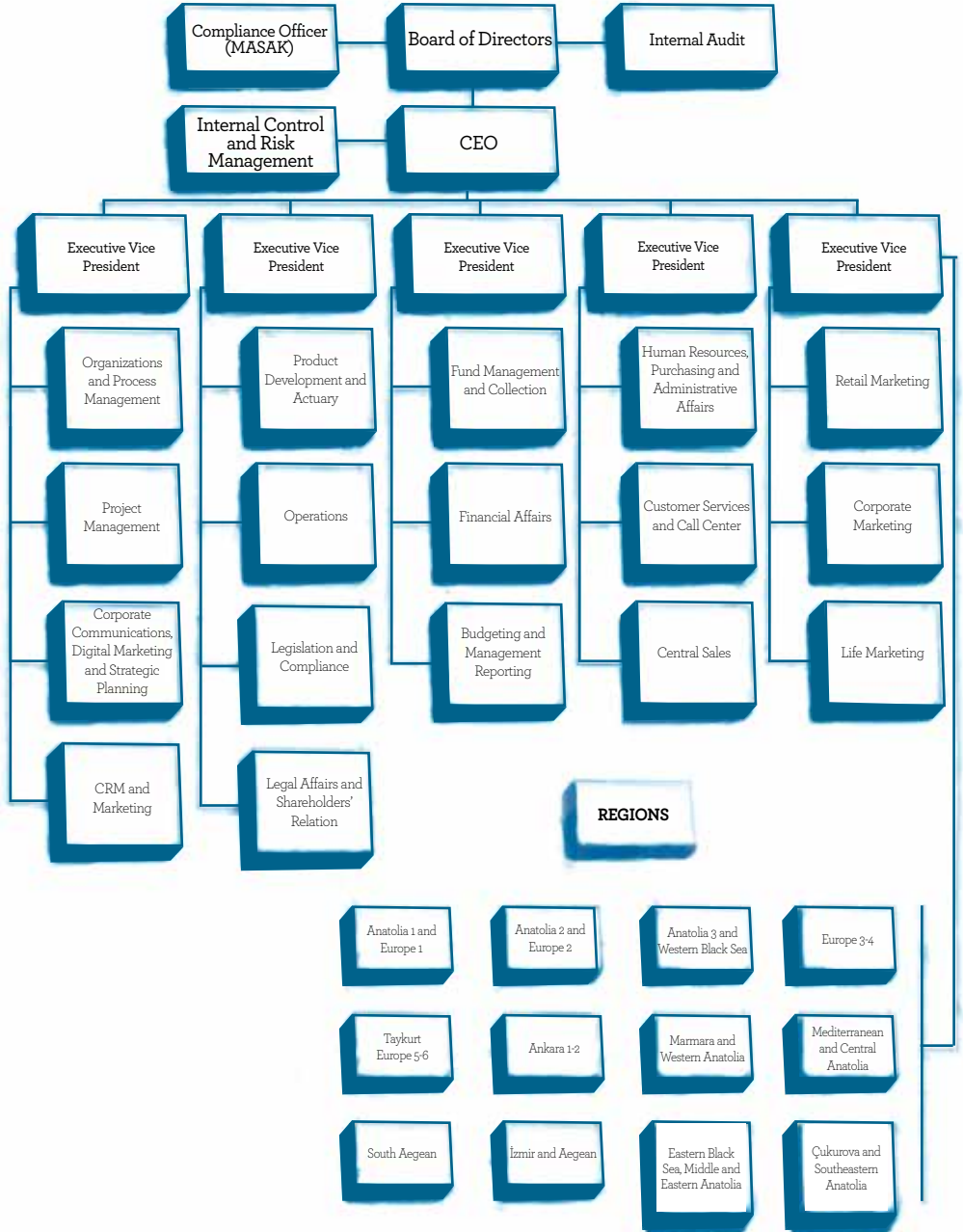
## Board of Directors Meeting Attendance

In 2017, the Garanti Pension and Life A.Ş. Board of Directors held 41 meetings. 7 members attended 20 of these meeting, 8 attended 8 meetings, 9 attended 9 meetings. 5 attended 5 meetings and 6 attended 2 meetings.

### Board of Directors

<b>MEETINGS</b>			
MEETING DATES	MEETING NO.	MEMBER NO.	NO. PRESENT
05.01.2017	459	9	5
15.02.2017	460	9	5
15.02.2017	461	9	5
15.02.2017	462	9	5
23.02.2017	463	7	5
23.02.2017	464	9	7
23.03.2017	465	9	8
23.03.2017	466	9	8
23.03.2017	467	9	8
23.03.2017	468	9	8
23.03.2017	469	9	8
23.03.2017	470	9	8
23.03.2017	471	9	8
23.03.2017	472	9	8
12.04.2017	473	9	7
18.05.2017	474	9	7
18.05.2017	475	9	7
19.07.2017	476	9	7
19.07.2017	477	9	7
19.07.2017	478	9	7
19.07.2017	479	9	7
24.08.2017	480	9	7
21.09.2017	481	9	9
21.09.2017	482	9	9
21.09.2017	483	9	9
21.09.2017	484	9	9
21.09.2017	485	9	9
21.09.2017	486	9	9
19.12.2017	487	9	7
19.12.2017	488	9	7
19.12.2017	489	9	7
19.12.2017	490	9	7
19.12.2017	491	9	7
19.12.2017	492	9	7
19.12.2017	493	9	7
19.12.2017	494	9	7
19.12.2017	495	9	7
19.12.2017	496	9	7
19.12.2017	497	9	7
19.12.2017	498	9	6
25.12.2017	499	9	6

# Organizational Chart



# Human Resources



**Mert Çabuker**  
Human Resources

*Garanti Pension and Life follows the new trends in HR practices as well. Accordingly, the Company launched “Go-On” a digital learning platform, which employees can access on their computers, tablets and mobile phones.*

## **GARANTI PENSION AND LIFE HUMAN RESOURCES**

Embracing an employee-oriented management approach, Garanti Pension and Life designs all of its processes from outside to inside, and configures HR functions according to this model. Placing great importance on employee satisfaction, Garanti Pension and Life received the “Gold” certificate from Investors in People (IiP), which aims to recognize companies that implement the best practices in human resource management and development. Using effective human resources practices, the Company establishes one-to-one communication with its employees to understand their needs and problems, and makes improvements as necessary. Being the only company in the industry to have IiP Gold Certification, Garanti Pension and Life supports open communication, listens to everyone, values all opinions and criticisms, and consistently invests in its employees to create a happy workplace.

## **Number of Employees at Garanti Pension and Life**

Garanti Pension and Life employed 810 personnel at year-end 2017.

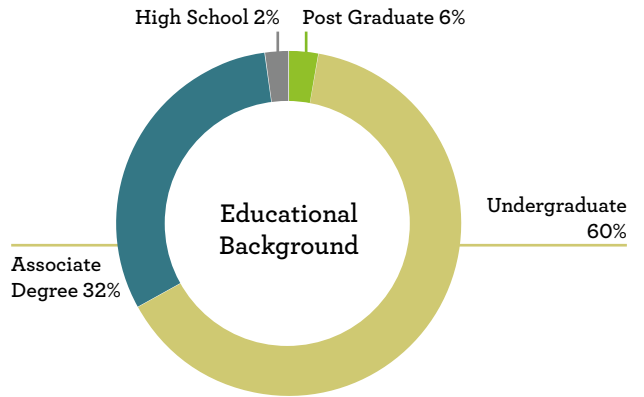
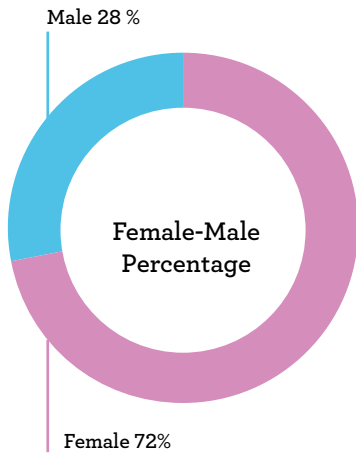
Head Office	198
Telemarketing	225
Sales	300
Customer Services and Call Center	87
<b>Total</b>	<b>810</b>

Garanti Pension and Life has 12 Regional Offices: six in Istanbul, one regional office each in Ankara, İzmir, Bursa, Balıkesir, Adana, Kayseri, Antalya, and Denizli.

**Demographic Data for Garanti Pension and Life**

**Average Age**

Female	29
Male	31
Company	30



## Human Resources

### RECRUITMENT PRACTICES

In identifying the new members of the Garanti Pension family, selection and evaluation tools such as skills tests, profile analyses, personality inventory and competency-based interviews are used during the recruitment process. Taking a candidate/employee-oriented approach, the Company uses online tools during the recruitment process. Candidates are evaluated according to the competencies required by the task with the slogan of “the right person for the right job.”

*Garanti Pension organizes training programs that enable employees to quickly adapt to changing market conditions with their knowledge base and skills.*

### TRAINING

#### Training practices

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 2017, Garanti Pension employees received 4.5 days of training per person, on average.

In the scope of continuous development for sustainable success, the Human Resources Department customizes orientation, Management Trainee (MT), internship programs and Officer development Program for the needs of different business units. In addition, the Company administers Private Pension Intermediaries Licensing Training, Garanti Pension Product Training, Basic Sales Skills, On-the-Job Training, and Catalogue Training. Furthermore, employees have the opportunity to attend conferences and seminars related to their job descriptions. Company personnel attended thousands of training programs they selected from the training catalogue, which offers 55 different alternatives.

#### Officer Development Program

In 2016, the Officer Development Program was implemented to enable “officers” to specialize in their current positions and prepare them in their managerial journey. The program was organized for the second time in 2017. The program was three months in duration and included the following four modules:

- I Know Myself
- I Know My Team
- I Develop My Work
- Program Presentations and Feedback

Seven-day in-class training was held for a total of 14 employees with the title of Savings and Assurance Expert.



### **Specialist Development Program**

The Specialist Development Program was launched in December 2017 for the specialists working at the Head Office. The Program consisted of the following four modules:

- I Know Myself
- I Know My Team
- I Develop My Work
- Project Presentations and Feedback

### **Guaranteed Steps Internship Program**

The Guaranteed Steps Internship Program, organized for the fourth time in August 2017, is intended to establish a pool of employees 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. Some of the interns who have completed the program started working at Garanti Pension.

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. In 2017, 20 interns participated in the Guaranteed Steps Internship Program and received their graduation certificates.

*The Guaranteed Steps Internship Program, organized for the fourth time in August 2017, is intended to establish a pool of employees 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.*

## Human Resources

### Management Trainee Program

The “Management Trainee Program”, launched by Garanti Pension and Life in 2010, was organized for the fifth time in 2017. The important parts of the program was conducted in a digital environment. Manager candidates, selected from among more than 1,500 applicants, started their jobs after undergoing a tough process consisting of online video interviews and talent tests, and participating in a comprehensive training program.

### Internal mobile quiz application: “Quiz Game”

Garanti Pension and Life further improved the “Quiz Game”, introduced in 2016. Employees can download the application to their smartphones and tablets and test their knowledge on various subjects with quiz games. Users can participate in quizzes for different levels, increase their scores with combos, and track rankings on the leaderboard.

### Digital learning portal: “Go-On”

In 2017, Garanti Pension and Life launched “Go-On”, an educational video platform, which can be easily accessed on computers, tablets and mobile phones. The Platform features more than 2,000 educational videos with short and attractive content for fast and effective learning. Go-On is intended for increasing training participation rate, reducing costs, and raising the level of satisfaction regarding training programs.

### A short break: “1 Minute”, our monthly magazine

Garanti Pension and Life publishes a monthly HR magazine, which features articles about current issues and the leadership model consisting of 12 manners of conduct; academic commentaries; TED videos; and best practices.

### I Am the Leader Talks

As an extension of the “I Am the Leader Summits” held in 2016, Garanti Pension organized “I Am the Leader Talks”, where managers and executive managers came together for lunch.

### Investors in People (IiP)

Having achieved a great success in October 2013, Garanti Pension received the “Silver” award from Investors in People (IiP), the only internationally recognized quality standard certification in human resources. In November 2015, the Company achieved yet another milestone, winning IiP’s “Gold” award as a result of its successful, employee- and customer-oriented management culture. In 2017, more than 1,000 companies worldwide have received the Gold certification; in Turkey, only three companies hold this prestigious certification, one of them being Garanti Bank.

### E-Beas Licensing

Training for private pension intermediary licensing continued in 2017 as well. Employees trained for the examination with the help of 43 technical training videos prepared by the Internal Education team and two-day in-person classroom training. The success rate at the examination, which 43 Garanti Pension staff member took, was 98%.

- Private Pension System
- Private Pension Funds
- Financial Mathematics
- General Economics and Financial Markets
- Insurance
- Social Security
- Tax Legislation

### Garanti Pension Intranet – IK.net

Job applications for career advancement, performance evaluation processes, and information provision on employee benefits are carried out on the Company’s intranet – IK.net. Employees can update all personal information, follow up their travel expenses, and receive advance payments for their business travel on IK.net. System upgrades and improvements continued in 2017. As a result, employees are now able to access the training courses they had received in the past and view their total remuneration package.

**Total Remuneration Package**

Total Remuneration Package is a human resources application that allows employees to easily and clearly view their entire compensation package, including salary and all other fringe benefits.

In addition to base salaries, employees are now able to see other components of their compensation packages such as foreign language proficiency bonus, commuting allowance, bonus payments, health insurance, employer-sponsored pension plans, among others.

**Employer-Sponsored Pension Plans**

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.

**Annual Leave Entitlement**

Garanti Pension continued to offer days off on special days, a practice introduced in 2015. 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. In addition, employees have been entitled to one day off on their birthdays, under the new "Birthday Leave" practice.

In 2017, 493 employees enjoyed one day off on their birthdays. The Company also retained seniority and annual leave privileges for male employees for the duration of their military service.

**RELATIONS WITH EMPLOYEES**

The Employee Relations team is the contact point for all human resources needs of the Company's personnel. The team facilitates the adaptation process of employees by communicating with them at specific and key communication points, such as their first day, first week, and first 90 days. All types of staff needs are determined in a timely manner during these experiences, with fast and robust solutions produced and presented.

*In 2017, more than 1,000 companies worldwide have received the Gold certification; in Turkey, only three companies hold this prestigious certification, one of them being Garanti Bank.*

## Human Resources

The Employee Relations team is at the disposal of staff members every step on their career journey and assists them in their goals and career planning.

The Employee Relations team works to ensure that the Company's human resources practices are planned also in line with the preferences of the staff. The team also informs employees about the processes that are being adopted.

To speed up and standardize the orientation process of newly recruited Sales Team employees, the Company commenced an ongoing development monitoring process.

### 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 2017, some 133 Company employees received recognition and rewards for their exemplary job performance.

### Career Planning

Garanti Pension and Life embraces an employee-oriented approach. The Company encourages the development of its personnel, supports in-house promotions through transparent and objective selection criteria, and believes that happy customers can only be achieved with happy employees. Throughout the career journey of employees, the following are taken into consideration: fair performance systems, in which both quantitative business results and the competencies required by the tasks are measured, seniority periods, and the needs of the Company in the relevant positions. In 2016, Garanti Pension updated career maps with innovations that recognize the performance of its employees in terms of both seniority and achievement. Accordingly in 2017, 111 employees working at the Head Office and 76 members of the sales team were promoted to a higher position.

*Garanti Pension and Life encourages the development of its personnel, supports in-house promotions through transparent and objective selection criteria, and believes that happy customers can only be achieved with happy employees.*

# Sustainability and Corporate Social Responsibility

## Sustainability Approach and Policies

### Sustainability approach

Garanti Pension takes important steps in sustainability, which can be defined as “providing the needs for today without jeopardizing the needs of future generations.” The Company recognizes the importance of conducting its business activities in a responsible manner with the aim of continuously and significantly increasing the value it adds to its employees, shareholders, the society, and the environment.

### Policy and principles

Starting with the core principles of its main shareholder, Garanti Bank, Garanti Pension supports its vision of being “the best private pension and life company in Europe” in a way that advances the society, the economy, and the environment in line with universally accepted values and its corporate responsibility. The Company aims to inspire the industry with pioneering activities. Garanti Pension recognizes the importance of human rights and employee rights within the framework of the international principles it ascribes to, as well as the environment and fighting against corruption together with its customers and all its stakeholders.

With its understanding of full compliance with the Corporate Governance Principles that have been positioned at the center of its business processes since its founding, Garanti Pension has continued its legacy work in light of its “Core Values.” Believing that establishing environmental, economic, and social sustainability means securing the future of our country, Garanti Pension supports all kinds of sustainability initiatives to this end.

### Sustainability activities

With a sense of responsibility towards the community and environment, Garanti Pension undertakes efforts to ensure that natural resources are used efficiently. To this end, the Company continuously improves its business processes to reduce energy and water consumption at all of its locations and to dispose of waste without harming the environment.

Taking its sustainability commitment and environmental sensitivity to a new level, Garanti Pension successfully completed the “WWF Green Office Program”, a new initiative to keep its consumption under control, at its Head Office buildings, and received the “WWF Green Office Diploma”.

*Believing that establishing environmental, economic, and social sustainability means securing the future of our country, Garanti Pension supports all kinds of sustainability initiatives to this end.*

## Sustainability and Corporate Social Responsibility

Garanti Pension conducts various awareness-raising activities within the Company to ensure that employees are continuously informed about sustainability and have the capability to adapt quickly.

### Corporate social responsibility projects

In all of its business activities, Garanti Pension acts in a socially responsible manner, a key component of the Company's management approach. Accordingly in 2017, Garanti Pension carried out numerous education and health projects aimed at children.

### Back to School

#### *The "Back to School" project celebrated its seventh anniversary in 2017.*

Garanti Pension and Life carries out the "Back to School" initiative in collaboration with the Istanbul Provincial Directorate of National Education and Boğaziçi University. Having celebrated its seventh anniversary in 2017, the project seeks to lure elementary school-age children who are forced to work for a living outside school hours back to school on a full time basis. The Company provides children with academic support and social activities throughout the year in order to help them leave their jobs and return to school full time, strengthen their ties with the school and boost their academic success.

With the "Drama Workshops" conducted by professional drama instructors twice a month in every school, this effort is designed for children to express themselves better and thus significantly benefit their social and emotional development. The parents of the students are also brought together with the "Family and Child Communication Seminars" held throughout the year and administered by a specialized psychological consultant.

Garanti Pension carried out the "Back to School" project at six schools located in five different districts in Istanbul. To date, this initiative reached out to more than 5,700 students and parents, and encouraged 850 of these children to leave work and return to school.

Throughout the year, 450 Garanti Pension volunteers met with these students and continued to support their development through social activities both at school and outside. In addition, the volunteers hosted the students in an event at the Company Headquarters where they provided information about the industry and the profession. At the event, which was held for the third time in 2017, volunteers and students got to know each other better.

#### *Social Impact of the Back to School Project*

In April 2017, a team of independent consultants performed a 'Social Impact Assessment' to measure the value and social impact generated by the "Back to School" project, which completed its seventh year in 2017. Social Impact Assessment is not a project-based, one-off measurement, but rather a continuous process that provides growth opportunities and enables companies to design their community investment programs in a way to create shared value, which can be measured. According to the assessment results, each unit of currency invested in the project generated a monetized value of 4.01 (SROI).

### Other projects supported by the Company

***In collaboration with the Community Volunteers Foundation, we continue to support children's education and personal development.***

Since 2006, Garanti Pension has provided support to the Community Volunteers Foundation for their projects directed at children's education and personal development. In 2017, the Company continued to support efforts that assist children who have been denied their right to education due to financial hardship.

***Children benefit from free health services with the "Mobile Health Services."***

In 2017, Garanti Pension continued to support the Mobile Healthcare Units initiative spearheaded by Ayhan Şahenk Foundation. This social responsibility project is primarily focused on general medicine and pediatrics.

***Garanti Pension is awarded the "UNICEF Silver Wing"***

In 2017, Garanti Pension began supporting the efforts undertaken by the Turkish National Committee for UNICEF, which works to protect children's right to life, survival and development; and to ensure that all children have equal access to health and education services. As a result, the Company was awarded the "UNICEF Silver Wing". In addition to fulfilling the basic needs of children, Garanti Pension also supports the development of projects that will provide long-term benefits for children.

***Support for the "Blue Cap" project of the Spinal Cord Paralytics Association of Turkey (TOFD).***

In 2017, Garanti Pension started to provide support for the "Blue Cap" project of the Spinal Cord Paralytics Association of Turkey (TOFD). Accordingly, the Company began collecting blue caps at its Head Office building and the Call Center in Güneşli to provide wheelchairs and pressure relief cushions for disabled citizens.

***Garanti Pension carried out the "Back to School" project at six schools located in five different districts in Istanbul. To date, this initiative reached out to more than 5,700 students and parents, and encouraged 850 of these children to leave work and return to school.***

# Summary Report of the Board of Directors to the General Assembly

## GARANTİ PENSION AND LIFE ANNUAL REPORT 2017

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 26th Fiscal Year of Garanti Emeklilik ve Hayat Sigorta Anonim Şirketi.

Our Company's nominal paid-in capital in 2017 stood at TL 50,000,000 while shareholders' equity reached TL 1,633,865,984, corresponding to a 25% increase over the previous year.

Our Company's net life insurance premium production (gross premiums, minus any premiums ceded to reinsurers) increased 24% over the previous year and amounted to TL 449,763,157.

Our Company's Private Pension fund size grew 25%, from TL 9,523,446,286 at year-end 2015 to TL 11,950,398,654 at year-end 2017. Achieving many accomplishments in 2017, 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 407,128,461 in 2017, corresponding to net profit of TL 320,655,002 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 2018.

Respectfully yours,

**Burak Ali GÖÇER**

Member of the Board of Directors and CEO





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Serbest Muhasebeci Mali Müşavirlik A.Ş.  
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Levent 34330 İstanbul  
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Fax +90 212 316 6060  
www.kpmg.com.tr

# 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, 2017.

## Responsibility of the Board of Directors Regarding the Annual Activity Report

Pursuant to Article 514 of 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 of the Company is responsible for the annual activity report to be prepared in coherence with financial statements and for the annual activity report to reflect the truth, and for the internal auditing deemed necessary to ensure the preparation of such an activity 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 which is subject to the independent auditor’s report dated 9 March 2018, 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 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.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.  
A member of KPMG International Cooperative

**Alper Güvenç**  
SMMM  
Partner  
Istanbul, 30 January 2018

## Information on Financial Structure



**Gürel Türkmen**  
Financial Affairs

*As in previous years,  
Garanti Pension and  
Life continued its rapid  
growth in both assets and  
profitability in fiscal year  
2017.*

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 2017.

Pre-tax profit grew 32% over the prior year and amounted to TL 401,128,461. The net profit after tax, which was TL 245,772,865, was realized as TL 320,855,002 in 2017.

During the same period, technical profit from life insurance and pension operations totaled TL 278,542,445. Shareholders' equity increased 24% to TL 1,633,865,984 in the reporting year. As of December 31, 2017, the Company's total assets grew 25% compared to a year ago and reached TL 14,255,341,085.

The increase in total assets is largely due to private pension activities as of December 31, 2017. The Company recorded a 25% increase in participants' funds compared to previous year. The Company's total pension fund size amounted to TL 11,950,398,654.

The share of cash assets in total assets stood at 15% as of December 31, 2017, while financial assets constituted 0.15% of total assets.

As of December 31, 2017, the share of the Company's insurance technical reserves in total liabilities stood at 2.9%. 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, 2017 was TL 459,678,216.

## Assessment of Financial Position, Profitability and Claims Servicing Capacity

In 2017, the amount of life indemnity amounting to TL 90,268,863 increased by 29.59% compared to the previous year. The Company's technical profit was up 34.6% to TL 278,542,445.

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, 2017, the change in reserve for outstanding claims stood at TL -9,120,258.

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, 2017 - December 31, 2017

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

### 1. General Information

Reporting period	:	2017
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

### 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 2017.

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

Shareholder's Name-Last Name- Title	Address	Number of Shares	Share (%)	Nominal (TL)
Türkiye Garanti Bankası A.Ş. (Garanti Bank)	Nispetiye Mah. Aytaç Cd. No: 2 Levent/Istanbul	4,245,662,900	84.91	42,456,629
Achmea B.V. (Achmea)	Handelseug 2 3707 NH Zeist, the Netherlands	750,000,000	15	7,500,000
Other		4,337,100	0.09	43,371
<b>Total</b>		<b>5,000,000,000</b>	<b>100</b>	<b>50,000,000</b>

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.

**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) Managing body of the Company: Our Board of Directors is comprised of 9 individuals and the formation of the Board of Directors is as follows:

<b>Ali Fuat Erbil</b>	<b>Chairman</b>
Didem Dinçer Başer	Vice Chairman
Muammer Cüneyt Sezgin	Member
Mahmut Akten	Member
Javier Bernal Dionis	Member
Johannes Antonius Nijssen	Member
Maria De La Paloma Piñeras Hernandez	Member
Cemal Onaran	Member
Burak Ali Göçer	Member - CEO*

\*1 Ocak 2017 itibarıyla

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

<b>Name-Last Name</b>	<b>Title</b>
Burak Ali Göçer*	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

84.91%



**Türkiye  
Garanti  
Bankası  
A.Ş.**

15%



**Achmea B.V.**

0.09%

**Other**

## Board of Directors' Annual Activity Report

c) Perc) Number of Employees: 810.

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 5,923,779 in 2017.

### 3) The Company's Research and Development Activities

The Company did not carry out any research and development activities in 2017.

### 4) Company Operations and Related Important Developments

a) The Company did not make any investments or major asset purchases/sales during the reporting period.

b) Garanti Pension and Life holds a 0.00003% stake worth 1 (one) Turkish lira in its direct subsidiary Garanti Leasing.

c) The Company has not acquired any of its own shares.

d) The Company has not been subject to private auditing during the activity period.

During 2017, 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 75,470 in 2017.

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.

k) Any potential conflict of interest between the Company and consulting and/or audit firms that provide service to the Company are prevented through agreements.

## 5. Financial Position

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

In 2017, Garanti Pension achieved profit of TL 407,128,461. While the Company's total assets were TL 14,255,341,085 shareholders' equity amounted to TL 1,633,865,984. The Company's fixed assets totaled TL 168,397,916, of which TL 24,970,083 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:

	2015 (TL)	2016 (TL)	2017 (TL)
Profit / (Loss) for the Period	240,582,747	308,022,332	407,128,461
Corporate Tax Liability Provision	49,674,970	62,249,467	86,473,459
Net Profit / (Loss) for the Period	190,907,777	245,772,865	320,655,002

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

The Company shareholders' equity totaled TL 1,633,865,984, and its capital is fully paid.

d) Measures required improving 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 did not distribute profit in 2017, transferring all profit to the reserves.

## Board of Directors' Annual Activity Report



**Mehmet Emin Alkan**  
Internal Audit

*In 2017, 12 head office departments, 12 regional offices, and Garanti Service Management, MASAK compliance activities, Garanti Asset Management and Deniz Asset Management underwent audits; investigations were conducted in various areas, where necessary.*

### 6. Internal Audit

Internal Audit activities are carried out by the Board of Audit, which reports directly to the Company's Board of Directors, in accordance with the Regulation on Internal Systems of Insurance, Reassurance and Pension Companies.

The Board of Audit is responsible for providing objective and independent assurance to the Board of Directors that the Company's activities are performed in compliance with applicable laws, rules and regulations, and in accordance with Company strategies and policies.

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

During the periodic and risk-based audits performed 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;
- 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 2017, 12 head office departments, 12 regional offices, and Garanti Service Management, MASAK compliance activities, Garanti Asset Management and Deniz Asset Management underwent audits; investigations were conducted in various areas, where necessary.

In addition, the Board of Audit aims to determine any insufficient and defective practices, and offer its opinions and recommendations to prevent the recurrence of such situations. It also provides consulting services in a number of areas to add value to the Company's operations and to increase efficiency and productivity.



### **Legal and Compliance**

In 2017, Garanti Pension undertook projects to ensure compliance with national and international regulations. The Company closely followed legislative changes and draft regulations and exchanged views with relevant public authorities and the Insurance Association of Turkey, as an industry representative.

Initiated in 2017, auto enrolment to Private Pension System has been the main issue in legislation alignment process. Legislative alignment studies in the company were contributed by the ongoing work on project.

In order to foster an internal compliance and ethics culture within the Company, training and information activities were valued in 2017 to adopt and implement the Ethical and Integrity Principles by all employees. An Ethics Hotline was also active for Garanti Pension employees to contact in case they encounter an event or practice that may be in violation of the provisions, values and standards that are laid out in the Principles.



**Talat Soysal**

Legislation and Legal Compliance

*Initiated in 2017, auto enrolment to Private Pension System has been the main issue in legislation alignment process.*

## Board of Directors' Annual Activity Report



**Ayça Ögel**

Legal and Shareholder Relations

*The Legal and Shareholder Relations Unit is charged with structuring the transactions and products of Garanti Pension in accordance with the law and follow-up of legal procedures.*

### **Financial Crimes Investigation Board (MASAK) Compliance**

As part of MASAK (Financial Crimes Investigation Board) compliance, activities outlined in our Compliance Program were carried out with utmost care by prioritizing our obligations with regard to the prevention of laundering proceeds of crime and financing terrorism.

Garanti Pension carried out a joint project with its main shareholder, T. Garanti Bankası A.Ş. to improve the systems infrastructure used for monitoring and controlling activities. The Company also updated its policies and procedures to further reinforce operations.

In 2017, the Company closely followed the changes in national and international laws on the prevention of laundering proceeds of crime and financing of terrorism; updated the Compliance Program and informed Company and agency employees; and continued training activities.

### **Legal and Shareholders**

The Legal and Shareholder Relations Unit is charged with structuring the transactions and products of the Company in accordance with the law, following up changes in legislation and jurisprudence as well as the judicial processes and arbitration processes to which the Company is a party, maintaining relations with official authorities, professional associations and Company shareholders, and following up the processes of the Board of Directors and the General Assembly.

#### a) 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. To that end, efforts are carried out for the functional differentiation of the tasks, sharing of authority and responsibilities, forming of a consensus infrastructure, placing necessary controls on the processes, and for updating processes as necessary. Error concentrations and defects in processes can be identified through periodic and preventive controls determined in proportion to the detected level of risk and departmental self-assessment, and necessary steps are taken accordingly. The Company works to improve the control self-assessment technique, which is used for increasing risk awareness of business units. Internal and external audit reporting is also among the duties of the Department. All activities are carried out through central and on-the-spot control methods. The controls, their results, effects, the actions taken and planned activities are regularly reported to the senior management.

#### b) Risk Management

The Board of Directors is responsible for establishing and overseeing the risk management structure. The Board of Directors ensures the effectiveness of the Company's risk management system through the Risk Management Department. Risk management efforts are conducted in accordance with the Company's Corporate Risk Management Policy, which are approved by the Board of Directors.

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.



**Defne Üstem**

Internal Control and Risk Management

*In 2015, the Company began collaborating with the Global Risk Management Department of BBVA, the major shareholder of Garanti Bank, in order to align its risk management efforts with BBVA Group standards and international practices.*

## Board of Directors' Annual Activity Report

The Risk Management Department identifies, measures, monitors, and reports risks that the Company is exposed to. Risk Management is an integral part of internal activities and its objective is to identify potential risks and raise risk awareness. For the early detection of these risks, the Department participates in the meetings of related committees (Investment Committee, New Product/New Business Committee and Technical Risk Committee), where financial and actuarial activities are evaluated and the studies carried out are periodically presented to the Early Detection of the Risk Committee.

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

### Operational Risk Management

The Company's Board of Directors and the Audit Committee oversee efforts to identify, measure, monitor, and manage/reduce operational risks within the Company. 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 undertakes the following efforts to manage operational risks:

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

Operational loss data is collected from every department, grouped based on cause and effect and according to the risk categories defined in Basel II, and then analyzed. This way, the Company is able to create an internal risk database.

Periodic changes in critical operations and transactions as well as the underlying reasons are examined through monitoring and analysis of Key Risk Indicators, and these are reported to the senior management.

Risk 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.

Business Continuity Management in the event of emergency also falls within the scope of the Risk Management Department. The "Business Continuity Management (BCM)" plan has been approved by the Board of Directors. Apart from efforts to keep the current plan updated, periodic tests and drills are carried out to make sure those critical processes, back-up systems, alternative working areas are ready to be utilized when necessary. In addition, all scenarios, teams and trainings related to Business Continuity Management have already been established, transcribed and shared with Company employees.

## Financial Risk Management

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

- Credit risk,
- Liquidity risk,
- Market risk,
- Currency risk,
- Interest rate risk.

### 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.

## Board of Directors' Annual Activity Report

### 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, 2017. 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, 2017 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, 2017 as a result of the presumed variations in interest rates. During this analysis, other variables, particularly foreign exchange rates, are assumed to be fixed.

### Fair Market Value Representation

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

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

### Capital Management

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

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

## Assessment of Insurance Risk and Management Body

### Insurance Pricing Policies

Garanti 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.
- 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

## Board of Directors' Annual Activity Report

more limited ratios and amounts over those risk benefits (for example, life-threatening illnesses coverage and the like) that pose greater uncertainty for the Company. For life-threatening illnesses and unemployment coverage, the Company operates under quota-share reinsurance treaties. Additionally, to conserve retention after extensive natural disasters such as earthquakes, floods, traffic accidents involving mass transportation vehicles or terrorist attacks, each year an excess of loss reinsurance agreements are signed to secure catastrophic claims in a way most suitable for the portfolio.

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

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

Based on their shares in the reinsurance agreements, the French reinsurance company SCOR Global Life occupy second place with the same number of shares. The next reinsurance company is the Reinsurance Group of America (RGA), whose headquarters are in the US. 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. Garanti Pension and Life works with Financial Insurance Company for hospitalization and critical illness insurance products. In addition to life reinsurers, the Company cooperates with Bermuda-based Arch Re Accident Death in reinsurance agreements to secure catastrophic claims concerning cumulative damage after natural disasters.

### 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.

**Ali Fuat Erbil**  
Chairman

**Cemal Onaran**  
Member of the Board of Directors

**Burak Ali Göçer**  
Member of the Board of Directors



# Board of Directors Affiliation Report Regarding the Period of 01.01.2017-31.12.2017

**Date of Report: 30.01.2018**

Report issued by Garanti Emeklilik ve Hayat A.Ş. Board of Directors on relations with the parent company and associate companies as per the 1st paragraph of the Article n.199 of the Turkish Code of Commerce n.6102:

i) Garanti Emeklilik ve Hayat A.Ş.'s legal transactions made with the parent company, and/or the associate company of the parent company, made for the benefit of the parent company, and/or for the benefit of the associate company of the parent company as a consequence of the directions given by the parent company, and ii) all other measures taken or avoided to be taken in the previous activity period for the benefit of the parent company, and/or for the benefit of the associate company of the parent company:

The transactions carried out under the structure of the Group with the parent company, and/or the associate companies are ordinary commercial activities, and i) there are no transactions made with the parent company, and/or the associate company of the parent company, made for the benefit of the parent company, and/or for the benefit of the associate company of the parent company as a consequence of the directions given/not given by the parent company, or ii) there are no measures taken or avoided to be taken within this framework.

ii) Based on the circumstances known at the time of making the Garanti Emeklilik ve Hayat A.Ş.' legal transaction or taking the measure or avoiding the measure; i) whether an appropriate consideration was provided in each transaction or not, and ii) whether or not there were measures, taken or avoided, that could cause loss for the company, and iii) whether there were transactions or measures that would require offsetting if the company did suffer any loss within this scope:

Due to the fact that there are no transactions made within this framework; no consideration was required, and no measure was taken or avoided to be taken, and thus no loss occurred.

**Ali Fuat Erbil**

Chairman of the Board of  
Directors

**Cemal Onaran**

Member of the Board of Directors

**Burak Ali Göçer**

Member of the Board of Directors

# The Study of Corporate Governance Compliance Principles

Corporate Governance Compliance Rating studies have been conducted by our Company along with Kobirate International Credit Rating and Corporate Governance Services Inc. for 5 years. The corporate governance compliance rating of our company is concluded with an examination of 350 criteria defined in the rating methodology prepared for Non-BIST companies.

Given below are the section headings with the main ratings of our Company's progress of Corporate Governance Compliance Rating for the last 5 years.

	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
SHAREHOLDERS	76.82	89.33	89.56	93.26	94.10
PUBLIC DISCLOSURE AND TRANSPARENCY	84.62	94.69	96.01	96.01	97.34
STAKEHOLDERS	89.74	92.93	92.93	94.95	94.95
BOARD OF DIRECTORS	75.00	87.89	89.95	94.06	94.06
CORPORATE GOVERNANCE COMPLIANCE SCORE	8.01	9.07	9.18	9.45	9.50

The rating study has been carried out under the headings of Shareholders, Public Disclosure and Transparency, Stakeholders, and Board of Directors, and the Corporate Governance Compliance Rating of Garanti Pension and Life Inc. has been set at 9,50 which is valid between 29.12.2017-29.12.2018.

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

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

## The Shareholding Structure of The Main Partner Garanti Bank

Ortak Adı	Share Amount	Share
BBVA (Banco Bilbao Vizcaya Argentaria, S.A.)	2.093.700.000,00	49,85
Other Partners	2.106.300.000,00	50,15
Total Amount	4.200.000.000,00	100

Source: [www.garanti.com.tr](http://www.garanti.com.tr)

Information regarding board of directors and committees established by the board is as follows.

#### Company Board of Directors

<b>Name/Surname</b>	<b>Title</b>	<b>Executant/Not an Executant</b>
Ali Fuat ERBİL	Chairman of the Board	Not an Executant
Didem Dinçer BAŞER	Deputy Chairman of the Board	Not an Executant
Maria de la Paloma Piqueras HERNANDEZ	Board Member	Not an Executant
Javier Bernal DIONIS	Board Member	Not an Executant
Johannes Antonius NIJSSEN	Board Member	Not an Executant
M. Cüneyt SEZGİN	Board Member	Not an Executant
Cemal ONARAN	Board Member	Not an Executant
Mahmut AKTEN	Board Member	Not an Executant
Burak Ali Göçer	Board Member and CEO	Executant

#### BOARD COMMITTEES

##### CORPORATE GOVERNANCE COMMITTEE

<b>Name/Surname</b>	
Dr. M. Cüneyt SEZGİN	Board Member (Not an Executant)
Cemal ONARAN	Board Member (Not an Executant)

##### AUDIT COMMITTEE

<b>Name/Surname</b>	
Dr. M. Cüneyt SEZGİN	Board Member (Not an Executant)
Cemal ONARAN	Board Member (Not an Executant)

##### REMUNERATION COMMITTEE

<b>Name/Surname</b>	
Ali Fuat ERBİL	Board Member (Not an Executant)
Didem Dinçer BAŞER	Board Member (Not an Executant)

##### EARLY DETECTION RISK COMMITTEE

<b>Name/Surname</b>	
Dr. M. Cüneyt SEZGİN	Board Member (Not an Executant)
Cemal ONARAN	Board Member (Not an Executant)

## Summary of Five-Year Financial Information

Financial Information	2013		2014		2015		2016		2017	
	(TL Thousand)	(USD Thousand)	(TL Thousand)	(USD Thousand)	(TL Thousand)	(USD Thousand)	(TL Thousand)	(USD Thousand)	(TL Thousand)	(USD Thousand)
Individual Pension System	4,249,324	1,990,968	6,092,808	2,627,456	7,580,285	2,607,059	9,523,446	2,706,139	11,950,399	3,168,270
Technical Reserves	246,776	115,624	248,618	107,214	263,023	90,461	321,451	91,342	409,379	108,534
Paid-in Capital	53,084	24,872	53,084	22,892	53,084	18,257	53,084	15,084	53,084	14,074
Shareholders' Equity	706,889	331,204	876,578	378,015	1,067,886	367,274	1,313,413	373,211	14,255,341	3,779,353
Total Assets	5,318,601	2,491,965	7,364,522	3,175,869	9,075,123	3,121,173	11,387,747	3,235,891	14,255,341	3,779,353
Life Insurance Premium Production (net)	257,075	120,449	269,905	116,394	284,342	97,793	363,010	103,151	449,763	119,240
Technical Income and Expense Balance	136,937	64,160	148,330	63,966	168,244	57,864	206,903	58,793	278,542	73,847
Non-operating Income and Expense Balance	37,379	17,513	66,242	28,566	72,338	24,879	101,120	28,734	128,586	34,091
Profit/Loss Before Tax	174,316	81,674	214,572	92,532	240,583	82,743	308,022	87,526	407,128	107,937
Net Profit	137,981	64,649	169,916	73,274	190,908	65,658	245,773	69,838	320,655	85,012
Return on Assets	3.28%	3.28%	2.91%	2.91%	2.65%	2.65%	2.70%	2.70%	2.86%	2.86%
Return on Equity	25%	25%	24%	24%	23%	23%	23%	23%	25%	25%

Foreign Exchange Rates	(MBDA)	
31.12.2013	USD 1	TL 2.1343
31.12.2014	USD 1	TL 2.3189
31.12.2015	USD 1	TL 2.9076
31.12.2016	USD 1	TL 3.5192
31.12.2017	USD 1	TL 3.7719

**GARANTİ  
EMEKLİLİK VE  
HAYAT  
ANONİM ŞİRKETİ**

FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR  
ENDED 31 DECEMBER 2017  
WITH INDEPENDENT  
AUDITORS' REPORT  
THEREON

(CONVENIENCE TRANSLATION  
OF FINANCIAL STATEMENTS  
AND RELATED DISCLOSURES  
AND FOOTNOTES ORIGINALLY  
ISSUED IN TURKISH)

30 January 2018

This report contains 1 pages of independent  
auditors' report and 75 pages of financial  
statements, together with their explanatory notes.



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#### INDEPENDENT AUDITOR'S REPORT

To the Board of Director of Garanti Emeklilik Anonim Şirketi

#### A) Audit of the Financial Statements

##### Opinion

We have audited the accompanying balance sheet of Garanti Emeklilik Anonim Şirketi ("the Company") as at 31 December 2017 and the related statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year ended in accordance with the accounting principles and standards in force as per the insurance legislation and that are not regulated by them for "Insurance Accounting and Financial Reporting Legislation" including Turkey Accounting Standards.

##### Basis for Opinion

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

##### Other Matter

The financial statements of Garanti Emeklilik Anonim Şirketi for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 30 January 2017.

##### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

##### Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of auditors in an audit are as follows:

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

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

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

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

#### B) Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC"); no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2017, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

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

**GARANTİ EMEKLİK VE HAYAT ANONİM ŞİRKETİ****THE FINANCIAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

İstanbul, 30 January 2018

**Burak Ali Göçer**  
CEO

**Ahmet Karaman**  
Executive Vice President

**Gürel Türkmən**  
Financial Affairs Unit  
Manager

**Didem Sayım**  
Actuary

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## BALANCE SHEET AS AT 31 DECEMBER 2017

(Currency: Turkish Lira (TL)) Originally Issued in Turkish, See Note 2.1.1

Convenience Translation of  
Financial Statements  
and Related Disclosures and Footnotes

## ASSETS

	Note	Audited Current Period 31 December 2017	Audited Prior Period 31 December 2016
<b>I- Current Assets</b>			
<b>A- Cash and Cash Equivalents</b>			
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	14	1.990.149.612	1.540.185.330
4- Cheques Given and Payment Orders ( )		-	-
5- Bank Guaranteed Credit Card Receivables (Less than 3 months)	14,45	150.795.930	144.247.305
6- Other Cash and Cash Equivalents		-	-
<b>B- Financial Assets and Investments with Risks on Policy Holders</b>			
1- Financial Assets Available for Sale	11	292.304	283.223
2- Financial Assets Held to Maturity		-	-
3- Financial Assets Held for Trading		-	-
4- Loans		-	-
5- Provision for Loans ( )		-	-
6- Investments with Risks on Policy Holders	11	20.683.953	21.802.699
7- Equity Shares		-	-
8- Diminution in Value of Financial Assets ( )		-	-
<b>C- Receivables from Main Operations</b>			
1- Receivables from Insurance Operations	12	12.008.874.100	9.600.088.894
2- Provision for Receivables from Insurance Operations ( )	12	56.584.278	57.579.465
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations ( )		-	-
5- Cash Deposited for Insurance & Reinsurance Companies		-	-
6- Loans to Policyholders	4,2,2,8,12	136.280	112.222
7- Provision for Loans to Policyholders ( )		-	-
8- Receivables from Private Pension Operations	12,18	11.952.246.419	9.542.451.554
9- Doubtful Receivables from Main Operations		-	-
10- Provisions for Doubtful Receivables from Main Operations ( )		-	-
<b>D- Due from Related Parties</b>			
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 ( )		-	-
<b>E- Other Receivables</b>			
1- Lease Receivables	12	76.252	2.806
2- Unearned Lease Interest Income ( )		-	-
3- Deposits and Guarantees Given		70.000	-
4- Other Receivables	12	6.252	2.806
5- Discount on Other Receivables ( )		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables ( )		-	-
<b>F- Prepaid Expenses and Income Accruals</b>			
1- Deferred Acquisition Costs	17	30.259.166	33.532.768
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Prepaid Expenses	12	1.695.486	1.949.768
<b>G- Other Current Assets</b>			
1- Inventories		8.696	30.580
2- Prepaid Taxes and Funds		-	-
3- Deferred Tax Assets		-	-
4- Business Advances		2.500	2.500
5- Advances Given to Personnel		6.196	28.080
6- Stock Count Differences		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets ( )		-	-
<b>I- Total Current Assets</b>		<b>14.202.835.499</b>	<b>11.342.103.373</b>

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



# GARANTİ EMEKLİK VE HAYAT ANONİM ŞİRKETİ

## BALANCE SHEET AS AT 31 DECEMBER 2017

(Currency: Turkish Lira (TL)) Originally Issued in Turkish, See Note 2.1.1

Convenience Translation of  
Financial Statements  
and Related Disclosures and Footnotes

	Audited Current Period Note 31 December 2017	Audited Prior Period 31 December 2016
<b>II- Non Current Assets</b>		
<b>A- Receivables from Main Operations</b>		
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 (ç)	-	-
8- Receivables from Private Pension Operations	-	-
9- Doubtful Receivables from Main Operations	-	-
10- Provision for Doubtful Receivables from Main Operations	-	-
<b>B- Due from Related Parties</b>		
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	-	-
<b>C- Other Receivables</b>	<b>12</b>	<b>4,185</b>
1- Leasing Receivables	-	-
2- Unearned Leasing Interest Income	-	-
3- Guarantees Given	12	4,185
4- Other Receivables	-	-
5- Discount on Other Receivables	-	-
6- Other Doubtful Receivables	-	-
7- Provisions for Other Doubtful Receivables (ç)	-	-
<b>D- Financial Assets</b>		
1- Investments in Associates	-	-
2- Affiliates	-	-
3- Capital Commitments to Affiliates (ç)	-	-
4- Subsidiaries	-	-
5- Capital Commitments to Subsidiaries (ç)	-	-
6- Joint Ventures	-	-
7- Capital Commitments to Joint Ventures (ç)	-	-
8- Financial Assets and Investments with Risks on Policy Holders	-	-
9- Other Financial Assets	-	-
10- Diminution in Value of Financial Assets (ç)	-	-
<b>E- Tangible Assets</b>	<b>6</b>	<b>4,862,069</b>
1- Investment Properties	-	-
2- Diminution in Value for Investment Properties (ç)	-	-
3- Owner Occupied Properties	-	-
4- Machinery and Equipment	-	-
5- Furnitures and Fixtures	6	16,979,759
6- Vehicles	-	-
7- Other Tangible Assets (Including Leasehold Improvements)	6	2,590,227
8- Leased Tangible Assets	6	1,300,924
9- Accumulated Depreciation (ç)	6	(16,018,841)
10- Advances Paid for Tangible Assets (Including Construction In Progress)	-	-
<b>F- Intangible Assets</b>	<b>8</b>	<b>34,116,849</b>
1- Rights	8	334,371
2- Goodwill	-	-
3- Establishment Costs	-	-
4- Research and Development Expenses	-	-
5- Other Intangible Assets	8	147,192,635
6- Accumulated Amortization (ç)	8	(113,410,157)
7- Advances Regarding Intangible Assets	-	-
<b>G- Prepaid Expenses and Income Accruals</b>		
1- Deferred Acquisition Costs	-	-
2- Income Accruals	-	-
3- Other Prepaid Expenses	-	-
<b>H- Other Non-current Assets</b>	<b>21</b>	<b>13,532,483</b>
1- Effective Foreign Currency Accounts	-	-
2- Foreign Currency Accounts	-	-
3- Inventories	-	-
4- Prepaid Taxes and Funds	-	-
5- Deferred Tax Assets	21	13,532,483
6- Other Non-current Assets	-	-
7- Other Non-current Assets Amortization	-	-
8- Provision for Other Non-current Assets	-	-
<b>II- Total Non-current Assets</b>	<b>52,505,586</b>	<b>45,643,676</b>
<b>Total Assets</b>	<b>14,255,341,085</b>	<b>11,387,747,049</b>

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

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

BALANCE SHEET AS AT 31 DECEMBER 2017

(Currency: Turkish Lira (TL)) Originally Issued in Turkish, See Note 2.1.1

*Convenience Translation of  
Financial Statements  
and Related Disclosures and Footnotes*

## LIABILITIES

III-Short Term Liabilities	Note	Audited	Audited
		Current Period	Prior Period
		31 December 2017	31 December 2016
<b>A- Borrowings</b>	<b>20</b>	<b>197.713</b>	<b>540.387</b>
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables	20	203.581	609.752
3- Deferred Finance Lease Borrowing Costs	20	(5.868)	(69.365)
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)		-	-
<b>B- Payables from Main Operations</b>	<b>19</b>	<b>12.144.251.395</b>	<b>9.703.886.525</b>
1- Payables Due To Insurance Operations	19	28.696.090	29.554.523
2- Payables Due To Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due To Private Pension Operations	18,19	12.115.555.305	9.674.332.002
5- Payables from Other Operations		-	-
6- Discount on Other Payables from Main Operations, Notes Payable (ç)		-	-
<b>C- Due to Related Parties</b>		<b>8.325.915</b>	<b>7.460.176</b>
1- Due to Shareholders	45	354.060	312.372
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		52.712	46.596
6- Due to Other Related Parties	45	7.919.143	7.101.268
<b>D- Other Payables</b>	<b>19</b>	<b>2.592.275</b>	<b>1.759.407</b>
1- Guarantees and Deposits Received		-	-
2- Payables to Social Security Institution		-	-
3- Other Payables	19	2.592.275	1.759.407
4- Discount on Other Payables (ç)		-	-
<b>E- Insurance Technical Reserves</b>	<b>17</b>	<b>121.368.508</b>	<b>115.711.018</b>
1- Unearned Premiums Reserve - Net	17	70.605.868	80.521.355
2- Unexpired Risk Reserves - Net		-	-
3- Life Mathematical Reserves - Net	17	14.497.556	8.049.937
4- Outstanding Claims Reserve - Net	17	36.264.984	27.139.726
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net		-	-
<b>F- Taxes and Other Liabilities and Provisions</b>	<b>19</b>	<b>21.635.348</b>	<b>12.074.509</b>
1- Taxes and Dues Payable		8.247.032	7.759.105
2- Social Security Premiums Payable		1.249.089	2.336.983
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		-	-
5- Corporate Tax Liability Provision on Period Profit	19	86.473.459	62.337.384
6- Prepaid Taxes and Other Liabilities on Period Profit (ç)	19	(74.334.232)	(60.358.963)
7- Provisions for Other Taxes and Liabilities		-	-
<b>G- Provisions for Other Risks</b>	<b>23</b>	<b>2.368.886</b>	<b>1.541.660</b>
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs	23	2.368.886	1.541.660
<b>H- Deferred Income and Expense Accruals</b>	<b>19</b>	<b>24.187.657</b>	<b>18.171.301</b>
1- Deferred Commission Income	10,19	7.810.551	7.690.156
2- Expense Accruals	19	16.377.106	10.481.145
3- Other Deferred Income and Expense Accruals		-	-
<b>I- Other Short Term Liabilities</b>		-	-
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities		-	-
<b>III - Total Current Liabilities</b>		<b>12.324.927.697</b>	<b>9.861.144.983</b>

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

# GARANTİ EMEKLİK VE HAYAT ANONİM ŞİRKETİ

## BALANCE SHEET AS AT 31 DECEMBER 2017

(Currency: Turkish Lira (TL)) Originally Issued in Turkish, See Note 2.1.1

*Convenience Translation of  
Financial Statements  
and Related Disclosures and Footnotes*

	Note	Audited Current Period 31 December 2017	Audited Prior Period 31 December 2016
<b>IV- Long Term Liabilities</b>			
<b>A- Borrowings</b>	<b>20</b>	<b>-</b>	<b>197.713</b>
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables	20	-	203.581
3- Deferred Finance Lease Borrowing Costs	20	-	(5.868)
4- Bonds Issued		-	-
5- Other Issued Financial Assets		-	-
6- Value Differences on Issued Financial Assets (ç)		-	-
7- Other Financial Borrowings (Liabilities)		-	-
<b>B- Payables from Main Operations</b>		-	-
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		-	-
<b>C- Due to Related Parties</b>		-	-
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		-	-
<b>D- Other Payables</b>		-	-
1- Guarantees and Deposits Received		-	-
2- Payables to Social Security Institution		-	-
3- Other Payables		-	-
4- Discount on Other Payables		-	-
<b>E- Insurance Technical Reserves</b>	<b>17</b>	<b>288.010.490</b>	<b>205.740.308</b>
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Life Mathematical Reserves - Net	17	269.728.723	191.109.662
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
7- Other Technical Reserves - Net	17	18.281.767	14.630.646
<b>F- Other Liabilities and Provisions</b>	<b>23</b>	<b>1.807.620</b>	<b>1.808.369</b>
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals	23	1.807.620	1.808.369
<b>G- Provisions for Other Risks</b>	<b>23</b>	<b>6.729.294</b>	<b>5.442.774</b>
1- Provision for Employment Termination Benefits	23	6.729.294	5.442.774
2- Provisions for Pension Fund Deficits		-	-
<b>H- Deferred Income and Expense Accruals</b>		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
<b>I- Other Long Term Liabilities</b>		-	-
1- Deferred Tax Liability		-	-
2- Other Long Term Liabilities		-	-
<b>IV- Total Non Current Liabilities</b>		<b>296.547.404</b>	<b>213.189.164</b>

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

**GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ**

BALANCE SHEET AS AT 31 DECEMBER 2017

(Currency: Turkish Lira (TL)) Originally Issued in Turkish, See Note 2.1.1

*Convenience Translation of  
Financial Statements  
and Related Disclosures and Footnotes***SHAREHOLDERS' EQUITY**

<b>V- Shareholders' Equity</b>	<b>Dipnot</b>	<b>Audited Current Period 31 December 2017</b>	<b>Audited Current Period 31 December 2016</b>
<b>A- Paid in Capital</b>		<b>53.084.445</b>	<b>53.084.445</b>
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>B- Capital Reserves</b>		<b>-</b>	<b>-</b>
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		-	-
<b>C- Profit Reserves</b>		<b>1.260.126.537</b>	<b>1.014.555.592</b>
1- Legal Reserves	15	10.000.000	10.000.000
2- Statutory Reserves		-	-
3- Extraordinary Reserves	15	1.250.187.391	1.004.414.526
4- Special Funds (Reserves)		-	-
5- Valuation of Financial Assets	11,15	293.406	237.598
6- Other Profit Reserves		(354.260)	(96.532)
<b>D- Previous Years' Profits</b>		<b>-</b>	<b>-</b>
1- Previous Years' Profits		-	-
<b>E- Previous Years' Losses (-)</b>		<b>-</b>	<b>-</b>
1- Previous Years' Losses		-	-
<b>F- Net Profit of the Period</b>		<b>320.655.002</b>	<b>245.772.865</b>
1- Net Profit of the Period		320.655.002	245.772.865
2- Net Loss of the Period		-	-
3- Nondistributed Net Profit of the Period		-	-
<b>Total Shareholders' Equity</b>		<b>1.633.865.984</b>	<b>1.313.412.902</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>14.255.341.085</b>	<b>11.387.747.049</b>

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

# GARANTİ EMEKLİK VE HAYAT ANONİM ŞİRKETİ

## INCOME STATEMENT FOR THE YEAR

ENDED 31 DECEMBER 2017

(Currency: Turkish Lira (TL)) Originally Issued in Turkish, See Note 2.1.1

Convenience Translation of  
Financial Statements  
and Related Disclosures and Footnotes

	Note	Audited Current Period 1 January- 31 December 2017	Audited Prior Period 1 January- 31 December 2016
<b>I-TECHNICAL PART</b>			
<b>A- Non-Life Technical Income</b>	<b>5</b>	<b>3.074</b>	<b>2.990</b>
1- Earned Premiums (Net of Reinsurer Share)	17	3.074	2.990
1.1 - Premiums (Net of Reinsurer Share)	17	2.646	3.471
1.1.1 - Gross Premiums	17	2.646	3.471
1.1.2 - Ceded Premiums to Reinsurers		-	-
1.1.3- Premiums Transferred to SSI(-)		-	-
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward)	17	428	(481)
1.2.1 - Unearned Premiums Reserve	17	428	(481)
1.2.2 - Reinsurance Share of Unearned Premiums Reserve		-	-
1.2.3- SSI Share of Gross Unearned Premiums Reserve (Net of Reserves Carried Forward)(+/-)		-	-
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)		-	-
1.3.1 - Unexpired Risks Reserve		-	-
1.3.2 - Reinsurance Share of Unexpired Risks Reserve		-	-
2- Investment Income Transferred from Non-Technical Part		-	-
3- Other Technical Income (Net of Reinsurer Share)		-	-
3.1 - Gross Other Technical Income		-	-
3.2 - Reinsurance Share of Other Technical Income		-	-
4- Accrued Subrogation and Sovtage Income (+)		-	-
<b>B- Non-Life Technical Expense (-)</b>	<b>5</b>	<b>(10.466)</b>	<b>(7.076)</b>
1- Total Claims (Net of Reinsurer Share)	17	(5.000)	-
1.1- Claims Paid (Net of Reinsurer Share)		-	-
1.1.1 - Gross Claims Paid		-	-
1.1.2 - Reinsurance Share of Claims Paid		-	-
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward)	17	(5.000)	-
1.2.1 - Outstanding Claims Reserve	17	(5.000)	-
1.2.2 - Reinsurance Share of Outstanding Claims Reserve		-	-
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward)		-	-
2.1 - Bonus and Discount Reserve		-	-
2.2 - Reinsurance Share of Bonus and Discount Reserve		-	-
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
4- Operating Expenses (-)	32	(5.466)	(7.076)
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 are an integral part of these financial statements.

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

(Currency: Turkish Lira (TL)) Originally Issued in Turkish, See Note 2.1.1

Convenience Translation of  
Financial Statements  
and Related Disclosures and Footnotes

	Note	Audited Current Period 1 January- 31 December 2017	Audited Prior Period 1 January- 31 December 2016
<b>I-TECHNICAL PART</b>			
<b>C- Non Life Technical Net Profit (A-B)</b>	<b>5</b>	<b>(7.392)</b>	<b>(4.086)</b>
<b>D- Life Technical Income</b>	<b>5</b>	<b>504.591.444</b>	<b>399.666.142</b>
1- Earned Premiums (Net of Reinsurer Share)	17	459.678.216	371.607.016
1.1- Premiums (Net of Reinsurer Share)	17	449.763.157	363.009.586
1.1.1- Gross Premiums (+)	17	498.882.447	403.804.476
1.1.2- Ceded Premiums to Reinsurers (-)	10,17	(49.119.290)	(46.794.890)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	17	9.915.059	8.597.430
1.2.1- Unearned Premiums Reserve (-)	17	10.168.629	6.618.156
1.2.2- Reinsurance Share of Unearned Premiums Reserve (-)	10,17	(253.570)	1.979.274
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		44.903.002	27.913.684
3- Accrued (Unrealized) Income from Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)		10.226	145.442
4.1- Gross Other Technical Income (+/-)		10.226	145.442
4.2- Reinsurance Share in Gross Other Technical Income (-)		-	-
5- Accrued Subrogation Income (+)		-	-
<b>E- Life Technical Expense</b>	<b>5</b>	<b>(320.823.901)</b>	<b>(257.393.523)</b>
1- Total Claims (Net of Reinsurer Share)	17	(90.268.863)	(69.655.801)
1.1- Claims Paid (Net of Reinsurer Share)	17	(81.148.605)	(68.285.703)
1.1.1- Gross Claims Paid (-)	17	(98.828.601)	(89.017.283)
1.1.2- Reinsurance Share of Claims Paid (-)	10,17	17.679.996	20.731.560
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17	(9.120.258)	(1.370.098)
1.2.1- Outstanding Claims Reserve (-)	17	(12.571.218)	(2.222.476)
1.2.2- Reinsurance Share of Outstanding Claims Reserve (-)	10,17	3.450.960	852.378
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) (+/-)		(84.279.428)	(63.120.444)
3.1- Life Mathematical Reserves		(84.279.428)	(63.120.444)
3.1.1- Actuarial Mathematical Reserve (+/-)		(84.279.428)	(63.120.444)
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	(3.651.121)	(3.940.582)
5- Operating Expenses	32	(142.624.489)	(121.676.696)
6- Investment Expenses		-	-
7- Unrealized Losses from Investments (-)		-	-
8- Investment Income Transferred to Non Technical Divisions (-)		-	-
<b>F- Life Technical Profit/ (Loss) (D - E)</b>	<b>5</b>	<b>183.767.543</b>	<b>142.272.619</b>
<b>G- Private Retirement Technical Income</b>	<b>5,25</b>	<b>246.144.376</b>	<b>202.896.557</b>
1- Fund Management Fee		164.263.025	133.065.265
2- Management Fee Deduction		40.790.276	36.492.383
3- Entrance Fee Income		36.223.374	27.775.579
4- Management Fee In Case of Temporary Suspension		4.867.701	5.563.330
5- Withholding Tax		-	-
6- Increase in Market Value of Capital Commitment Advances		-	-
7- Other Technical Income		-	-
<b>H- Private Retirement Technical Expenses</b>	<b>5</b>	<b>(151.362.082)</b>	<b>(138.262.306)</b>
1- Fund Management Expenses (-)		(22.808.851)	(20.693.853)
2- Decrease in Market Value of Capital Commitment Advances (-)		-	-
3- Operating Expenses (-)	32	(115.486.981)	(107.582.880)
4- Other Technical Expenses (-)		(13.066.250)	(9.995.571)
<b>I- Private Retirement Technical Profit/(Loss) (G - H)</b>	<b>5</b>	<b>94.782.294</b>	<b>64.634.251</b>

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

# GARANTİ EMEKLİK VE HAYAT ANONİM ŞİRKETİ

## INCOME STATEMENT FOR THE YEAR

ENDED 31 DECEMBER 2017

(Currency: Turkish Lira (TL)) Originally Issued in Turkish, See Note 2.1.1

Convenience Translation of  
Financial Statements  
and Related Disclosures and Footnotes

	Note	Audited Current Period 1 January- 31 December 2017	Audited Prior Period 1 January- 31 December 2016
<b>II-NON-TECHNICAL</b>			
<b>C- Non Life Technical Net Profit (A-B)</b>	5	(7.392)	(4.086)
<b>F- Life Technical Profit/ (Loss) (D – E)</b>		183.767.543	142.272.619
<b>I- Private Pension Technical Profit/(Loss) (G – H)</b>		94.782.294	64.634.251
<b>J- General Technical Net Profit (C+F+I)</b>		278.542.445	206.902.784
<b>K- Investment Income</b>	5	164.587.616	136.649.420
1- Income from Financial Investments		129.673.880	114.442.688
2- Income from Sale of Financial Investments		-	-
3- Valuation of Financial Investments		32.974.713	14.777.864
4- Foreign Exchange Gains		1.939.023	7.428.868
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		-	-
<b>L- Investment Expenses (-)</b>		(35.300.383)	(30.389.650)
1- Investment Management Expenses (Including Interest)	4,2	(69.365)	(20.499)
2- Valuation Allowance of Investments		-	-
3- Losses On Sales of Investments		-	(178.812)
4- Investment Income Transferred to Life Technical Part		-	-
5- Losses from Derivatives		-	-
6- Foreign Exchange Losses		-	-
7- Depreciation and Amortization Expenses	6, 8	(24.970.083)	(22.543.586)
8- Other Investment Expenses	4,2	(10.260.935)	(7.646.753)
<b>M- Other income and Expenses (+/-)</b>		(701.217)	(5.140.222)
1- Provisions Account	47	(7.181.796)	(5.690.965)
2- Discount Account		(846.906)	634.746
3- Specialty Insurances Account		-	-
4- Inflation Adjustment Account		-	-
5- Deferred Tax Asset Accounts	21, 35	7.268.961	-
6- Deferred Tax Liability Accounts		-	(163.872)
7- Other Income and Revenues		245.804	251.509
8- Other Expense and Losses		(187.280)	(171.840)
9- Prior Period Income		-	-
10- Prior Period Losses		-	-
<b>N- Net Profit / (Loss)</b>		320.655.002	245.772.865
1- Profit/(Loss) Before Tax		407.128.461	308.022.332
2- Corporate Tax Charge (-)	35	(86.473.459)	(62.249.467)
3- Net Profit/(Loss) for the Period		320.655.002	245.772.865
4- Inflation Adjustment Account		-	-

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

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## CHANGE IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

(Currency: Turkish Lira (TL)) Originally issued in Turkish, See Note 2.1.1

Convenience Translation of  
Financial Statements  
and Related Disclosures and Footnotes

### Audited Statement of Changes in Equity - 31 December 2016

	Note	Inflation					Statutory Reserves	Other Reserves and Retained Earnings	Net Profit (Loss) for the Period	Previous Year's Profits / Losses	Total
		Treasury Shares	Valuation of Financial Assets	Adjustment on Shareholders' Equity	Translation Reserves	Legal Reserves					
<b>I - Opening Balance of Prior Period (1 January 2016)</b>	15	50.000.000	430.510	3.084.445	-	10.000.000	813.462.355	190.907.777	-	1.067.886.087	
A-Capital increase	-	-	-	-	-	-	-	-	-	-	
B-Change in treasury shares	-	-	-	-	-	-	-	-	-	-	
C-Income / (expense) recognized directly in the equity	-	-	(192.912)	-	-	-	(62.139)	-	-	(54.139)	
D-Value increase/(decrease) in financial assets	-	-	-	-	-	-	-	-	-	(92.912)	
E-Translation reserves	-	-	-	-	-	-	-	-	-	-	
F-Other income / (expense)	-	-	-	-	-	-	-	-	-	-	
G-Inflation adjustment differences	-	-	-	-	-	-	-	245.772.865	-	245.772.865	
H-Net profit for the period	-	-	-	-	-	-	-	190.907.777	-	190.907.777	
I-Dividends distributed	-	-	-	-	-	-	-	1.004.317.994	-	1.004.317.994	
J-Transfer	-	-	237.598	3.084.445	-	10.000.000	-	-	-	133.412.902	
<b>II - Closing Balance at (31 December 2016) (I + A + B + C + D + E + F + G + H + I + J)</b>		50.000.000	237.598	3.084.445	-	10.000.000	-	245.772.865	-	1.333.412.902	

### Audited Statement of Changes in Equity - 31 December 2017

	Note	Inflation					Statutory Reserves	Other Reserves and Retained Earnings	Net Profit (Loss) for the Period	Previous Year's Profits / Losses	Total
		Treasury Shares	Valuation of Financial Assets	Adjustment on Shareholders' Equity	Translation Reserves	Legal Reserves					
<b>I - Opening Balance of Prior Period (1 January 2017)</b>	15	50.000.000	237.598	3.084.445	-	10.000.000	1.004.317.994	245.772.865	-	1.333.412.902	
A-Capital increase	-	-	-	-	-	-	-	-	-	-	
B-Change in treasury shares	-	-	-	-	-	-	-	-	-	-	
C-Income / (expense) recognized directly in the equity	-	-	-	-	-	-	(657.293)	-	-	(657.293)	
D-Value increase/(decrease) in financial assets	-	-	55.808	-	-	-	-	-	-	55.808	
E-Translation reserves	-	-	-	-	-	-	-	-	-	-	
F-Other income / (expense)	-	-	-	-	-	-	-	-	-	-	
G-Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	
H-Net profit for the period	-	-	-	-	-	-	-	320.655.002	-	320.655.002	
I-Dividends distributed	-	-	-	-	-	-	-	245.772.865	-	245.772.865	
J-Transfer	-	-	283.495	3.084.445	-	10.000.000	-	-	-	1.249.833.131	
<b>II - Closing Balance at (31 December 2017) (I + A + B + C + D + E + F + G + H + I + J)</b>		50.000.000	283.495	3.084.445	-	10.000.000	-	320.655.002	-	1.633.865.984	

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



# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

(Currency: Turkish Lira (TL)) Originally Issued in Turkish, See Note 2.1.1

*Convenience Translation of  
Financial Statements  
and Related Disclosures and Footnotes*

	Note	Audited Current Period 1 January- 31 December 2017	Audited Prior Period 1 January- 31 December 2016
<b>A. Cash Flows From The Operating Activities</b>			
1. Cash inflows from the insurance operations		611,431,781	474,108,824
2. Cash inflows from the reinsurance operations		-	-
3. Cash inflows from the private pension operations		802,003,742	632,905,085
4. Cash outflows due to the insurance operations (ç)		(336,213,207)	(263,400,844)
5. Cash outflows due to the reinsurance operations (ç)		-	-
6. Cash outflows due to the private pension operations (ç)		(675,793,010)	(513,817,540)
7. Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)		401,429,306	329,795,525
8. Interest payments		-	-
9. Income tax payments		(76,312,653)	(65,645,638)
10. Other cash inflows		41,472,204	17,482,818
11. Other cash outflows		(748,073,377)	(198,836,721)
12. Net cash generated from the operating activities		(381,484,520)	82,795,984
<b>B. Cash Flows From The Investing Activities</b>			
1. Sale of tangible assets		-	-
2. Purchase of tangible assets	6,8	(24,513,245)	(2,808,240)
3. Acquisition of financial assets	11	(29,081)	(2,875,875)
4. Sale of financial assets	11	3,072,514	14,635,907
5. Interest received		164,650,861	129,709,213
6. Dividends received		-	-
7. Other cash inflows		1,398,317	3,426,904
8. Other cash outflows (ç)		(14,406,853)	(35,086,304)
9. Net cash generated from the investing activities		130,172,513	107,001,605
<b>C. Cash Flows From The Financing Activities</b>			
1. Issue of equity shares		-	-
2. Cash inflows from borrowings		-	-
3. Payments of financial leases		(609,752)	414,859
4. Dividends paid		-	-
5. Other cash inflows		-	-
6. Other cash outflows		-	-
7. Cash generated from the financing activities		(609,752)	414,859
<b>D. Effects of Exchange Rate Differences on Cash and Cash Equivalents</b>		<b>2,480,456</b>	<b>6,833,457</b>
<b>E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)</b>		<b>(249,441,303)</b>	<b>197,045,905</b>
<b>F. Cash and cash equivalents at the beginning of the period</b>	14	<b>539,303,084</b>	<b>342,257,179</b>
<b>G. Cash and cash equivalents at the end of the period (E+F)</b>	14	<b>289,861,781</b>	<b>539,303,084</b>

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

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2017

(Currency: Turkish Lira (TL)) Originally Issued in Turkish, See Note 2.1.1

Convenience Translation of  
Financial Statements  
and Related Disclosures and Footnotes

	Audited Current Period Note 31 December 2017	Audited Prior Period 31 December 2016
<b>I. DISTRIBUTION OF PROFIT FOR THE PERIOD <sup>o</sup></b>		
1.1. PROFIT FOR THE PERIOD	407,128,461	308,022,332
1.2. TAXES PAYABLE AND LEGAL LIABILITIES	(86,473,459)	(62,249,467)
1.2.1. Corporate Tax (Income Tax)	(86,473,459)	(62,249,467)
1.2.2. Income Tax Deduction	-	-
1.2.3. Other Taxes And Legal Liabilities	-	-
<b>A NET PROFIT FOR THE PERIOD (1.1 – 1.2)</b>	<b>320,655,002</b>	<b>245,772,865</b>
1.3. PREVIOUS YEARS' LOSSES (-)	-	-
1.4. FIRST LEGAL RESERVE	-	-
1.5. COMPULSORY LEGAL FUNDS TO BE RETAINED IN THE COMPANY (-)	-	-
<b>B NET PROFIT FOR THE PERIOD AVAILABLE FOR DISTRIBUTION [ (A - (1.3 + 1.4 + 1.5) ]</b>	<b>320,655,002</b>	<b>245,772,865</b>
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	-	245,772,865
1.14. OTHER RESERVES	-	-
1.15. SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION FROM RESERVES</b>	<b>-</b>	<b>-</b>
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 (-)	-	-
<b>III. PROFIT PER SHARE</b>	<b>-</b>	<b>-</b>
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 (%)	-	-
<b>IV. DIVIDENDS PER SHARE</b>	<b>-</b>	<b>-</b>
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 (%)	-	-

<sup>o</sup> As the statement of profit distribution to be authorized by the General Assembly is not determined by the Board of Directors yet, only the net profit available for distribution is presented in the statement of profit distribution for the year 2017.

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

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

#### 1 General information

##### 1.1 Parent Company and the Ultimate Owner of the Company

As at 31 December 2017, the shareholder having direct or indirect control over the shares of Garanti Emeklilik ve Hayat Anonim Şirketi ("the Company") is Türkiye Garanti Bankası AŞ ("Garantibank") by 84,91% of the outstanding shares of the Company. Other shareholder having significant influence over the Company management is Achmea BV, Netherlands based Company, by 15,00% participation ratio.

##### 1.2 The Company's address and legal structure and address of its registered country and registered office (or, if the Company's address is different from its registered office, the original location where the Company's actual operations are performed)

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

##### 1.3 Main Operations of the Company

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

On 14 November 2002, the Company applied for conversion from life insurance company to private pension company in accordance with the 2nd clause of 1st Temporary Article of Law No.4632 on Private Pension Savings and Investment System issued in 7 April 2001 dated 4632 numbered Official Gazette. The conversion was approved by T.C. 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.

The Company has thirty-three pension mutual funds as of 31 December 2017 (31 December 2016: twenty-three pension mutual funds).

Within the framework of the Fund Portfolio Management Service Agreement signed between the parties, 32 pension mutual funds are managed by Garanti Portföy Yönetimi A.Ş., 1 pension investment fund is managed by Deniz Portföy Yönetimi A.Ş..

##### 1.4 Details of the Company's operations and nature of field activities

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

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

### 1 General information (continued)

#### 1.5 Average number of the Company's personnel based on their categories

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

	31 December 2017	31 December 2016
Key management personnel	7	7
Other personnel	810	872
<b>Total</b>	<b>817</b>	<b>879</b>

#### 1.6 Remuneration and fringe benefits provided to top management

As of 31 December 2017, 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 5,923,779. (31 December 2016: TL 6,977,247).

#### 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 did not prepare consolidated financial statements as at and for the year ended 31 December 2017.

#### 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.

# GARANTİ EMEKLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

#### 1 General information (continued)

##### 1.10 Subsequent events

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

#### 2 Summary of Significant Accounting Policies

##### 2.1 Basis of Preparation

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

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

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

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

###### Additional paragraph for convenience translation to English

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

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

###### Preparation of Financial Statements in Hyperinflationary Periods

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

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

## 2 Summary of Significant Accounting Policies (continued)

### 2.1 Basis of Preparation (continued)

#### 2.1.2 Other accounting policies appropriate for the understanding of the financial statements (continued)

Other accounting policies

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

#### 2.1.3 Functional and presentation currency

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

#### 2.1.4 Rounding level of the amounts presented in the financial statements

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

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

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

#### 2.1.6 Accounting policies, changes in accounting estimates and errors

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

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

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

As of 31 December 2016, the reclassifications described below have been performed in the reported financial statements:

- The more than three months long term deposits amounting to TL 1,142,123,649 and blocked cash and cash equivalents accounted under “Cash and cash equivalents” account are not included in the cash flow statement on the comparative financial statements.

## 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.

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

## 2 Summary of Significant Accounting Policies (continued)

### 2.4 Reserves in Foreign Currencies

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

### 2.5 Property, Plant and Equipment

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

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net carrying value and the proceeds from the disposal of related tangible assets and reflected to the statement of income of the related period.

Maintenance and repair costs incurred in the ordinary course of the business are recorded as expense.

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

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

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

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

Depreciation rates and estimated useful lives are as follows:

<b>Tangible Assets</b>	<b>Estimated Useful Lives (years)</b>	<b>Depreciation (%)</b>
Furniture and fixture	3-10	10-33
Other tangible assets (including leasehold improvements)	5-20	5-20
Tangible assets acquired through finance leasing	4	25

### 2.6 Investment Properties

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

### 2.7 Intangible assets

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

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

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

## 2 Summary of Significant Accounting Policies (continued)

### 2.8 Financial assets

#### Classification and measurement

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

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

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

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

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

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

Held-to-maturity investments are measured at amortized cost using effective interest method less impairment losses, if any.

Available-for-sale financial assets are the financial assets other than assets held for trading purposes, held-to-maturity investments and loans and receivables.

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

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



# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency:Turkish Lira (TL))

## 2 Summary of Significant Accounting Policies (continued)

### 2.8 Financial assets (continued)

#### 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 2017, total amount of loans to the policyholders amounts to TL 136.280 (31 December 2016: TL 112.222).

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 2017, 95% of the difference between fair values and amortized costs of those assets backing liabilities amounted to TL 3,366.721 (31 December 2016: TL 2,579.369) is recorded in life mathematical provisions.

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

#### Derecognition

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

### 2.9 Impairment on assets

#### Impairment on financial assets

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

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

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

#### 2 Summary of Significant Accounting Policies (continued)

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

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

#### Impairment of Assets

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

#### 2.10 Derivative financial instruments

As at balance sheet date of December 31, 2017 and December 31, 2016, the Company does not hold any derivative financial instruments.

#### 2.11 Offsetting of financial assets

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

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

#### 2.12 Cash and cash equivalents

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

#### 2.13 Share capital

As of December 31, 2017 and December 31, 2016, the shareholder having direct or indirect control over the shares of Garanti Emeklilik ve Hayat Anonim Şirketi ("the Company") is Türkiye Garanti Bankası AŞ ("Garantibank") by 84,91% of the outstanding shares of the Company. Other shareholder having significant influence over the Company management is Achmea BV, Netherlands based company, by 15,00% participation ratio.

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2017

(Currency:Turkish Lira (TL))

### 2 Summary of Significant Accounting Policies (continued)

#### 2.13 Share capital (continued)

As of 31 December 2017 and 2016, the share capital and ownership structure of the Company are as follows:

	31 December 2017		31 December 2016	
	Nominal Value of the Shares (TL)	Percentage (%)	Nominal Value of the Shares (TL)	Percentage (%)
Türkiye Garanti Bankası A.Ş.	42.456.629	84,91	42.456.190	84,91
Achmea BV	7.500.000	15,00	7.500.000	15,00
Eureko Sigorta A.Ş.	43.371	0,09	43.371	0,09
Other	-	-	439	0,001
<b>Paid-in Capital</b>	<b>50.000.000</b>	<b>100.00</b>	<b>50.000.000</b>	<b>100.00</b>

In accordance with the Board of Directors' decision dated September, 21 2017 and numbered 485, amounts representing 0,0059% of the issued capital of the Company are fully paid in shares was transferred by Garanti Hizmet Yönetimi A.Ş., Garanti Kültür A.Ş. and Garanti Ödeme Sistemleri A.Ş. to Türkiye Garanti Bankası A.Ş.

Capital increase and sources during the year: None.

Privileges on common shares representing share capital: None.

Registered capital system in the Company: None.

Repurchased own shares by the Company: None.

#### 2.14 Insurance and investment contracts - classification

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

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

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.14 Insurance and investment contracts – classification (continued)

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.

### 2.15 Insurance contracts and investment contracts with discretionary participation feature

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

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

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

### 2.16 Investment contracts without DPF

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

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

### 2.17 Liabilities

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

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

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency:Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.18 Taxes

#### Corporate tax

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

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

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

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

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

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

#### Deferred tax

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

Deferred tax assets and liabilities are reported as net in the financial statements if, and only if, the Company has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity. If transactions and events are recorded in the statement of operations, then the related tax effects are also recognized in the statement of operations. However, if transactions and events are recorded directly in the shareholders' equity, the related tax effects are also recognized directly in the shareholders' equity.

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.18 Taxes(continued)

#### Transfer pricing

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

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

### 2.19 Employee termination benefits

#### Provision for employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at December, 31 2017 is TL 4,732 (December, 31 2016: TL 4,297).

The Company reserved for employee severance indemnities using actuarial method in compliance with the TAS 19 - Employee Benefits. The major actuarial assumptions used in the calculation of the total liability as at December, 31 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Interest Rate	8,40%	7,80%
Expected Rate of Salary/Limit Increase	8,40%	7,80%
Discount Rate	11,70%	11,20%

#### Other benefits

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

### 2.20 Provisions, contingent assets and liabilities

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

# GARANTİ EMEKLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.20 Provisions, contingent assets and liabilities (continued)

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.

#### Received and paid commissions

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

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

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

#### Interest income and expense

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

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

#### Trading income/expense

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

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

## 2 Summary of Significant Accounting Policies (continued)

### 2.21 Revenue recognition (continued)

#### Dividends

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

#### Income from private pension operations

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

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

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

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

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

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

### 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.



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## 2 Summary of Significant Accounting Policies (continued)

### 2.23 Dividend distribution

At the Annual General Meeting held on May, 2 2017, it has been resolved transferring to net profit of 2016 to reserves instead of distributing as dividend.

### 2.24 Reserve for unearned premiums

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

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

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

### 2.25 Reserve for unexpired risks

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

If the estimated claim premium ratio for each branch is above 95%, the amount exceeding 95% is multiplied by the net unearned premium reserve, the excess over 95% is offset against gross unearned premium reserve is included in the financial statements as gross ongoing risk provision. As a result of the related test, the Company does not have any continuing risks to be set aside as of December, 31 2017 and December, 31 2016.

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

Besides, according to the circular on discounting net cash flows arising from outstanding claims provision, which was published by the Undersecretariat of Treasury on 10 June 2016 and whose effective date was 30 June 2016, insurance companies will be able to discount the net cash flows that will stem from the outstanding claims provision that they have calculated and set aside in accordance with insurance legislation in line with the terms and conditions set out in the circular.

The Company does not apply the gradual transition and discount on the incurred but not reported claim provision (IBNR) account and therefore does not make any further adjustments in the provision for unexpired risks reserve.

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## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

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## 2 Summary of Significant Accounting Policies (continued)

### 2.26 Provision for outstanding claims

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

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

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

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

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

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

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

Accordingly, as of December, 31 2017, the Company has provided TL 3.226.107 of net outstanding claims provision in relation to incurred but not reported claims in its financial statements (December, 31 2016: TL 5.181.582).

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.

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

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## 2 Summary of Significant Accounting Policies (continued)

### 2.27 Mathematical provisions

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

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

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

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

### 2.28 Equalization reserve

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

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.

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## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

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## 2 Summary of Significant Accounting Policies (continued)

### 2.28 Equalization reserve (continued)

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.

### 2.29 Related parties

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

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

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

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

### 2.30 Earnings per share

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

### 2.31 Events after the reporting period

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

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

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## 2 Summary of Significant Accounting Policies (continued)

### 2.32 Standards and interpretations issued but not yet effective

#### Standards issued but not yet effective and not early adopted

New standards, interpretations and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Company has not early adopted are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 issued in May 2014 replaces existing IFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which companies expect to be entitled, rather than fair value and new guidance have been introduced on separating performance obligations for goods and services in a contract and recognition of revenue over time. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the application of TFRS 15.

#### IFRS 9 Financial Instruments

The last version of IFRS 9, issued in July 2014, replaces the existing guidance in IAS 39 *“Financial Instruments: Recognition and Measurement”*. It also carries forward the guidance on recognition, classification, measurement and derecognition of financial instruments from IAS 39 to IFRS 9. The last version of IFRS 9 includes a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements and also includes guidance issued in previous versions of IFRS 9. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company has performed an initial assessment on these financial assets and liabilities and does not expect that there will be a significant impact on its financial statements resulting from the application of IFRS 19.

*The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA*

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

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## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

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## 2 Summary of Significant Accounting Policies (continued)

### 2.32 Standards and interpretations issued but not yet effective (continued)

#### Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

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

#### IFRS 16 Leases

On 13 January 2016, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 *Investment Properties*. IFRS 16 *Leases* eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

#### IFRS 17 –Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly international standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 17.

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

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### 3 Critical accounting estimates and judgments

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

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

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

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

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

### 4 Management of insurance and financial risk

#### 4.1 Management of insurance risk

##### Pricing policies

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

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

When the distribution of the products in accordance with the premiums written for each product within last one year is analysed it is observed that premiums written for saving products and premiums written for one year term life products have decreased, on the other hand premiums written for long term life products have increased. Pricing of the products by considering high profitability has protective effect on the future performance of the Company.

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

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#### 4 Management of insurance and financial risk (continued)

##### 4.1 Management of insurance risk (continued)

###### Pricing policies (continued)

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 2017		31 December 2016	
	Insurance risk (TL)	Unit	Insurance risk (TL)	Unit
Death	46.255.078.624	2.300.369	39.279.476.075	2.269.561
Disability due to accident	31.217.617.039	1.989.600	25.384.565.755	1.973.437
Disability due to illness	14.702.216.177	1.225.354	10.397.754.690	970.540
Critical illness	913.536.052	32.613	1.195.130.305	44.268
Treatment costs due to accident	371.964.787	4.708	260.910.603	2.669
Involuntary unemployment	157.167.850	92.993	230.076.555	137.401
Death due to accident	139.334.861	79.891	164.482.448	95.458
Unemployment/Daily hospital benefit	95.696.240	241.938	87.860.321	240.224
Permanent disability benefit	7.030.861	270	9.609.320	382
Unemployment/ Temporary disability benefit	76.500	304	100.500	400

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.

###### 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.



# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

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#### 4 Management of insurance and financial risk (continued)

##### 4.1 Management of insurance risk (continued)

###### 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.

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

- i) Financial strength,
- ii) Long-term business relationship approach,
- iii) Competitive prices and different product combinations,
- iv) Capacity provided for facultative and un-proportional (catastrophic) reinsurance contracts,
- v) Opportunities and information provided in risk assessment process, product development, trainings, information about new developments in the sector and etc.

Performance of the reinsurance companies in treaty agreements is evaluated for each year by considering the payment performance of the reinsurers for the claims paid and other due payables to the Company. Performance of the reinsurance companies in facultative agreements is evaluated by considering capacity provided to the Company, speed in operational reinsurance transactions, and technical and market information provided to the Company. In case where the performance of the reinsurer is not assessed as adequate, the Company decides on to engage with alternative reinsurance companies.

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

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#### 4 Management of insurance and financial risk (continued)

##### 4.1 Management of insurance risk (continued)

Reinsurance companies (continued)

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’s engagement quota share reinsurance treaties with 100% reinsurance share ratio with BNP Paribas Cardif Hayat Sigorta AŞ (“Cardif”) is continued in 2017.

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	2017	A+	Stable	07.12.2017
Scor Global Life	AA-	Stable	07.09.2015	A+	Stable	01.09.2017
RGA	AA-	Stable	01.06.2016	A+	Stable	10.06.2016
Bnp Paribas Cardif	A	Stable	31.07.2017	A+	Stable*	28.09.2017*
Financial Ins.Co.	A+	Stable	27.10.2016			
Arch Re	A+	Negative	2017	A+	Stable	2017

<sup>\*)</sup> Since the A.M. best rating is not available for BNP Cardif Fitch rating is presented.

The Company’s ratings, provide information about the tracking the financial structure of companies, allow monitoring the sustainability of long term business relationship, and the minimum capital determination is done related to the communiques on financial structure and capital adequacy of insurance, reinsurance and pension fund companies.

# GARANTİ EMEKLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

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#### 4 Management of insurance and financial risk (continued)

##### 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
- investment with risks on policyholders
- premium receivables from policyholders
- receivables from intermediaries(agencies)
- private pension operations and receivables from pension investment funds and participants
- receivables from reinsurance companies related to claims paid and commissions accrued
- reinsurance shares of insurance liabilities
- due from related parties
- other receivables

Financial assets subject to credit risk of the company mainly consist of Eurobonds issued by the Republic of Turkey Government and private sector bills; time and demand deposits held in banks and financial institutions of Turkey. These receivables are not to be considered as having high credit risk.

Reinsurance contracts are the most common method to manage insurance risk. This does not, however, discharge the Company's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholders. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of the reinsurance contract.

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

#### 4 Management of insurance and financial risk (continued)

##### 4.2 Financial risk management (continued)

Credit risk (continued)

Net carrying value of the assets that is exposed to credit risk is shown in the table below:

	31 December 2017	31 December 2016
Cash and cash equivalents (Note 14)	2.140.945.542	1.684.432.635
Financial assets and financial investments with risks on policyholders (Note 11)	20.683.953	21.802.699
Receivables from main operations (Note 12)	12.008.874.100	9.600.088.894
Reinsurer share in outstanding claims reserve (Note 10), (Note 17)	13.560.797	10.109.837
Other receivables (Note 12)	80.437	7.684
<b>Total</b>	<b>14.184.144.829</b>	<b>11.316.441.749</b>

<sup>○</sup> Stock shares amounting to TL 292,304 are not included (December, 31 2016: 263,223 TL).

As of December, 31 2017 and December, 31 2016, the aging of receivables from main operations is as follows:

	31 December 2017		31 December 2016	
	Gross amount	Provision <sup>(○)</sup>	Gross amount	Provision <sup>(○)</sup>
Not past due	12.010.901.314	-	9.577.414.836	-
Past due 0-30 days	6.839.088	-	7.066.190	-
Past due 31-60 days	647.386	-	555.605	-
Past due 61-180 days	543.985	-	3.531.258	-
Past due 181-365 days	207.419	-	2.245.924	-
More than one year	15.012.108	-	14.678.072	-
<b>Total</b>	<b>12.034.151.300</b>	<b>(25.277.200)</b>	<b>9.605.491.885</b>	<b>(5.402.991)</b>

<sup>○</sup> Provision for the impairment of entrance fees which could not be collected yet and other receivables related to the pension operations amounted to TL 25,184,323 (December, 31 2016: TL 5,348,644), presented as netted off from receivables from private pension operations in the accompanying financial statements

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

### 4 Management of insurance and financial risk (continued)

#### 4.2 Financial risk management (continued)

The Company reserves a provision for the overdue amounts in the receivables receivable that are accrued at the entrance and which will be collected by installments up to a maximum of 12 months.

The movement of receivables from insurance and pension activities during the period is as follows:

	1 January – 31 December 2017	1 January – 31 December 2016
Provision for receivables from insurance and private pension operations at the beginning of the year	(5,402,991)	(5,143,286)
Provision (provided) / released during the year	(19,874,209)	(259,705)
Provision for receivables from insurance and private pension operations at the end of the year	(25,277,200)	(5,402,991)

#### 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 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.

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

### 4 Management of insurance and financial risk (continued)

#### 4.2 Financial risk management (continued)

##### Liquidity risk (continued)

The remaining maturities of monetary assets and liabilities are as follows:

31 December 2017	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
<b>Cash and cash equivalents</b>	<b>2.140.945.542</b>	-	<b>16.944.399</b>	<b>238.826.624</b>	<b>45.690.515</b>	<b>540.007.228</b>	<b>1.299.476.776</b>	-
Financial assets and financial investments with risks on policyholders	20.976.257	292.304	-	-	-	4.688.510	-	16.015.443
Receivables from main operations	12.008.874.100	11.940.416.944	-	31.719.547	17.898.394	14.329.015	4.510.200	-
Due from related parties	-	-	-	-	-	-	-	-
Other receivables	76.252	-	-	76.252	-	-	-	-
Prepaid expenses and income accruals	31.954.652	-	-	5.004.923	8.326.192	9.307.428	9.316.109	-
Other current assets	8.696	-	-	-	8.696	-	-	-
Deposits and guarantees given	4.185	-	-	-	-	-	-	4.185
<b>Total assets</b>	<b>14.202.839.884</b>	<b>11.940.709.248</b>	<b>16.944.399</b>	<b>275.627.346</b>	<b>71.923.797</b>	<b>568.312.181</b>	<b>1.313.303.085</b>	<b>16.019.628</b>
Financial liabilities	197.713	-	-	48.441	98.743	50.529	-	-
Payables arising from main operations	121.442.251.395	11.950.440.252	-	175.389.155	121.442.357	4.583.499	1.696.132	-
Due to related parties	8.325.915	-	-	8.325.915	-	-	-	-
Other liabilities	2.592.275	-	-	2.592.275	-	-	-	-
Insurance technical provisions <sup>Ø</sup>	36.264.984	36.264.984	-	-	-	-	-	-
Provisions for taxes and other similar obligations	21.635.348	-	-	21.635.348	-	-	-	-
Provisions for other risks	10.905.800	-	-	-	-	-	-	2,368.886
Other Deferred Income and Expense Accruals	24.187.657	16.377.106	-	1.216.472	2.048.304	2.419.983	2.125.792	-
<b>Total liabilities</b>	<b>12.248.361.087</b>	<b>12.003.082.342</b>	-	<b>209.207.606</b>	<b>14.289.404</b>	<b>7.054.011</b>	<b>6.190.810</b>	<b>8.536.914</b>

<sup>Ø</sup> Provision for outstanding claims is presented in the unallocated column in the table above.

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

### 4 Management of insurance and financial risk (continued)

#### 4.2 Financial risk management

##### Liquidity risk (continued)

31 December 2016	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	1,684,432,635	-	14,120,620	542,839,408	130,691,825	68,981,282	927,799,500	-
Financial assets and financial investments with risks on policyholders	22,065,922	263,223	-	-	3,072,514	-	-	18,730,185
Receivables from main operations	9,600,088,894	9,529,264,400	-	33,955,414	16,810,116	14,688,723	5,370,241	-
Due from related parties	-	-	-	-	-	-	-	-
Other receivables	2,806	-	-	2,806	-	-	-	-
Prepaid expenses and income accruals	35,482,536	-	-	4,765,183	8,855,761	10,477,682	11,383,910	-
Other current assets	30,580	-	-	-	30,580	-	-	-
Deposits and guarantees given	4,878	-	-	-	-	-	-	4,878
<b>Total assets</b>	<b>11,342,108,251</b>	<b>9,529,527,623</b>	<b>14,120,620</b>	<b>581,562,811</b>	<b>159,460,796</b>	<b>94,147,687</b>	<b>944,553,651</b>	<b>18,735,063</b>
Financial liabilities	738,100	-	-	42,073	86,908	132,030	279,376	197,713
Payables arising from main operations	9,703,886,525	9,523,957,136	-	16,187,381	11,345,909	4,560,126	2,165,973	-
Due to related parties	7,460,176	-	-	7,460,176	-	-	-	-
Other liabilities	1,759,407	-	-	1,759,407	-	-	-	-
Insurance technical provisions <sup>†</sup>	271,139,726	271,139,726	-	-	-	-	-	-
Provisions for taxes and other similar obligations	12,074,509	-	-	12,074,509	-	-	-	-
Provisions for other risks	8,793,803	-	-	-	-	-	1,541,660	725,143
Other Deferred Income and Expense Accruals	18,171,301	3,000,000	-	8,484,775	1,940,786	2,416,957	2,328,783	-
<b>Total liabilities</b>	<b>9,780,022,547</b>	<b>9,554,096,862</b>	<b>-</b>	<b>191,678,321</b>	<b>13,373,603</b>	<b>71,091,113</b>	<b>6,315,792</b>	<b>7,448,856</b>

<sup>†</sup>Provision for outstanding claims is presented in the unallocated column in the table above.

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

#### 4 Management of insurance and financial risk (continued)

##### 4.2 Financial risk management (continued)

###### Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

###### Currency risk

The Company is exposed to currency risk through its transactions denominated in foreign currencies.

Foreign exchange gains and losses due to foreign currency denominated transactions are recognized in the period of the transaction. Monetary assets and liabilities denominated in foreign currencies are measured at the exchange rates ruling at balance sheet date with the resulting exchange differences recognized in the statement of income as foreign exchange gains or losses.

The Company's exposure to foreign currency risk is as follows:

31 December 2017	US Dollar	Euro	Other Currencies	Total
Cash and cash equivalents	30.911.177	3.265.802	5.562	34.182.541
Financial assets and financial investments with risks on policyholders	20.683.953	-	-	20.683.953
Receivables from main operations	4.121.258	72.435	-	4.193.693
<b>Total foreign currency denominated assets</b>	<b>55.716.388</b>	<b>3.338.237</b>	<b>5.562</b>	<b>59.060.187</b>
Payables arising from main operations	(686.133)	(22.932)	(2)	(709.067)
Insurance technical provisions	(6.955.544)	(1.012.863)	(375)	(7.968.782)
Investment contract liabilities	(26.575.913)	(2.992.903)	-	(29.568.816)
<b>Total foreign currency denominated liabilities</b>	<b>(34.217.590)</b>	<b>(4.028.698)</b>	<b>(377)</b>	<b>(38.246.665)</b>
<b>Net financial position</b>	<b>21.498.798</b>	<b>(690.461)</b>	<b>5.185</b>	<b>20.813.522</b>

31 December 2016	US Dollar	Euro	Other Currencies	Total
Cash and cash equivalents	32.054.611	25.991	185.556	32.266.158
Financial assets and financial investments with risks on policyholders	18.730.185	3.072.514	-	21.802.699
Receivables from main operations	11.647.131	90.768	-	11.737.899
<b>Total foreign currency denominated assets</b>	<b>62.431.927</b>	<b>3.189.273</b>	<b>185.556</b>	<b>65.806.756</b>
Payables arising from main operations	(1.532.978)	(63.940)	(1)	(1.596.919)
Insurance technical provisions	(6.052.127)	(981.269)	(747)	(7.034.143)
Investment contract liabilities	(25.517.979)	(2.524.536)	-	(28.042.515)
<b>Total foreign currency denominated liabilities</b>	<b>(33.103.084)</b>	<b>(3.569.745)</b>	<b>(748)</b>	<b>(36.673.577)</b>
<b>Net financial position</b>	<b>29.328.843</b>	<b>(380.472)</b>	<b>184.808</b>	<b>29.133.179</b>

TL equivalents of the related foreign currency amounts are shown in order to evaluate the above table.



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## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

#### 4 Management of insurance and financial risk (continued)

##### 4.2 Financial risk management (continued)

Market risk (continued)

##### Currency risk (continued)

Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are measured as TL at the purchasing exchange rates announced by the Central Bank of Turkey ruling at December, 31 2017 and December, 31 2016. 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:

<b>31 December 2017</b>	<b>US Dollar</b>	<b>Euro</b>
Foreign currency rate used in translation of balance sheet items	3,7719	4,5155
Foreign currency rates used in calculation of life mathematical provision and loans to the policyholders	3,7843	4,5305
<b>31 December 2016</b>	<b>US Dollar</b>	<b>Euro</b>
Foreign currency rate used in translation of balance sheet items	3,5192	3,7099
Foreign currency rates used in calculation of life mathematical provision and loans to the policyholders	3,5308	3,7222

##### Exposure to currency risk

A 10 percent devaluation of the TL against the following currencies as at December, 31 2017 and December, 31 2016 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.

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>Profit or loss</b>	<b>Equity<sup>(*)</sup></b>	<b>Profit or loss</b>	<b>Equity<sup>(*)</sup></b>
US Dollar	2.116.427	2.149.879	2.908.419	2.932.884
Euro	(72.269)	(69.046)	(43.282)	(38.047)
Others	520	519	18.481	18.481
<b>Total, net</b>	<b>2.044.678</b>	<b>2.081.352</b>	<b>2.883.618</b>	<b>2.913.318</b>

<sup>(\*)</sup>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.

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

#### 4 Management of insurance and financial risk (continued)

##### 4.2 Financial risk management (continued)

###### Market risk (continued)

###### Exposure to interest rate risk (continued)

As at balance sheet date, the interest rate profile of the Company's interest earning financial assets and interest bearing financial liabilities are detailed below:

	31 December 2017	31 December 2016
Banks (time deposit) (Note 14)	1.973.205.215	1.526.064.710
Financial investments with risks on policyholders - Available for sale financial assets - Eurobonds (Note 11)	20.683.953	21.802.699
Loans to the policyholders (Note 12)	136.280	112.222
Financial liabilities (Note 20)	197.713	738.100

###### Interest rate sensitivity of financial instruments

Interest rate sensitivity of the statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the net interest income as at and for the year ended December, 31 2017 and December, 31 2016 of the floating rate non-trading financial assets and financial liabilities held at December, 31 2017 and December, 31 2016. Interest rate sensitivity of equity is calculated by revaluing available-for-sale financial assets at December, 31 2017 and December, 31 2016 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.

	Statement of income		Equity <sup>(*)</sup>	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>31 December 2017</b>				
Financial investments with risks on policyholders (Available for sale financial assets)	-	-	(49.517)	54.281
<b>Total, net</b>	-	-	<b>(49.517)</b>	<b>54.281</b>

	Statement of income		Equity <sup>(*)</sup>	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>31 December 2016</b>				
Financial investments with risks on policyholders (Available for sale financial assets)	-	-	(48.225)	52.956
<b>Total, net</b>	-	-	<b>(48.225)</b>	<b>52.956</b>

<sup>(\*)</sup> Equity effect also includes 100 base point (bp) effect of increase and decrease in interest rates on profit or loss.

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

### 4 Management of insurance and financial risk (continued)

#### 4.2 Financial risk management (continued)

Market risk (continued)

##### Fair value information

The estimated fair values of financial instruments have been determined using available market information, and where it exists, appropriate valuation methodologies. The Company has classified its financial assets as whether held for trading purpose or available for sale and measured its financial assets at their fair values at the end of the year.

Management estimates that the fair value of other financial assets and liabilities are not materially different than their carrying values.

##### Classification relevant to fair value information

TFRS 7 - Financial instruments: Disclosures requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;  
 Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).  
 Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible. Fair value of financial assets and liabilities shown in the financial statements at fair value are presented below:

	31 December 2017			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial investments with risks on policyholders classified as available for sale (Note 11)	20.683.953	-	-	20.683.953
<b>Total financial assets</b>	<b>20.683.953</b>	<b>-</b>	<b>-</b>	<b>20.683.953</b>
	31 December 2016			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial investments with risks on policyholders classified as available for sale (Note 11)	21.802.699	-	-	21.802.699
<b>Total financial assets</b>	<b>21.802.699</b>	<b>-</b>	<b>-</b>	<b>21.802.699</b>

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

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#### 4 Management of insurance and financial risk (continued)

##### 4.2 Financial risk management (continued)

###### Capital management

The Company's capital management policies include the following:

- To comply with the insurance capital requirements required by the Undersecretariat of Treasury,
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders,
- To provide an adequate return to shareholders by pricing insurance contracts in line with the level of risk assumed.

In accordance with the "Circular Regarding the Measurement and Assessment of Capital Adequacy of Insurance, Reinsurance and Private Pension Companies" issued by the Undersecretariat of Treasury on 19 January 2008 dated and 26761 numbered Official Gazette, the Company measured its minimum capital requirement as at 30 June 2017 as TL 160,559,361. As at 30 June 2017, the Company's total equity in its statutory financial statements amounted to TL 1,484,333,647 (Equity balances subject to capital adequacy are added to the balance of equilibrium) which is above the minimum capital requirement amount.

###### Gains and losses from financial instruments

	1 January – 31 December 2017	1 January – 31 December 2016
<b>Financial gains and losses recognized in the statement of income</b>		
Interest income from bank deposits	204,397,346	151,012,420
Income accrual and valuation differences of financial assets	1,306,309	2,208,049
Foreign exchange gains (**)	3,786,965	11,342,635
<b>Financial gains (*)</b>	<b>209,490,620</b>	<b>164,563,104</b>
Losses from trading of debt securities	-	(178,812)
Others	(10,330,302)	(7,667,252)
<b>Financial losses (**)</b>	<b>(10,330,302)</b>	<b>(7,846,064)</b>
<b>Financial gains and losses recognized in the statement of income. net</b>	<b>199,160,318</b>	<b>156,717,040</b>
	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Financial gains and losses recognized in equity</b>		
Valuation difference from financial assets	69,760	(241,140)
Deferred tax effect	(13,952)	48,228
<b>Interest income end of the period</b>	<b>55,808</b>	<b>(192,912)</b>

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

(\*\*) Total financial losses doesn't not include depreciation and amortisation expenses.

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

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

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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 2017	Life	Non-Life	Private Pension	Other/ Unallocated	Total
<b>Continuing operations</b>					
Technical income	504.591.444	3.074	246.144.376	-	750.738.894
Technical expense	(320.823.901)	(10.466)	(151.362.082)	-	(472.196.449)
Other gains and losses, total	-	-	-	128.586.016	128.586.016
<b>Technical net profit from ongoing operations</b>	<b>183.767.543</b>	<b>(7.392)</b>	<b>94.782.294</b>	<b>128.586.016</b>	<b>407.128.461</b>
<b>Profit before taxes</b>	<b>183.767.543</b>	<b>(7.392)</b>	<b>94.782.294</b>	<b>128.586.016</b>	<b>407.128.461</b>
Income tax expense	-	-	-	(86.473.459)	(86.473.459)
<b>Profit for the period (loss)</b>	<b>183.767.543</b>	<b>(7.392)</b>	<b>94.782.294</b>	<b>42.112.557</b>	<b>320.655.002</b>

#### Other segment information

Amortisation expense (Note 8)	-	-	-	-	3.000.868
Depreciation expense (Note 6)	-	-	-	-	21.969.215

31 December 2017	Life	Non-Life	Private Pension	Other/ Unallocated	Total
Associates	-	-	292.304	-	292.304
Receivables from main operations	56.627.681	-	11.952.246.419	-	12.008.874.100
Tangible and intangible assets	-	-	-	38.968.918	38.968.918
Deferred acquisition costs	30.259.166	-	-	-	30.259.166
Other assets	20.683.953	-	-	2.156.262.644	2.176.946.597
<b>Total assets</b>	<b>107.570.800</b>	<b>-</b>	<b>11.952.538.723</b>	<b>2.195.231.562</b>	<b>14.255.341.085</b>
Insurance contract technical provisions	409.380.504	(1.506)	-	-	409.378.998
Other liabilities	36.506.641	-	12.115.555.305	60.034.157	12.212.096.103
Shareholders equity	-	-	-	1.633.865.984	1.633.865.984
<b>Total liabilities</b>	<b>445.887.145</b>	<b>(1.506)</b>	<b>12.115.555.305</b>	<b>1.693.900.141</b>	<b>14.255.341.085</b>

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

**5 Segment reporting (continued)**

1 January – 31 December 2016	Life	Non-Life	Private Pension	Other/ Unallocated	Total
<b>Continuing operations</b>					
Technical income	399.666.142	2.990	202.896.557	-	602.565.689
Technical expense	(257.393.523)	(7.076)	(138.262.306)	-	(395.662.905)
Other gains and losses, total	-	-	-	101.119.548	101.119.548
<b>Technical net profit from ongoing operations</b>	<b>142.272.619</b>	<b>(4.086)</b>	<b>64.634.251</b>	<b>101.119.548</b>	<b>308.022.332</b>
<b>Profit before taxes</b>	<b>142.272.619</b>	<b>(4.086)</b>	<b>64.634.251</b>	<b>101.119.548</b>	<b>308.022.332</b>
Income tax expense	-	-	-	(62.249.467)	(62.249.467)
<b>Profit for the period (loss)</b>	<b>142.272.619</b>	<b>(4.086)</b>	<b>64.634.251</b>	<b>38.870.081</b>	<b>245.772.865</b>
<b>Other segment information</b>					
Amortisation expense (Note 8)	-	-	-	-	2.830.919
Depreciation expense (Note 6)	-	-	-	-	19.712.667

31 December 2016	Life	Non-Life	Private Pension	Other/ Unallocated	Total
Associates	-	-	263.223	-	263.223
Receivables from main operations	57.637.340	-	9.542.451.554	-	9.600.088.894
Tangible and intangible assets	-	-	-	39.425.756	39.425.756
Deferred acquisition costs	33.532.768	-	-	-	33.532.768
Other assets	21.802.699	-	-	1.692.633.709	1.714.436.408
<b>Total assets</b>	<b>112.972.807</b>	<b>-</b>	<b>9.542.714.777</b>	<b>1.732.059.465</b>	<b>11.387.747.049</b>
Insurance contract technical provisions	321.453.261	(1.935)	-	-	321.451.326
Other liabilities	37.244.679	-	9.674.332.002	41.306.140	9.752.882.821
Shareholders equity	-	-	-	1.313.412.902	1.313.412.902
<b>Total liabilities</b>	<b>358.697.940</b>	<b>(1.935)</b>	<b>9.674.332.002</b>	<b>1.354.719.042</b>	<b>11.387.747.049</b>

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

#### 6 Tangible assets

Movement in tangible assets in the period from 1 January to 31 December 2017 is presented below:

	1 January 2017	Additions	Disposals	31 December 2017
<b>Cost:</b>				
Furniture and fixtures	16,504,590	546,029	(70,860)	16,979,759
Other tangible assets (including leasehold improvements)	2,590,222	5	-	2,590,227
Tangible assets acquired through finance leasing	1,300,924	-	-	1,300,924
	20,395,736	546,034	(70,860)	20,870,910
<b>Accumulated depreciation:</b>				
Furniture and fixtures	(10,639,249)	(2,486,027)	70,860	(13,054,416)
Other tangible assets (including leasehold improvements)	(2,115,967)	(231,725)	-	(2,347,692)
Tangible assets acquired through finance leasing	(333,617)	(283,116)	-	(616,733)
	<b>(13,088,833)</b>	<b>(3,000,868)</b>	<b>70,860</b>	<b>(16,018,841)</b>
<b>Net book value</b>	<b>7,306,903</b>	<b>4,852,069</b>		
	<b>7306905,04</b>			<b>5926928,27</b>

Movement in tangible assets in the period from 1 January to 31 December 2016 is presented below:

	1 January 2016	Additions	Disposals	31 December 2016
<b>Cost:</b>				
Furniture and fixtures	13,898,302	2,606,288	-	16,504,590
Other tangible assets (including leasehold improvements)	2,388,270	201,952	-	2,590,222
Tangible assets acquired through finance leasing	168,464	1,132,460	-	1,300,924
	<b>16,455,036</b>	<b>3,940,700</b>	<b>-</b>	<b>20,395,736</b>
<b>Accumulated depreciation:</b>				
Furniture and fixtures	(8,211,791)	(2,427,458)	-	(10,639,249)
Other tangible assets (including leasehold improvements)	(1,877,659)	(238,308)	-	(2,115,967)
Tangible assets acquired through finance leasing	(168,464)	(165,153)	-	(333,617)
	<b>(10,257,914)</b>	<b>(2,830,919)</b>	<b>-</b>	<b>(13,088,833)</b>
<b>Net book value</b>	<b>6,197,122</b>			<b>7,306,903</b>

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

During the current period Company made TL 609,752 financial lease payments (December, 31 2016: TL 414,859).

#### 7 Investment properties

None.

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

#### 8 Intangible assets

Movement in intangible assets in the period from 1 January to 31 December 2017 is presented below:

	1 January 2017	Additions	Disposals	31 December 2017
<b>Cost:</b>				
Rights	334.371	-	-	334.371
Other intangible assets <sup>∅</sup>	123.225.424	23.967.211	-	147.192.635
	<b>123.559.795</b>	<b>23.967.211</b>	-	<b>147.527.006</b>
<b>Accumulated amortisation:</b>				
Rights	(334.371)	-	-	(334.371)
Other intangible assets <sup>∅</sup>	(91.106.571)	(21.969.215)	-	(113.075.786)
	<b>(91.440.942)</b>	<b>(21.969.215)</b>	-	<b>(113.410.157)</b>
<b>Net book value</b>	<b>32.118.853</b>			<b>34.116.849</b>

Movement in intangible assets in the period from 1 January to 31 December 2016 is presented below:

	1 January 2016	Additions	Disposals	31 December 2016
<b>Cost:</b>				
Rights	334.371	-	-	334.371
Other intangible assets <sup>∅</sup>	99.932.210	23.293.214	-	123.225.424
	<b>100.266.581</b>	<b>23.293.214</b>	-	<b>123.559.795</b>
<b>Accumulated amortisation:</b>				
Rights	(334.371)	-	-	(334.371)
Other intangible assets <sup>∅</sup>	(71.393.904)	(19.712.667)	-	(91.106.571)
	<b>(71.728.275)</b>	<b>(19.712.667)</b>	-	<b>(91.440.942)</b>
<b>Net book value</b>	<b>28.538.306</b>			<b>32.118.853</b>

<sup>∅</sup> Other intangible assets consist of computer softwares.

#### 9 Investments in associates

None.



# GARANTİ EMEKLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

#### 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:

	31 December 2017	31 December 2016
<b>Reinsurance assets</b>		
Reinsurance share of unearned premiums reserve (Note 17)	25.155.218	25.408.788
Reinsurance share of outstanding claims reserve (Note 17, Note 4.2)	13.560.797	10.109.837
Receivables from reinsurers (Note 12)	4.445.229	3.328.118
<b>Total</b>	<b>43.161.244</b>	<b>38.846.743</b>

There are no impairment losses recognized for reinsurance assets.

	31 December 2017	31 December 2016
<b>Reinsurance liabilities</b>		
Deferred commission income (Deferred income) (Note 19)	7.810.551	7.690.156
Payables to the reinsurers related to premiums ceded (Note 19)	12.093.874	13.208.777
<b>Total</b>	<b>19.904.425</b>	<b>20.898.933</b>

	1 January - 31 December 2017	1 January - 31 December 2016
Ceded premiums to reinsurers during the period (Note 17)	(49.119.290)	(46.794.890)
Reinsurance share of unearned premiums reserve, at the beginning of the period (Note 17)	(25.408.788)	(23.429.514)
Reinsurance share of unearned premiums reserve, at the end of the period (Note 17)	25.155.218	25.408.788
<b>Ceded premiums to reinsurers (Note 17)</b>	<b>(49.372.860)</b>	<b>(44.815.616)</b>
Reinsurance share of claims paid, during the period (Note 17)	17.679.996	20.731.560
Reinsurance share of outstanding claims reserve, at the beginning of the period (Note 17)	(10.109.837)	(9.257.459)
Reinsurance share of outstanding claims reserve, at the end of the period (Note 17)	13.560.797	10.109.837
<b>Reinsurance share of claims incurred (Note 17)</b>	<b>21.130.956</b>	<b>21.583.938</b>
Commission income accrued from reinsurers during period (Note 32)	21.252.899	16.960.889
Deferred commission income, at the beginning of the period (Note 19)	7.690.156	6.257.829
Deferred commission income, at the end of the period (Note 19)	(7.810.551)	(7.690.156)
<b>Commission income earned from reinsurers</b>	<b>21.132.504</b>	<b>15.528.562</b>
<b>Total</b>	<b>(7.109.400)</b>	<b>(7.703.116)</b>

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

#### 11 Financial assets

As at 31 December 2017 and 2016, the Company's financial asset portfolio are detailed as follows:

	31 December 2017	31 December 2016
<b>Financial assets and financial investments with risk on policyholders</b>		
Available for sale financial assets <sup>(*)</sup>	292.304	263.223
Financial investments with risks on saving life policyholders classified as available for sale	20.683.953	21.802.699
<b>Total</b>	<b>20.976.257</b>	<b>22.065.922</b>

<sup>(\*)</sup> Available-for-sale financial assets with no reliable market value measurement, consist of the Emeklilik Gözetim Merkezi (EGM) shares that are measured at cost.

As at 31 December 2017 and 31 December 2016, the Company's available for sale financial assets in its own portfolio are detailed as follows:

	31 December 2017		
	Cost	Fair value	Carrying value
Equity shares and other non-fixed income financial assets:			
Equity shares <sup>(*)</sup>	292.304	292.304	292.304
<b>Total financial assets available for sale</b>	<b>292.304</b>	<b>292.304</b>	<b>292.304</b>

<sup>(\*)</sup> Available-for-sale financial assets with no reliable market value measurement, consist of the Emeklilik Gözetim Merkezi (EGM) shares that are measured at cost.

	31 December 2016		
	Cost	Fair value	Carrying value
Equity shares and other non-fixed income financial assets:			
Equity shares <sup>(*)</sup>	263.223	263.223	263.223
<b>Total financial assets available for sale</b>	<b>263.223</b>	<b>263.223</b>	<b>263.223</b>

<sup>(\*)</sup> Available-for-sale financial assets with no reliable market value measurement, consist of the Emeklilik Gözetim Merkezi (EGM) shares that are measured at cost.

As at December, 31 2017, the Company's has no financial assets held for trading (and December, 31 2016: None).

As at December, 31 2016 and December, 31 2016, the Company's financial investments with risks on saving life policyholders ("FIRSLP") are detailed as follows:

	31 December 2017		
	Cost	Fair value	Carrying value
<b>Debt instruments:</b>			
Eurobonds issued by The Republic of Turkey Government	17.137.856	20.683.953	20.683.953
<b>Financial investments with risks on saving life policyholders classified as available for sale</b>	<b>17.137.856</b>	<b>20.683.953</b>	<b>20.683.953</b>

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

#### 11 Financial assets (continued)

	31. December .2016		
	Cost	Fair value	Carrying value
<b>Debt instruments:</b>			
Eurobonds issued by The Republic of Turkey Government	18,926,824	21,802,699	21,802,699
<b>Financial investments with risks on saving life policyholders classified as available for sale</b>	<b>18,926,824</b>	<b>21,802,699</b>	<b>21,802,699</b>

All debt instruments presented above are traded in active markets.

There is no debt security issued during the period or issued before and paid during the period by the Company. Value increases in financial assets for the last three years:

Year	Change in value increase/(decrease)	Total increase/ (decrease) in value
2017	55,808	293,406
2016	(192,912)	237,598
2015	46,906	430,510

Value increases represent the differences between the financial assets' carrying value and the cost value at the end of the period.

Financial assets issued by related parties of the Company: None (December, 31 2016: None).

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

	31. December .2017		
	Cost	Fair value	Carrying value
Financial investments with risks on saving life policyholders – Eurobonds	17,137,856	20,683,953	20,683,953
<b>Total</b>	<b>17,137,856</b>	<b>20,683,953</b>	<b>20,683,953</b>

	31. December .2016		
	Cost	Fair value	Carrying value
Financial investments with risks on saving life policyholders – Eurobonds	18,926,824	21,802,699	21,802,699
<b>Total</b>	<b>18,926,824</b>	<b>21,802,699</b>	<b>21,802,699</b>

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

### 11 Financial Assets (continued)

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

31 December 2017			
	Financial investments with risks on saving life policyholders	Financial assets available for sale	Total
<b>Balance at the beginning of the period</b>	<b>21.802.699</b>	<b>263.223</b>	<b>22.065.922</b>
Unrealized exchange differences on financial assets	1.344.941	-	1.344.941
Acquisitions during the period	-	29.081	29.081
Disposals ( either sold or settled )	(3.072.514)	-	(3.072.514)
Change in the fair values of financial assets	675.757	-	675.757
Change in the amortised costs of the financial assets	(66.930)	-	(66.930)
<b>Balance at the ending of the period</b>	<b>20.683.953</b>	<b>292.304</b>	<b>20.976.257</b>

31 December 2016			
	Financial investments with risks on saving life policyholders	Financial assets available for sale	Total
<b>Balance at the beginning of the period</b>	<b>19.289.879</b>	<b>14.536.075</b>	<b>33.825.954</b>
Unrealized exchange differences on financial assets	3.939.906	-	3.939.906
Acquisitions during the period	-	-	-
Disposals ( either sold or settled )	-	(14.272.852)	(14.272.852)
Change in the fair values of financial assets	(1.389.215)	-	(1.389.215)
Change in the amortised costs of the financial assets	(37.871)	-	(37.871)
<b>Balance at the ending of the period</b>	<b>21.802.699</b>	<b>263.223</b>	<b>22.065.922</b>

### 12 Loan and receivables

	31 December 2017	31 December 2016
Receivables from main operations (Note 4.2)	12.008.874.100	9.600.088.894
Other receivables (Note 4.2)	76.252	2.806
Non-current receivables (Note 4.2)	4.185	4.878
<b>Total</b>	<b>12.008.954.537</b>	<b>9.600.096.578</b>
Short-term receivables	12.008.950.352	9.600.091.700
Mid-term and long-term receivables	4.185	4.878
<b>Total</b>	<b>12.008.954.537</b>	<b>9.600.096.578</b>

As of December 31, 2017, the Company's other expenses for next months are TL 1.695.486, consisting of maintenance, insurance, advertisement and other deferred expenses (31 December 2016: TL 1.949.768).

# GARANTİ EMEKLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

#### 12 Loan and receivables (continued)

Details of the Company's receivables from main operations as of 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017	31 December 2016
Receivables from policyholders	52.139.049	54.251.347
Receivables from reinsurance companies (Note 10)	4.445.229	3.328.118
Provisions for doubtful receivables from policyholders (Note 4.2)	(92.877)	(54.347)
<b>Total receivables from insurance operations, net</b>	<b>56.491.401</b>	<b>57.525.118</b>
Loans to the policyholders (Note 4.2)	136.280	112.222
Receivables from private pension operations (Note 18)	11.977.430.742	9.547.800.198
Provision for receivables from private pension operations (Note 4.2), (Note 18)	(25.184.323)	(5.348.644)
<b>Receivables from main operations</b>	<b>12.008.874.100</b>	<b>9.600.088.894</b>

#### Provision for both overdue receivables and receivables not due yet

- a) Receivables under legal or administrative follow up (due): None (December, 31 2016: None).  
 b) Provision for premium receivables (due): TL 92.877 (December, 31 2016: TL 54.347).  
 c) Provision for impairment of receivables from entrance fees: TL 25.184.323 (December, 31 2016: TL 5.348.644)

The related party transactions of the Company are presented in Note 45 in detail.

The receivables and payables denominated in foreign currencies and detailed analyses of foreign currency balances are presented in Note 4.2.

#### 13 Derivative financial instruments

The Company does not have any derivative financial instruments as of December, 31 2017 and December, 31 2016.

#### 14 Cash and cash equivalents

As at December, 31 2017 and December, 31 2016, cash and cash equivalents are as follows:

	31 December 2017		31 December 2016	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Bank deposits	1.990.149.612	1.540.185.330	1.540.185.330	1.205.995.538
Receivables from credit card collections (less than 3 months)	150.795.930	144.247.305	144.247.305	97.036.050
Other cash and cash equivalents	2.140.945.542	1.684.432.635	1.684.432.635	1.303.031.588
<b>Cash and cash equivalents in the balance sheet</b>	<b>(1.003.634)</b>	<b>(3.005.902)</b>	<b>(3.005.902)</b>	<b>(4.202.715)</b>
Interest accruals on bank deposits	1.515.082.599	(887.993.626)	(887.993.626)	(803.536.630)
Time deposit more than 3 months	(334.997.528)	(254.130.023)	(254.130.023)	(153.035.064)
<b>Total</b>	<b>289.861.781</b>	<b>539.303.084</b>	<b>539.303.084</b>	<b>342.257.179</b>

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

### 14 Cash and cash equivalents (continued)

As at December, 31 2017 and December, 31 2016, the details of bank deposits are as follows:

	31 December 2017	31 December 2016
Foreign currency denominated bank deposits		
- time deposits	34.127.178	32.240.166
- demand deposits	55.363	25.992
Bank deposits in Turkish Lira		
- time deposits	1.939.078.037	1.493.824.544
- demand deposits	16.889.034	14.094.628
<b>Cash at banks</b>	<b>1.990.149.612</b>	<b>1.540.185.330</b>

As at December, 31 2017, cash collateral kept at banks in favour of the Undersecretariat of Treasury against insurance operations amounted to TL 334.997.528 (December, 31 2016: TL 254.130.023).

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

As at December, 31 2017 and 2016, the interest rate interval as follows:

	31 December 2017		31 December 2016	
	Maturity (Day)	Interest rate(%)	Maturity (Day)	Interest rate(%)
TL	4-377	10,80%-14,80%	3-376	8,75%-12,00%
USD	4-43	3,20%-3,60%	3-35	0,35%-3,50%
Euro	36	0,0%-1,90%	-	-
Euro				

### 15 Equity

#### Paid in capital

As at December, 31 2017 and 2016, 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.

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

#### 15 Equity (continued)

##### Legal reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5%, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

	1 January - 31. December .2017	1 January - 31. December .2016
<b>Legal reserves at the beginning of the period</b>	<b>10.000.000</b>	<b>10.000.000</b>
Distribution of profit for the year	-	-
<b>Legal reserves at the end of the period</b>	<b>10.000.000</b>	<b>10.000.000</b>

##### Extraordinary reserves

	1 January - 31. December .2017	1 January - 31. December .2016
<b>Extraordinary reserves at the beginning of the period</b>	<b>1.004.414.526</b>	<b>813.506.749</b>
Distribution of profit for the year	245.772.865	190.907.777
<b>Extraordinary reserves at the end of the period</b>	<b>1.250.187.391</b>	<b>1.004.414.526</b>

##### Revaluation of financial assets

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

	31 December 2017	31 December 2016
Valuation differences from financial assets	366.758	296.998
Deferred tax effect	(73.352)	(59.400)
<b>Fair value reserves at the end of the period</b>	<b>293.406</b>	<b>237.598</b>

#### 16 Other reserves and equity component of DPF

As at 31 December 2016, there is not any other reserves presented under equity except for the fair value reserves of available-for-sale financial assets which is presented as "revaluation of financial assets" in the accompanying financial statements. Movement of fair value reserves of available-for-sale financial assets and their related tax effects are presented in Note 15.

The Company recognizes its liability to the policyholders due to the saving life products, classified as investment contracts, under life mathematical provisions. The Company recognizes its own portion for the unrealized gains and losses, recognized due to change in the fair values of available for sale financial assets backing long term investment contracts under equity within 'revaluation of financial assets'.

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

#### 17 Insurance contract liabilities and reinsurance assets

As at December, 31 2017 and December, 31 2016, provisions for technical reserves of the Company are disclosed as follows:

	31.December .2017	31.December .2016
Unearned premiums reserve, gross	95,761.086	105,930.143
Unearned premiums reserve, ceded (Note 10)	(25,155.218)	(25,408.788)
<b>Unearned premiums reserve, net</b>	<b>70.605.868</b>	<b>80.521.355</b>
Outstanding claims reserve, gross	49,825,781	37,249,563
Outstanding claims reserve, ceded (Note 10, Note 4.2)	(13,560,797)	(10,109,837)
<b>Outstanding claims reserve, net</b>	<b>36.264.984</b>	<b>27.139.726</b>
<b>Life mathematical reserve (shot term and long term)</b>	<b>284.226.379</b>	<b>199.159.599</b>
<b>Equalization reserve, net</b>	<b>18.281.767</b>	<b>14.630.646</b>
<b>Total insurance technical reserves, net</b>	<b>409.378.998</b>	<b>321.451.326</b>
Short-term	121,368,508	115,711,018
Medium and long-term	288,010,490	205,740,308
<b>Total insurance technical provisions, net</b>	<b>409.378.998</b>	<b>321.451.326</b>

As at December, 31 2017 and December, 31 2016, movements of the insurance liabilities and related reinsurance assets are presented below:

	1 January – 31 December 2017		
Unearned premiums reserve	Gross	Reinsurer share	Net
Unearned premiums reserve at the beginning of the period	105,930.143	(25,408.788)	80,521.355
Premiums written during the period	498,885,093	(49,119,290)	449,765,803
Premiums earned during the period	(509,054,150)	49,372,860	(459,681,290)
<b>Unearned premiums reserve at the end of the period</b>	<b>95.761.086</b>	<b>(25.155.218)</b>	<b>70.605.868</b>
	1 January – 31 December 2016		
Unearned premiums reserve	Gross	Reinsurer share	Net
Unearned premiums reserve at the beginning of the period	112,547,818	(23,429,514)	89,118,304
Premiums written during the period	409,807,947	(46,794,890)	363,013,057
Premiums earned during the period	(416,425,622)	44,815,616	(371,610,006)
<b>Unearned premiums reserve at the end of the period</b>	<b>105.930.143</b>	<b>(25.408.788)</b>	<b>80.521.355</b>



# GARANTİ EMEKLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

**17 Insurance contract liabilities and reinsurance assets (continued)**

	1 January – 31. December .2017	1 January – 31. December .2016
Equalization reserve at the beginning of the period	14.630.646	11.690.064
Increases during the period	3.651.121	2.940.582
<b>Equalization reserve at the end of the period</b>	<b>18.281.767</b>	<b>14.630.646</b>
Equalization reserve at the end of the period		

	1 January – 31 December 2017		
<b>Outstanding claims reserve</b>	<b>Gross</b>	<b>Reinsurer share</b>	<b>Net</b>
Outstanding claims reserve at the beginning of the period	37.249.563	(10.109.837)	27.139.726
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	111.404.819	(21.130.956)	90.273.863
Claims paid during the period	(98.828.601)	17.679.996	(81.148.605)
<b>Outstanding claims reserve at the end of the period</b>	<b>49.825.781</b>	<b>(13.560.797)</b>	<b>36.264.984</b>

	1 January – 31 December 2016		
<b>Outstanding claims reserve</b>	<b>Gross</b>	<b>Reinsurer share</b>	<b>Net</b>
Outstanding claims reserve at the beginning of the period	35.027.087	(9.257.459)	25.769.628
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	91.239.739	(21.583.938)	69.655.801
Claims paid during the period	(89.017.263)	20.731.560	(68.285.703)
<b>Outstanding claims reserve at the end of the period</b>	<b>37.249.563</b>	<b>(10.109.837)</b>	<b>27.139.726</b>

**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.

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

**17 Insurance liabilities and reinsurance assets (continued)**

Claim development tables (continued)

**31 December 2017**

Accident year	2012	2013	2014	2015	2016	2017	Total
Accident year	88.457.043	98.752.008	86.156.919	81.677.793	95.132.970	108.687.951	558.864.684
1 year later	64.914.834	88.880.162	78.253.153	79.018.060	96.678.810	-	407.745.019
2 years later	60.957.165	84.421.714	76.501.800	79.726.520	-	-	301.607.199
3 years later	62.648.336	84.502.659	76.429.633	-	-	-	223.580.628
4 years later	62.431.759	84.929.347	-	-	-	-	147.361.106
5 years later	62.539.807	-	-	-	-	-	62.539.807
Current estimate of cumulative claims	62.539.807	84.929.347	76.429.633	79.726.520	96.678.810	108.687.951	508.992.068
Cumulative payments up to date	(60.902.824)	(83.207.128)	(72.506.431)	(73.592.883)	(85.049.456)	(83.907.565)	(459.166.287)
Liability recognized in balance sheet	1.636.983	1.722.219	3.923.202	6.133.637	11.629.354	24.780.386	49.825.781
<b>Total outstanding claims reserve, gross in the financial statements</b>							<b>49.825.781</b>

**31 December 2017**

Accident year	2012	2013	2014	2015	2016	2017	Total
Accident year	43.365.882	60.859.042	59.352.208	58.640.250	73.584.053	90.137.094	385.938.529
1 year later	34.700.322	51.629.197	52.232.031	55.512.051	73.095.017	-	267.168.618
2 years later	31.103.144	47.988.522	51.075.574	55.780.436	-	-	185.947.676
3 years later	31.897.275	48.033.858	50.991.617	-	-	-	130.922.750
4 years later	32.294.887	48.367.834	-	-	-	-	80.662.721
5 years later	32.402.288	-	-	-	-	-	32.402.288
Current estimate of cumulative claims	32.402.288	48.367.834	50.991.617	55.780.436	73.095.017	90.137.094	350.774.286
Cumulative payments up to date	(30.982.308)	(46.878.598)	(48.006.954)	(51.250.432)	(65.044.364)	(72.346.646)	(314.509.302)
Liability recognized in balance sheet	1.419.980	1.489.236	2.984.663	4.530.004	8.050.653	17.790.448	36.264.984
<b>Total outstanding claims reserve, net in the financial statements</b>							<b>36.264.984</b>

# GARANTİ EMEKLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency:Turkish Lira (TL))

**17 Insurance liabilities and reinsurance assets (continued)**

Claim development tables (continued)

**31 December 2016**

<b>Accident year</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Total</b>
Accident year	44.370.132	88.457.043	98.752.008	86.156.919	81.677.793	95.132.970	494.546.865
1 year later	41.964.897	64.914.834	88.880.162	78.253.153	79.018.060	-	353.031.106
2 years later	40.461.421	60.957.165	84.421.714	76.501.800	-	-	262.342.100
3 years later	38.514.161	60.382.047	84.502.659	-	-	-	183.398.867
4 years later	37.811.376	60.558.370	-	-	-	-	98.369.746
5 years later	39.399.308	-	-	-	-	-	39.399.308
Current estimate of cumulative claims	39.399.308	60.558.370	84.502.659	76.501.800	79.018.060	95.132.970	435.113.167
Cumulative payments up to date	(37.525.919)	(59.777.244)	(82.071.397)	(71.418.340)	(72.914.296)	(74.156.408)	(397.863.604)
Liability recognized in balance sheet	1.873.389	781.126	2.431.262	5.083.460	6.103.764	20.976.562	37.249.563
<b>Total outstanding claims reserve, gross in the financial statements</b>							<b>37.249.563</b>

**31 December 2016**

<b>Accident year</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Total</b>
Accident year	32.899.049	43.365.883	60.859.042	59.352.208	58.640.250	73.584.053	328.700.485
1 year later	35.850.760	34.700.322	51.629.197	52.232.031	55.512.051	-	229.924.361
2 years later	34.658.339	31.103.144	47.988.522	51.075.574	-	-	164.825.579
3 years later	32.972.944	30.498.756	48.033.858	-	-	-	111.505.558
4 years later	32.584.433	30.611.312	-	-	-	-	63.195.745
5 years later	34.012.283	-	-	-	-	-	34.012.283
Current estimate of cumulative claims	34.012.283	30.611.312	48.033.858	51.075.574	55.512.051	73.584.053	292.829.131
Cumulative payments up to date	(32.328.709)	(29.953.096)	(45.863.747)	(47.164.184)	(50.788.308)	(59.591.361)	(265.689.405)
Liability recognized in balance sheet	1.683.574	658.216	2.170.111	3.911.390	4.723.743	13.992.692	27.139.726
<b>Total outstanding claims reserve, net in the financial statements</b>							<b>27.139.726</b>

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

#### 17 Insurance liabilities and reinsurance assets (continued)

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 2017		31 December 2016	
	Should be placed <sup>(*)</sup>	Placed <sup>(*)</sup>	Should be placed <sup>(*)</sup>	Placed <sup>(*)</sup>
<b>Life:</b>				
Bank deposits	334,508,969	253,698,088		
Financial assets <sup>(*)</sup>	20,704,930	23,025,473		
<b>Total</b>	<b>316.115.572</b>	<b>355.213.899</b>	<b>229.064.859</b>	<b>276.723.561</b>
<b>Non-life:</b>				
Bank deposits	166,676	488,559	166,681	431,935
<b>Total</b>	<b>316.282.248</b>	<b>355.702.458</b>	<b>229.231.540</b>	<b>277.155.496</b>

<sup>(\*)</sup> As at December, 31 2017 and December, 31 2016, 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".

<sup>(\*)</sup> According to 7th article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies" which regulates necessary guarantee amount, minimum guarantee fund for capital adequacy calculation period will be established as a guarantee in two months following the calculation period. According to "Regulations Regarding to Capital Adequacy Measurement and Assessment of Insurance, Reinsurance, and Private Pension Companies", companies must prepare their capital adequacy tables twice in a financial year at June and December periods and must sent capital adequacy tables to the Turkish Treasury Department within two months.

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

	1 January - 31 December 2017		1 January - 31 December 2016	
	Number of policyholders	Life mathematical reserve	Number of policyholders	Life mathematical reserve
Beginning of the year	2.269,561	199,159,599	2,331,848	136,445,261
Additions during the year	2,367,099	162,933,349	2,524,387	108,663,137
Disposals during the year	(2,336,291)	(39,241,207)	(2,586,674)	(25,667,833)
Movements during the year <sup>(*)</sup>	-	(38,625,362)	-	(20,280,966)
<b>Current</b>	<b>2,300,369</b>	<b>284,226,379</b>	<b>2,269,561</b>	<b>199,159,599</b>

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

# GARANTİ EMEKLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

#### 17 Insurance liabilities and reinsurance assets (continued)

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

	31 December 2017			31 December 2016		
	Number of contracts	Gross premium	Net premium	Number of contracts	Gross premium	Net premium
Individual	626	1,566,709	1,566,709	1,994	1,678,406	1,678,406
Group	2,366,473	587,323,699	587,323,699	2,522,393	500,117,105	500,117,105
<b>Total</b>	<b>2,367,099</b>	<b>588,890,408</b>	<b>588,890,408</b>	<b>2,524,387</b>	<b>501,795,511</b>	<b>501,795,511</b>
Total						

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 2017				31 December 2016			
	Number of contracts	Gross premium	Net premium	Mathematical Reserve	Number of contracts	Gross premium	Net premium	Mathematical reserve
Individual	1,048	299,370	299,370	2,785,555	2,561	350,845	350,845	(2,976,311)
Group	2,335,243	89,708,591	89,708,591	36,455,652	2,584,113	91,640,190	91,640,190	(22,691,522)
<b>Total</b>	<b>2,336,291</b>	<b>90,007,961</b>	<b>90,007,961</b>	<b>39,241,207</b>	<b>2,586,674</b>	<b>91,991,035</b>	<b>91,991,035</b>	<b>(25,667,833)</b>

#### Deferred commission expenses

The Company defers commissions paid to the intermediaries for the production of the policies and other expenses for the one year term life products and for annually renewed long term life products under prepaid expenses. As at December, 31 2017, deferred commission and other expenses amount to TL 21.361.094 and TL 8.898.072 (December, 31 2016: TL 23.437.481 and TL 10.095.287).

The movement of deferred commission expenses as of December, 31 2017 and December, 31 2016 is as follows.

	1 January - 31 December 2017	1 January - 31 December 2016
Deferred commission expenses at the beginning of the period	23,437,481	22,555,794
Commissions accrued during the period	110,041,087	89,477,911
Paid commissions during the period	(112,117,474)	(88,596,224)
<b>Deferred commission expenses at the end of the period</b>	<b>21,361,094</b>	<b>23,437,481</b>

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

#### 18 Investment contract liabilities

The movements of life mathematical reserve for saving life policies as at December, 31 2017 and December, 31 2016 are as follows:

<b>Life mathematical provision for saving life policies</b>	<b>1 January - 31 December 2017</b>	<b>1 January - 31 December 2016</b>
Investment contract liabilities at the beginning of the period (Life-mathematical reserve)	28.042.513	25.882.326
Effect of foreign exchange differences	2.108.535	4.175.590
Written premiums during the period (saving life policies)	480.866	485.023
Disposals during the period (leaving policyholders)	(3.540.718)	(3.622.636)
Profit shares	1.690.268	1.528.316
Changes in the fair values of investments (Note 30)	787.352	(406.106)
<b>Investment contract liabilities at the end of the period</b>	<b>29.568.816</b>	<b>28.042.513</b>

Profit share distribution rates to life policyholders during the period December, 31 2017 and December, 31 2016:

	<b>31.December .2017</b>	<b>31.December .2016</b>
USD:	6,47%	5,92%
EURO:	5,36%	5,83%

#### Pension operations

The details of receivables and liabilities from pension operations as at December, 31 2017 and December, 31 2016:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Receivables from clearing house on behalf of the participants	11.965.601.267	9.534.613.045
Receivables from participants (entrance fee)	11.829.475	13.187.153
<b>Receivables from pension operations (Note 12)</b>	<b>11.977.430.742</b>	<b>9.547.800.198</b>
Provision for the receivables from participants (Note 4.2), (Note 12)	(25.184.323)	(5.348.644)
<b>Receivables from pension operations (Note 12)</b>	<b>11.952.246.419</b>	<b>9.542.451.554</b>

	<b>31 December 2017</b>	<b>31 December 2016</b>
Payables to participants	11.950.440.252	9.523.957.136
Participants temporary account	157.884.597	145.907.500
Payables to clearing house	355.162	1.579.734
Payables to Emeklilik Gözetim Merkezi	95.000	1.377.853
Other liabilities	6.780.294	1.509.779
<b>Payables due to pension operations (Note 19)</b>	<b>12.115.555.305</b>	<b>9.674.332.002</b>

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

### 18 Investment contract liabilities (continued)

#### Pension operations (continued)

As at December, 31 2017 and December, 31 2016 pension investment funds founded by the Company and their unit prices are as follows:

	31 December 2017 Unit prices	31 December 2016 Unit prices
Katılım Katkı EYF	0,014023	0,012689
Katılım Standart EYF	0,013309	0,012450
Altın EYF	0,018402	0,015625
Hisse Senedi EYF	0,107237	0,071342
Dinamik Değişken EYF	0,016996	0,014170
Katılım Dinamik Değişken EYF	0,019247	0,016740
Dengeli Değişken EYF	0,059815	0,049798
Temkinli Değişken EYF	0,028575	0,025869
Kamu Borçlanma Araçları EYF	0,056772	0,052784
Kamu Dış Borçlanma Araçları EYF	0,064206	0,054704
Dengeli Değişken Grup EYF	0,047089	0,038674
Kamu Borçlanma Araçları Grup EYF	0,035842	0,033007
Kamu Dış Borçlanma Araçları Grup EYF	0,043835	0,037247
Hisse Senedi Grup EYF	0,024326	0,016049
Sürdürülebilirlik Hisse Senedi EYF	0,020785	0,014034
Değişken EYF	0,038408	0,035907
Uzun Vadeli Kamu Borçlanma Araçları EYF	0,028772	0,027079
Katkı EYF	0,013721	0,012422
Para Piyasası EYF	0,047767	0,042840
Özel Sektör Borçlanma Araçları EYF	0,016094	0,014503
Standart EYF	0,015105	0,013890
Başlangıç EYF	0,011094	-
Başlangıç Katılım EYF	0,010865	-
OKS Agresif Değişken EYF	-	-
OKS Agresif Katılım Değişken EYF	-	-
OKS Dengeli Değişken EYF	-	-
OKS Dengeli Katılım Değişken EYF	-	-
OKS Dinamik Değişken EYF	-	-
OKS Dinamik Katılım Değişken EYF	-	-
OKS Temkinli Değişken EYF	-	-
OKS Temkinli Katılım Değişken EYF	-	-
OKS Standart EYF	-	-
OKS Katılım Standart EYF	-	-

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

**18 Investment contract liabilities (continued)****Pension operations (continued)**

Number and amount of participation certificate in the portfolio and in circulation is such as follows as of December, 31 2017 and December, 31 2016:

	31 December 2017			
	Participation certificate in the circulation		Participation certificate in the portfolio	
	Number	Amount	Number	Amount
Katılım Katkı EYF	7.015.683.507	98.381.346	1.492.984.316.493	20.936.119.070
Katılım Standart EYF	4.326.584.260	57.580.974	1.495.673.415.740	19.905.917.490
Altın EYF	21.465.363.536	394.998.815	1.478.534.636.464	27.207.994.380
Hisse Senedi EYF	2.560.532.716	274.584.360	1.497.439.467.284	160.580.916.153
Dinamik Değişken EYF	86.970.298.422	1.478.112.566	1.413.029.701.578	24.015.852.808
Katılım Dinamik Değişken EYF	14.422.176.902	277.590.317	1.485.577.823.098	28.592.916.361
Dengeli Değişken EYF	13.894.319.219	831.092.351	1.486.105.680.781	88.891.411.296
Temkinli Değişken EYF	17.941.660.541	512.677.485	1.482.058.339.459	42.349.817.050
Kamu Borçlanma Araçları EYF	33.884.215.855	1.923.677.422	1.466.115.784.145	83.234.325.297
Kamu Dış Borçlanma Araçları EYF	7.854.443.311	504.300.249	1.492.145.556.689	95.804.697.613
Dengeli Değişken Grup EYF	4.564.464.539	214.934.539	1.495.435.535.461	70.418.563.929
Kamu Borçlanma Araçları Grup EYF	9.767.824.606	350.097.225	1.490.232.175.394	53.412.901.630
Kamu Dış Borçlanma Araçları Grup EYF	3.915.261.029	171.626.817	1.496.084.738.971	65.580.874.533
Hisse Senedi Grup EYF	2.836.731.530	69.006.086	1.497.163.268.470	36.419.993.669
Sürdürülebilirlik Hisse Senedi EYF	6.440.459.382	133.864.058	1.493.559.540.618	31.043.635.052
Değişken EYF	12.909.605.384	495.830.280	1.487.090.394.617	57.116.167.876
Uzun Vadeli Kamu Borçlanma Araçları EYF	991.413.624	28.525.356	1.499.008.586.376	43.129.475.047
Katılı EYF	107.969.738.446	1.481.476.507	1.392.030.261.554	19.100.047.219
Para Piyasası EYF	24.456.517.684	1.168.222.833	1.475.543.482.316	70.482.285.520
Özel Sektör Borçlanma Araçları EYF	5.762.676.590	92.745.981	1.494.237.323.410	24.048.255.483
Standart EYF	83.087.473.549	1.255.030.642	1.416.912.526.451	21.402.463.712
Başlangıç EYF	6.921.961.330	76.788.805	1.493.078.038.670	16.564.207.761
Başlangıç Katılım EYF	5.453.479.887	59.253.639	1.494.546.520.113	16.238.247.941
OKS Agresif Değişken EYF	-	-	1.500.000.000.000	15.000.000.000
OKS Agresif Katılım Değişken EYF	-	-	1.500.000.000.000	15.000.000.000
OKS Dengeli Değişken EYF	-	-	1.500.000.000.000	15.000.000.000
OKS Dengeli Katılım Değişken EYF	-	-	1.500.000.000.000	15.000.000.000
OKS Dinamik Değişken EYF	-	-	1.500.000.000.000	15.000.000.000
OKS Dinamik Katılım Değişken EYF	-	-	1.500.000.000.000	15.000.000.000
OKS Temkinli Değişken EYF	-	-	1.500.000.000.000	15.000.000.000
OKS Temkinli Katılım Değişken EYF	-	-	1.500.000.000.000	15.000.000.000
OKS Standart EYF	-	-	1.500.000.000.000	15.000.000.000
OKS Katılım Standart EYF	-	-	1.500.000.000.000	15.000.000.000
<b>Total</b>	<b>485.412.885.849</b>	<b>11.950.398.653</b>	<b>49.014.587.114.152</b>	<b>1.266.477.086.890</b>



# GARANTİ EMEKLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

**18 Investment contract liabilities (continued)****Pension operations (continued)**

	31 December 2016			
	Participation certificate in the circulation		Participation certificate in the portfolio	
	Number	Amount	Number	Amount
Alternatif Katkı EYF	5.238.191.288	66.465.710	1.494.761.808.712	18.967.032.591
Alternatif Standart EYF	3.153.618.835	39.264.118	1.496.846.381.165	18.635.737.446
Altın EYF	11.531.837.698	180.182.128	1.488.468.162.302	23.257.315.036
Büyüme Amaçlı Hisse Senedi EYF	2.743.128.151	195.700.634	1.497.256.871.849	106.817.299.751
Esnek (TL) EYF	68.935.375.568	976.825.551	1.431.064.624.432	20.278.185.728
Esnek Alternatif EYF	13.148.217.932	220.098.671	1.486.851.782.068	24.889.898.832
Esnek EYF	13.041.924.653	649.463.392	1.486.958.075.347	74.047.538.236
Gelir Amaçlı Esnek EYF	15.375.387.521	397.747.044	1.484.624.612.479	38.405.754.100
Gelir Amaçlı Kamu Borçlanma Araçları EYF	37.623.234.977	1.985.893.848	1.462.376.765.023	77.190.095.165
Gelir Amaçlı Kamu Dış Borçlanma Araçları EYF	5.469.179.801	299.186.681	1.494.530.820.199	81.756.813.988
Gruplara Yönelik Esnek EYF	4.762.471.189	184.184.700	1.495.237.528.811	57.826.816.189
Gruplara Yönelik Gelir Amaçlı Kamu Borçlanma Araçları EYF	11.978.956.792	395.389.560	1.488.021.043.208	49.115.110.573
Gruplara Yönelik Gelir Amaçlı Kamu Dış Borçlanma Araçları EYF	2.831.746.069	105.473.998	1.497.168.253.931	55.765.025.954
Gruplara Yönelik Hisse Senedi EYF	3.921.646.943	62.937.823	1.496.078.353.057	24.010.561.488
Hisse Senedi EYF	8.552.206.891	120.023.373	1.491.447.793.109	20.930.978.328
İkinci Gelir Amaçlı Esnek EYF	9.345.363.218	335.562.165	1.490.654.636.782	53.524.936.043
Kamu Borçlanma Araçları EYF	1.088.439.295	29.473.548	1.498.911.560.705	40.589.026.152
Katki EYF	88.872.595.172	1.103.934.259	1.411.127.404.828	17.529.024.623
Likit Esnek EYF	24.445.480.328	1.047.248.349	1.475.554.519.672	63.212.755.623
Özel Sektör Borçlanma Araçları EYF	6.229.517.695	90.346.179	1.493.770.482.305	21.664.153.305
Standart EYF	74.730.999.732	1.038.044.555	1.425.269.000.268	19.796.986.414
<b>Total</b>	<b>413.019.519.748</b>	<b>9.523.446.286</b>	<b>31.086.980.480.252</b>	<b>908.211.045.565</b>

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

### 18 Investment contract liabilities (continued)

Pension operations (continued)

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

1 January – 31 December 2017				
	Additions during the period	Left/cancellations during the period	Outstanding	Total amount
Individual	186.227	125.095	1.021.150	5.679.700.096
Group	43.361	40.669	253.137	2.227.379.670
<b>Total</b>	<b>229.588</b>	<b>165.764</b>	<b>1.274.287</b>	<b>7.907.079.766</b>

1 January – 31 December 2016				
	Additions during the period	Left/cancellations during the period	Outstanding	Total amount
Individual	232.666	112.084	960.018	5.359.190.002
Group	50.710	33.204	250.445	1.477.612.890
<b>Total</b>	<b>283.376</b>	<b>145.288</b>	<b>1.210.463</b>	<b>6.836.802.892</b>

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

	31 December 2017			31 December 2016		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	186.227	262.745.365	262.736.936	232.666	483.899.376	483.756.797
Group	43.361	48.224.714	48.208.625	50.710	128.619.602	128.579.622
<b>Total</b>	<b>229.588</b>	<b>310.970.079</b>	<b>310.945.561</b>	<b>283.376</b>	<b>612.518.978</b>	<b>612.336.419</b>

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 2017			31 December 2016		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	2.452	69.919.194	69.919.194	7.951	71.931.336	71.931.336
Group	1.098	16.379.087	16.379.017	3.479	39.614.009	39.594.674
<b>Total</b>	<b>3.550</b>	<b>86.298.281</b>	<b>86.298.211</b>	<b>11.430</b>	<b>111.545.345</b>	<b>111.526.010</b>

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

None

# GARANTİ EMEKLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

### 18 Investment contract liabilities (continued)

Pension operations (continued)

Distribution of individual and group participants which were transferred to other insurance companies in terms of their numbers and gross and net contributions

	31 December 2017			31 December 2016		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	125,095	1.208.312.557	1.207.538.219	112.084	965.351.059	884.544.140
Group	40.669	389.238.235	389.179.351	33.204	367.438.395	360.640.835
<b>Total</b>	<b>165.764</b>	<b>1.597.550.792</b>	<b>1.596.717.570</b>	<b>145.288</b>	<b>1.332.789.454</b>	<b>1.245.184.975</b>

### 19 Trade and other payables and deferred income

	31 December 2017	31 December 2016
Payables due to main operations	12.144.251.395	9.703.886.525
Taxes and other liabilities and provisions	21.635.348	12.074.509
Due to related parties	8.325.915	7.460.176
Deferred commission income (Note 10)	7.810.551	7.690.156
Expense accruals <sup>(*)</sup>	16.377.106	10.481.145
Other various payables <sup>(**)</sup>	2.592.275	1.759.407
<b>Total</b>	<b>12.200.992.590</b>	<b>9.743.351.918</b>
Short term liabilities	12.200.992.590	9.743.351.918
<b>Total</b>	<b>12.200.992.590</b>	<b>9.743.351.918</b>

<sup>(\*)</sup> Expense accruals as of December, 31, 2017 and December, 31, 2016 consist of personnel premium accruals, performance accruals and other expense accruals

<sup>(\*\*)</sup> As at December, 31, 2017 and December, 31, 2016, the various other liabilities are comprised of payments made for outsourced benefits and services.

Payables from main operations of the Company as at December, 31 2017 and December, 31 2016 are detailed below:

	31 December 2017	31 December 2016
Payables to reinsurers (Note 10)	12.093.874	13.208.777
Payables to agencies	16.542.122	16.284.131
Payables to policyholders	60.094	61.615
<b>Total payables due to insurance operations</b>	<b>28.696.090</b>	<b>29.554.523</b>
Payables due to pension operations (Note 18)	12.115.555.305	9.674.332.002
<b>Payables from main operations</b>	<b>12.144.251.395</b>	<b>9.703.886.525</b>

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

#### 19 Trade and other payables and deferred income (continued)

Corporate tax provision and prepaid taxes are disclosed below:

	31 December 2017	31 December 2016
Corporate tax provision	86.473.459	62.337.384
Prepaid taxes during the period	(74.334.232)	(60.358.963)
<b>Corporate tax payable, net</b>	<b>12.139.227</b>	<b>1.978.421</b>

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

None.

#### 20 Financial liabilities

As of December 31, 2017, the Company has financial lease liability amounting to TL 197.713 with a deferred cost of TL 5.868 and its maturity is May 19, 2018 (31 December 2016: short term financial lease liability amounting to TL 540.387 with a deferred cost TL 69.365 and long term financial lease liability amounting to TL 197.713 with a deferred cost of TL 5.868).

#### 21 Deferred taxes

As at December, 31 2017 and December, 31 2016, the detailed analysis of the items resulting deferred tax assets and liabilities are as follows:

	31 December 2017 Deferred tax assets/ (liabilities)	31 December 2016 Deferred tax assets/ (liabilities)
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(2.482.553)	(2.274.406)
Provision for impairment in receivables from participants	5.540.551	1.069.729
Equalization provision	3.656.353	2.926.129
Provision for employment termination benefits and unused vacation pay liability	1.905.881	1.596.668
Provision for personnel bonus	1.041.613	564.326
Plan bonus provision	1.175.479	652.220
Free provisions	660.000	600.000
Entrance fee discount provision	451.947	328.611
Provisions for lawsuits	358.809	161.892
Other expense accruals	1.224.403	587.873
<b>Deferred tax asset/(liability), net</b>	<b>13.532.483</b>	<b>6.213.042</b>

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

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

### 21 Deferred taxes (continued)

Movement of the deferred tax assets / (liabilities) during the periods ending December, 31 2017 and December, 31 2016 is presented below:

	1 January - 31 December 2017	1 January - 31 December 2016
Beginning balance, January 1	6.213.042	6.315.451
Recognized in the income statement (Note 35)	7.268.961	(163.672)
Recognized in the equity (Note 4.2)	50.480	61.263
<b>Closing balance as of end of the period</b>	<b>13.532.483</b>	<b>6.213.042</b>

### 22 Retirement benefit obligations

None.

### 23 Provisions for other liabilities and charges

As at December, 31 2017 and 2016; the details of the provisions for other risks are as follows:

	31 December 2017	31 December 2016
Provision for unused vacation pay liability (long term)	1.807.620	1.808.369
Provision for unused vacation pay liability (short term)	737.936	732.198
Provisions for lawsuits	1.630.950	809.462
<b>Provisions for costs</b>	<b>4.176.506</b>	<b>3.350.029</b>
<b>Provision for employment termination benefits</b>	<b>6.729.294</b>	<b>5.442.774</b>
<b>Total provisions for other risks</b>	<b>10.905.800</b>	<b>8.792.803</b>

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

	1 January - 31 December 2017	1 January - 31 December 2016
Provision for employment termination benefits at the beginning of the period	5.442.774	4.756.978
Interest cost	647.372	508.578
Service cost	1.757.519	1.598.941
Payments during the period	(1.440.531)	(1.486.896)
Actuarial loss	322.160	65.173
<b>Provision for employment termination benefits at the end of the period</b>	<b>6.729.294</b>	<b>5.442.774</b>

### 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.

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

### 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 2017	1 January - 31 December 2016
Fund management fee	164.263.025	133.065.265
Management fee deduction	40.790.276	36.492.383
Entrance fee	36.223.374	27.775.579
Management fee deduction in case of interruption	4.867.701	5.563.330
<b>Total pension technical income</b>	<b>246.144.376</b>	<b>202.896.557</b>

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 2016, fees charged to saving life policyholders amounts to TL 28,700 (December, 31 2016: TL 28,732).

### 26 Investment income

Presented in Note 4.2 - Financial risk management.

### 27 Net realized gains on financial assets

Presented in Note 4.2 - Financial risk management.

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

Presented in Note 4.2 - Financial risk management.

### 29 Insurance rights and claims

The Company has no branch based subrogation income or expense for the period between January, 1 - December, 31 2017 (January, 1 - December, 31 2016: None).

### 30 Investment contract benefits

As at and for the year ended December, 31 2017 and December, 31 2016, 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 2017	1 January- 31 December 2016
Change in life mathematical provisions for investment contracts recognized in the statement of income	738.951	2.566.293
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)	787.352	(406.106)
<b>Change in life mathematical provisions for investment contracts</b>	<b>1.526.303</b>	<b>2.160.187</b>
Change in life mathematical provisions for investment contracts		

# GARANTİ EMEKLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

#### 31 Other mandatory expenses

The allocation of the expenses with respect to their nature or function is presented in Note 32 below.

#### 32 Expenses by nature

For the year ended December, 31 2017 and December, 31 2016, the details of operating expenses are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Commission expenses	(153.668.392)	(128.526.395)
<i>Commissions to intermediaries accrued during period</i>	(150.394.784)	(126.513.287)
<i>Change in deferred commission expenses</i>	(2.076.387)	862.539
Deferred commission expenses	(1.197.221)	(2.875.647)
Employee benefit expenses (Note 33)	(77.854.516)	(72.844.830)
Commission income from reinsurers	21.132.504	15.528.562
<i>Commission income from reinsurers accrued during period (Note 10)</i>	21.252.899	16.960.889
<i>Change in deferred commission income</i>	(120.395)	(1.432.327)
Advertisement and public related expenses	(11.221.120)	(14.584.568)
Information technology expenses	(16.868.028)	(11.712.050)
Office expenses	(12.810.298)	(11.744.602)
Other expenses	(6.827.086)	(5.382.769)
<b>Total</b>	<b>(258.116.936)</b>	<b>(229.266.652)</b>

#### 33 Employee benefit expenses

For the year ended December, 31 2017 and December, 31 2016, the details of employee benefit expenses are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Wages and salaries	(42.294.185)	(39.453.553)
Bonus, premium and commissions	(14.599.252)	(13.389.684)
Other benefits	(12.363.195)	(11.701.251)
Employer's share in social security premiums	(7.913.414)	(7.594.861)
Employment termination benefits and unused vacation expenses	(684.470)	(705.481)
<b>Total (Note 32)</b>	<b>(77.854.516)</b>	<b>(72.844.830)</b>

#### 34 Financial costs

There are not any finance costs classified either on production costs or tangible assets.

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

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#### 35 Income tax expense

Income tax expense in the accompanying financial statements is as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
<b>Provision for corporate tax expense:</b>		
Provision for corporate tax expense:	(86.473.459)	(62.249.467)
<b>Deferred tax income:</b>	<b>7.268.961</b>	<b>(163.672)</b>
<b>Total income tax expense presented in the statement of income</b>	<b>(79.204.498)</b>	<b>(62.413.139)</b>

Reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the year ended December, 31 2017 and December, 31 2016 is as follows:

	1 January- 31 December 2017		1 January- 31 December 2016	
	Tax rate		Tax rate	
<b>Profit before taxes</b>	<b>399.859.500</b>	<b>(%)</b>	<b>308.186.004</b>	<b>(%)</b>
Taxes on income per statutory tax rate: 20%	(79.971.900)	(20)	(61.637.201)	(20)
Increase in tax rate	170.022	0,04	-	-
(Additions)/discounts, net	597.380	0,15	(775.938)	(0,25)
<b>Total income tax expense presented in the statement of income</b>	<b>(79.204.498)</b>	<b>(19,81)</b>	<b>(62.413.139)</b>	<b>(20,25)</b>

#### 36 Net foreign exchange gains / losses

Net foreign exchange gains/losses are presented in Note 4.2 – Financial Risk Management.

#### 37 Earnings per share

According to TAS 33 "Earnings per Share", earnings per share of unquoted Companies do not disclose earnings per share. As for the Company is not listed, earnings per share is not calculated in the accompanying financial statements.

#### 38 Dividends per share

The Company is not a listed entity, hence dividend per share is not presented in the accompanying financial statements.

#### 39 Cash generated from operations

The cash flows from operating activities is presented in the accompanying statement of cash flows.



# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

### 40 Convertible bond

None.

### 41 Redeemable preference shares

None.

### 42 Contingencies

In the normal course of its operations, the Company is exposed to legal disputes, claims and challenges, which mainly stem from its insurance operations. The necessary income/expense accruals for the revocable cases against/on behalf of the Company are provided either under provision for outstanding claims or provisions for other risks in the accompanying financial statements.

As at December, 31 2017, the probable liability amount that will arise in the situation that all the cases that Company is defendant results against the Company is TL 10.703.039 (December, 31 2016: TL 9.505.854) in gross. The Company has recorded provision of TL 17.574.184 (December, 31 2016: TL 14.009.490) 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 2017	31 December 2016
Less than 1 year	2.376.487	4.962.839
More than 1 year less than 5 years	1.764.755	851.275
<b>Total of minimum rent payments</b>	<b>4.141.242</b>	<b>5.814.114</b>

### 44 Business mergers

None.

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2017

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### 45 Related party transactions

T. Garanti Bankası A.Ş. and Achmea which have 99,91% in total of outstanding shares of the Company and the groups having direct control over those companies and the affiliates and associates of those groups are defined as related party to the Company.

The related party balances as of December, 31 2017 and December, 31 2016 are as follows:

	31 December 2017	31 December 2016
T.Garanti Bankası A.Ş.- cash at banks	1.179.423.520	772.093.193
<b>Banks</b>	<b>1.179.423.520</b>	<b>772.093.193</b>
T.Garanti Bankası A.Ş. - credit card collections	150.795.930	144.247.305
<b>Receivables from credit card collections less than 3 months (Not 14)</b>	<b>150.795.930</b>	<b>144.247.305</b>
Garanti Hizmet Yönetimi A.Ş. - fund management	15.142.370	11.111.346
Garanti Faktoring Hizmetleri A.Ş.	36.415	20.256
Other	32.518	19.780
<b>Receivables from main operations</b>	<b>15.211.303</b>	<b>11.151.382</b>
T. Garanti Bankası A.Ş. - commissions payable (net)	16.871.576	16.498.284
<b>Payables from main operations</b>	<b>16.871.576</b>	<b>16.498.284</b>
Eureko Sigorta A.Ş. - shared expenses and premiums written	213.030	69.930
Garanti Hizmet Yönetimi A.Ş. - portfolio management	129.950	117.514
T. Garanti Bankası A.Ş.- shared expenses	11.080	124.928
<b>Due from shareholders</b>	<b>354.060</b>	<b>312.372</b>
Garanti Portföy Yönetimi A.Ş. - pension funds management	7.158.620	6.615.310
Antur Turizm A.Ş. - transportation expenses	741.101	39.152
Doğuş Yayın Grubu A.Ş.	9.268	43.541
Garanti Filo Yönetim Hizmetleri A.Ş. - car rental expenses	8.236	12.652
Garanti Bilişim Hizmetleri AŞ - software and service cost	-	385.899
Other	1.918	4.654
<b>Payables to related parties</b>	<b>7.919.143</b>	<b>7.101.208</b>

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.

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2017

(Currency:Turkish Lira (TL))

#### 45 Related party transactions (continued)

The transactions with related parties during the year ended December,31 2017 and December, 31 2016 are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
T. Garanti Bankası A.Ş.	5.996.579	4.664.162
Garanti Yatırım Menkul Kıymetler A.Ş.	180.832	172.669
Garanti Ödeme Sistemleri A.Ş.	151.142	140.372
Garanti Finansal Kiralama A.Ş.	107.176	80.486
Eureko Sigorta A.Ş.	104.988	82.113
Garanti Portföy Yönetimi A.Ş.	70.345	57.169
Diğer	233.461	145.400
<b>Written premium</b>	<b>6.844.523</b>	<b>5.342.371</b>
T. Garanti Bankası A.Ş.	547.310	798.593
Garanti Portföy Yönetimi A.Ş.	365.000	-
Doğuş Oto Pazarlama ve Tic.A.Ş.	16.066	31.127
<b>Claim paid</b>	<b>381.066</b>	<b>31.127</b>
T. Garanti Bankası A.Ş.- banka mevduatı faiz gelirleri	103.768.642	79.698.800
<b>Investment income</b>	<b>103.768.642</b>	<b>79.698.800</b>
T. Garanti Bankası A.Ş. - ödenen komisyonlar <sup>(1)</sup>	146.273.025	122.073.884
T. Garanti Bankası A.Ş.- kira, vergi ve diğer giderler	16.794.566	12.430.797
Garanti Portföy Yönetimi A.Ş.	15.028.054	14.865.310
Eureko Sigorta A.Ş. - sağlık ve kasko primleri	2.180.378	2.167.721
Antur Turizm A.Ş. - turizm giderleri	1.888.392	1.286.226
Garanti Filo Yönetim Hizmetleri A.Ş.- taşıt kirası	1.800.192	1.569.996
Garanti Hizmet Yönetimi A.Ş. - fon yönetim gideri	1.696.632	1.399.894
Garanti Finansal Kiralama A.Ş. - finansal kiralama gideri	283.115	165.153
Doğuş Enerji Üretim ve Tic. A.Ş. - elektrik gideri	234.557	269.256
Doğuş-GE Gayrimenkul Yatırım Ortaklığı A.Ş. - kira giderleri	46.532	42.295
Ayhan Şahenk Vakfı - bağış giderleri	24.000	33.605
Yön. İnsan Kay. Des. Hiz. Tic. Ltd. Şti. - Ofis destek hizmet gideri	21.414	-
Doğuş Bilgi İşlem A.Ş.	4.461	4.211
Garanti Bilişim Tekn. ve Tic. A.Ş. - bilgi işlem giderleri	-	551.311
Doğuş Yayın Grubu A.Ş. - reklam giderleri	-	192.513
Other	9.368	20.932
<b>Investment expense</b>	<b>186.284.686</b>	<b>157.073.104</b>

<sup>(1)</sup> Amounts are demonstrated as gross amounts without deferred commission expenses.

# GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2017

(Currency: Turkish Lira (TL))

### 46 Events after the reporting period

None.

### 47 Other

Description and amounts of the items which are higher than 5% of the total assets in the balance sheet or higher than 20% of the total amount of the group including the items phrased with “other” in the accompanying financial statements

They are presented in the related notes above.

Payables to employees and receivables from employees presented under accounts, “other receivables” and “other short or long term payables”, and which have balance more than 1% of the total assets

None.

Subrogation recorded in the off-balance sheet accounts

None.

Real rights on immovable and their values

None.

Explanatory Note for the amounts and nature of previous years’ income and losses

None.

For the period ended December, 31 2017 and December, 31 2016, details of the resdicount and provision expenses are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Provision for entrance fee receivables (Note 4.2)	(3.911.898)	(285.938)
Provision for employment termination benefits (Note 23)	(2.404.891)	(2.107.519)
Provision for lawsuits (Note 23)	(821.488)	(295.074)
Provision (expense) / release for receivables from main operations (Note 12)	(38.530)	26.233
Provision for unused vacation pay liability (Note 23)	(4.989)	(28.667)
Other	-	(3.000.000)
<b>Total provision expenses</b>	<b>(7.181.796)</b>	<b>(5.690.965)</b>

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