



Future Coaches work towards a  
 future with lots of *“We’re Glad”s.*



As a company standing by customers on their path to the future and empowered by their happiness, we work towards a future with lots of “We’re glad”s.

We change and refresh ourselves every day to better serve our customers. Our ultimate goal is to guarantee their future and hear them start sentences with “We’re glad.”

And we know that a future teeming with people who feel “glad” will make us even happier.

A dedicated pension and life company for customers:  
Garanti Pension and Life

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

The Company 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 EUR 100 million.

Our Outmaneuvering Advantages

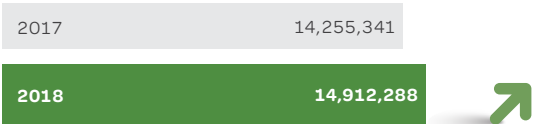
Garanti Pension and Life’s main competitive advantages include:

- Brand equity of “Garanti,”
- Customer-centric service approach,
- Effective sales force,
- Financial strength and an advanced technology infrastructure,
- Corporate culture and human resources,
- A sustainable approach.

Main Financial Indicators

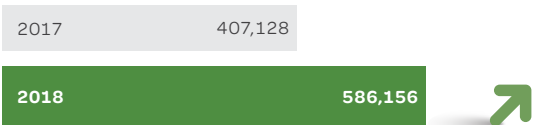
Total Assets (TL thousand)

In 2018, Garanti Pension and Life reported total assets of TL 14.9 billion.



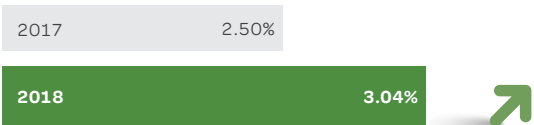
Profit/Loss Before Tax (TL thousand)

Garanti Pension and Life posted profit before tax of TL 586 million in 2018.



Average Return on Assets (%)

In 2018, Garanti Pension and Life’s average return on assets was 3.04%.



Average Return on Equity (%)

Garanti Pension and Life’s average return on equity was 40.13% in 2018.



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**Date:** August 26, 2024

Two weeks after the retirement

*I'm glad*

*that I Chose to Deposit My Pension  
Savings at Garanti Pension.*

The years flew by, and retirement, which seemed so far away for so long, has finally arrived. It is Mehmet's turn to live out his dreams as he says "I'm glad that I joined the PPS of Garanti Pension."



**Date:** Today

An ordinary day with the passion to  
enjoy life to the fullest

*I'm glad*

*that I Enjoy Life to the Fullest  
with Garanti Pension Yaşı.*

Yeşim was introduced to the privileged world of Yaşı.  
She now actively pursues her hobbies, without having to  
postpone them to the future.



Financial Indicators

As of year-end 2018, Garanti Pension recorded over 1.7 million\* private pension customers and a fund size of TL 13.3 billion\*.

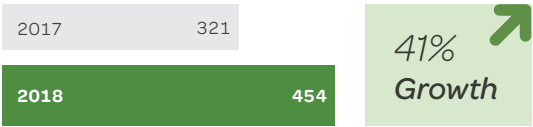
Total Number of Private Pension Customers\*\*

1.7 million

\* Source: Pension Monitoring Center dated 12.28.2018.  
\*\*Total PPS: Includes overall number of Voluntary PPS and Auto Enrolment System participants.

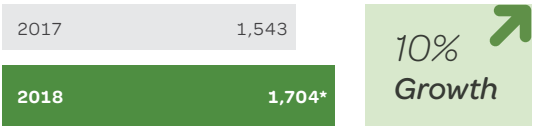
Net Profit (TL million)

Garanti Pension reported net profit of TL 454 million in 2018.



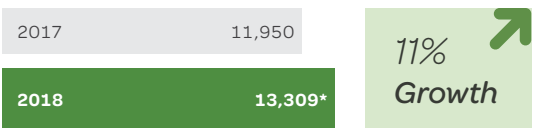
Total Number of PPS Participants (thousand)

Garanti Pension recorded over 1.7 million private pension customers as of year-end 2018.



Total Value of Private Pension Funds (TL million)

Garanti Pension's private pension funds totaled TL 13,309 million in 2018.



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

About Garanti Pension and Life

Garanti Pension and Life has always aimed for sustainable success and has consistently 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.

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

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



# From Past to Present: Garanti Pension and Life

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

2003

## Introducing pension products to customers

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

2004

## Innovative approaches for changing market conditions

Marketing activities to promote corporate pension plans commenced.

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

2005

## Different solutions for different needs

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

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

2006

## Market leader in group pension plans in its third year

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

2007

## Strong international partnerships

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

2008

## Thought leader of the sector

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

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

2009

## Pioneer in innovation

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

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

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

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

2010

## "Garanti Pension" brand grows stronger with innovations

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

Private pension plans were developed especially for participation banking customers.

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

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

2011

## Customer-focused investments and practices

Garanti 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 were launched.

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

2012

## 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 its credit life products in line with the changing needs of customers.

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

2013

## Sector leader in number of participants

Garanti Pension and Life 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 boost user satisfaction.

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

2014

## "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 bolstered 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 Eighth International Corporate Governance Summit.

2015

## "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. The Company also 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. It also became the first company in the sector to use Periscope, Twitter's video streaming app.

2016

## First company to receive ISO 14001 Environmental Management System certification

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

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



## From Past to Present: Garanti Pension and Life

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

Garanti Pension and Life issued a Declaration of Human Rights.

Garanti Pension and Life joined the WWF Green Office Program.

Garanti Pension Mobile Branch application was launched.

### 2017 First company to provide robotic consulting services in the sector

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

Garanti 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 can access development, health and education services, and have equal rights. As a result, the Company was awarded the “UNICEF Silver Wing.”

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

Garanti 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.

### 2018 Launch of Future Coaches

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

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

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

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

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

Turkey Call Center Awards, organized by Call Center Life Magazine, named Garanti Pension’s Call Center as the “Inhouse Call Center with the Greatest Contribution to Female Employment.”

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

## Competitive Advantages

Garanti Pension and Life’s competitive advantages stem from the fact that it effectively utilizes the bancassurance channel and formulates the right strategies for ever changing market conditions. Focusing on operational efficiency as it benefits from economies of scale, Garanti 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 “Garanti”**
  - Reliability provided by the Garanti brand
  - Synergy and collaboration with Garanti Bank
- **Customer-centric service approach**
  - Customized and exclusive solutions to meet the needs of customers
  - Continuous development of after sales services
  - Practices that reinforce closer customer relationships
- **Effective sales force**
  - Effective use of bancassurance
  - Superior alternative distribution channels and widespread distribution network
- **Financial strength and an advanced technology infrastructure**
  - Robust capital and stable financial structure
  - Reinsurance capacity
  - Profitable risk acceptance practices
  - Continuously improving technology infrastructure
- **Corporate culture and human resources**
  - Organizational structure that enables rapid adaptation to an ever-changing market environment
  - Creative and highly competent workforce capable of taking initiative
  - Emphasis on life-long development
  - Internal customer satisfaction efforts
- **Sustainable approach**
  - Management systems in the areas of human rights, labor standards, environment and anti-corruption
  - Communications on gender mainstreaming and empowerment of women
  - Strong partnerships with leading organizations in sustainability
  - Efforts to reduce consumption of natural resources



## Our Objective and Core Values

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

### Our Objective

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

### Our Values

***Our Priority is our Customers.***

- We understand customers.
- We act with integrity and responsibility.
- We develop solutions.

### ***We Think Big***

- We inspire.
- We are innovative.
- We exceed expectations.

### ***We are One Team***

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

*we're glad*

We work towards a future with lots of "We're glad." We place customer satisfaction at the center of all our activities, serve as a companion to millions in order to ensure their happy future.



Garanti Bank in Brief

Garanti Bank addresses all financial needs of over 16 million people, with more than 18 thousand employees at 926 branches in Turkey and eight branch locations abroad as of December 31, 2018.

Established in Ankara in 1946, Garanti Bank is Turkey’s second largest private bank with consolidated assets totaling TL 400 billion as of December 31, 2018.

Garanti Bank is an integrated financial services group operating in every segment of the banking sector – including corporate, commercial, SME, retail, private, investment banking and payment systems – together with its subsidiaries in private pension, life insurance, financial leasing, factoring, investment, and portfolio management. Garanti Bank’s international subsidiaries are located in the Netherlands and Romania.

As of December 31, 2018, Garanti Bank responds to all financial needs of over 16 million customers, with more than 18 thousand employees. The Bank’s wide distribution network includes 926 domestic branches, eight overseas branch locations (seven in Cyprus, one in Malta), and two representative offices\* in Düsseldorf and Shanghai. Some 5,258 ATMs equipped with the latest technological infrastructure and an award-winning Call Center provide a seamless customer experience and the convenience of integrated channels over online, mobile and social banking platforms.

Aiming to achieve sustainable growth by creating value for all its stakeholders, Garanti Bank builds its corporate strategy on the principles of “transparency,” “straightforwardness” and “accountability.” The Bank provides customers with products and services that meet their needs while continually working to improve the customer experience. Thanks to its skilled and dynamic workforce, continuous investment in advanced technology, customer-focused service approach, innovative and high quality products and services, Garanti Bank is an undisputed leader in the Turkish banking industry.

Garanti Bank strives to adopt the best corporate governance practices in accordance with its core values. Banco Bilbao Vizcaya Argentaria S.A.(“BBVA”) owns 49.85% of Garanti 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, 2018. In addition, Garanti Bank depositary receipts are traded in the UK and US.

Garanti Bank’s continuously improving business model is based on the concepts of responsible and sustainable development, customer experience, employee happiness, digitalization, optimal use of capital, and strategic priorities focused on efficiency. Custom-tailored solutions and a wide product variety play a key role in the Bank’s TL 311.2 billion cash and non-cash loan portfolio. Garanti Bank’s disciplined and sustainable growth strategy ensures that the Bank moves forward without compromising asset quality, while strengthening the equity base. Thanks to an effective world-class risk management approach, focused on managing financial and non-financial risks in an integrated manner, and to organizational agility in seizing new opportunities, Garanti Bank creates sustainable value for all its stakeholders.

Furthermore, Garanti Bank creates value and supports positive change, by forging strategic partnerships that add value, supporting social programs that focus on strategic priorities of both the Bank and stakeholders, and extending loans that target impact investments.

Garanti Bank Asset Size

TL 400 Billion

Achmea B.V. in Brief

Achmea’s annual solvency ratio stands at 184% in 2018. International credit rating agency Standard & Poor’s affirmed Achmea’s Insurer Financial Strength Rating as ‘A’.

Achmea is a leading international insurance group with over 200 years of experience. Based in the Netherlands, Achmea is one of the world’s largest cooperative insurance organizations, operating with 14,500 employees in six countries.

Innovator and Leader

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

Broad Investment Portfolio and Micro-Insurance Projects

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

Robust Position in the Global Market

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

An ‘A’ for Insurer Financial Strength Rating by S&P

Achmea’s gross premium production under contract totals EUR 19,350 billion, and shareholders’ equity amounts to EUR 9.9 billion. Achmea’s annual solvency ratio stands at 184% in 2018. International credit rating agency Standard & Poor’s affirmed Achmea’s Insurer Financial Strength Rating as ‘A’.

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

In March 2007, Achmea entered into a partnership agreement with Garanti Bank in Turkey under the name Eureko B.V. to acquire an 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, Garanti Pension and Life acquired the remaining 20% stake in Eureko Insurance held by Garanti Bank to become the sole owner of Eureko Insurance.



Chairman’s Message

**Our dedicated efforts are reflected in our successful business lines and financial results: In 2018, our net profit after tax jumped 41% to TL 454 million.**

We have concluded a challenging year both for the world and Turkey’s economy. While 2018 delivered an economic performance above that of the past few years, it lost pace compared to 2017, resulting in weaker synchronization between different regions of the world. Rising protectionism in trade and financial stress in some emerging economies have started to adversely impact affect global growth. Increasing volatility in trade activity and deteriorating confidence indicators confirm that the global outlook is worsening. According to our projections, the world economy is expected to expand 3.5% in 2019, compared to 3.7% in 2018 – a result similar to 2017.

China is implementing growth strategies to mitigate the effects of protectionism and prevent further deepening of financial vulnerabilities. With these efforts, the Chinese economy is forecast to expand above 6% in 2019. However, lingering concerns surrounding global growth will likely be the top agenda item of 2019. Central banks around the world are postponing monetary tightening steps, which could ease global financing conditions to a degree. This development may pave the way for relatively more positive fund inflows, for emerging markets in particular.

During this difficult period, Turkey successfully navigated these negative developments and ranked among the top three fastest-growing G-20 countries in the second quarter of the year.

However, the Turkish lira depreciated against the US dollar in 2018. In Turkey, costs are generally denominated in US dollars; therefore, a rise in FX rates increases inflationary pressure. As annualized inflation hit 25.24% in October, its highest level in recent years, the Central Bank raised the weighted average interest rate to 24%.

During the first half of 2018, Turkey’s economy grew by 6.2% and maintained its solid performance despite many local-scale uncertainties. Robust domestic demand and strong investment spending played a major role in the positive growth outlook for the first six months of the year. However, domestic demand lost momentum, after facing foreign exchange and interest rate shocks as well as tightened access to financing in the second half of the year. In the third quarter, the Turkish economy slowed significantly and expanded only 1.6%, largely due to FX rate volatility. We project that Turkey’s economy will record 3% overall growth in 2018 and slow further to expand just 1.6% in 2019.

Inflation rates in Turkey in 2018 went above 8.5% – the average rate of the period between 2004 and 2017. However, annualized inflation declined to 21.6% with a significant slowdown in November and closed the year at 20.3%. In 2019, we expect inflation rates to cool to 16% by year’s end, partly driven by the base effect which will become more tangible in the second half of the year. We see the Central Bank maintaining its current stance in the first half of the year and able to introduce interest rate cuts, albeit limited, by June.

Developments related to monetary policy will also come to the forefront in 2019. Efforts to achieve the targets set forth in the New Economy Plan (NEP) will reinforce the exchange rate gains as they meet expectations. 2019 will be a re-balancing year, a period of adjustments related to various financial variables.

Private pension schemes, also known as “Voluntary PPS,” which were introduced to complement the social security system in Turkey and boost individual savings, turned 15 years old in 2018.

The Auto Enrolment System was launched to mainstream private pensions in 2017. AES marked a truly revolutionary milestone in terms of society’s saving habits and retirement savings.

Garanti Pension and Life maintains its leadership position with a total fund size of TL 13.3 billion and 1.7 million participants in Voluntary PPS and Auto Enrolment System for their retirement.

Life insurance recorded 1%\* growth this year despite the slowdown in fourth quarter. Garanti Pension and Life reported premium production of TL 484 million in 2018.

Our dedicated efforts are reflected in our successful business lines and financial results: In 2018, our net profit after tax jumped 41% to TL 454 million.

Garanti Pension and Life is committed to developing new projects that are socially and environmentally responsible in addition to those that are financially successful. The Company continues to take major steps forward 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.

Garanti Pension and Life plans to keep driving the sector, while recording new achievements in private pension and life insurance in the coming year.

We aim to continue growing with our expert sales team, robust systems infrastructure, process innovations, operational efficiency and smart business processes. With this approach, we want to make sure all our stakeholders feel “glad” in the future.

I would like to extend my thanks to our employees, participants and stakeholders for all the success we have achieved in 2018, propelled forward by our efficient business management.

Sincerely,

Ali Fuat ERBİL  
Chairman of the Board of Directors

\* Source: TSB dated 12.31.2018.

Total Assets

TL 14.9 Billion



CEO’s Message

The pioneering company in the private pension and life insurance sectors, Garanti Pension and Life places customer centrality at the heart of its operations.

2018 was not an easy year for Turkey or the world. Turkey completed this challenging period with the least possible damage thanks to effective measures taken domestically. Faced with increasing foreign exchange rates and rising interest rates, inflation rose to as high as 25% in the second half of the year – only to fall back to 20% at year’s end. In 2019, we expect 1.6% economic growth and 14.6% inflation, thanks to the macro precautionary measures taken in fourth quarter 2018.

Turkey took a significant step forward to “savings for the future” in 2017, introducing the Auto Enrolment System. The actual system growth took place in 2018, with small, medium and large enterprises starting to save through AES. The Auto Enrolment System aims to provide pensioners with the life they deserve in 30 years to even 50 years, while maintaining their living standards. AES is the most important milestone Turkey has achieved on the path to systematic wide-scale saving. Enterprises with 10+ employees have enrolled in AES to date. More than 11.5 million employees across the country have been introduced to the pension system via Auto Enrolment. As of end-2018, AES reported 5 million

participants and a total fund size of TL 4.6 billion. Some 3.8 million participants who did not have a private pension contract in place previously were introduced to the PPS through auto enrolment. Leaving 15 years behind and reaching a significant number of participants, the Voluntary Private Pension System now enjoys its maturity stage. Garanti Pension and Life has increased the fund size while maintaining its leadership in the Voluntary Private Pension System. The Auto Enrolment System has attracted a substantial number of participants since its introduction. The Company was honored to manage its funds with its expert team and advanced technology infrastructure. Garanti Pension and Life is the sector leader with 16.7% market share in the Voluntary Private Pension System and holds a solid 11.1%\* share in the Auto Enrolment System.

The growth of the Private Pension System has changed direction since the introduction of the Auto Enrolment System in our country. The majority of the prospective participants for the Voluntary Private Pension System have joined the system through auto enrolment. Such entry to the system will continue in 2019, as well. This is why we need to focus on the Total PPS number, i.e. the number Voluntary PPS and AES participants combined, while assessing system growth. Total PPS has created a significant pool of savings with approximately 12 million participants and a fund size totaling over TL 81 billion. Garanti Pension and Life leads the sector with 1.7 million participants in the savings pool and completed 2018 with a fund size of TL 13.3 billion.

Life insurance, another business line of ours, posted positive growth in the first half of the year before experiencing a slowdown in the second half due to economic volatility and lower lending. Garanti Pension and Life leads the industry by utilizing the most ideal servicing models for customers of life insurance products, just as for customers of other offerings. The Company reported premium production of TL 484 million and market share of 7.1%\*\* as of year-end 2018. We expanded the life insurance product range in 2018. Premium-Return Life Insurance was launched to allow policyholders to reclaim the premiums they paid provided there is no actualized risk of death.

We develop customer centric approaches!

As the pioneering company in private pensions and life insurance, Garanti Pension and Life places customer centrality at the heart of all

its operations. After successfully launching “Fund Coaches” on the Online Branch in 2017 to provide customers with fast and easy services, the Company introduced this innovative offering to the Mobile Branch in 2018. Furthermore, investments made in Fund Coach helped improve the recommendation algorithm and make it a more personalized tool.

We started selling Online PPS – an entirely digital product and a sector “first.”

Garanti Bank offered its customers the chance to join the individual pension system through digital channels and online as of January 2018. The differentiating feature of Online PPS is that it is entirely digital. “Online PPS” enables customers to take all steps, from the moment of participation in the system to withdrawal, in the digital environment.

We re-structured our Corporate Online Branch with “the best service-most advanced technology infrastructure approach.”

2018 marked a new period for the Auto Enrolment System and a large and significant number of people were introduced to the system. During this new period, Garanti Pension and Life re-structured all its processes based on the “best service-most advanced technology infrastructure approach.” What sets our renewed Corporate Online Branch apart is that we capitalize on each and every individual feedback received from customers. Our primary goal is delivering fast and reliable services to the valued firms preferring us for the Auto Enrolment System and simplifying their lives. Garanti Pension and Life helps companies save significant time via the Corporate Online Branch. This channel allows companies to complete the Auto Enrolment System processes on the same day as salary payments rapidly and seamlessly. We have improved our service quality thanks to the Corporate Online Branch, as demonstrated by more than 26 thousand enterprises who prefer us for AES and appreciate the ease of use provided by the branch.

Net Profit

TL 454 Million





CEO’s Message

**Working towards a future with lots of “We’re glad,” Garanti Pension and Life recorded robust growth in 2018. We reported TL 208 million technical profit in life insurance and TL 207 million technical profit in pension operations for the year.**

**We work to hear “We’re glad” in the future!**

Since its founding, Garanti Life and Pension has been committed to achieving the highest level of customer satisfaction and employee loyalty. To this end, the Company continues to develop services to address the needs and requests of employees. Garanti Pension and Life establishes long-standing relationships with customers. The ultimate goal and objective of employees is to make sure that customers say “We’re glad...” in the future. Accordingly, the Company adopted the slogan “We Work for the Glad People of the Future” in 2018, having taken the contributions of staff members into consideration. We made improvements in key human resources strategies, such as career maps, recruitment processes and training modules, by taking note of every factor that contributes to the development of our workforce.

**Social Responsibility: ÖRAV**

Garanti Pension and Life has always embraced the perspective of creating long-term value and benefit for society in the corporate social responsibility projects it has implemented to date. Education has been our focal point for many years. Garanti Pension sponsors Teachers’

Academy Foundation (ÖRAV), established by Garanti Bank in order to deliver sustainable improvement for teachers’ personal and professional development. As the first and only civil society organization with a focus on teacher development in Turkey, ÖRAV has to date trained more than 165 thousand teachers and administrators in 81 provinces with a team of 250 trainers. ÖRAV will continue its efforts in coming year, with our ongoing support.

**Garanti Pension and Life continues its sustainable growth!**

Working to hear people say “We’re glad...” in the future, Garanti Pension and Life recorded robust growth in 2018. We reported TL 208 million technical profit in life insurance and TL 207 million technical profit in pension operations for the year. Garanti Pension and Life has been the most profitable\*\* company in the industry for the past four years, having consecutively disclosed high technical profit in pension operations. Garanti Pension and Life continues to enhance its profitability, by executing a strategy centered on high quality, cost-effective processes that simplify customers’ and employees’ lives. In 2018, the Company increased its net profit to TL 454 million. Garanti Pension and Life maintains its robust growth with effective balance sheet management and use of advanced technologies.

I hope 2019 will bring successful and blissful results for all our employees and participants/policyholders who prefer Garanti Pension and Life. May we all enjoy significant achievements inspired by the strong synergy we have with our customers and employees in the coming year.

Best regards,

Burak Ali GÖÇER  
Member of the Board of Directors and CEO

\* Source: Pension Monitoring Center dated 12.28.2018.  
\*\* Source: TSB dated 12.31.2018.

Sector Developments and Garanti Pension

**Garanti Pension’s Gold Fund yielded 37.4% return in 2018, delivering an above-average performance.**

As 2018 drew to a close, a rather tough year for the domestic economy, Turkey overcame negative developments and managed to rank among the top three fastest-growing G-20 countries in the second quarter of the year.

During the first half of 2018, Turkey’s economy grew by 6.2% and maintained its solid performance despite many local-scale uncertainties. Domestic demand lost momentum, after facing foreign exchange and interest rate shocks as well as tightened access to financing in the second half of the year. However, Garanti Pension and Life’s funds – including the Gold Fund, foreign currency denominated funds, private sector borrowing instruments and funds investing in short-term borrowing instruments – were able to turn this challenging situation into an opportunity.

Garanti Pension’s Gold Fund yielded 37.4% return in 2018, delivering an above-average performance.

The Company’s Conservative Variable Fund, set up as an option among Variable Annuities which have a flexible portfolio structure, yielded a 16.9% return in 2018, providing returns as high as time deposits to customers in a difficult year economically.

Meanwhile, the FX-denominated Government Bond Fund yielded 30.8% in 2018, an exceptional performance.

Private Sector Borrowing Instruments, set up by Garanti Pension, yielded a 16.3% return in 2018, delivering gains as high as time deposits and outperforming the category average.

The Private Pension System continues to grow, albeit at a slower rate than in previous years. Turkey’s PPS entered a rapid growth phase due to legislative changes made in 2013, particularly the 25% state contribution. The PPS penetration rate increased, climbing to 6.8 million participants in 15 years. The Private Pension System’s expansion rate slowed slightly to increase individuals’ savings awareness and savings rate in Turkey. A look at independent data for 2017 reveals an increase of 295 thousand participants in the system, while the sector-wide figure declined by 46 thousand in 2018.

**Auto Enrolment System**

In January 2018, enterprises with 50 to 99 employees joined the Auto Enrolment System introduced in 2017. Some 1.6 million employees from 19 thousand firms joined the system during this period, according to Pension Monitoring Center’s report dated November 21, 2018.

In July 2018, enterprises with 10-49 employees were included in the system. As a result, 2 million employees from 96 thousand companies joined the system. The number of enterprises in that particular range is high and entries are ongoing.

The report also reveals that Garanti Pension tops the list of private sector companies with a 15% market share in the number of executed contracts. It ranks second when the list is combined with the public institutions. A total 15,566,503 contracts were executed sector-wide, with Garanti Pension accounting for 2,287,586 contracts.

Pursuant to the amended regulation published on December 28, 2018, calculation criteria for people aged 45 and over were changed for employees who started work before December 27, 2018. According to the new regulation, employers that joined the PPS in 2017 and 2018 are now allowed to take into account the new criteria and include into the PPS those employees who were previously ineligible because they were above 45 years of age. Pension companies have modified their processes in light of this new practice. This amendment will have an impact on PPS enrolment numbers in 2019.

## Sector Developments and Garanti Pension

As of January 2019, the PPS will not offer a new enrolment period. Re-enrolment processes will be followed for employees who transfer between companies or withdraw from the system.

### Garanti Pension Five-Year Statement in Voluntary Private Pensions

	2014	2015	2016	2017	2018
Pension Fund Size (TL million)	5,601,62	6,793,94	8,357.76	10,247.51	11,129.82
Pension Fund Size Market Share (%)	16.1	15.8	15.6	15.1	14.5*
Number of Pension Participants	872,224	995,416	1,130.475	1,196.397	1,150.560*
Pension Participant Number Market Share (%)	17.1	16.5	17.1	17.3	16.7*
Total Pension Contributions (TL million)	4,549,71	5,789.90	6,836.80	7,907.08	8,458.57
Pension Contributions Total Market Share (%)	16.0	15.6	15.4	15.0	14.5*

### Auto Enrolment System

	2018*
Pension Fund Size	TL 343,246,140
Pension Fund Size Market Share (%)	7%
Number of Pension Participants	553,228
Pension Participant Number Market Share (%)	11%
Total Pension Contributions	TL 313,138,375
Pension Contributions Total Market Share (%)	8%

### Industry Leader: Garanti Pension

Despite the decline in the overall number of PPS participants in 2018, Garanti Pension maintained its leading position in terms of participant numbers. The number of participants fell 0.7% year-on-year sector-wide, while Garanti Pension completed the year with the highest number of participants.

The sector recorded a decline from 6 million 924 thousand at end-2017 to 6 million 875 thousand at end-2018. In 2018, Garanti Pension recorded 1 million 150 thousand participants in the Voluntary Private Pension System and a 16.7% market share in the number of participants.

\* Source: Pension Monitoring Center dated 12.28.2018.

## Financial Strength of Garanti Pension and Life



Driven by the strength it derives from the Garanti brand, a strong financial structure and effective balance sheet management, Garanti Pension boosted its operational efficiency and closed the year with solid achievements. The Private Pension System broke new ground thanks to the introduction of the Auto Enrolment System in 2017 and expanded further in 2018. This growth drove investments in human resources, systems infrastructure and advanced technology.

Working to hear “We’re glad” in the future and focusing its strategies on happy customers, happy employees and a satisfied business model, Garanti Pension and Life continuously boosts its operational efficiency with investments in advanced technology. In 2018, the Company exceeded its sales and profitability targets and took growth to the next level by focusing on process innovation and smart business processes after a close examination of all expense areas.

In 2018, Garanti Pension and Life reported total assets of TL 14.9 billion, up 5% year-on-year. The Company distributed TL 1.2 billion in dividends to shareholders during the year. Shareholders’ equity declined 45% to TL 886.9 million in 2018. Further bolstering its robust financial structure with these results, Garanti Pension and Life increased net profit after tax by 41% over the previous year to TL 454 million. Once again, Garanti Pension and Life was the most profitable company in the sector. The Company continues to serve as a model 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 the life insurance and private pension business lines. In 2018, the Company’s gross technical profit amounted to TL 415 million. The Company posted profit before tax of TL 582 million, 71% of which was technical profit in 2018.

Garanti Pension and Life’s goals for 2019 include maximizing customer satisfaction, strengthening employee loyalty and developing new business models that improve the efficiency of the Company. In the coming reporting period, Garanti Pension and Life will focus on implementing projects to make life easier for its customers and designing new products that meet customers’ needs and expectations while maximizing business productivity and sustaining its financial strength.

### Distributed Dividends

TL 1.2 Billion



Review of 2018 Operations

Life insurance premium production through personal loan products extended via digital channels accounted for 21% of new business production in 2018.

Life Premium Production in 2018

Life insurance premium production followed entirely different trends in the first and second halves of the year, with the impact of various factors that came into play in 2018. To start, life insurance premium production delivered a different performance in the credit and non-credit segments. The shrinking volume of loans in the financial system in the second half of the year had a proportionate impact on all sector players regarding premium production.

Garanti Pension and Life recorded life insurance premium production of TL 484 million in 2018. As for total premium production, the Company felt the negative impact of the decline in loan volume in the second half of the year in parallel with the sector. As Garanti Pension's penetration in personal loan products remained flat, mortgage loan penetration improved 18% year-on-year.

Regarding production of other life insurance that was not extended in connection with bank risk, Garanti Pension and Life's sales teams focused on new sales models, customer visits and meeting plans to address customer needs. Thanks to these efforts, the Company's premium production grew 38% compared to 2017.

The impact of digitization on customer needs in the insurance industry is increasingly tangible, just as in other sectors across the economy. Upon completion of Garanti Plus, the new customer servicing model project by Garanti Bank, 80% of customers acquired products via digital channels. Garanti Pension and Life's life insurance premium production through personal loan products extended via digital channels accounted for 21% of new business production in 2018.

On the digitization front, 2018 marked a milestone in life insurance policies at Garanti Pension and Life. The "Digital Approval" initiative was implemented for bank screens in the middle of the year and for screens of savings and assurance experts in December. The project enabled customers to approve life insurance policy offerings in one minute on mobile/online branches, without having to sign a paper-based form.

The Premium-Return product, which Garanti Pension and Life developed to include in its product portfolio, was made available to customers mid-year 2018.

Private Pension System

With the state contributions introduced in 2013, growth of the individual private pension sector gained momentum. Over the past six years, 3.7 million participants have been included in the Private Pension System. The total number of participants reached 6.8 million as of year-end 2018.

Due to volatile market conditions in 2018, the private pension sector saw withdrawals uptrend starting from the second half of the year in particular. Challenging economic conditions also had a considerable impact on new customer acquisitions, with new sales down-trending during the year. 2018 also marked a negative period for growth of the Auto Enrolment System (AES) which launched in 2017 and continued to roll out for companies in 2018. Independent 2017 data revealed an increase in total participants by 295 thousand, while total participants fell by 46 thousand in 2018. Despite these developments that negatively impacted the sector, Garanti Pension and Life managed to lead the competition with about 36 thousand more participants than its closest rival in 2018. With 1,150,160 participants, the Company posted a market share of 16.7% and maintained sector leadership in terms of participant numbers, a position it first achieved in 2016.



As Future Coaches, we guide our customers on their way to realizing their dreams. We aim to utilize their savings in the most ideal way to turn these savings into a lucrative future.

İrem, Future Coach

Garanti Pension reported a total voluntary PPS fund size of more than TL 11.1 billion, up 8.6% year-on-year. With this fund size, the Company accounted for 14.5% of the overall sector. In 2018, collections of new business contributions rose 38% year-over-year. The key driver of this growth was the modifications to the service model of the field sales team that were made at the start of 2018. Placing customers at its core, this new model helps bring together the right customers with right products and improve quality ratios. Higher quality sales increase the level of timely payments and results in higher customer satisfaction.

Significant interest rate rises on deposits in the second half of the year and the consequent introduction of flexible tax deductions for returns sparked widespread withdrawals across the entire sector. However, Garanti Pension offset the impact of withdrawn funds on its share of the total fund market by boosting the rate of total contributions and additional contributions.

Much more practical methods were used for new sales, as branch locations completed Garanti Plus transitions throughout 2018. Thanks to digital approval, customers were able to approve PPS offerings solely via the mobile/online branches and were included in the PPS without the need for a wet signature. 2018 year-end figures reveal that digitally-approved production accounted for about 20% of total production for the year.

As a result of the emphasis Garanti Pension places on digitalization, digital platforms gained significant ground in 2018. The advanced technology infrastructure now allows private pension applications to be received via Garanti Pension's website and direct PPS acquisitions to take place through Garanti Bank's website, while enabling customers to join the PPS via digital channels. Enhanced visibility of these channels for customers and the rising growth trend in digital customer numbers helped digitally-received private pension contracts reach a 10% share of total production in 2018.

Review of 2018 Operations

In 2018, “AES Fast Entry” was developed to provide the best service to firms and accelerate registration procedures.

Auto Enrolment System

July 2018 marked the fifth period of the Auto Enrolment System. The Pension Monitoring Center’s report dated November 21, 2018 shows that Garanti Pension and Life tops the list of private sector companies with a 15% market share in the number of executed contracts. It ranks second when the list is combined with public institutions.

Garanti Pension and Life started to work with 3,021 companies and 23,216 companies in 2017 and 2018, respectively. Some 1,403,481 employees joined the system in 2017 and 591,964 joined in 2018 via Garanti Pension and Life.

In 2018, “AES Fast Entry” was developed to provide the best service to firms, accelerate registration procedures and facilitate the work of field employees.

AES Fast Entry enables the exclusive AES contract to be printed readily and ensures that group definitions are made instantly and automatically.

Furthermore, an Interactive Voice Response (IVR) service was developed for company representatives.

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

AES Table 2018\*

	Sector Total	Garanti Pension Market Share
Contract Entries**	15,566,503	15%
Current Contracts	5,190,546	11%
Fund Size	TL 4,598 Billion	7.5%
Number of Participants	4,990,786	11.10%***
Contributions	TL 4,146 Billion	7.6%

\*Source: Pension Monitoring Center dated 12.28. 2018.  
\*\*Based on Board of Directors report dated November 21, 2018 disclosed by Pension Monitoring Center.  
\*\*\*Year-end market share including public and private sector.

Agencies

Garanti Pension and Life held meetings with 70 agencies as part of the effort initiated in August 2017.

During the execution process that began in May 2018, the Company signed agreements with 15 agencies. The fund size totaled TL 5.5 million. Two models are in use: Sharing the Profits of Fund Management Fees (FMS) and Letters of Guarantee-Based Long-Term Agreement. The model based on letters of guarantee is a version of the FMS Profit Sharing Model where an advance payment is made toward the targets set.

Customer-Focused Strategies

Garanti Pension and Life takes a holistic approach to customer experience, offering solutions that meet customers’ needs throughout their journey – from the moment of sale onward.

Customers are at the center of Garanti Pension and Life’s core values. The Company approaches customer experience from the outside to inside, designing its systems and processes by closely following the footsteps of its customers to provide the best solutions. In 2018, Garanti Pension and Life pursued this vision in prioritizing projects and defining what kind of customer experience it aimed to deliver.

Starting in 2013, Garanti Pension and Life improved each experience moment by conceptualizing emotional maps, comparing desired and expected results, and conducting special needs analyses that are specific to that moment of customer experience. In 2018, the Company added new strategic moments of experience to these efforts and developed new projects in parallel with customer needs.

Garanti Pension and Life formulates 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 industry leader with its comprehensive business solutions that are structured by putting customers at the center.

Customer Centric Projects

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.

Standing by the Customer Throughout Their Journey

Garanti Pension and Life takes a holistic approach to customer experience, offering solutions that meet customers’ needs throughout their journey – from the moment of sale onward.

Garanti Pension and Life develops projects with the understanding that to improve customer satisfaction, the Company must reach customers at the right time with personalized solutions and respond to their needs proactively. In 2018, Garanti Pension added new strategic experiences as part of these efforts and implemented new projects to this end in 2018.

Measuring Experience

In addition to monitoring the overall Net Promoter Score, Garanti Pension also started calculating NPS for critical points of contact in 2017. This effort aimed 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 on an ongoing basis.

Proactive Service Approach

Garanti Pension and Life conducted data mining work to diversify its proactive services, a strategic priority in 2018. This effort improved customer experience and enabled the most efficient use of the most appropriate channels. The Company also conducted pilot studies on the applicability of existing data mining projects. Some project results were selected to be implemented regular practices. Garanti Pension and Life 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. Thanks to efforts that focused on the depth of customers’ relationship with the Company, in addition to customer needs and habits in the face of emerging trends, Garanti Pension and Life developed smart business processes to bolster customer satisfaction.

To analyze customer habits in light of changing needs and establish the right communication at the right time, Garanti Pension and Life shifted from value-based customer segmentation to value- and habit-based segmentation.



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# Wide Range of Products for Everyone



Our success is based on understanding our customers and standing by them to help them reach their goals.

Çağla, Future Coach

Due to close collaboration with Garanti Bank and their shared corporate values, Garanti Pension and Life adds to its achievements in operational areas while maintaining 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. The private pension sector maintained growth momentum in 2018.

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. Designed for customers who

prefer to apply over the Internet and want to take advantage of the exclusive features offered by this innovative plan.

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

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

**4. e-Pension Plan:** Designed for customers who apply via the Call Center and want to take advantage of the exclusive features offered by this plan.

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

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



As life changes rapidly so do market conditions and customer needs. This is what we take into account to expand our range of insurance products.

Enes, Future Coach

Life Insurance Products

Garanti Pension and Life's insurance products protect 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 ever-changing circumstances and needs of customers, enhancing its insurance product portfolio accordingly.

Life Insurance

- Credit life insurance products
- Risk life insurance products
- Guaranteed Tomorrows Insurance, offering financial coverage against critical illnesses
- Education Insurance, for customers who would like to secure the educational expenses of their children and loved ones
- Hayatım Garanti'de (My Life Secured by Garanti) TL and FX-Denominated Life Insurance, for customers who would like to secure their loved-ones by taking out long-term risk insurance coverage
- Hospitalization Insurance, covering the cost of medical treatments in case of accidents or illness, within the coverage limits payable under the policy

- Healthy Women Insurance, providing coverage against life-threatening diseases for women
- Premium-Return Life Insurance, securing customers' loved ones in case of death during the policy term for long-term FX-dominated risk insurance, while also securing the policyholder with life coverage when there is no actualized risk of death

Unemployment Insurance Products

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

30 Fund Options Developments



**We offer new funds to AES participants to meet customer demands and needs. Our private pension funds also generate consistent returns over the medium to long-term.**

Aksel, Future Coach

During the year, Garanti Pension offered new funds to AES participants to meet customer demands and needs while the Company’s private pension funds yield consistent returns over the medium to long term. Garanti Pension also submitted applications to the Capital Markets Board to change the investment strategy of some of its funds. The Company is converting its Dynamic Flexible Fund, which generates high demand from participants, to the Second Flexible (Smart) Fund. The fund is now gaining a more diversified asset structure with a revamped investment strategy. The conversion enables the fund to invest in Turkish stock and bond markets as well as those of Europe, US and developing countries, for a wider range of assets that include gold and foreign stock exchange mutual funds. The Second Flexible (Smart) Fund is able to take medium-term risks, tolerate moderate fluctuations in the markets, and target consistent returns above the inflation in the medium to long-term.

Garanti Pension is also modifying the investment strategy of its Flexible Fund so it can earn FX-returns by trimming the effects of interest rates on its portfolio. The 2019 strategy for the fund targets a TL deposit return of 25% and FX returns of 75%. To reach these targets, Turkish Eurobond, FX deposit and US bonds will be included in the portfolio, in addition to low-risk TL assets.

Initial Funds with and without interest were set up for participants in the Auto Enrolment System at the beginning of 2017. The AES played an important part in the growing momentum of the Private Pension System. Garanti Pension offered AES Flexible and AES Standard funds with and without interest for system participants as of the beginning of 2018. This enabled customers to invest in funds consisting of different risk groups and diversify their investments with the wide product range.

In 2018, Garanti Pension introduced Robo Advisory as a “first” in the PPS sector. With this innovation, The Company aims to help participants enjoy robust gains in the mid to long term. Meanwhile, Fund Coach, launched in October 2017, continued to be used by a wider group of participants in 2018. The service was designed to help customers enjoy returns over asset classes and manage their savings more conscientiously. Garanti Pension also rolled out Fund Coach as a way to boost customer satisfaction. The Company’s model fully serves the needs of participants who follow the markets and want to be part of a system where they are notified of changes as their savings are utilized according to their stated risk preference.

A new regulation was enacted as part of Law No. 4632 which prohibits a company from permitting the same portfolio management firm manage 40% of its net asset value in private pension funds. In response to this development, Garanti Pension designated and started to work with three new portfolio management firms to manage its funds in 2018. With all the pension investment funds it has established, Garanti Pension always aims to provide solid returns to participants over the long term.

During the year, Garanti Pension completed the last phase of the data warehouse project and expanded the usage areas of the reporting system. Personalized screens were designed, and demand for data was minimized with summary tables and trend displays. An expense management process was developed by preparing a new procedure to ensure effective management of the Company’s expenses and investments. Efforts were undertaken to boost the productivity of field and phone sales teams to achieve optimization.

Fund No.	Fund Code	Former Name of Fund	New Name of Fund
1	GEL	Money Market PMF	Money Market PMF
2	GEK	Public Debt Instruments PMF	Debt Instruments PMF
3	GHG	Public Foreign Debt Instruments PMF	Public Foreign Debt Instruments PMF
4	GEH	Equity PMF	Equity PMF
5	GEU	Secondary-Income Flexible PMF	Flexible PMF
6	GHE	Balanced Flexible PMF	Balanced Flexible PMF
7	GED	Conservative Flexible PMF	Conservative Flexible PMF
8	GHF	Public Debt Instruments Group PMF	Debt Instruments PMF
9	GHK	Public Foreign Debt Instruments Group PMF	Public Foreign Debt Instruments Group PMF
10	GEF	Balanced Flexible Group PMF	Balanced Flexible Group PMF
11	GKB	Long-Term Public Debt Instruments PMF	Long-Term Public Debt Instruments PMF
12	GEA	Participation Dynamic Flexible PMF	Participation Dynamic Flexible PMF
13	GHD	Standard PMF	Standard PMF
14	GHH	Sustainable Equity PMF	Sustainable Equity PMF
15	GHT	Dynamic Flexible PMF	Dynamic Flexible PMF
16	GEG	Equity Group PMF	Equity Group PMF
17	GHO	Private Sector Debt Instruments PMF	Private Sector Debt Instruments PMF
18	GHI	Contribution PMF	Contribution PMF
19	GHL	Participation Contribution PMF	Participation Contribution PMF
20	GHA	Gold PMF	Gold PMF
21	GES	Participation Standard PMF	Participation Standard PMF
22	GCV	Initial PMF	Initial PMF
23	GDV	Initial Participation PMF	Initial Participation PMF
24	GHP	AES Conservative Flexible PMF	
25	GHZ	AES Conservative Participation Flexible PMF	
26	GHN	AES Balanced Flexible PMF	
27	GHV	AES Balanced Participation Flexible PMF	
28	GHM	AES Dynamic Flexible PMF	
29	GHY	AES Dynamic Participation Flexible PMF	
30	GHJ	AES Aggressive Flexible PMF	
31	GHU	AES Aggressive Participation Flexible PMF	
32	GCS	AES Standard PMF	
33	GCK	AES Participation Standard PMF	



Improved Claims Servicing Processes



We have reached our target levels in terms of customer satisfaction under the Indemnity Project, a major effort designed to improve customer satisfaction.


Tubinnisa, Future Coach

Garanti Pension set up a support line to respond to all needs of companies included in the Auto Enrolment System, which launched in January 2017. The Operations Department checked and corrected the errors in the files uploaded by the firms. The Department also checked and provided necessary guidance for group openings.

In 2014, Garanti Pension launched the Indemnity Project, a major effort designed to improve customer satisfaction. The Company has achieved its goals in terms of both timing and customer experience. In 2018, Garanti Pension made a total of 7,662 indemnity payments amounting to TL 62,649,635. There has been a 35% decrease in the indemnity related complaints in 2018 over the last year.

As part of support services provided by the Operations Department, the Pension Help Desk team to Garanti Bank branches responded to approximately 22,192 calls in 2018 with 93.30% service capacity. Additionally, 21,980 IVR logs were handled by the Pension Help Desk team. Garanti Pension aims to boost not only overall customer satisfaction but also internal customer satisfaction by raising the quality of support services provided to its employees.

Projects



Our customers can acquire life insurance products simply with a Digital Approval on Garanti Online and Mobile Branches – without having to visit a physical branch.

Ayça, Future Coach

Garanti Pension and Life employs globally acclaimed management methodologies – such as Agile Project Management and Design Thinking – to implement customer centric and efficiency-driven projects. Digital transformation went mainstream across the Company in 2018: More than 120 projects were implemented to simplify customers’ lives and enhance operational efficiency.

**A renewed Corporate Online Branch**  
Interactive voice response (IVR) was launched for AES, whereby calls to the AES line are now handled through self-service menus for certain transactions.

**Companies’ Transactions Are Faster and Safer Thanks to AES Projects**  
Companies with 50-99 employees joined the AES in January while companies with 10-49 employees came on board in July. Projects were implemented to help companies and their employees conduct the necessary procedures swiftly and easily.

Garanti Pension developed Agile Method projects to offer a better corporate customer experience and respond to their needs quickly. Taking customer feedback into account, the Company renewed the corporate online branch and call center. This effort aimed to maintain employer-employee-pension company relations with maximum efficiency and satisfaction.

**Digital approval: Making contract and policy processes entirely digital!**  
As part of the digital transformation process, digital ways of doing business – already in place at Garanti Bank branches – were adopted in the area of life insurance as well. Customers can now acquire life insurance products simply with a digital approval on the Garanti online/mobile branch – without having to visit a physical branch. The multi-channel system allows the sales process, initiated by Private Assurance Experts and Garanti Bank branch officers on tablets and desktops, to be completed on customers’ mobile or online branch application.

**All information and procedures on a single platform thanks to the new sales team application**  
Garanti Pension started to implement STEP in order to make the working lives of staff members easier. Employees are now able to respond to customer information and transaction requests on a single platform both at the branches and via tablets. The application helps deliver services quickly and easily, while enabling various functions – e.g. daily task monitoring, fund consultancy and sales – to be managed on the same platform.

## Garanti Pension and Life Aftersales Services and Call Center

**Garanti Pension and Life adopts a customer centric approach in providing services and regularly informing customers throughout the year.**

During the year, the Central Sales Unit further honed its 13-year customer centric approach and boosted Company's productivity.

By investing in technology to facilitate "distant sales," which was introduced in 2013, Garanti Pension enabled the Central Sales team to conduct their sales operations more quickly and accurately.

In 2018, Garanti Pension placed a particular focus on life insurance "non-collection" calls to prevent policies from being terminated due to non-payment. This effort also prevents customers' relatives from suffering losses in cases of actualized risks.

In addition to sales calls, the Central Sales team also makes outbound calls for other purposes – welcoming customers, providing information about pension plans, encouraging greater contribution, engaging in debt collection, and conducting customer recovery. Segmentation remains a focal point during these efforts.

Garanti Pension Central Sales Unit places customers at the heart of all its operations. 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 customer demands as quickly as possible. Scripts are re-configured in light of new experience to share the most accurate and up-to-date information. Calls are recorded, monitored and assessed in terms of customer centricity and information accuracy. Feedback obtained through quality assessments is used to improve the next customer experience. The steady increase in production and quality scores clearly indicates the level of importance the Central Sales Unit places on customer centricity.

Garanti Pension adopts a customer centric approach in providing services and informing customers regularly at certain intervals throughout the year.

Garanti Pension Customer Services and Call Center aims to help customers realize their dreams for the future and support them through difficult times. The Call Center establishes simple, continuous and high-quality communication; effectively meets customers' demands with a solution-oriented approach; and delivers 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. 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 50% of incoming calls are directed to the self-service menu, where customers can obtain information about products and perform their transactions seamlessly and conveniently.

Garanti Pension Customer Services Unit operates with the core objectives of satisfying customers, meeting their demands, and providing suggestions that will help to improve the Company's business processes. The 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.



**Regardless of the amount of savings of our customers, we work to make sure its value multiplies in the millions.**

Coşkun, Future Coach

During the year, Garanti Pension Call Center received 3.2 million calls and provided customers with quality services through updated processes, swiftly-implemented enhancements in technology infrastructure, and efficient management of human resources. In 2018, the new Prime Segment Line scored a 98% response rate and 95% service level in about 120 thousand calls. Meanwhile, Customer Services responded to more than 150 thousand different customer requests, including those from corporate customers. Customer queries were resolved within a very short time, in one business day.

### Garanti Pension and Life: #1 in the industry in solution orientation

The sikayetvar.com website is a comprehensive platform for customer complaints in Turkey. The website 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. As in the past four years, Garanti Pension and Life remained the sector leader by far in all four quarters of 2018 on the sikayetvar.com Customer Experience Index.

### Garanti Pension and Life holds ISO 10002 Customer Satisfaction Management System Certification

Garanti Pension and Life's primary vision and goal is to achieve superior service quality and create a solution- and customer-oriented business culture. To this end, at the beginning of 2017, the Company initiated efforts to establish the ISO 10002:2015 "Customer Satisfaction Management System" within the organization and 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 its locations after successfully passing the audit conducted by TÜV Austria Turk, an independent audit firm.

Garanti Pension was entitled to renew its "Customer Satisfaction Management System" certification, as a result of the audits conducted in 2018.

### Quality Management

#### ISO 9001- 2015 Quality Certification

On March 29, 2018, Garanti Pension and Life's interim audit was successfully conducted by TÜV Austria auditors, who approved the renewal of ISO 9001-2015 Quality Assurance certification.



Communication Activities

In 2018, Garanti Pension and Life adopted a new slogan – “Future Coaches are always by your side” – in its communications with existing customers.

Let’s complete your green together!

Garanti Pension and Life maintained its customer-centered approach in its communication activities in 2018. The Company formulated the message “Green Garanti Pension is here to make your dreams come true” in a communication effort that offered customers to “complete your green together.” The concept of the campaign was based on “Making dreams come true for new Garanti Pension and Life customers.” As part of the campaign, videos on private pension, life insurance and hobby clubs were released on the Company’s digital channels. Garanti Pension supported these communications on various media, including radio, newsletters, magazines, theaters and digital TV.

During the year, Garanti Pension also developed the new slogan – “Future Coaches are always by your side” – in communications with existing customers. Positioning its employees as “Future Coaches,” the Company launched this new slogan via a video featuring its staff. The “Future Coach” concept and related communications will continue in 2019.

A renewed website with smart recommendations

Garanti Pension and Life upgraded the corporate website with a refreshed interactive design that went live in August, offering a seamless user experience on desktops, tablets and mobile devices. Enhanced with various contents and personalized applications, the website helps analyze users based on their responses to short questions on the “Recommended for You” section and match them with right products and services. The section “How Else Can We Help You?” was optimized in light of questions posed in incoming calls and inquiries made on the search engine. Users now are able to learn more about Garanti Pension and Life products, services and processes more easily and more quickly. These upgrades have improved user experience and boosted the website’s visibility in search engines.

Ongoing Investments for Garanti Pension Online and Mobile Branch

Wider use of mobile devices with the growing impact of digitalization prompted the Company to diversify the transactions available on Garanti Pension Mobile Branch. Garanti Pension targets a sustainable increase in customer satisfaction, with continued focus on digitization of processes in parallel with customer needs.

The Fund Advisor offers a new experience – “Fund Coach” – on Garanti Pension Mobile Branch

Pursuing its vision of pioneering technology in the sector, Garanti Pension introduced yet another “first:” Fund Coach. This fund consultancy service is accessible on the Mobile Branch in addition to the website.

Fund Coach is an exclusively digital service used by around 50 thousand customers. During the year, Garanti Pension revamped the service in order to offer the most ideal solutions that address all customer needs. The new version of Fund Coach launched in October. Now, customers can manage their pension savings in a much easier and faster manner. Upgrades to the system infrastructure of Fund Coach offer customers fund recommendations specific for their age.

Actively used by about 50 thousand customers, the Fund Coach service attracts attention that increases each passing day.

Ayşe, Future Coach

“Digital PPS” now on Garanti Online and Garanti Mobile

Garanti Pension became the first company to sell private pensions via digital channels. As of end-January 2018, Garanti Bank offers customers the opportunity to join the Private Pension System easily and quickly via Garanti Online and Mobile Branch.

The product offering on Garanti Online and Mobile Branch features an entirely digital design in response to the needs of these customers. Digital PPS customers are now able to modify their contributions, and fund distributions, while making payments, suspending payments or cancelling the contract via digital channels.

This innovation helped boost the digital channel’s share of total PPS sales to 10% in 2018. Garanti Pension aims to further increase this percentage in the future.

Social media

Garanti Pension and Life adopts a warm and friendly tone when communicating with customers, and in all its other communications efforts. The Company also emphasizes that it is always open to change and innovation. During the year, Garanti Pension added a new slogan to its communication strategy – “Let’s Complete Your Green Together” – to address existing and prospective customers via social media channels.

## Awards



We are immensely proud of the awards presented to us over the years. However, our greatest award is to hear our customers say "We're glad..." in the future.

Begüm, Future Coach

### Call Center Life 2018 – Favorite Call Centers – Call Center with the Greatest Contribution to Female Employment (Inhouse)

In 2018, Garanti Pension and Life was named the "Pension and Life Brand Managing Customer Experience the Best" in Call Center Life magazine's survey on Turkey's Favorite Call Centers.

Turkey's Favorite Call Centers were determined according to evaluations made by sector representatives, employees and customers. As the "Pension and Life Brand Managing Customer Experience the Best," Garanti Pension and Life once again demonstrated its commitment to female workforce participation and its position as a company that cares about employees.

### Crystal Apple Creativity Festival, Bronze Award in Bank, Insurance and Financial Services and Digital Campaign-Service Categories

Garanti Pension and Life's "Let's Complete Your Green Together" commercial received the Bronze Award in the "Bank, Insurance and Financial Services" and Digital Campaign-Service categories at the Crystal Apple Creativity Festival in 2018. After being designated the "Favorite Pension Company" in 2017, the Company's creativity was also recognized with these awards.

**Selected as the "Inhouse Call Center with the Greatest Contribution to Female Employment" in 2018, Garanti Pension and Life once again demonstrated its unwavering commitment to female workforce participation.**



Garanti Pension and Life is delighted to receive for the fourth time the "Pension and Life Brand Managing Customer Experience the Best" designation at the A.C.E. Awards, which are granted based on responses to actual complaints posted on [sikayetvar.com](http://sikayetvar.com).

Erdem, Future Coach

### A.C.E. Awards: Number One Pension and Life Company in 2018 according to Şikayetvar results

Turkey's first and only competition to recognize brands that deliver excellent customer experience based on actual complaints posted on [sikayetvar.com](http://sikayetvar.com), A.C.E. (Achievement in Customer Excellence) Awards named Garanti Pension and Life as the "Pension and Life Brand Managing Customer Experience the Best."

The complaint website [sikayetvar.com](http://sikayetvar.com) conducted surveys with customers who posted complaints in 2018 and created a "Customer Experience Index." Companies with the best customer experience were identified and presented with A.C.E. Awards for their achievements. The surveys measured various criteria, including handling of complaints, quality of services offered, and the impact of all relevant stages on brand perception.

**Turkey's first and only competition to recognize brands that deliver excellent customer experience, the A.C.E. (Achievement in Customer Excellence) Awards named Garanti Pension and Life as the "Pension and Life Brand Managing Customer Experience the Best."**



## 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 General Manager and Member of the Board of Directors of Garanti Bank since September 2, 2015. In addition, Mr. Erbil is the Chairman of the Board of Directors at Garanti Bank S.A. (Romania), Garanti Yatırım Menkul Kıymetler A.Ş., Garanti Emeklilik ve Hayat A.Ş., Garanti Faktoring A.Ş., Garanti Finansal Kiralama A.Ş., Garanti Ödeme Sistemleri A.Ş. and Garanti Bilişim Teknolojisi ve Tic. T.A.Ş. Also serving as a Board Member at the Banks Association of Turkey, Mr. Erbil has 25 years of experience in banking and business administration.

● **Didem Dinçer Başer**

**Deputy Chairperson**

Didem Dinçer 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. She also serves as a Member of the Board of Directors at Garanti Ödeme Sistemleri A.Ş., Garanti Emeklilik ve Hayat A.Ş. and Garanti Bilişim Teknolojisi ve Ticaret A.Ş. With 22 years of experience in banking and business administration, Ms. Başer is in charge of Digital Banking, Corporate Brand Management and Marketing Communications, Customer Experience and Satisfaction, Insurance and Retirement Coordination, Call Center and Customer Analytics, Innovation and Product Development.

● **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 at EADA Business School. After working at Barna Consulting Group as Partner, and 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 at 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. She went on to become a Certified Financial Analyst after attending the EFFAS certification program between 1993 and 1994. In 1990, Ms. Hernandez joined BBVA Group, where she served in several roles within Portfolio Management. She was Fund Manager in Investment Management for 10 years and was later appointed Head of the Innovation and Product Development Department. In September 2009, Ms. Hernandez was appointed CEO of SGIIC, a portfolio management company of BBVA Group, and was in charge of the management of Private Pension and Investment Funds for Spain and Portugal. Since January 2012, Ms. Hernandez has headed BBVA Group's Global Portfolio Management.

● **Mahmut Akten**

**Board Member**

Mahmut Akten received his BSc degree in Electrical and Electronics Engineering at Boğaziçi University, and his MBA from Carnegie Mellon University. In 1999, he started his professional career in the United States. Mr. Akten served in various positions in the finance and treasury departments of a global construction company before joining a global

management consulting firm in 2006. Between 2006 and 2012, he worked at the Boston and Istanbul offices, and as Associate Partner at this consultancy. Mr. Akten joined Garanti Bank on July 1, 2012 as Manager of the Mass Retail Banking Department. As of January 1, 2017, he was appointed Executive Vice President of Retail Banking. Mr. Akten also serves as Board Member at Garanti Yatırım Menkul Kıymetler A.Ş., Garanti Ödeme Sistemleri A.Ş., Garanti Bilişim Teknolojisi ve Ticaret A.Ş. and Garanti Emeklilik ve Hayat A.Ş. Mr. Akten has 18 years of experience in banking and business administration. He is in charge of Retail Banking Marketing, Mass Retail Banking Marketing and Private Banking Marketing at Garanti Bank.

● **Johannes Antonius Nijssen**

**Board Member**

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

● **M. Cüneyt Sezgin**

**Board Member**

M. Cüneyt Sezgin is a graduate of Middle East Technical University, Department of Business Administration. He went on to obtain an MBA from Western Michigan University and a PhD from Istanbul University, Faculty of Economics. Mr. Sezgin has served in various executive positions at several private banks. Joining Garanti Bank in 2001, Cüneyt Sezgin is the Chair of the Corporate Assurance Committee and Sustainability Committee. He also serves as Board Member at Garanti Bank S.A. (Romania), Garanti Emeklilik ve Hayat A.Ş., Garanti Yatırım Menkul Kıymetler A.Ş., in addition to his role as Chair of the Audit Committee. Mr. Sezgin is a member of the Board of Trustees at the Teachers Academy Foundation and WWF Turkey. He has 30 years of experience in banking and business administration.

● **Cemal Onaran**

**Board Member**

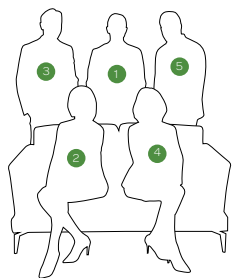
Cemal Onaran graduated from Middle East Technical University, Department of Public Administration in 1990. The same year, he began his professional career as Assistant Inspector on the Inspection Board at Garanti Bank. After working as Regional Manager at various regional offices of Garanti Bank between 2000 and 2007, Mr. Onaran was appointed General Manager 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 is the Chairman of Garanti Filo Yönetim Hizmetleri A.Ş., Deputy Chairman of the Board of Directors at Garanti Konut Finansmanı Danışmanlık Hiz. A.Ş. and a Board Member at Garanti Bank S.A. (Romania), Garanti Finansal Kiralama A.Ş., Garanti Bilişim Teknolojisi ve Ticaret A.Ş., Garanti Faktoring A.Ş. and Garanti Emeklilik ve Hayat A.Ş. Mr. Onaran has 28 years of experience in banking and business administration. He is in charge of SME - Small Enterprises Banking Marketing and SME - Micro Enterprise Banking Marketing at Garanti Bank.

● **Burak Ali Göçer**

**Board Member/General Manager**

See page 43 for resume.

## Senior Management



### Burak Ali Göçer (1)

#### Board Member/General Manager

Burak Ali Göçer received his BSc in Civil Engineering from Middle East Technical University and his MSc in Finance from University of San Diego. He began his professional career at Interbank in 1995 and later worked at Bayındırbank. In 1999, Mr. Göçer started working as Director of the Digital Banking Department at Garanti Bank. He was promoted to Online Banking Unit Manager in 2002. Between 2004 and 2007, Mr. Göçer took a break to his professional career and established several online service providers. After the founding of Garanti Mortgage, the mortgage lending subsidiary of Garanti Bank, he became 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 (2)

#### 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. Subsequently, Ms. Köne was promoted to the positions of Corporate Banking Portfolio Executive, Corporate Branch Marketing Executive and Manager of Gebze Commercial Branch, respectively. Yasemen Köne joined Garanti Pension in November 2005 as Executive Vice President in charge of Organization and Process Management, Customer Relationship Management and Marketing, Project Management, Corporate Communications, Digital Marketing and Strategic Planning.

### K. Çağlayan Bakaçhan (3)

#### 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 at Garanti Bank. In 2006, Mr. Bakaçhan was appointed Human Resources Manager at Garanti Pension and Life. K. Çağlayan Bakaçhan has served as Executive Vice President in charge of Human Resources, Purchasing and Administrative Affairs, Customer Services and Call Center, Product Development & Actuary, Operations, Legislation & Compliance and Legal.

### Eda Sevkâr (4)

#### Executive Vice President

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

### Ahmet Karaman (5)

#### 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.



## Committees and Attendance at Committee Meetings

### A- Corporate Governance Committee

The Corporate Governance Committee was established in 2011, pursuant to the Circular on Corporate Governance Principles of Insurance, Reassurance and Pension Companies published by the Undersecretariat of Treasury. The Committee is tasked with conducting efforts to ensure compliance with Corporate Governance Principles, submit proposals to the Board and monitor the Company's compliance with these principles. The Corporate Governance Committee held two meetings in 2018 with all members present.

#### Committee Members

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

#### Committee Activities

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

The duties and authorities of the Corporate Governance Committee include:

- Ensuring that the Company's corporate governance principles comply with the principles of equality, transparency, accountability and responsibility;
- Creating the necessary environment for the Board of Directors and Company management to conduct their activities in a fair, transparent, accountable and responsible way;
- Ensuring that the Company carries out its business activities and processes in a transparent way;
- Protecting stakeholder rights independently from each other;
- Bearing in mind the Company's ethical values, strategic targets and internal balances while deciding on the remuneration policy;
- Taking necessary precautions to enable the exercise of rights resulting from laws, rules and regulations, the Company's Articles of Association and other internal bylaws for the exercise of shareholder rights by the Company;

- Preparing a Corporate Governance Principles Compliance Report(\*) every March pursuant to the Circular on Corporate Governance Principles, presenting the report to the Board of Directors and submitting it to the Undersecretariat of Treasury.

\*The Corporate Governance Principles Compliance Report is accessible on [www.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 four meetings in 2018.

#### Committee Members

Ali Fuat Erbil  
Committee Chair – Chairman of the Board of Directors  
Didem Dinçer Başer  
Committee Member – Vice Chairperson of the Board of Directors

#### Committee Activities

The Committee is responsible for:

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

### C- Audit Committee

The Audit Committee consists of two members of the Board of Directors who currently do not have any executive or operational duties. The Audit Committee held four meetings in 2018 with all members present.

#### Committee Members

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

### Committee Activities

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

The Committee is responsible for:

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

The duties and authorities of the Audit Committee include:

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

### D- Early Detection of Risk Committee

The Committee consists of two members of the Board of Directors who currently do not have any executive or operational duties. The Early Detection of Risk Committee held 2 meetings in 2018 with all members present.

#### Committee Members

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

#### Committee Activities

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

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

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

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

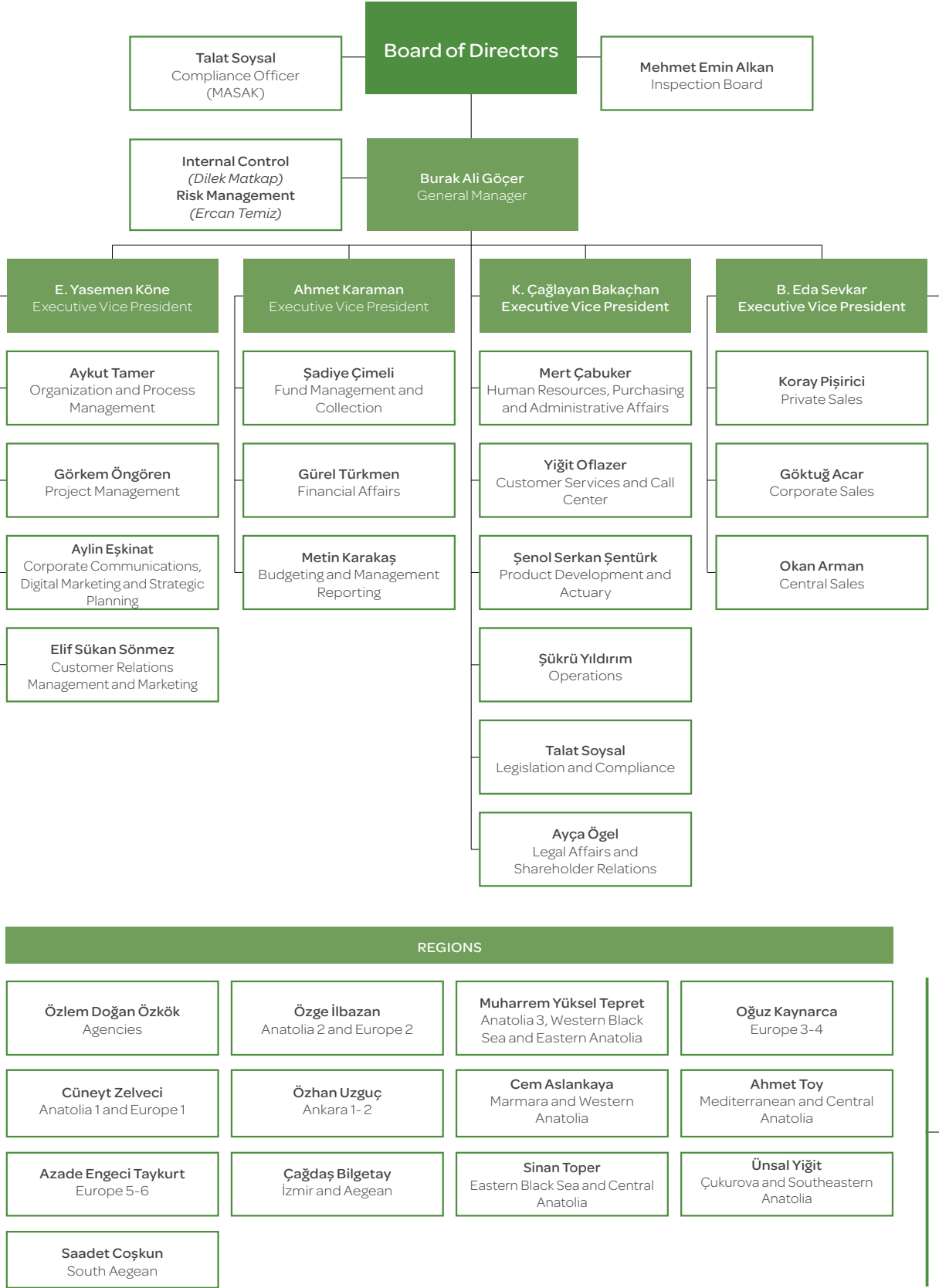
Board of Directors Meeting Attendance

In 2018, the Board of Directors held 30 meetings. Seven of these meetings were held with the participation of nine members, eight meetings were held with eight members, two meetings were held with seven members, 12 meetings were held with six members, and one meeting was held with five members in attendance.

Board of Directors

MEETING DATE	MEETING NO.	NUMBER OF BOARD MEMBERS	PARTICIPATION
08.03.2018	500	9	6
27.03.2018	501	9	9
27.03.2018	502	9	9
27.03.2018	503	9	9
27.03.2018	504	9	9
27.03.2018	505	9	9
27.03.2018	506	9	9
27.03.2018	507	9	9
07.05.2018	508	9	7
29.05.2018	509	9	6
26.06.2018	510	9	8
26.06.2018	511	9	8
26.06.2018	512	9	8
26.06.2018	513	9	8
26.06.2018	514	9	8
26.06.2018	515	9	8
26.06.2018	516	9	8
26.06.2018	517	9	8
27.07.2018	518	9	7
07.08.2018	519	9	6
31.08.2018	520	9	6
04.10.2018	521	9	6
04.10.2018	522	9	6
04.10.2018	523	9	6
20.12.2018	524	9	6
20.12.2018	525	9	5
20.12.2018	526	9	6
20.12.2018	527	9	6
20.12.2018	528	9	6
20.12.2018	529	9	6

Organizational Chart





Human Resources

Garanti Pension established a team of HR Business Experts to stand by its employees at every phase of their career journey.

**Garanti Pension and Life Human Resources**  
Embracing an employee-oriented and innovative approach, Garanti Pension and Life designs all its processes from outside to inside. The Company configures its human resources functions according to this model. Garanti Pension and Life makes investments that focus on employee development, satisfaction and happiness. The Company supports open communication, listens to everyone, values all opinions and feedback. Garanti Pension and Life consistently invests in its workforce to create a happy workplace.

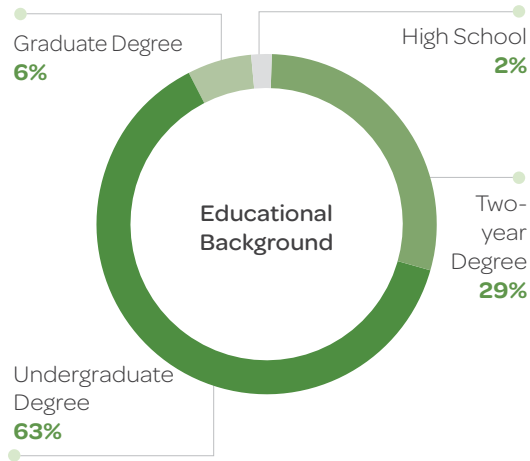
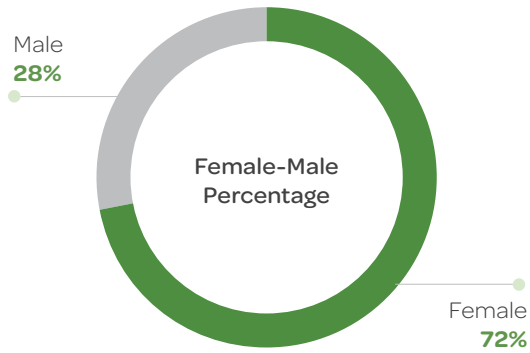
**Garanti Pension and Life Number of Employees**  
Garanti Pension and Life employed 755 persons as of year-end 2018.

Head Office	184
Central Sales	189
Region	273
Customer Services and Call Center	109
Total	755

Garanti Pension and Life operates 12 Regional Offices: five in Istanbul, one regional office each in Ankara, İzmir, Bursa, Adana, Antalya, Muğla and Kayseri.

Garanti Pension and Life Demographics

Average Age	
Female	30
Male	32
Company	31



**HR Business Partners' Structure**  
Garanti Pension and Life's human resources objectives include developing HR practices in line with corporate strategies, undertaking efforts to boost employee motivation, and creating open communication environments to allow employees to express themselves freely. Garanti Pension re-configured the employee experience journey in 2018, aiming to offer personalized and close communication opportunities for staff members through the HR Business Partners. The Company is now able to stand by employees at every phase of their career journey.



Our focus is to create value with our business activities. To this end, we administer courses to add the greatest value to our customers' savings.

Batuhan, Future Coach

In identifying new members of the Garanti Pension and Life family, the Company uses selection and evaluation tools such as skill tests, profile analyses, personality inventory and competency-based interviews during the recruitment process. Technology enhancements pioneered by Garanti Pension are utilized extensively and online tools are included in the recruitment process. Candidates are evaluated according to the competencies required by the task with "The Right Person for the Right Job" approach.

Garanti Pension and Life also implements an orientation program to check the pulse of new staff members at specified and critical phases (i.e. first week, first month, first 90 days) and speed up the adaptation process. The program is reinforced with one-on-one and online training as well as actionable feedback to ensure that needs are identified and solutions are developed instantly.

Garanti Pension and Life conducts regular meetings and surveys to measure the staff's opinion on the balance between personal/ business life, performance management, training and development opportunities. As part of efforts to manage the employer brand, the Company carries out numerous activities to balance personal and professional life, improve employee motivation, and offer a more enriched working experience.

**Rewarding Program**  
The Rewards Program serves to incentivize high employee performance. This effort is critical in setting a good example for the Company in general by showcasing model actions and attitudes of dedicated personnel in various departments across the organization.

Human Resources



We are training new “Future Coaches in three stages. Garanti Pension and Life strives every day to offer more benefits to more customers.

Talya, Future Coach

NOON Talks

In 2018, Garanti Pension and Life introduced NOON Talks. Under this practice, guest speakers and employees convened at the Head Office between 12:00 and 13:00 pm once every month, in order to address current issues pertaining to the Company and life in general. Both professional experts and employees were invited as speakers at these talks. Participants had the chance to learn from one another and discuss various topics, from coffee and yoga to detox and post-vacation psychology.

Career Planning

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; staff tenure; and Company needs in the relevant positions. In 2018, Garanti Pension and Life promoted 130 employees, 91 in the Head Office and 39 in the sales team, according to their career maps.

Education

Training Practices

Recognizing that life-long learning is one of the core principles underlying sustainable success, Garanti Pension and Life organizes training programs that enable employees to quickly adapt to changing market conditions with their knowledge and skills. In 2018, Garanti Pension staff members received 4.5 days of training per person, on average.

As part of its Continuous Development for Sustainable Success effort, the Human Resources Department designs orientation, Expert Development, internship programs and courses to meet 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. Employees are also encouraged to attend conferences and seminars that pertain to their job definitions. In 2018, Garanti Pension and Life personnel attended hundreds of courses they selected from the training catalogue, which offers 129 different alternatives.



The key to maximizing service quality and developing recommendations with accurate results is training. All our employees attend rigorous training courses.

Burak, Future Coach

Training Courses by the Banks Association of Turkey

The Banks Association of Turkey has a broad training catalogue across a wide range of topics, from blockchain and financial markets to digital coding and narration. In 2018, 280 employees attended 93 courses from the Association’s catalogue.

Garanti Future Academy

Garanti Future Academy was established for employees in Expert and Savings and Assurance Experts-4 positions. In addition to project presentations and feedback modules, the program offers three training modules: “I Know Myself,” “I Know My Team” and “I Develop My Work.” The program aims to contribute to employee development based on competencies and behaviors while preparing them for Garanti Pension and Life’s managerial journey.

Guaranteed Steps Internship Program

Organized for the fifth time, the Guaranteed Steps Internship Program welcomed 21 interns in 2018. Interns join the program following a digital assessment and selection stage. Participants are able to examine the Company’s business functions and units first hand in addition to attending personal development and technical courses. Guaranteed Steps is completed with project presentations

prepared by the interns. With this experience, candidates have the opportunity to prepare for the business world comprehensively. It also serves as a significant source in identifying potential candidates.

Interns attend courses on technical knowledge related to the sector, while attending many other classes that contribute to their personal development. The Guaranteed Steps Internship 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 staff members provide coaching to the interns.
- 3. I’m Experiencing  
Interns present their project assignments on the program’s final day.

Human Resources



**Internal mobile quiz application: “Quiz Game”**  
Garanti Pension and Life continued to use the “Quiz Game” platform in 2018. Content was further improved and usage areas were enhanced in accordance with job groups. 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. Garanti Pension employees spent 1,200 hours and answered 300,000 questions on the app during the training courses held during the year.

**Digital learning portal: “Go-On”**  
In 2018, Garanti Pension and Life continued use of “Go-On,” a video-based learning platform. The training process is digitized thanks to the application, in parallel with employee profile information and their expectations. Easily accessible via PCs, phones and tablets, the platform offers information in a faster and more efficient manner with brief, appealing content. Go-On features more than 2,000 educational videos. The portal is designed to boost the training participation rate, reduce costs, and raise the employee satisfaction level related to company training.

**A Short Break: “1 Minute,” our monthly magazine**  
Garanti Pension and Life publishes a monthly human resources magazine, featuring tips on work life and personal development, articles on hot topics, academic commentaries, and best practices. The “1 Minute” online magazine is further enriched with appealing videos, such as TED talks, in connection with the content.

**“I Am the Leader” Summit**  
Garanti Pension and Life believes that leadership is one of the key drivers of employee loyalty. Accordingly, the Company formulated a new leadership model consisting of 12 behavioral definitions under the headings “Me-My Team-My Work” to provide guidance to employees who hold leadership positions. The model is based on a shared understanding, with the contributions of representatives of staff members from all levels of the organization, team-leading employees and senior management. As part of the leadership model, which was rolled out Company-wide for all managers in 2018, the “My Work” module under the “I Am the Leader” Summit was held in May 2018 with the participation of 130 managers.

**Learn Every Day**  
Adopting a technological and innovative approach, Garanti Pension and Life implemented a new training model. The Company made available a video series consisting of 5-minute videos that convey a brief summary of key points derived from major books, film and talks on certain topics. Videos were broadcast on Go-On for 21 days and centered on “Core Leadership Skills.”

**e-BEAS Licensing**  
Training for private pension intermediary licensing continued in 2018. Employees prepared for the examination with the help of 43 technical training videos compiled by the Internal Education team and a one-day in-person classroom training session. The 94 Garanti Pension and Life staff members who took the examination registered an 86% success rate overall.

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

**Intermediary Licensing**  
During the year, Garanti Pension and Life continued to deliver licensing courses for Garanti Bank employees. In 2018, 678 Garanti Bank personnel took tests and obtained an intermediary license in private pensions, after preparing with technical training videos by the Internal Education team and in-person classroom trainings.

**Remuneration and Human Resources Systems**  
Remuneration policies at Garanti Pension and Life are defined according to task-based and performance-based principles. The remuneration package offered by the Company consists of various components including monthly wage, performance and bonus payments, health insurance, meal card, foreign language stipend and transport benefits. Garanti Pension and Life closely monitors the remuneration system to ensure that it is fair, transparent and measurable while promoting sustainable success based on balanced performance goals. Sector-wide remuneration practices are researched once a year to monitor the competitiveness of wages. Job definitions, performance criteria and bonus system criteria for all positions at the Company are communicated to staff members on internal platforms.

**Garanti Pension and Life Intranet – IK.net**  
Job applications for career advancement, performance evaluation processes, and information on employee benefits are hosted and published on the Company’s intranet – IK.Net. Employees can update all personal information, follow up their sales-related travel expenses and other travel expenses, and receive advance payments on IK.net. System upgrades and improvements to the intranet continued in 2018. Improvements now allow employees to view their off-day entries on IK.net through the renewed interface. 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 – on IK.net.

**Employer-Sponsored Pension Plans**  
All employees are eligible to benefit from Employer-Sponsored Pension Plans once they start working at the Company. Contributions made under the scope of this plan increased in 2018.

**Bonus Payment for Foreign Languages**  
Employees who take a test acceptable by the Company and certify their foreign language proficiency are entitled to a bonus payment. Extra compensation is offered to those employees who are certified for the first time or who improve their proficiency level.

**Annual Leave Entitlement**  
Garanti Pension continued to offer days off to staff members on special days in 2018. 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. Personnel with children studying at elementary and middle schools are entitled to a half-day’s leave on the day when school reports are given. In addition, employees are entitled to one day off on their birthdays, under the new “Birthday Leave” practice.

**Partially-Exempted Paid Military Service**  
Upon the introduction of paid military service in 2018, Garanti Pension and Life granted administrative leave to employees who opt for the partially exempted military service. Those staff members did not experience any deductions from their monthly wages and Social Security payments throughout their service. The Company also retained seniority and annual leave privileges for male employees for the duration of their military service.



## Sustainability and Corporate Social Responsibility

Throughout the year, 450 Garanti Pension and Life volunteers met with students and continued to support their development via social activities.

### Sustainability Approach and Policies

#### Sustainability Approach

Garanti Pension and Life continues to take major steps forward in sustainability, which is 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, society, and the environment.

#### Policies and Principles

Garanti Pension and Life embraces the core principles of its main shareholder, Garanti Bank. The Company supports its vision of being “the best private pension and life company in Europe” in a way that advances society, the economy, and the environment in line with universally accepted values and considers it as its corporate responsibility. Garanti Pension and Life aims to inspire the industry with pioneering activities. The Company 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, which have been positioned at the center of its business operations

since its founding, Garanti Pension and Life has continued its legacy work in light of its “Core Values.” Believing that establishing environmental, economic, and social sustainability means securing the future of the country, Garanti Pension and Life supports all kinds of sustainability initiatives to this end.

#### Sustainability Activities

With a sense of responsibility toward the community and the environment, Garanti Pension and Life 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 its locations and to dispose of waste without harming the environment.

Taking its sustainability commitment and environmental sensitivity to a new level, Garanti Pension and Life successfully completed the “WWF Green Office Program,” a new initiative to keep its consumption under control, at its Head Office buildings. For its efforts, the Company received the “WWF Green Office Diploma” in 2017. It went on to conduct similar activities in 2018.

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

#### Corporate Social Responsibility Projects

In all its business activities, Garanti Pension and Life acts in a socially responsible manner – a key component of the Company’s management approach. Accordingly in 2018, Garanti Pension carried out numerous education and health projects to benefit children.

#### “Back to School”

The “Back to School” project celebrated its eighth anniversary in 2018. Having celebrated its eighth anniversary in 2018, the “Back to School” project seeks to attract secondary school-age children – who are forced to work for a living outside school hours – back to school on a full-time basis. As part of this initiative carried out in collaboration with Istanbul Provincial Directorate of National Education and Boğaziçi University, Garanti Pension and Life provides children with academic support and social activities throughout the year. The efforts are designed to help youth leave their jobs and return to school full-time, strengthen their ties with the school, and boost their academic success.

“Drama Workshops” are conducted by professional drama instructors twice a month in every participating school. This effort is designed for children to express themselves better, thus significantly benefiting their social and emotional development. Parents of the students are also brought together with the “Family and

We not only focus on reaching financial targets but also undertaking new projects to fulfill our responsibility for society and the environment.

Şan, Future Coach

Child Communication Seminars” held throughout the year and administered by a specialized psychological consultant.

Garanti Pension and Life conducted the “Back to School” project at six schools located in five districts in Istanbul. To date, this initiative has reached out to more than 6,200 students and parents. “Back to School” has encouraged some 914 of these children to leave work and return to school.

Throughout the year, 450 Garanti Pension and Life volunteers met with these youth and continued to support their development through social activities both at school and outside.

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

#### Other Projects Supported by Garanti Pension and Life

In collaboration with Community Volunteers Foundation, Garanti Pension and Life continues to support children’s education and personal development. Since 2006, Garanti Pension and Life has provided support to Community Volunteers Foundation for their projects that benefit children’s education and personal development. In 2018, the Company continued to support efforts that assist children who have been denied their right to education due to financial hardship.

Garanti Pension and Life is awarded the “UNICEF Silver Wing.”

In 2017, Garanti Pension and Life began supporting 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 recognition of its support, the Company was awarded the “UNICEF Silver Wing.” In addition to working to meet the basic needs of youth, Garanti Pension also supported projects that provide long-term benefits for children in 2018.

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

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

### GARANTİ EMEKLİLİK VE HAYAT SİGORTA A.Ş. 2018 ANNUAL REPORT

#### Dear Shareholders,

We sincerely thank each and every one of you for your attendance at the General Assembly convened to review and vote on the accounts and operations results of the 27<sup>th</sup> Fiscal Year of Garanti Emeklilik ve Hayat Sigorta Anonim Şirketi.

Our Company's nominal paid-in capital in 2018 stood at TL 50,000,000 while the shareholders' equity figure was TL 886,904,756.

In 2018, dividends were paid to shareholders for TL 1,200,000,000, from extraordinary reserves.

The Company generated a net premium production (being the recorded premium minus the reinsurer share) for TL 444,877,607 in the life branch.

Our Company's Private Pension fund size grew 11%, from TL 11,950,398,654 at year-end 2017 to TL 13,309,049,618 at year-end 2018.

Achieving many accomplishments in 2018, 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 586,155,729 in 2018, corresponding to net profit of TL 453,556,792 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 2019.

Burak Ali GÖÇER  
Member of the Board of Directors and CEO

## Report on Compliance of the Annual Report



KPMG Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
İş Kurulması Kule 3 Kat:29  
Levent 34330 İstanbul  
Tel: +90 212 316 6000  
Fax: +90 212 316 6060  
www.kpmg.com.tr

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

#### Opinion

Because we audited the full set of financial statements of Garanti Emeklilik ve Hayat Anonim Şirketi ("Company") for the accounting period of 1 January 2018 – 31 December 2018, we also audited the annual report pertaining to this accounting period.

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

#### Basis for Opinion

We conducted our independent audit in accordance with the independent auditing principles set forth in insurance laws and regulations, and Independent Auditing Standards ("IAS") as part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POAS"). Our responsibilities under those standards are further described in the Independent Auditor's Responsibilities Regarding the Independent Audit of the Annual Report section of our report. We declare that we are independent from the Company, pursuant to Ethical Rules for Independent Auditors ("Ethical Rules") issued by POA, and to the provisions on ethics that are included in the regulations concerning independent audit. Other liabilities related to ethics that are within the scope of Ethical Rules and regulations have been fulfilled by us. We believe that the independent audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Auditor's Opinion on the Complete Set of Financial Statements

We have expressed an unqualified opinion on the complete set of financial statements of the Company for the accounting period between 1 January 2018 and 31 December 2018 on 30 January 2019.

#### Board of Directors' Responsibility for the Annual Report

According to articles 514 and 516 of the Turkish Code of Commerce ("TCC"), and the provisions of the regulation on "the Financial Structure of Insurance, Reinsurance and Private Pension Companies" ("Regulation") which was issued in the Official Gazette dated 7 August 2007 and numbered 26606; the Company's management is responsible for the following with respect to the annual report:

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

b) They should prepare the annual report in such a way to reflect the activities of the Company in the relevant year, and the Company's financial situation in the relevant year by all means, completely, truthfully and straightforwardly. In this report, the financial position of the Company is assessed in accordance with the Company's financial statements. The annual report shall also clearly state the details about the Company's development and risks that might be encountered. The assessment of the board of directors on these matters is included in the report.

c) The annual report also includes:

- Significant events after the reporting period,
- Research and development activities of the Company,
- Employee benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, cash and in-kind facilities, insurance and similar guarantees.

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

#### Independent Auditor's Responsibility for the Independent Audit of the Annual Report

Our objective is to express an opinion on whether the financial information included in the annual report and analysis of the Board of Directors carried out using the information in the audited financial statements, in relation to the situation of the Company are consistent with the audited financial statements of the Company and the information obtained during the independent audit and give a true and fair view and form a report that includes this opinion in accordance with the provisions of TCC and the Regulation.

Our independent audit was conducted in line with the independent audit principles that are in force pursuant to insurance regulations, and the IAS. These standards require that; provisions on ethics are complied with, and independent audit is executed by planning with the purpose to obtain a reasonable assurance on whether the financial information included in the annual report, and the analysis carried out by the Board of Directors about the Company's position using the information in the audited financial statements are consistent with each other, and whether the financial information included in the annual report is accurate.

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

Alper GÜNGÖR SMMM  
Sorumlu Denetçi  
26 Mart 2019  
İstanbul, Türkiye

Information on Financial Structure



We value sustainable achievements. Therefore, we succeeded to maintain our leadership position in terms of the number of participants in 2018.

Duygu, Future Coach

As in previous years, Garanti Pension and Life continued its rapid growth in both assets and profitability in fiscal year 2018.

Profit before tax reached TL 586,155,729, increasing by 44% year-on-year. Net profit after tax was TL 453,556,792 in 2018, which was TL 320,655,002 in the previous year.

During the same period, technical profit derived from life and pension activities reached TL 337,217,643. Shareholders’ equity in 2018 was TL 886,904,756. As of December 31, 2018, the Company’s total assets grew 5% year-on-year and reached TL 14,912,288,130.

The increase in total assets is largely due to private pension activities as of December 31, 2018. The Company recorded a 11% increase in participants’ funds year-on-year. The Company’s total pension fund size amounted to TL 13,309,049,618.

As of 31 December 2018, the share of cash assets among total assets was 10%. As for the share of financial assets, it is 0.17%.

As of December 31, 2018, the share of the Company’s insurance technical reserves in total liabilities stood at 3.1%. 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, 2018 was TL 456,633,613.

Assessment of Financial Position, Profitability and Claims Servicing Capacity



As the Garanti family, we differentiate ourselves with our digital services. And as the Future Coaches, we develop projects that are admired in the digital world.

Ali, Future Coach

In 2018, the amount of life indemnity amounting to TL 112,264,668 increased by 24.36% year-on-year. The Company’s technical profit was up 21% to TL 337,217,643.

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, 2018, the change in reserve for outstanding claims stood at TL -15,702,697.

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



Board of Directors’ Annual Activity Report



Board of Directors’ Annual Report  
Board of Directors’ Summarized Annual Report  
01.01.2018 - 31.12.2018  
(Pursuant to the circular of the Ministry of Customs and Trade, dated August 28, 2012)

1. General Information

Reporting Period : 2018  
Trade name : Garanti Emeklilik ve Hayat A.Ş.  
Trade registry number : 288647  
Central Registration System Number: 0008006750900016  
Head Office Address : Mete Cad. No: 30 34437 Taksim Istanbul  
Contact Information  
Telephone : 0212 334 70 00  
Fax : 0212 334 63 00  
E-mail : GEMusteriHizmetleri@garantiemeklilik.com.tr

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

Capital and Shareholding Structure

In 2007, Achmea B.V. acquired 15% of the shares of Garanti Life and Pension for EUR 100 million. There has not been any changes to the shareholding structure of the Company in 2018.

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

Name, Surname, Title of the Shareholder	Residential Address	Share Quantity	Share Rate (%)	Share Amount (TL)
Türkiye Garanti Bankası A.Ş. (Garanti Bankası)	Nispetiye Mah. Aytar 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) The Company’s Management Body: The Board of Directors is comprised of 9 Directors, as follows.

Ali Fuat Erbil	Chairman
Didem Dinçer BAŞER	Vice Chairman
Muammer Cüneyt Sezgin	Member
Mahmut AKTEN	Member
Javier Bernal Dionis	Member
Johannes Antonius Nijssen	Member
Maria De La Paloma Piqueras Hernandez	Member
Cemal ONARAN	Member
Burak Ali GÖÇER	Member - General Manager*

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

Name, Surname	Title
Burak Ali GÖÇER	General Manager
E. Yasemen Köne	Executive Vice President
Ahmet Karaman	Executive Vice President
K. Çağlayan Bakaçhan	Executive Vice President
Eda Sevkar	Executive Vice President

c) Headcount: 769

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.

Board of Directors’ Annual Activity Report



2) Remuneration of Board Members and Executive Managers

Remuneration and other benefits paid by the Company to Board Members and executive managers totaled TL 9,174,578 in 2018.

3) The Company’s Research and Development Activities

The Company did not carry out any research and development activities in 2018.

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.
- e) No lawsuits, which might affect the financial position and the activities of the Company, have been filed against the Company during the activity period.
- f) There have been no administrative or legal sanctions imposed on the Company or its board members due to illegal practices, during the activity period.
- g) During the activity period, the Company has reached all of its targets and fulfilled the requirements of all General Assembly resolutions.
- h) Information about donations and aids made by the Company throughout the year, as well as about expenditures related to social responsibility initiatives, is as follows:

Garanti Pension made a total expenditure of TL 152,582 in 2018 for donations and aids.

- 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 being taken, in this respect.
- j) In cases where a legal transaction is made or required, measures are taken or refrained from being taken, based on all facts and conditions known to the Company’s Board of Directors at the time, neither due consideration nor taking necessary measures or refraining from taking such measures, that can harm the Company, were required as there have not been any legal transactions.
- k) Any potential conflict of interest between the Company and consulting and/or audit firms that provide service to the Company are prevented through agreements.

5. Financial Position

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

In 2018, Garanti Pension achieved a profit of TL 586,155,729. While the Company’s total assets were TL 14,912,288,130, shareholders’ equity amounted to TL 886,904,756. The Company’s fixed assets totaled TL 195,972,845, of which TL 26,283,771 has been allocated for depreciation in 2018.

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

	Year 2016 (TL)	Year 2017 (TL)	Year 2018 (TL)
Period Profit/(Loss)	308,022,332	407,128,461	586,155,729
Taxes and Legal Obligations for the Period's Profit	62,249,467	86,473,459	132,598,937
Period Net Profit/(Loss)	245,772,865	320,655,002	453,556,792

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

The Company shareholders’ equity totaled TL 886,904,756, and its capital is fully paid.

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

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

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

In regard to the profit distribution policy, the Board of Directors draws up the profit distribution proposal in accordance with the provisions of the Turkish Commercial Code, Tax Regulations, and the Company’s Articles of Association, and then submits it for the approval of the General Assembly. The decisions regarding whether to distribute profit, or when and by which means it will be distributed, are made at the General Assembly, and all announcements are made in accordance with the regulations and within legally prescribed time limits. The Company did not distribute profit in 2018, transferring the entire profit to the reserves.

f) With the Resolution of the Board of Directors dated 27.03.2018 and the Resolution of the General Assembly dated 05.04.2018, it was decided to pay cash dividends to shareholders for TL 1,200,000,000 in December 2018, using the extraordinary reserves of the previous years.

## Board of Directors’ Annual Activity Report



### 6. Internal Audit

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

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

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

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

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



The following are the functions of Internal Audit:

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

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

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

In 2018, 14 head office departments, 12 regional offices, and Garanti Service Management, MASAK compliance activities, Garanti Asset Management, Deniz Asset Management, HSBC Asset Management, İş Asset Management and ING Asset Management underwent audits; investigations were conducted in various areas, where necessary.



## Board of Directors’ Annual Activity Report

### Legislation and Compliance

Activities for the existing projects continued in 2018. These projects aim to ensure the compliance of the products and services offered to customers to 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.

In 2018, the main area of focus for compliance activities has been the changes in the regulations of the Private Pension System, as it was the case last year. As the project activities continued, the Company contributed to the activities carried out at the industry level to improve the legal framework of the industry.

As part of corporate compliance activities, in order to foster an internal compliance and ethics culture within the Company, mandatory training and information activities continued in 2018 to ensure that the Principles of Ethics and Integrity are adopted by all employees. Additional policies and procedures were created on these principles, to increase awareness for the Company’s corporate culture, and to document this culture. Ethics Reporting Line was open the whole year. This is an important component of Garanti Pension compliance system, and aims to resolve the doubts that may arise when understanding and interpreting the contents of documents.

### Financial Crimes Investigation Board (MASAK) Compliance

The Company’s activities to comply with the obligations related to the prevention of laundering proceeds of crime and the prevention of the financing of terrorism are stated in the Compliance Program. The Program’s requirements including compliance with regulations, monitoring probable risk exposures, detecting and preventing risks were fulfilled in utmost care in 2018.

Concerning the mandatory training activities required by MASAK regulations; these were updated where necessary, and the employees’ participation was closely monitored.

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

A Compliance Bulletin started to be distributed this year, to keep the Company employees updated about regulations, corporate compliance and MASAK regulations compliance, and to contribute to their professional development. The Bulletin is aimed to be published periodically in light of current developments.

### Legal Affairs and Shareholder Relations

Legal Affairs and Shareholder Relations Unit ensures that the Company’s operations and products are structured in compliance with regulations, and follows the changes in regulations and court practices. Additionally, the Unit follows the judicial and arbitration proceedings where the Company is a party, ensures the compliance with the Law on Protection of Personal Data, and the related regulations, and manages the relationships with official authorities, professional organizations and the Company’s shareholders. The secretariat function of the Board of Directors and of the General Assembly of Shareholders is also assumed by this Unit.

### Internal Control

Internal Control function is responsible to create a sound internal control environment within the Company, and to coordinate this environment. Internal Control ensures that the Company’s activities are carried out efficiently and effectively, in compliance with the Company’s management strategy and policies, existing rules and legal regulations. Reports of internal and external audit are among the tools used by internal control. Controls take place at the Company center, or on-site as required.

Within the framework of BBVA Internal Control structuring compliance activities, a new Internal Control model was created in 2018 to improve internal control processes. Under the three lines of defense model, first line of defense is at the business unit. Employees in these units make the necessary checks, considering the related risks. Results of the checks carried out at the business units are forwarded to the employees acting as the second line of defense. The three lines of defense model is structured as follows:

- The 1<sup>st</sup> Line of Defense: Business Units
- The 2<sup>nd</sup> Line of Defense: Internal Control, Risk Management and Compliance
- The 3<sup>rd</sup> Line of Defense: Inspection Board

Part time and full time checkers are assigned to business units, to act as the 1<sup>st</sup> line of defense. According to their job description specified by this model, checkers are responsible for carrying out regular and preventive checks, and to report the results to their supervisors. The content of these checks are reviewed by Internal Control, and designed according to the Company’s risk map. Checkers of the first line of defense also work with the internal control team during the design phase, because they can observe risks and control weaknesses directly.

At the second line of defense, Internal Control Unit specifies the risks, and the requirements to mitigate these risks. This activity aims to ensure that the checks carried out at the first line of defense are effective and efficient. Additionally, Internal Control Unit analyzes the information obtained during inspection/control activities, and the related reports. The results of these analyses are interpreted for further action. Regular reports are presented to senior management (Internal Control, Risk Management and Compliance Committee / Audit Committee), including information on the checks carried out, their results, actions taken, planned and proposed activities.

With the new model being launched, the internal regulation of the unit was also updated accordingly. To ensure that the model works effectively, a Corporate Assurance system was created. Within the scope of this system, weaknesses of the internal control system are discussed at the Working Groups or the Corporate Assurance Committee, depending on their priorities. The purpose of this system is; to ensure that priority issues are advised to the Company’s senior management by the business units and business lines in charge of the issue, and to ensure that the senior management allocates the necessary resources to resolve the issues, delivering instructions and forwarding the issues where applicable.

Secretariat service for the Corporate Assurance Committee is provided by Internal Control. Based on the annual plan obtained from Garanti Bank, the Committee convenes at least 3 times a year.

### 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 function. Risk management activities are managed by the Company’s General Manager, according to legal regulations. Risk management efforts are conducted in accordance with the Company’s Corporate Risk Management Policy, which are approved by the Board of Directors. In addition to this policy, policies and procedures that are complementary to the risk management framework have been created. The Company’s risk management strategy, policies and practices are reviewed considering the changes in regulations and the Company’s evolving activities.

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.

The Risk Management Department identifies, measures, monitors, and reports risks that the Company is exposed to. Measurement and monitoring activities are carried out according to international standards, while at the same time complying with legal regulations. New Business and Products Committee works on new businesses, products and services for the Company. Risk Management staff contribute to these activities, by assessing the risks that may arise out of new business, products and services.

## Board of Directors’ Annual Activity Report

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

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

### Reputation Risk Management

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

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

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

### Operational Risk Management

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

Within the scope of the second line of defense activities, Risk Management does the following:

- 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 loss database.

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

Risk 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 with the relevant teams 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.

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

### Financial Risk Management

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

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

### Credit Risk

Credit risk is defined as the 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.

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

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

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

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

## Board of Directors’ Annual Activity Report

### Liquidity Risk

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

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

### Market Risk

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

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

### Exchange rate risk

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

Foreign exchange gains and losses from foreign currency transactions were entered in the accounting records for the corresponding periods. At the end of each period, balances of foreign currency asset and liability accounts were 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, 2018. 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

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

### Interest Rate Sensitivity of Financial Instruments

Interest rate sensitivity on the income statement is the effect of the change in interest rates, under the criteria assumed below, on the fair market value of the financial assets. The difference in fair market value as of December 31, 2018 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, 2018 as a result of the presumed variations in interest rates. During this analysis, other variables, particularly foreign exchange rates, are assumed to be fixed.

### Fair Market Value Representation

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

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

### Underwriting Risk

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

### Capital Management

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

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

### Assessment of Insurance Risk and Management Body

#### Insurance Pricing Policies

Garanti 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.



Board of Directors’ Annual Activity Report

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

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

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

Reinsurance Policy

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

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

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.

Leading reinsurer for life insurance products is Münchener Rückversicherungs AG (Munich RE), which is based in Munich. Based on their shares in the reinsurance agreements, the French reinsurance company SCOR Global Life 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 collaborates with Istanbul-based Cardif Hayat Sigorta A.Ş., a BNP Paribas subsidiary. Additionally, the Company collaborates with; Financial Insurance Company for some of the products involving treatment support and dangerous diseases, Arch Re Accident and Health based in Copenhagen in addition to existing life insurance reinsurers, for agreements involving catastrophic excess damages in case of cumulative damages occurring in natural disasters.

7. Subsequent Events

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

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

Ali Fuat Erbil  
Chairman of the  
Board of Directors

Cemal Onaran  
Board Member

Burak Ali Göçer  
Board Member

## Board of Directors Affiliation Report Regarding the Period of 01.01.2018-31.12.2018.

### Report Date: 30.01.2019

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

a) 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 refrained from being 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 refrained from being taken within this framework.

b) Based on the circumstances known by Garanti Emeklilik ve Hayat A.Ş. at the time of making the 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 refrained from being taken, and thus no loss occurred.

Ali Fuat Erbil  
Chairman of the  
Board of Directors

Cemal Onaran  
Board Member

Burak Ali Göçer  
Board Member

## The Study of Corporate Governance Compliance Principles

Corporate Governance Compliance Rating studies have been conducted by our Company along with Kobirate International Credit Rating and Corporate Governance Services Inc. 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	2018- 2019
SHAREHOLDERS	76.82	89.33	89.56	93.26	94.10	97.20
PUBLIC DISCLOSURE AND TRANSPARENCY	84.62	94.69	96.01	96.01	97.34	97.34
STAKEHOLDERS	89.74	92.93	92.93	94.95	94.95	94.95
BOARD OF DIRECTORS	75.00	87.89	89.95	94.06	94.06	95.13
CORPORATE GOVERNANCE COMPLIANCE RATING	8.01	9.07	9.18	9.45	9.50	9.62

The rating study has been carried out under the headings of Shareholders, Public Disclosure and Transparency, Stakeholders, and Board of Directors, and the Corporate Governance Compliance Rating of Garanti Emeklilik ve Hayat A.Ş. has been set at 9,62 which is valid between the dates of 28.12.2018 and 28.12.2019. This result implies that Garanti Pension and Life Inc. have achieved considerable harmonization with the Corporate Governance Principles published by the Capital Markets Board and the circular of corporate governance principles in insurance companies of the Undersecretariat of Treasury. Our company’s internal control systems are established and working, all risks that may arise for our company are determined and actively controlled, shareholders’ rights are fairly observed, public disclosure and transparency activities are 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 A.Ş.

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

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

## The Study of Corporate Governance Compliance Principles

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

Company Board of Directors

Name/ Surname	Title	Executive/ Non-Executive
Ali Fuat ERBİL	Chairman of the Board of Directors	Non-Executive
Didem Dinçer BAŞER	Vice Chairperson of the Board of Directors	Non-Executive
Maria De La Paloma Piqueras HERNANDEZ	Board Member	Non-Executive
Javier Bernal DIONIS	Board Member	Non-Executive
Johannes Antonius NIJSSEN	Board Member	Non-Executive
M. Cüneyt SEZGİN	Board Member	Non-Executive
Cemal ONARAN	Board Member	Non-Executive
Mahmut AKTEN	Board Member	Non-Executive
Burak Ali GÖÇER	Board Member and General Manager	Executive

BOARD COMMITTEES

CORPORATE GOVERNANCE COMMITTEE

Name/Surname	
Dr. M. Cüneyt SEZGİN	Member (Non-Executive)
Cemal ONARAN	Member (Non-Executive)

AUDIT COMMITTEE

Name/Surname	
Dr. M. Cüneyt SEZGİN	Member (Non-Executive)
Cemal ONARAN	Member (Non-Executive)

REMUNERATION COMMITTEE

Name/Surname	
Ali Fuat ERBİL	Member (Non-Executive)
Didem Dinçer BAŞER	Member (Non-Executive)

EARLY DETECTION OF RISK COMMITTEE

Name/Surname	
Dr. M. Cüneyt SEZGİN	Member (Non-Executive)
Cemal ONARAN	Member (Non-Executive)

## Summary of Five-Year Financial Information

Financial Indicators	2014		2015		2016		2017		2018	
	(TL thousand)	(USD thousand)	(TL thousand)	(USD thousand)	(TL thousand)	(USD thousand)	(TL thousand)	(USD thousand)	(TL thousand)	(USD thousand)
PPS Fund Size	6,092,808	2,627,456	7,580,285	2,607,059	9,523,446	2,706,139	11,950,399	3,168,270	13,309,050	2,529,805
Technical Provisions	248,618	107,214	263,023	90,461	321,451	91,342	409,379	108,534	467,622	88,886
Paid-in Capital	53,084	22,892	53,084	18,257	53,084	15,084	53,084	14,074	53,084	10,090
Shareholders' Equity	876,578	378,015	1,067,885	367,274	1,313,413	373,214	1,633,866	433,168	886,905	168,584
Total Assets	7,364,522	3,175,869	9,075,123	3,121,173	11,387,747	3,235,891	14,255,341	3,779,353	14,912,288	2,834,551
Generated Premium in Life Branch (net)	269,905	116,394	284,342	97,793	363,010	103,151	449,763	119,240	444,878	84,563
Technical Revenue Expense Balance	148,330	63,966	168,244	57,864	206,903	58,793	278,542	73,847	337,218	64,099
Non-technical Revenue										
Expense Balance	66,242	28,566	72,338	24,879	101,120	28,734	128,586	34,091	248,938	47,319
Pre-tax Profit/Loss	214,572	92,532	240,583	82,743	308,022	87,526	407,128	107,937	586,156	111,417
Net Profit	169,916	73,274	190,908	65,658	245,773	69,838	320,655	85,012	453,557	86,213
Average Return on Assets	2.70%	2.70%	2.34%	2.34%	2.39%	2.39%	2.50%	2.50%	3.04%	3.04%
Average Return on Equity	21.38%	21.38%	19.64%	19.64%	20.66%	20.66%	21.80%	21.80%	40.13%	40.13%

Exchange Rates	(Central Bank Bid Rates)	
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
31.12.2018	USD 1	TL 5.2609



*Convenience Translation of Financial Statements and Related  
Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)*

## **Garanti Emeklilik ve Hayat Anonim Şirketi**

Financial Statements As At and For The Year  
Ended 31 December 2018 With Independent  
Auditors' Report Thereon

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



KPMG Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
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INDEPENDENT AUDITOR’S REPORT

To the Shareholders of Garanti Emeklilik Anonim Şirketi

A) Audit of the Financial Statements

Opinion

We have audited the accompanying balance sheet of Garanti Emeklilik Anonim Şirketi (“the Company”) as at 31 December 2018 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 2018, 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 Financial Reporting 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.



Key Audit Matters

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

Accounting policies for recognition of insurance technical reserves and estimations and assumptions used in calculation of insurance technical reserves please refer to footnote 2.26,2.27 and 17.

Key Audit Matter	How our audit addressed the key audit matter
As of 31 December 2018, the Company’s total technical reserves amounting to TL 467,621,710 and constitute 32 percent of total liabilities without pension funds. The company make provisions for outstanding claims amount of TL 51,967,681 and life mathematical reserves amount of TL 335,103,102.	Our auditing procedures for the matter are given –as below:  We evaluated the assumptions and estimations of the company’s outstanding claims provision calculations with the involvement of actuarial specialists.
There are also incurred but not reported provisions (“IBNR”) amounting to TL 4,242,740 in the provision for outstanding claims for possible future claims. The Management used actuarial assumptions and estimations for calculating the outstanding claims reserve with the involvement of registered actuary of Company.	In this context, we evaluated the actual outstanding claims internal controls and effectiveness of the process with the involvement of our IT specialists. We chose samples and tested by obtaining supporting documents of the actual outstanding claims. We controlled the lawsuit files of the outstanding claims by obtaining letter of confirmation from company lawyer.
Due to the nature of the technical reserves calculations which has uncertainty estimations and management judgments, this matter is determined to be a key audit matter.	We controlled the mathematical accuracy of the calculations and average file and opening amounts which are determined by company actuarial specialists. We evaluated the mathematical accuracy of technical reserves for each product.  We recalculated the technical reserves and controlled the analyzes accuracy of the past experience of the company and legislation.  Additionally, we evaluated the adequacy of financial statement disclosures relating to the technical reserves.

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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





B) Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code (“TCC”); no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2018, the Company’s bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company’s articles of association in relation to financial reporting
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

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

Alper Güvenç  
Partner  
30 January 2019  
İstanbul, Turkey

**GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ**  
**THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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 2019

Burak Ali GÖÇER  
General Manager

Ahmet KARAMAN  
Executive Vice President

Gürel Çağlar TÜRKMEN  
Financial Affairs Unit Manager

Didem SAYIM  
Actuary

## Garanti Emeklilik ve Hayat Anonim Şirketi

### Balance Sheet as at 31 December 2018

(Currency: Turkish Lira (TL))

Convenience Translation of  
Financial Statements and  
Related Disclosures and  
Footnotes Originally Issued in  
Turkish, See Note 2.1.1

ASSETS			
		Audited Current Period	Audited Prior Period
	Note	31 December 2018	31 December 2017
<b>I- Current Assets</b>			
<b>A- Cash and Cash Equivalents</b>	<b>14</b>	<b>1,449,294,559</b>	<b>2,140,945,542</b>
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	14	1,304,896,611	1,990,149,612
4- Cheques Given and Payment Orders (-)		-	-
5- Bank Guaranteed Credit Card Receivables (Less than 3 months)	14,45	144,397,948	150,795,930
6- Other Cash and Cash Equivalents		-	-
<b>B- Financial Assets and Investments with Risks on Policy Holders</b>	<b>11</b>	<b>25,883,330</b>	<b>20,976,257</b>
1- Financial Assets Available for Sale	11	292,304	292,304
2- Financial Assets Held to Maturity		-	-
3- Financial Assets Held for Trading		-	-
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Investments with Risks on Policy Holders	11	25,591,026	20,683,953
7- Equity Shares		-	-
8- Diminution in Value of Financial Assets (-)		-	-
<b>C- Receivables from Main Operations</b>	<b>12</b>	<b>13,348,409,779</b>	<b>12,008,874,100</b>
1- Receivables from Insurance Operations	12	46,925,596	56,584,278
2- Provision for Receivables from Insurance Operations (-)	12	(63,849)	(92,877)
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	213,636	136,280
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Private Pension Operations	12,18	13,301,334,396	11,952,246,419
9- Doubtful Receivables from Main Operations		-	-
10- Provisions for Doubtful Receivables from Main Operations (-)		-	-
<b>D- Due from Related Parties</b>	<b>12, 45</b>	<b>32,640</b>	<b>-</b>
1- Due from Shareholders	12, 45	32,640	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
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>	<b>12</b>	<b>132,881</b>	<b>76,252</b>
1- Lease Receivables		-	-
2- Unearned Lease Interest Income (-)		-	-
3- Deposits and Guarantees Given		129,340	70,000
4- Other Receivables	12	3,541	6,252
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
<b>F- Prepaid Expenses and Income Accruals</b>		<b>27,247,824</b>	<b>31,954,652</b>
1- Deferred Acquisition Costs	17	25,005,744	30,259,166
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Prepaid Expenses	12	2,242,080	1,695,486
<b>G- Other Current Assets</b>		<b>1,500</b>	<b>8,696</b>
1- Inventories		-	-
2- Prepaid Taxes and Funds		-	-
3- Deferred Tax Assets		-	-
4- Business Advances		1,500	2,500
5- Advances Given to Personnel		-	6,196
6- Stock Count Differences		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
<b>I- Total Current Assets</b>		<b>14,851,002,513</b>	<b>14,202,835,499</b>

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

## Garanti Emeklilik ve Hayat Anonim Şirketi

### Balance Sheet as at 31 December 2018

(Currency: Turkish Lira (TL))

Convenience Translation of  
Financial Statements and  
Related Disclosures and  
Footnotes Originally Issued in  
Turkish, See Note 2.1.1

	Note	Audited Current Period 31 December 2018	Audited Prior Period 31 December 2017
<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 (-)		-	-
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>	<b>4,185</b>
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income		-	-
3- Guarantees Given	12	4,185	4,185
4- Other Receivables		-	-
5- Discount on Other Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
<b>D- Financial Assets</b>		-	-
1- Investments in Associates		-	-
2- Affiliates		-	-
3- Capital Commitments to Affiliates (-)		-	-
4- Subsidiaries		-	-
5- Capital Commitments to Subsidiaries (-)		-	-
6- Joint Ventures		-	-
7- Capital Commitments to Joint Ventures (-)		-	-
8- Financial Assets and Investments with Risks on Policy Holders		-	-
9- Other Financial Assets		-	-
10- Diminution in Value of Financial Assets (-)		-	-
<b>E- Tangible Assets</b>	<b>6</b>	<b>4,803,833</b>	<b>4,852,069</b>
1- Investment Properties		-	-
2- Diminution in Value for Investment Properties (-)		-	-
3- Owner Occupied Properties		-	-
4- Machinery and Equipment		-	-
5- Furnitures and Fixtures	6	15,070,034	16,979,759
6- Vehicles		-	-
7- Other Tangible Assets (Including Leasehold Improvements)	6	3,913,681	2,590,227
8- Leased Tangible Assets	6	1,300,924	1,300,924
9- Accumulated Depreciation (-)	6	(15,480,806)	(16,018,841)
10- Advances Paid for Tangible Assets (Including Construction In Progress)		-	-
<b>F- Intangible Assets</b>	<b>8</b>	<b>38,391,132</b>	<b>34,116,849</b>
1- Rights	8	334,371	334,371
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets	8	175,353,835	147,192,635
6- Accumulated Amortization (-)	8	(137,297,074)	(113,410,157)
7- Advances Regarding Intangible Assets		-	-
G- Prepaid Expenses and Income Accruals		-	-
1- Deferred Acquisition Costs		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses		-	-
<b>H- Other Non-current Assets</b>	<b>21</b>	<b>18,086,467</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	18,086,467	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>61,285,617</b>	<b>52,505,586</b>
<b>Total Assets</b>		<b>14,912,288,130</b>	<b>14,255,341,085</b>

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

Garanti Emeklilik ve Hayat Anonim Şirketi  
Balance Sheet as at 31 December 2018

(Currency: Turkish Lira (TL))

Convenience Translation of  
Financial Statements and  
Related Disclosures and  
Footnotes Originally Issued in  
Turkish, See Note 2.1.1

LIABILITIES			
	Note	Audited Current Period 31 December 2018	Audited Prior Period 31 December 2017
<b>III-Short 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- Current Portion of Long Term Borrowings		-	-
5- Principal, Installments and Interests on Issued Bills (Bonds)		-	-
6- Other Issued Financial Assets		-	-
7- Value Differences on Issued Financial Assets (-)		-	-
8- Other Financial Borrowings (Liabilities)		-	-
<b>B- Payables from Main Operations</b>	<b>19</b>	<b>13,488,360,572</b>	<b>12,144,251,395</b>
1- Payables Due To Insurance Operations	19	23,007,967	28,696,090
2- Payables Due To Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due To Private Pension Operations	18,19	13,465,352,605	12,115,555,305
5- Payables from Other Operations		-	-
6- Discount on Other Payables from Main Operations, Notes Payable (-)		-	-
<b>C- Due to Related Parties</b>		<b>2,735,694</b>	<b>8,325,915</b>
1- Due to Shareholders	45	552,523	354,060
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		13,922	52,712
6- Due to Other Related Parties	45	2,169,249	7,919,143
<b>D- Other Payables</b>	<b>19</b>	<b>5,224,541</b>	<b>2,592,275</b>
1- Guarantees and Deposits Received		-	-
2- Payables to Social Security Institution		-	-
3- Other Payables	19	5,224,541	2,592,275
4- Discount on Other Payables (-)		-	-
<b>E- Insurance Technical Reserves</b>	<b>17</b>	<b>133,529,679</b>	<b>121,368,508</b>
1- Unearned Premiums Reserve - Net	17	58,848,500	70,605,868
2- Unexpired Risk Reserves - Net		-	-
3- Life Mathematical Reserves - Net	17	22,713,498	14,497,656
4- Outstanding Claims Reserve - Net	17	51,967,681	36,264,984
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>25,959,401</b>	<b>21,635,348</b>
1- Taxes and Dues Payable		15,560,981	8,247,032
2- Social Security Premiums Payable		1,353,461	1,249,089
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		-	-
5- Corporate Tax Liability Provision on Period Profit	19	132,598,937	86,473,459
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	19	(123,553,978)	(74,334,232)
7- Provisions for Other Taxes and Liabilities		-	-
<b>G- Provisions for Other Risks</b>	<b>23</b>	<b>2,782,917</b>	<b>2,368,886</b>
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs	23	2,782,917	2,368,886
<b>H- Deferred Income and Expense Accruals</b>	<b>19</b>	<b>23,496,510</b>	<b>24,187,657</b>
1- Deferred Commission Income	10,19	4,678,473	7,810,551
2- Expense Accruals	19	18,818,037	16,377,106
3- Other Deferred Income and Expense Accruals		-	-
I- Other Short Term Liabilities		-	-
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities		-	-
<b>III - Total Current Liabilities</b>		<b>13,682,089,314</b>	<b>12,324,927,697</b>

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

Garanti Emeklilik ve Hayat Anonim Şirketi  
Balance Sheet as at 31 December 2018

(Currency: Turkish Lira (TL))

Convenience Translation of  
Financial Statements and  
Related Disclosures and  
Footnotes Originally Issued in  
Turkish, See Note 2.1.1

	Note	Audited Current Period 31 December 2018	Audited Prior Period 31 December 2017
<b>IV- Long Term Liabilities</b>			
<b>A- Borrowings</b>		<b>-</b>	<b>-</b>
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs		-	-
4- Bonds Issued		-	-
5- Other Issued Financial Assets		-	-
6- Value Differences on Issued Financial Assets (-)		-	-
7- Other Financial Borrowings (Liabilities)		-	-
<b>B- Payables from Main Operations</b>		<b>-</b>	<b>-</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>		<b>-</b>	<b>-</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>		<b>-</b>	<b>-</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>334,092,031</b>	<b>288,010,490</b>
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Life Mathematical Reserves - Net	17	312,389,604	269,728,723
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts – Net		-	-
7- Other Technical Reserves – Net	17	21,702,427	18,281,767
<b>F- Other Liabilities and Provisions</b>	<b>23</b>	<b>1,494,390</b>	<b>1,807,620</b>
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals	23	1,494,390	1,807,620
<b>G- Provisions for Other Risks</b>	<b>23</b>	<b>7,707,639</b>	<b>6,729,294</b>
1- Provision for Employment Termination Benefits	23	7,707,639	6,729,294
2- Provisions for Pension Fund Deficits		-	-
<b>H- Deferred Income and Expense Accruals</b>		<b>-</b>	<b>-</b>
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
<b>I- Other Long Term Liabilities</b>		<b>-</b>	<b>-</b>
1- Deferred Tax Liability		-	-
2- Other Long Term Liabilities		-	-
<b>IV- Total Non Current Liabilities</b>		<b>343,294,060</b>	<b>296,547,404</b>

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



Garanti Emeklilik ve Hayat Anonim Şirketi  
Balance Sheet as at 31 December 2018

(Currency: Turkish Lira (TL))

Convenience Translation of  
Financial Statements and  
Related Disclosures and  
Footnotes Originally Issued in  
Turkish, See Note 2.1.1

SHAREHOLDERS' EQUITY			
		Audited Current Period	Audited Prior Period
V- Shareholders' Equity	Note	31 December 2018	31 December 2017
A- Paid in Capital		53,084,445	53,084,445
1- (Nominal) Capital	2.13,15	50,000,000	50,000,000
2- Unpaid Capital (-)		-	-
3- Positive Inflation Adjustment on Capital		3,084,445	3,084,445
4- Negative Inflation Adjustment on Capital (-)		-	-
5- Capital to Be Registered		-	-
B- Capital Reserves		-	-
1- Equity Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale to be Transferred to Capital		-	-
4- Translation Reserves		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves		380,263,519	1,260,126,537
1- Legal Reserves	15	25,000,000	10,000,000
2- Statutory Reserves		-	-
3- Extraordinary Reserves	15	355,842,393	1,250,187,391
4- Special Funds (Reserves)		-	-
5- Valuation of Financial Assets	11,15	376,092	293,406
6- Other Profit Reserves		(954,966)	(354,260)
D- Previous Years' Profits		-	-
1- Previous Years' Profits		-	-
E- Previous Years' Losses (-)		-	-
1- Previous Years' Losses		-	-
F- Net Profit of the Period		453,556,792	320,655,002
1- Net Profit of the Period		453,556,792	320,655,002
2- Net Loss of the Period		-	-
3- Nondistributed Net Profit of the Period		-	-
Total Shareholders' Equity		886,904,756	1,633,865,984
Total Liabilities and Shareholders' Equity		14,912,288,130	14,255,341,085

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

Garanti Emeklilik ve Hayat Anonim Şirketi  
Income Statement for the Year  
Ended 31 December 2018

(Currency: Turkish Lira (TL))

Convenience Translation of  
Financial Statements and  
Related Disclosures and  
Footnotes Originally Issued in  
Turkish, See Note 2.1.1

		Audited Current Period 1 January- 31 December 2018	Audited Prior Period 1 January- 31 December 2017
I-TECHNICAL PART	Note		
A- Non-Life Technical Income	5	1,635	3,074
1- Earned Premiums (Net of Reinsurer Share)	17	1,635	3,074
1.1 - Premiums (Net of Reinsurer Share)	17	273	2,646
1.1.1 - Gross Premiums	17	273	2,646
1.1.2 - Ceded Premiums to Reinsurers		-	-
1.1.3- Premiums Transferred to SSI(-)		-	-
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward)	17	1,362	428
1.2.1 - Unearned Premiums Reserve	17	1,362	428
1.2.2 - Reinsurance Share of Unearned Premiums Reserve		-	-
1.2.3- SSI Share of Gross Unearned Premiums Reserve (Net of Reserves Carried Forward)(+/-)		-	-
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)		-	-
1.3.1 - Unexpired Risks Reserve		-	-
1.3.2 - Reinsurance Share of Unexpired Risks Reserve		-	-
2- Investment Income Transferred from Non-Technical Part		-	-
3- Other Technical Income (Net of Reinsurer Share)		-	-
3.1 - Gross Other Technical Income		-	-
3.2 - Reinsurance Share of Other Technical Income		-	-
4. Accrued Subrogation and Sovtage Income (+)		-	-
B- Non-Life Technical Expense (-)	5	(2,822)	(10,466)
1- Total Claims (Net of Reinsurer Share)		-	(5,000)
1.1- Claims Paid (Net of Reinsurer Share)		-	-
1.1.1 - Gross Claims Paid		-	-
1.1.2 - Reinsurance Share of Claims Paid		-	-
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward)	17	-	(5,000)
1.2.1 - Outstanding Claims Reserve	17	(5,000)	(5,000)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve	17	5,000	-
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward)		-	-
2.1 - Bonus and Discount Reserve		-	-
2.2 - Reinsurance Share of Bonus and Discount Reserve		-	-
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
4- Operating Expenses (-)	32	(2,822)	(5,466)
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.

## Garanti Emeklilik ve Hayat Anonim Şirketi

### Income Statement for the Year Ended 31 December 2018

(Currency: Turkish Lira (TL))

Convenience Translation of  
Financial Statements and  
Related Disclosures and  
Footnotes Originally Issued in  
Turkish, See Note 2.1.1

	Note	Audited Current Period 1 January- 31 December 2018	Audited Prior Period 1 January- 31 December 2017
<b>I-TECHNICAL PART</b>			
<b>C- Non Life Technical Net Profit (A-B)</b>	<b>5</b>	<b>(1,187)</b>	<b>(7,392)</b>
<b>D- Life Technical Income</b>	<b>5</b>	<b>523,406,904</b>	<b>504,591,444</b>
1- Earned Premiums (Net of Reinsurer Share)	17	456,633,613	459,678,216
1.1 - Premiums (Net of Reinsurer Share)	17	444,877,607	449,763,157
1.1.1 - Gross Premiums (+)	17	483,656,893	498,882,447
1.1.2 - Ceded Premiums to Reinsurers (-)	10, 17	(38,779,286)	(49,119,290)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	17	11,756,006	9,915,059
1.2.1 - Unearned Premiums Reserve (-)	17	17,595,077	10,168,629
1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+)	10,17	(5,839,071)	(253,570)
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		66,762,288	44,903,002
3- Accrued (Unrealized) Income from Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)		11,003	10,226
4.1- Gross Other Technical Income (+/-)		11,003	10,226
4.2- Reinsurance Share in Gross Other Technical Income (+)		-	-
5- Accrued Subrogation Income (+)		-	-
<b>E- Life Technical Expense</b>	<b>5</b>	<b>(313,053,142)</b>	<b>(320,823,901)</b>
1- Total Claims (Net of Reinsurer Share)	17	(112,264,668)	(90,268,863)
1.1- Claims Paid (Net of Reinsurer Share)	17	(96,561,971)	(81,148,605)
1.1.1- Gross Claims Paid (-)	17	(114,017,130)	(98,828,601)
1.1.2- Reinsurance Share of Claims Paid (+)	10, 17	17,455,159	17,679,996
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17	(15,702,697)	(9,120,258)
1.2.1- Outstanding Claims Reserve (-)	17	(18,160,812)	(12,571,218)
1.2.2- Reinsurance Share of Outstanding Claims Reserve (+)	10, 17	2,458,115	3,450,960
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) (+/-)		(52,253,796)	(84,279,428)
3.1- Life Mathematical Reserves		(52,253,796)	(84,279,428)
3.1.1- Actuarial Mathematical Reserve (+/-)		(52,253,796)	(84,279,428)
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	(3,420,660)	(3,651,121)
5- Operating Expenses	32	(145,114,018)	(142,624,489)
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>210,353,762</b>	<b>183,767,543</b>
<b>G- Private Retirement Technical Income</b>	<b>5,25</b>	<b>301,627,199</b>	<b>246,144,376</b>
1- Fund Management Fee		187,818,896	164,263,025
2- Management Fee Deduction		59,980,518	40,790,276
3- Entrance Fee Income		50,474,871	36,223,374
4- Management Fee In Case of Temporary Suspension		3,330,529	4,867,701
5- Withholding Tax		-	-
6- Increase in Market Value of Capital Commitment Advances		22,385	-
7- Other Technical Income		-	-
<b>H- Private Retirement Technical Expenses</b>	<b>5</b>	<b>(174,762,131)</b>	<b>(151,362,082)</b>
1- Fund Management Expenses (-)		(21,406,204)	(22,808,851)
2- Decrease in Market Value of Capital Commitment Advances (-)		(3,502)	-
3- Operating Expenses (-)	32	(131,664,012)	(115,486,981)
4- Other Technical Expenses (-)		(21,688,413)	(13,066,250)
<b>I- Private Retirement Technical Profit/(Loss) (G – H)</b>	<b>5</b>	<b>126,865,068</b>	<b>94,782,294</b>

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

## Garanti Emeklilik ve Hayat Anonim Şirketi

### Income Statement for the Year Ended 31 December 2018

(Currency: Turkish Lira (TL))

Convenience Translation of  
Financial Statements and  
Related Disclosures and  
Footnotes Originally Issued in  
Turkish, See Note 2.1.1

	Note	Audited Current Period 1 January- 31 December 2018	Audited Prior Period 1 January- 31 December 2017
<b>II-NON-TECHNICAL</b>			
<b>C- Non Life Technical Net Profit (A-B)</b>	<b>5</b>	<b>(1,187)</b>	<b>(7,392)</b>
<b>F- Life Technical Profit/ (Loss) (D – E)</b>		<b>210,353,762</b>	<b>183,767,543</b>
<b>I- Private Pension Technical Profit/(Loss) (G – H)</b>		<b>126,865,068</b>	<b>94,782,294</b>
<b>J- General Technical Net Profit (C+F+I)</b>		<b>337,217,643</b>	<b>278,542,445</b>
<b>K- Investment Income</b>	<b>5</b>	<b>291,081,786</b>	<b>164,587,616</b>
1- Income from Financial Investments		259,679,004	129,673,880
2- Income from Sale of Financial Investments		-	-
3- Valuation of Financial Investments		15,483,919	32,974,713
4- Foreign Exchange Gains		15,918,863	1,939,023
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>		<b>(43,177,497)</b>	<b>(35,300,383)</b>
1- Investment Management Expenses (Including Interest)	4.2	(5,868)	(69,365)
2- Valuation Allowance of Investments		-	-
3- Losses On Sales of Investments		-	-
4- Investment Income Transferred to Life Technical Part		-	-
5- Losses from Derivatives		-	-
6- Foreign Exchange Losses		-	-
7- Depreciation and Amortization Expenses	6, 8	(26,283,771)	(24,970,083)
8- Other Investment Expenses	4.2	(16,887,858)	(10,260,935)
<b>M- Other Income and Expenses (+/-)</b>		<b>1,033,797</b>	<b>(701,217)</b>
1- Provisions Account	47	(3,809,631)	(7,181,796)
2- Discount Account		453,449	(846,906)
3- Specialty Insurances Account		-	-
4- Inflation Adjustment Account		-	-
5- Deferred Tax Asset Accounts	21, 35	4,424,479	7,268,961
6- Deferred Tax Liability Accounts		-	-
7- Other Income and Revenues		148,862	245,804
8- Other Expense and Losses		(183,362)	(187,280)
9- Prior Period Income		-	-
10- Prior Period Losses		-	-
<b>N- Net Profit / (Loss)</b>		<b>453,556,792</b>	<b>320,655,002</b>
1- Profit /(Loss) Before Tax		586,155,729	407,128,461
2- Corporate Tax Charge (-)	35	(132,598,937)	(86,473,459)
3- Net Profit /(Loss) for the Period		453,556,792	320,655,002
4- Inflation Adjustment Account		-	-

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

Garanti Emeklilik ve Hayat Anonim Şirketi

Change in Shareholders’ Equity for the Year Ended 31 December 2018

(Currency: Turkish Lira (TL))

Convenience Translation of  
Financial Statements and  
Related Disclosures and  
Footnotes Originally Issued in  
Turkish, See Note 2.1.1

Audited Statement of Changes in Equity – 31 December 2017											
	Note	Capital	Treasury Shares	Valuation of Financial Assets	Inflation Adjustment on Shareholders' Equity	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit (Loss) for the Period	Previous Years' Profits/ Losses
I - Opening Balance of Prior Period (1 January 2017)	15	50,000,000	-	237,598	3,084,445	-	10,000,000	-	1,004,317,994	245,772,865	-
A- Capital increase		-	-	-	-	-	-	-	-	-	-
B- Change in treasury shares		-	-	-	-	-	-	-	-	-	-
C- Income / (expense) recognized directly in the equity		-	-	-	-	-	-	-	(257,728)	-	-
D- Value increase/(decrease) in financial assets		-	-	55,808	-	-	-	-	-	-	-
E- Translation reserves		-	-	-	-	-	-	-	-	-	-
F- Other income / (expenses)		-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-
H- Net profit for the period		-	-	-	-	-	-	-	-	320,655,002	-
I- Dividends distributed		-	-	-	-	-	-	-	-	-	-
J- Transfer		-	-	-	-	-	-	-	245,772,865	(245,772,865)	-
II - Closing Balance at (31 December 2017) (I+ A+B+C+D+E+F+G+H+I+J)		50,000,000	-	293,406	3,084,445	-	10,000,000	-	1,249,833,131	320,655,002	-
Audited Statement of Changes in Equity – 31 December 2018											
	Note	Capital	Treasury Shares	Valuation of Financial Assets	Inflation Adjustment on Shareholders' Equity	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit (Loss) for the Period	Previous Years' Profits/ Losses
I - Opening Balance of Prior Period (1 January 2018)	15	50,000,000	-	293,406	3,084,445	-	10,000,000	-	1,249,833,131	320,655,002	-
A- Capital increase		-	-	-	-	-	-	-	-	-	-
B- Change in treasury shares		-	-	-	-	-	-	-	-	-	-
C- Income / (expense) recognized directly in the equity		-	-	-	-	-	-	-	(600,706)	-	-
D- Value increase/(decrease) in financial assets		-	-	82,686	-	-	-	-	-	-	-
E- Translation reserves		-	-	-	-	-	-	-	-	-	-
F- Other income / (expenses)		-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-
H- Net profit for the period		-	-	-	-	-	-	-	-	453,556,792	-
I- Dividends distributed		-	-	-	-	-	-	-	(894,344,998)	(305,655,002)	-
J- Transfer		-	-	-	-	-	15,000,000	-	-	(15,000,000)	-
II - Closing Balance at (31 December 2018) (I+ A+B+C+D+E+F+G+H+I+J)		50,000,000	-	376,092	3,084,445	-	25,000,000	-	354,887,427	453,556,792	-

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

Garanti Emeklilik ve Hayat Anonim Şirketi

Cash Flow Statement

for the Year Ended 31 December 2018

(Currency: Turkish Lira (TL))

Convenience Translation of  
Financial Statements and  
Related Disclosures and  
Footnotes Originally Issued in  
Turkish, See Note 2.1.1

	Note	Audited Current Period 1 January- 31 December 2018	Audited Prior Period 1 January- 31 December 2017
A. Cash Flows From The Operating Activities			
1. Cash inflows from the insurance operations		625,111,911	611,431,781
2. Cash inflows from the reinsurance operations		-	-
3. Cash inflows from the private pension operations		291,633,932	256,503,413
4. Cash outflows due to the insurance operations (-)		(350,424,721)	(336,213,207)
5. Cash outflows due to the reinsurance operations (-)		-	-
6. Cash outflows due to the private pension operations (-)		(164,059,541)	(130,292,681)
7. Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)		402,261,581	401,429,306
8. Interest payments		-	-
9. Income tax payments	19	(123,553,978)	(76,312,653)
10. Other cash inflows		997,498,320	41,472,204
11. Other cash outflows		(65,175,739)	(748,073,377)
12. Net cash generated from the operating activities		1,211,030,184	(381,484,520)
B. Cash Flows From The Investing Activities			
1. Sale of tangible assets		-	-
2. Purchase of tangible assets	6,8	(30,509,818)	(24,513,245)
3. Acquisition of financial assets	11	(6,028,585)	(29,081)
4. Sale of financial assets	11	4,668,510	3,072,514
5. Interest received		273,311,609	164,650,861
6. Dividends received		-	-
7. Other cash inflows		13,523,426	1,398,317
8. Other cash outflows (-)		(32,410,006)	(14,406,853)
9. Net cash generated from the investing activities		222,555,136	130,172,513
C. Cash Flows From The Financing Activities			
1. Issue of equity shares		-	-
2. Cash inflows from borrowings		-	-
3. Payments of financial leases		(203,581)	(609,752)
4. Dividends paid		(1,200,000,000)	-
5. Other cash inflows		-	-
6. Other cash outflows		-	-
7. Cash generated from the financing activities		(1,200,203,581)	(609,752)
D. Effects of Exchange Rate Differences on Cash and Cash Equivalents		13,723,062	2,480,456
E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)		247,104,801	(249,441,303)
F. Cash and cash equivalents at the beginning of the period	14	289,861,781	539,303,084
G. Cash and cash equivalents at the end of the period (E+F)	14	536,966,582	289,861,781

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



Garanti Emeklilik ve Hayat Anonim Şirketi  
Statement of Profit Distribution  
for the Year Ended 31 December 2018

(Currency: Turkish Lira (TL))

Convenience Translation of  
Financial Statements and  
Related Disclosures and  
Footnotes Originally Issued in  
Turkish, See Note 2.1.1

	Note	Audited Current Period 31 December 2018	Audited Prior Period 31 December 2017
I.DISTRIBUTION OF PROFIT FOR THE PERIOD <sup>(*)</sup>			
1.1. PROFIT FOR THE PERIOD		586,155,729	407,128,461
1.2. TAXES PAYABLE AND LEGAL LIABILITIES		(132,598,937)	(86,473,459)
1.2.1. Corporate Tax (Income Tax)		(132,598,937)	(86,473,459)
1.2.2. Income Tax Deduction		-	-
1.2.3. Other Taxes And Legal Liabilities		-	-
A NET PROFIT FOR THE PERIOD (1.1 – 1.2)		453,556,792	320,655,002
1.3. PREVIOUS YEARS’ LOSSES (-)		-	-
1.4. FIRST LEGAL RESERVE		-	-
1.5. COMPULSORY LEGAL FUNDS TO BE RETAINED IN THE COMPANY (-)		-	-
B NET PROFIT FOR THE PERIOD AVAILABLE FOR DISTRIBUTION [ (A - (1.3 + 1.4 + 1.5) ]		453,556,792	320,655,002
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		-	320,655,002
1.14 OTHER RESERVES		-	-
1.15 SPECIAL FUNDS		-	-
II. DISTRIBUTION FROM RESERVES		-	-
2.1. DISTRIBUTED RESERVES		-	-
2.2. SECOND LEGAL RESERVE (-)		-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.3.1. To Holders of Ordinary Shares		-	-
2.3.2 To Holders of Preferred Shares		-	-
2.3.3. To Holders Of Participating Redeemed Shares		-	-
2.3.4 To Holders of Bonds Participating to Profit		-	-
2.3.5 To Holders of Profit and Loss Sharing Certificates		-	-
2.4. DIVIDENDS TO EMPLOYEES (-)		-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III. PROFIT PER SHARE		-	-
3.1. TO OWNERS OF ORDINARY SHARES		-	-
3.2. TO OWNERS OF ORDINARY SHARES ( % )		-	-
3.3. TO OWNERS OF PREFERRED SHARES		-	-
3.4. TO OWNERS OF PREFERRED SHARES ( % )		-	-
IV. DIVIDENDS PER SHARE		-	-
4.1. OWNERS OF ORDINARY SHARES		-	-
4.2. TO OWNERS OF ORDINARY SHARES ( % )		-	-
4.3. TO OWNERS OF PREFERRED SHARES		-	-
4.4. TO OWNERS OF PREFERRED SHARES ( % )		-	-

<sup>(\*)</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 2018.

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

Garanti Emeklilik ve Hayat Anonim Şirketi  
Notes to the Financial Statements  
as of 31 December 2018

(Currency:Turkish Lira (TL))

1 General information

1.1 Parent Company and the Ultimate Owner of the Company

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

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

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

1.3 Main Operations of the Company

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

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

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

The Company has thirty-three pension mutual funds as of 31 December 2018 (31 December 2017: thirty-three pension mutual funds).

Within the framework of the Fund Portfolio Management Service Agreement signed between the parties, 22 pension mutual funds are managed by Garanti Portföy Yönetimi A.Ş., 4 pension investment fund is managed by HSBC Portföy Yönetimi A.Ş., 3 pension investment fund is managed by İş Portföy Yönetimi A.Ş. 3 pension investment fund is managed by ING 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.

Garanti Emeklilik ve Hayat Anonim Şirketi  
Notes to the Financial Statements  
as of 31 December 2018

(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 2018	31 December 2017
Key management personnel	6	7
Other personnel	769	810
<b>Total</b>	<b>775</b>	<b>817</b>

1.6 Remuneration and fringe benefits provided to top management

As of 31 December 2018, 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 9.174.578. (31 December 2017: TL 5.923.779).

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 2018.

Garanti Emeklilik ve Hayat Anonim Şirketi  
Notes to the Financial Statements  
as of 31 December 2018

(Currency:Turkish Lira (TL))

1 General information (continued)

1.9 Name and other information of the reporting company and subsequent changes to the prior balance sheet date

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

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

1.10 Subsequent events

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

2 Summary of Significant Accounting Policies

2.1 Basis of Preparation

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

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

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

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

Additional paragraph for convenience translation to English

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

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2018

(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

Preparation of Financial Statements in Hyperinflationary Periods

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

Other accounting policies

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

2.1.3 Functional and presentation currency

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

2.1.4 Rounding level of the amounts presented in the financial statements

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

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

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

2.1.6 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*.

2.2 Consolidation

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

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2018

(Currency:Turkish Lira (TL))

2 Summary of Significant Accounting Policies (continued)

2.3 Segment reporting

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

2.4 Reserves in Foreign Currencies

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

2.5 Property, Plant and Equipment

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

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

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

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

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

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

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

Depreciation rates and estimated useful lives are as follows:

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



Garanti Emeklilik ve Hayat Anonim Şirketi  
Notes to the Financial Statements  
as of 31 December 2018

(Currency:Turkish Lira (TL))

2 Summary of Significant Accounting Policies (continued)

2.6 Investment Properties

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

2.7 Intangible assets

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

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

2.8 Financial assets

Classification and measurement

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

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

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

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

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

*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.

Garanti Emeklilik ve Hayat Anonim Şirketi  
Notes to the Financial Statements  
as of 31 December 2018

(Currency:Turkish Lira (TL))

2 Summary of Significant Accounting Policies (continued)

2.8 Financial assets (continued)

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

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

Specific instruments

Loans to the policyholders are the securitized loans that are used by the policyholders with the security of their saving life insurance policies that have made premium payments throughout the period that is determined by the technical bases related to certified tariffs of saving life policies (this period is 3 years according to general conditions of life insurance). As at 31 December 2018, total amount of loans to the policyholders amounts to TL 213.636 (31 December 2017: TL 136.280).

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 2018, 95% of the difference between fair values and amortized costs of those assets backing liabilities amounted to TL 1.989.648 (31 December 2017: TL 3.366.721) 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.

Garanti Emeklilik ve Hayat Anonim Şirketi  
Notes to the Financial Statements  
as of 31 December 2018

(Currency:Turkish Lira (TL))

2 Summary of Significant Accounting Policies (continued)

2.9 Impairment on assets

Impairment on financial assets

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

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

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

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, 2018 and December 31, 2017, 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.

Garanti Emeklilik ve Hayat Anonim Şirketi  
Notes to the Financial Statements  
as of 31 December 2018

(Currency:Turkish Lira (TL))

2 Summary of Significant Accounting Policies (continued)

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, 2018 and December 31, 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.

As of 31 December 2018 and 2017, the share capital and ownership structure of the Company are as follows:

	31 December 2018		31 December 2017	
	Nominal Value of the Shares (TL)	Percentage (%)	Nominal Value of the Shares (TL)	Percentage (%)
Türkiye Garanti Bankası A.Ş.	42,456,629	84.91	42,456,629	84.91
Achmea BV	7,500,000	15.00	7,500,000	15.00
Eureko Sigorta AŞ.	43,371	0.09	43,371	0.09
Paid-in Capital	50,000,000	100.00	50,000,000	100.00

Capital increase and sources during the year: None.

Privileges on common shares representing share capital: None.

Registered capital system in the Company: None.

Repurchased own shares by the Company: None.

2.14 Insurance and investment contracts - classification

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

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

Garanti Emeklilik ve Hayat Anonim Şirketi  
Notes to the Financial Statements  
as of 31 December 2018

(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.

Garanti Emeklilik ve Hayat Anonim Şirketi  
Notes to the Financial Statements  
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(Currency:Turkish Lira (TL))

2 Summary of Significant Accounting Policies (continued)

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.

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.



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2 Summary of Significant Accounting Policies (continued)

2.18 Taxes (continued)

Corporate tax (continued)

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

Deferred tax

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

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

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

Transfer pricing

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

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

2.19 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 2018 is TL 5.434 (December, 31 2017: TL 4.732).

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2 Summary of significant accounting policies (continued)

2.19 Employee termination benefits (continued)

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 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Interest Rate	12.50%	8.40%
Expected Rate of Salary/Limit Increase	12.50%	8.40%
Discount Rate	16.30%	11.70%

Other benefits

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

2.20 Provisions, contingent assets and liabilities

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

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

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.

# Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

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#### 2 Summary of significant accounting policies (continued)

##### 2.21 Revenue recognition (continued)

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.

##### 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.

# Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

### as of 31 December 2018

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#### 2 Summary of significant accounting policies (continued)

##### 2.21 Revenue recognition (continued)

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

-No deductions will be made even if it is defined in contracts that have completed 5 years from the effective date.

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

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

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

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

##### 2.22 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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## Notes to the Financial Statements

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

##### 2.23 Dividend distribution

According to the Annual General Meeting held on April, 5 2018, a dividend payment of TL 1.200.000.000 has been made to shareholders on 9 December 2018.

##### 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 2018 and December, 31 2017.

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

# Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

### as of 31 December 2018

(Currency:Turkish Lira (TL))

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

##### 2.25 Reserve for unexpired risks (continued)

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

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

##### 2.26 Provision for outstanding claims

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

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

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

The circular numbered 2016/22 issued at 10 June 2016 and effective at 30 June 2016 is related 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.



# Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

### as of 31 December 2018

(Currency:Turkish Lira (TL))

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

##### 2.26 Outstanding claims reserve (continued)

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

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

Accordingly, as of December, 31 2018, the Company has provided TL 4.242.740 of net outstanding claims provision in relation to incurred but not reported claims in its financial statements (December, 31 2017: TL 3.226.107).

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

##### 2.27 Mathematical provisions

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

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

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

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

# Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

### as of 31 December 2018

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

##### 2.28 Equalization reserve

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

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

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

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

# Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

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

##### 2.29 Related parties

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

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

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

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

##### 2.30 Earnings per share

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

##### 2.31 Events after the reporting period

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

##### 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.

# Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

### as of 31 December 2018

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

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

###### TFRS 16 Leases

On 16 April 2018, POA issued the new leasing standard which will replace TAS 17 *Leases*, TFRS Interpretation 4 *Determining Whether an Arrangement Contains a Lease*, TAS Interpretation 15 *Operating Leases – Incentives*, and TAS Interpretation 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* and consequently changes to TAS 40 *Investment Properties*. TFRS 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. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts TFRS 15 *Revenue from Contracts with Customers*. The Company is assessing the potential impact on its financial statements resulting from the application of TFRS 16.

###### TFRS 9 Financial Instruments (2017 version)

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

###### TFRS 15 Revenue from Contracts with Customers

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

###### *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 TFRS standards are issued by the IASB but these standards, interpretations and amendments to existing TFRS 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 TFRS 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.

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2018

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2 Summary of Significant Accounting Policies (continued)

2.26 Standards and interpretations issued but not yet effective (continued)

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

TFRS 4 has been amended by IASB to reduce the impact of the differing effective dates of the new insurance contracts standard and TFRS 9. These amendments to TFRS 4 provide two optional solutions for insurers to reduce concerns about implementations: i) when applying TFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognised in profit or loss under TFRS 9 and those that would have been reported under IAS 39; or ii) an optional temporary exemption from applying TFRS 9 for companies whose activities are predominantly connected with insurance before January 1, 2022. 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 TFRS 4.

IFRS 17 –Insurance Contracts

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

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

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as of 31 December 2018

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3 Critical accounting estimates and judgments (continued)

- 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.

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 2018		31 December 2017	
	Insurance risk (TL)	Unit	Insurance risk (TL)	Unit
Death	48,717,685,516	2,278,422	46,255,078,624	2,300,369
Disability due to accident	34,351,873,202	1,999,739	31,217,617,039	1,989,600
Disability due to illness	17,394,127,753	1,444,221	14,702,216,177	1,225,354
Critical illness	516,232,189	18,337	913,536,052	32,613
Treatment costs due to accident	355,292,471	2,357	371,964,787	4,708
Involuntary unemployment	180,405,909	91,362	157,167,850	92,993
Death due to accident	180,384,052	91,437	139,334,861	79,891
Unemployment/Daily hospital benefit	89,591,831	217,259	95,696,240	241,938
Permanent disability benefit	6,606,553	190	7,030,861	270
Unemployment/ Temporary disability benefit	60,250	241	76,500	304

The Company gives importance to the diversification of the insurance risk



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## Notes to the Financial Statements

### as of 31 December 2018

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

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

###### Risk evaluation policies

The Company uses leader reinsurer’s medical risk evaluation tools in its risk assessment processes. Each year check-up limits are reviewed and revised in accordance with the historical statistics. Besides, the Company also performs ‘Medical’ risk evaluation through the Company’s medical doctor, ‘Moral’ risk evaluation through its risk evaluation and selling staff, and ‘Financial’ risk assessment for private applications and the credit life insurances developed against bank loans.

###### Medical-risk assessment

Medical risk assessment is the first step of risk assessment process. In order to learn and evaluate the health positions of the customers, they are requested to do check-up test in accordance with the conditions determined based on the amount of insured risk. Within this context, first evaluation is performed by the Company’s medical doctor through medical assessment. Applicants carrying medical risk factors are rejected in accordance with the terms of agreement with reinsurers.

###### Moral risk assessment

In the second step of the risk assessment process, information about the customers’ gender, living conditions, residence and the occupational information is obtained. During this process, sales force of the Company is expected to support related units of the Company for suspicious circumstances of the customers which are re-assessed.

###### Financial risk assessment

In the third step of the risk assessment process, requirement for customers’ request for the amount of life insurance limits and their annual income or the amount of the loans requested from the banks being equal to each other is analysed. A big amount of the Company’s portfolio consists of bank products, total amount of insured risk is expected to match with the total amount of banks’ credit risks. Evaluation of the credit risks of the customers by the banks as a part of their credit facilities is an important step for the Company’s financial risk assessment process.

###### Operational risk management

The network between the Company’s information system and T. Garanti Bankası A.Ş.’s information system, main distribution channel of the Company, has been established which provides all applications and all policy processes to be followed by the Company through its system. Within the claim payment process of the Company, all documents are followed by the electronic archiving system by keeping the original ones.

###### Reinsurance policies

The Company cedes risk based life insurance policies (death and other additional insured risks) through the reinsurance of the risks. Since technical profitability of risk based life insurance policies is high, maximum retention amount determined based on actuarial calculations is held by the Company in its conservation and the amount exceeding maximum retention amount is ceded to reinsurance companies through surplus treaties. On the other hand, the Company keeps less risk in its conservation for uncertain risks (such as critical illness).

# Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

### as of 31 December 2018

(Currency:Turkish Lira (TL))

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

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

In the case of life loss, disability resulted by accident, for employees to remain unemployed in private sector, hospitalization of self employed; quota share reinsurance treaty with reinsurance share ratio of 100% is contracted for the unemployment insurance which provides income guarantee in each insurance year.

Moreover, each year the Company signs excess of loss reinsurance contracts to protect its conservation for catastrophic damages such as earthquake, flood, major public transportation accidents, major natural disasters or terrorist attacks.

###### Reinsurance companies

The Company works with reinsurance companies in order to afford reinsurance assurance related to other collateral guarantee given under the life insurance and non life insurance branches for preservation of financial structure and allocation of professional risk considering the existing and varying product structure. In this context, Company’s job acceptance capacity and elasticity are increased with the reinsurance agreements and it is provided that the risk is spreaded to different reinsurers by working with different reinsurance companies. Serving to customers with different product structures is intended by working with varying reinsurers.

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

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

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

As a result of stable and consistent pricing and risk acceptance policies, risk assessment policies and conditions agreed with the treaty reinsurers enable the Company to insure the risk in higher amounts than the market averages.

Münchener Rückversicherungs AG (“Munich Re”), located in Munich, is the leader reinsurance firm of the Company for life insurance policies. Scor Global Company is the second reinsurance firm in terms of its reinsurance share. The third big reinsurance firm is RGA. Fourth reinsurance firm is Financial Insurance Company.

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Notes to the Financial Statements

as of 31 December 2018

(Currency:Turkish Lira (TL))

4 Management of insurance and financial risk (continued)

4.1 Management of insurance risk (continued)

In unemployment insurance, the Company’s engagement quota share reinsurance treaties with 100% reinsurance share ratio with BNP Paribas Cardif Hayat Sigorta AŞ (“Cardif”) is continued in 2018.

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-	Positive	04.07.2018	A+	Stable*	21.06.2018 *
Financial Insurance Co.	AA-	Stable	11.09.2018	AA-	Stable	24.05.2018
Arch Re	A+	Stable	25.06.2018	A+	Stable*	11.10.2018 *

(\*)Since the A.M. best rating is not available for BNP Cardif and Financial Insurance Co., Fitch rating is presented.

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

4.2 Financial risk management

Introduction and overview

This note presents information about the Company’s exposure to each of the below risks, the Company’s objectives, policies and processes for measuring and managing risk, and the Company’s management of capital. The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework. The Board of Directors monitors the effectiveness of the risk management system through the internal audit department.

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.

Garanti Emeklilik ve Hayat Anonim Şirketi

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as of 31 December 2018

(Currency:Turkish Lira (TL))

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

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(agents)
- 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.

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

	31 December 2018	31 December 2017
Cash and cash equivalents (Note 14)	1,449,294,559	2,140,945,542
Financial assets and financial investments with risks on policyholders (Note 11)	25,591,026	20,683,953
Receivables from main operations (Note 12)	13,348,409,779	12,008,874,100
Reinsurer share in outstanding claims reserve (Note 10), (Note 17)	16,018,912	13,560,797
Due from shareholders (Note 12)	32,640	-
Other receivables (Note 12)	137,066	80,437
<b>Total</b>	<b>14,839,483,982</b>	<b>14,184,144,829</b>

(\*) Stock shares amounting to TL 292.304 are not included (December, 31 2017: 292.304 TL).

Garanti Emeklilik ve Hayat Anonim Şirketi

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as of 31 December 2018

(Currency:Turkish Lira (TL))

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Credit risk (continued)

As of December, 31 2018 and December, 31 2017, the aging of receivables from main operations is as follows:

	31 December 2018		31 December 2017	
	Gross amount	Provision <sup>(*)</sup>	Gross amount	Provision <sup>(*)</sup>
Not past due	13,361,270,803	-	12,010,901,314	-
Past due 0-30 days	7,936,603	-	6,839,088	-
Past due 31-60 days	473,866	-	647,386	-
Past due 61-180 days	335,999	-	543,985	-
Past due 181-365 days	272,406	-	207,419	-
More than one year	14,123,959	-	15,012,108	-
<b>Total</b>	<b>13,384,413,636</b>	<b>(36,003,857)</b>	<b>12,034,151,300</b>	<b>(25,277,200)</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 35.940.008 (December, 31 2017: TL 25.184.313), presented as netted off from receivables from private pension operations in the accompanying financial statements

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

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

	1 January – 31 December 2018	1 January – 31 December 2017
Provision for receivables from insurance and private pension operations at the beginning of the year	(25,277,200)	(5,402,991)
Provision for impairment (provided) / released during the year	(10,726,657)	(19,874,209)
<b>Provision for receivables from insurance and private pension operations at the end of the year</b>	<b>(36,003,857)</b>	<b>(25,277,200)</b>

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.

Garanti Emeklilik ve Hayat Anonim Şirketi

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(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 2018	Carrying value	Unallocated	No Maturity	Up to 1 month	1 to 3 Month	3 to 6 month	6 to 12 month	More than 1 year
Cash and cash equivalents	1,449,294,559	-	5,829,293	322,832,854	510,144,151	-	610,488,261	-
Financial assets and financial investments with risks on policyholders	25,883,330	292,304	-	-	-	-	-	25,591,026
Receivables from main operations	13,348,409,779	13,289,437,030	-	31,264,435	14,245,221	8,771,453	4,691,640	-
Due from related parties	32,640	-	-	32,640	-	-	-	-
Other receivables	132,881	-	-	132,881	-	-	-	-
Prepaid expenses and income accruals	27,247,824	-	-	4,225,962	7,053,983	7,835,155	8,132,724	-
Other current assets	1,500	-	-	-	1,500	-	-	-
Deposits and guarantees given	4,185	-	-	-	-	-	-	4,185
<b>Total assets</b>	<b>14,851,006,698</b>	<b>13,289,729,334</b>	<b>5,829,293</b>	<b>358,488,772</b>	<b>531,444,855</b>	<b>16,606,608</b>	<b>623,312,625</b>	<b>25,595,211</b>
Financial liabilities	-	-	-	-	-	-	-	-
Payables arising from main operations	13,488,360,572	13,309,049,618	-	165,482,805	7,121,464	4,999,349	1,707,336	-
Due to related parties	2,735,694	-	-	2,735,694	-	-	-	-
Other liabilities	5,224,541	-	-	5,224,541	-	-	-	-
Insurance technical provisions <sup>(*)</sup>	51,967,681	51,967,681	-	-	-	-	-	-
Provisions for taxes and other similar obligations	25,959,401	-	-	25,959,401	-	-	-	-
Provisions for other risks	11,984,946	-	-	-	-	-	2,782,917	9,202,029
Deferred expenses and income accruals	23,496,510	18,818,037	-	788,167	1,310,053	1,448,473	1,131,780	-
<b>Total liabilities</b>	<b>13,609,729,345</b>	<b>13,379,835,336</b>	<b>-</b>	<b>200,190,608</b>	<b>8,431,517</b>	<b>6,447,822</b>	<b>5,622,033</b>	<b>9,202,029</b>

<sup>(\*)</sup>Provision for outstanding claims is presented in the unallocated column in the table above. Unearned Premium reserve, mathematical reserve and equalization provision are not included.



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4 Management of insurance and financial risk (continued)

4.2 Financial risk management

Liquidity risk (continued)

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
Cash and cash equivalents	2,140,945,542	-	16,944,399	238,826,624	45,690,515	540,007,228	1,299,476,776	-
Financial assets and financial investments with risks on policyholders	20,976,257	292,304	-	-	-	4,668,510	-	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
Total assets	14,202,839,684	11,940,709,248	16,944,399	275,627,346	71,923,797	568,312,181	1,313,303,085	16,019,628
Financial liabilities	197,713	-	-	48,441	98,743	50,529	-	-
Payables arising from main operations	12,144,251,395	11,950,440,252	-	175,389,155	12,142,357	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 (*)	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	8,536,914
Deferred expenses and income accruals	24,187,657	16,377,106	-	1,216,472	2,048,304	2,419,983	2,125,792	-
Total liabilities	12,248,361,087	12,003,082,342	-	209,207,606	14,289,404	7,054,011	6,190,810	8,536,914

(\*)Provision for outstanding claims is presented in the unallocated column in the table above. Unearned Premium reserve, mathematical reserve and equalization provision are not included.

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Notes to the Financial Statements

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4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Market risk

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

Currency risk

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

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

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

31 December 2018	US Dollar	Euro	Other Currencies	Total
Cash and cash equivalents	46,261,909	4,209,074	7,285	50,478,268
Financial assets and financial investments with risks on policyholders	23,526,650	2,064,377	-	25,591,027
Receivables from main operations	5,737,927	146,866	-	5,884,793
Total foreign currency denominated assets	75,526,486	6,420,317	7,285	81,954,088
Payables arising from main operations	(1,304,136)	(51,002)	(2)	(1,355,140)
Insurance technical provisions	(14,014,774)	(3,257,354)	(104)	(17,272,232)
Investment contract liabilities	(25,163,090)	(2,663,246)	-	(27,826,336)
Total foreign currency denominated liabilities	(40,482,000)	(5,971,602)	(106)	(46,453,708)
Net financial position	35,044,486	448,715	7,179	35,500,380

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
Total foreign currency denominated assets	55,716,388	3,338,237	5,562	59,060,187
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)
Total foreign currency denominated liabilities	(34,217,590)	(4,028,698)	(377)	(38,246,665)
Net financial position	21,498,798	(690,461)	5,185	20,813,522

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

## Garanti Emeklilik ve Hayat Anonim Şirketi

### Notes to the Financial Statements

#### as of 31 December 2018

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

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

Market risk (continued)

##### Currency risk (continued))

Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are measured as TL at the purchasing exchange rates announced by the Central Bank of Turkey ruling at December, 31 2018 and December, 31 2017. Only life mathematical provisions and loans to the policyholders are measured at effective selling rates announced by the Central Bank of Turkey as disclosed on the face of policies.

Foreign exchange rates used for the translation of foreign currency denominated monetary assets and liabilities as at balance sheet date are as follows:

31 December 2018	US Dollar	Euro
Foreign currency rate used in translation of balance sheet items	5.2609	6.0280
Foreign currency rates used in calculation of life mathematical provision and loans to the policyholders	5.2783	6.0479

31 December 2017	US Dollar	Euro
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

##### Exposure to currency risk

A 10 percent devaluation of the TL against the following currencies as at December, 31 2018 and December, 31 2017 would have increased or decreased 12 month period of equity and profit or loss (excluding tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. In case of a 10 percent revaluation of the TL against the following currencies, the effect will be in opposite direction.

	31 December 2018		31 December 2017	
	Profit or loss	Equity <sup>(*)</sup>	Profit or loss	Equity <sup>(*)</sup>
US Dollar	3,466,762	3,504,448	2,116,427	2,149,879
Euro	35,547	44,872	(72,269)	(69,046)
Others	718	718	520	519
<b>Total, net</b>	<b>3,503,027</b>	<b>3,550,038</b>	<b>2,044,678</b>	<b>2,081,352</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.

## Garanti Emeklilik ve Hayat Anonim Şirketi

### Notes to the Financial Statements

#### as of 31 December 2018

(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 2018	31 December 2017
Banks (time deposit) (Note 14)	1,299,067,318	1,973,205,215
Financial investments with risks on policyholders – Available for sale financial assets – Eurobonds (Note 11)	25,591,026	20,683,953
Loans to the policyholders (Note 12)	213,636	136,280
Financial liabilities (Note 20)	-	197,713

##### 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 2018 and December, 31 2017 of the floating rate non-trading financial assets and financial liabilities held at December, 31 2018 and December, 31 2017. Interest rate sensitivity of equity is calculated by revaluing available-for-sale financial assets at December, 31 2018 and December, 31 2017 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 2018</b>				
Financial investments with risks on policyholders (Available for sale financial assets)	-	-	(63,924)	69,127
<b>Total, net</b>	<b>-</b>	<b>-</b>	<b>(63,924)</b>	<b>69,127</b>

	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>-</b>	<b>-</b>	<b>(49,517)</b>	<b>54,281</b>

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

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4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Market risk (continued)

Fair value information

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

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

Classification relevant to fair value information

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

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

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

31 December 2018				
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments with risks on policyholders classified as available for sale (Note 11)	25,591,026	-	-	25,591,026
Total financial assets	25,591,026	-	-	25,591,026
31 December 2017				
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments with risks on policyholders classified as available for sale (Note 11)	20,683,953	-	-	20,683,953
Total financial assets	20,683,953	-	-	20,683,953

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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 2018 as TL 198.875.058. As at 30 June 2018, the Company’s total equity in its statutory financial statements amounted to TL 658.553.053 (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 2018	1 January – 31 December 2017
Financial gains and losses recognized in the statement of income		
Interest income from bank deposits	336,930,859	204,397,346
Income accrual and valuation differences of financial assets	1,378,502	1,306,307
Foreign exchange gains (**)	19,534,713	3,786,965
Financial gains (*)	357,844,074	209,490,618
Foreign exchange losses	-	-
Others	(16,893,726)	(10,330,300)
Financial losses (**)	(16,893,726)	(10,330,300)
Financial gains and losses recognized in the statement of income. net	340,950,348	199,160,318

	31 December 2018	31 December 2017
Financial gains and losses recognized in equity		
Valuation difference from financial assets	103,358	69,760
Deferred tax effect	(20,672)	(13,952)
Interest income end of the period	82,686	55,808

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

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

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



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5 Segment reporting

Segment reporting is presented based on the Company’s operations and geographical segments. The Company’s main segment reporting is based on the Company’s operations.

The related assets and liabilities by branches and operation results are prepared according to the accounting interpretations explained under” Summary of Significant Accounting Policies”.

Geographical segment reporting

The main geographical segment the Company operating in, is Turkey, so the Company does not disclose geographical segment reporting.

Operating segments

1 January - 31 December 2018	Life	Non-Life	Private Pension	Other/ Unallocated	Total
Continuing operations					
Technical income	523,406,904	1,635	301,627,199	-	825,035,738
Technical expense	(313,053,142)	(2,822)	(174,762,131)	-	(487,818,095)
Other gains and losses, total	-	-	-	248,938,086	248,938,086
Technical net profit from ongoing operations	210,353,762	(1,187)	126,865,068	248,938,086	586,155,729
Profit before taxes	210,353,762	(1,187)	126,865,068	248,938,086	586,155,729
Income tax expense	-	-	-	(132,598,937)	(132,598,937)
Profit for the period (loss)	210,353,762	(1,187)	126,865,068	116,339,149	453,556,792
Other segment information					
Amortisation expense (Note 8)	-	-	-	-	2,396,854
Depreciation expense (Note 6)	-	-	-	-	23,886,917

31 December 2018	Life	Non-Life	Private Pension	Other/ Unallocated	Total
Available for sale financial assets	-	-	292,304	-	292,304
Receivables from main operations	47,075,383	-	13,301,334,396	-	13,348,409,779
Tangible and intangible assets	-	-	-	43,194,965	43,194,965
Deferred acquisition costs	25,005,744	-	-	-	25,005,744
Other assets	25,591,026	-	-	1,469,794,312	1,495,385,338
Total assets	97,672,153	-	13,301,626,700	1,512,989,277	14,912,288,130
Insurance contract technical provisions	467,621,854	(144)	-	-	467,621,710
Other liabilities	27,686,440	-	13,465,352,605	64,722,619	13,557,761,664
Shareholders equity	-	-	-	886,904,756	886,904,756
Total liabilities	495,308,294	(144)	13,465,352,605	951,627,375	14,912,288,130

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Notes to the Financial Statements

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5 Segment reporting (continued)

1 January – 31 December 2017	Life	Non-Life	Private Pension	Other/ Unallocated	Total
Continuing operations					
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
Technical net profit from ongoing operations	183,767,543	(7,392)	94,782,294	128,586,016	407,128,461
Profit before taxes	183,767,543	(7,392)	94,782,294	128,586,016	407,128,461
Income tax expense	-	-	-	(86,473,459)	(86,473,459)
Profit for the period (loss)	183,767,543	(7,392)	94,782,294	42,112,557	320,655,002
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
Available for sale financial assets	-	-	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
Total assets	107,570,800	-	11,952,538,723	2,195,231,562	14,255,341,085
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
Total liabilities	445,887,145	(1,506)	12,115,555,305	1,693,900,141	14,255,341,085

Garanti Emeklilik ve Hayat Anonim Şirketi

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6 Tangible assets

Movement in tangible assets in the period from 1 January to 31 December 2018 is presented below:

	1 January 2018	Additions	Disposals	31 December 2018
<b>Cost:</b>				
Furniture and fixtures	16,979,759	998,995	(2,908,720)	15,070,034
Other tangible assets (including leasehold improvements)	2,590,227	1,349,623	(26,169)	3,913,681
Tangible assets acquired through finance leasing	1,300,924	-	-	1,300,924
	20,870,910	2,348,618	(2,934,889)	20,284,639
<b>Accumulated depreciation:</b>				
Furniture and fixtures	(13,054,416)	(1,919,101)	2,908,720	(12,064,797)
Other tangible assets (including leasehold improvements)	(2,347,692)	(194,638)	26,169	(2,516,161)
Tangible assets acquired through finance leasing	(616,733)	(283,115)	-	(899,848)
	(16,018,841)	(2,396,854)	2,934,889	(15,480,806)
<b>Net book value</b>	<b>4,852,069</b>			<b>4,803,833</b>

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)
	(13,088,833)	(3,000,868)	70,860	(16,018,841)
<b>Net book value</b>	<b>7,306,903</b>			<b>4,852,069</b>

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

During the current period Company made TL 203.581 financial lease payments (December, 31 2017: TL 609,752).

Garanti Emeklilik ve Hayat Anonim Şirketi

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7 Investment properties

None.

8 Intangible assets

Movement in intangible assets in the period from 1 January to 31 December 2018 is presented below:

	1 January 2018	Additions	Disposals	31 December 2018
<b>Cost:</b>				
Rights	334,371	-	-	334,371
Other intangible assets <sup>(*)</sup>	147,192,635	28,161,200	-	175,353,835
	147,527,006	28,161,200	-	175,688,206
<b>Accumulated amortisation:</b>				
Rights	(334,371)	-	-	(334,371)
Other intangible assets <sup>(*)</sup>	(113,075,786)	(23,886,917)	-	(136,962,703)
	(113,410,157)	(23,886,917)	-	(137,297,074)
<b>Net book value</b>	<b>34,116,849</b>			<b>38,391,132</b>

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
	123,559,795	23,967,211	-	147,527,006
<b>Accumulated amortisation:</b>				
Rights	(334,371)	-	-	(334,371)
Other intangible assets <sup>(*)</sup>	(91,106,571)	(21,969,215)	-	(113,075,786)
	(91,440,942)	(21,969,215)	-	(113,410,157)
<b>Net book value</b>	<b>32,118,853</b>			<b>34,116,849</b>

<sup>(\*)</sup>Other intangible assets consist of computer softwares.

9 Investments in associates

None.

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10 Reinsurance assets/(liabilities)

Outstanding reinsurance assets and liabilities of the Company, as a ceding company in accordance with the existing reinsurance contracts are as follows:

Reinsurance assets	31 December 2018	31 December 2017
Reinsurance share of unearned premiums reserve (Note 17)	19,316,147	25,155,218
Reinsurance share of outstanding claims reserve (Note 17, Note 4.2)	16,018,912	13,560,797
Receivables from reinsurers (Note 12)	5,298,980	4,445,229
<b>Total</b>	<b>40,634,039</b>	<b>43,161,244</b>

There are no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	31 December 2017	31 December 2016
Deferred commission income (Deferred income) (Note 19)	4,678,473	7,810,551
Payables to the reinsurers related to premiums ceded (Note 19)	9,417,532	12,093,874
<b>Total</b>	<b>14,096,005</b>	<b>19,904,425</b>

	1 January - 31 December 2018	1 January - 31 December 2017
Ceded premiums to reinsurers during the period (Note 17)	(38,779,286)	(49,119,290)
Reinsurance share of unearned premiums reserve, at the beginning of the period (Note 17)	(25,155,218)	(25,408,788)
Reinsurance share of unearned premiums reserve, at the end of the period (Note 17)	19,316,147	25,155,218
<b>Ceded premiums to reinsurers (Note 17)</b>	<b>(44,618,357)</b>	<b>(49,372,860)</b>
Reinsurance share of claims paid, during the period (Note 17)	17,455,159	17,679,996
Reinsurance share of outstanding claims reserve, at the beginning of the period (Note 17)	(13,560,797)	(10,109,837)
Reinsurance share of outstanding claims reserve, at the end of the period (Note 17)	16,018,912	13,560,797
<b>Reinsurance share of claims incurred (Note 17)</b>	<b>19,913,274</b>	<b>21,130,956</b>
Commission income accrued from reinsurers during period (Note 32)	16,169,638	21,252,899
Deferred commission income, at the beginning of the period (Note 19)	7,810,551	7,690,156
Deferred commission income, at the end of the period (Note 19)	(4,678,473)	(7,810,551)
<b>Commission income earned from reinsurers</b>	<b>19,301,716</b>	<b>21,132,504</b>
<b>Total</b>	<b>(5,403,367)</b>	<b>(7,109,400)</b>

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11 Financial assets

As at 31 December 2018 and 2017, the Company’s financial asset portfolio are detailed as follows:

Financial assets and financial investments with risk on policyholders	31 December 2018	31 December 2017
Available for sale financial assets <sup>(*)</sup>	292,304	292,304
Financial investments with risks on saving life policyholders classified as available for sale	25,591,026	20,683,953
<b>Total</b>	<b>25,883,330</b>	<b>20,976,257</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 2018 and 31 December 2017, the Company’s available for sale financial assets in its own portfolio are detailed as follows:

	31 December 2018		
	Cost	Fair value	Carrying value
<i>Equity shares and other non-fixed income financial assets:</i>			
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 2017		
	Cost	Fair value	Carrying value
<i>Equity shares and other non-fixed income financial assets:</i>			
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.

As at December, 31 2018, the Company’s has no financial assets held for trading (and December, 31 2017: None).

As at December, 31 2018 and December,31 2017, the Company’s financial investments with risks on saving life policyholders (“FIRSLP”) are detailed as follows:

	31 December 2018		
	Cost	Fair value	Carrying value
<i>Debt instruments:</i>			
Eurobonds issued by The Republic of Turkey Government	23,332,755	25,591,026	25,591,026
<b>Financial investments with risks on saving life policyholders classified as available for sale</b>	<b>23,332,755</b>	<b>25,591,026</b>	<b>25,591,026</b>



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11 Financial assets (continued)

31 December 2017			
	Cost	Fair value	Carrying value
Debt instruments:			
Eurobonds issued by The Republic of Turkey Government	17,137,856	20,683,953	20,683,953
Financial investments with risks on saving life policyholders classified as available for sale	17,137,856	20,683,953	20,683,953

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
2018	82,686	376,092
2017	55,808	293,406
2016	(192,912)	237,598

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 2017: None).

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

31 December 2018			
	Cost	Fair value	Carrying value
Financial investments with risks on saving life policyholders – Eurobonds	23,332,755	25,591,026	25,591,026
Total	23,332,755	25,591,026	25,591,026

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
Total	17,137,856	20,683,953	20,683,953

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11 Financial Assets (continued)

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

31 December 2018			
	Financial invsetments with risks on saving life policyholders	Financial assets available for sale	Total
Balance at the beginning of the period	20,683,953	292,304	20,976,257
Unrealized exchange differences on financial assets	6,322,276	-	6,322,276
Acquisitions during the period	6,028,585	-	6,028,585
Disposals ( either sold or settled )	(4,668,510)	-	(4,668,510)
Change in the fair values of financial assets	(2,704,781)	-	(2,704,781)
Change in the amortised costs of the financial assets	(70,497)	-	(70,497)
Balance at the ending of the period	25,591,026	292,304	25,883,330

31 December 2017			
	Financial invsetments with risks on saving life policyholders	Financial assets available for sale	Total
Balance at the beginning of the period	21,802,699	263,223	22,065,922
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)
Balance at the ending of the period	20,683,953	292,304	20,976,257

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12 Loan and receivables

	31 December 2018	31 December 2017
Receivables from main operations (Note 4.2)	13,348,409,779	12,008,874,100
Receivables from related parties (Note 4.2)	32,640	-
Other receivables (Note 4.2)	132,881	76,252
Non-current receivables (Note 4.2)	4,185	4,185
<b>Total</b>	<b>13,348,579,485</b>	<b>12,008,954,537</b>
Short-term receivables	13,348,575,300	12,008,950,352
Mid-term and long-term receivables	4,185	4,185
<b>Total</b>	<b>13,348,579,485</b>	<b>12,008,954,537</b>

As of December 31, 2018, the Company’s other expenses for next months are TL 2.242.080, consisting of maintenance, insurance, advertisement and other deferred expenses (31 December 2017: TL 1.695.486).

Details of the Company’s receivables from main operations as of 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018	31 December 2017
Receivables from policyholders	41,626,616	52,139,049
Receivables from reinsurance companies (Note 10)	5,298,980	4,445,229
Provisions for receivables from policyholders (Note 4.2)	(63,849)	(92,877)
<b>Total receivables from insurance operations, net</b>	<b>46,861,747</b>	<b>56,491,401</b>
Loans to the policyholders (Note 4.2)	213,636	136,280
Receivables from private pension operations (Note 18)	13,337,274,404	11,977,430,742
Provision for receivables from private pension operations (Note 4.2), (Note 18)	(35,940,008)	(25,184,323)
<b>Receivables from main operations</b>	<b>13,348,409,779</b>	<b>12,008,874,100</b>

Provision for both overdue receivables and receivables not due yet

- a) Receivables under legal or administrative follow up (due): None (December, 31 2017: None).
- b) Provision for premium receivables (due): TL 63.849 (December, 31 2017: TL 92.877).
- c) Provision for impairment of receivables from entrance fees: TL 35.940.008 (December, 31 2017: TL 25.184.323).

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 2018 and December, 31 2017.

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14 Cash and cash equivalents

As at December, 31 2018 and December, 31 2017, cash and cash equivalents are as follows:

	31 December 2018		31 December 2017	
	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	1,304,896,611	1,990,149,612	1,990,149,612	1,540,185,330
Receivables from credit card collections (less than 3 months)	144,397,948	150,795,930	150,795,930	144,247,305
<b>Cash and cash equivalents in the balance sheet</b>	<b>1,449,294,559</b>	<b>2,140,945,542</b>	<b>2,140,945,542</b>	<b>1,684,432,635</b>
Banks discount for short-term deposits	(2,854,948)	(1,003,634)	(1,003,634)	(3,005,902)
Time deposit more than 3 months	(490,628,971)	(1,515,082,599)	(1,515,082,599)	(887,993,626)
Blocked amount	(418,844,058)	(334,997,528)	(334,997,528)	(254,130,023)
<b>Total</b>	<b>536,966,582</b>	<b>289,861,781</b>	<b>289,861,781</b>	<b>539,303,084</b>

As at December, 31 2018 and December, 31 2017, the details of bank deposits are as follows:

	31 December 2018	31 December 2017
Foreign currency denominated bank deposits		
- time deposits	50,465,060	34,127,178
- demand deposits	13,208	55,363
Bank deposits in Turkish Lira		
- time deposits	1,248,602,258	1,939,078,037
- demand deposits	5,816,085	16,889,034
<b>Cash at banks</b>	<b>1,304,896,611</b>	<b>1,990,149,612</b>

As at December, 31 2018, cash collateral kept at banks in favour of the Undersecretariat of Treasury against insurance operations amounted to TL 418.844.058 (December, 31 2017: TL 334.997.528).

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

As at December, 31 2018 and 2017, the interest rate interval as follows:

	31 December 2018		31 December 2017	
	Maturity (Day)	Interest rate(%)	Maturity (Day)	Interest rate(%)
TL	4-377	%15.60-%29.25	4-377	%10.80-%14.80
USD	4-43	%4-%4.90	4-43	%3.20-%3.60
Euro	36	%0.01-%1.50	36	%0.0-%1.90

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15 Equity

Paid in capital

As at December, 31 2018 and 2017, 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.

Dividend distribution

According to the Annual General Meeting held on April, 5 2018, a dividend payment of TL 1.200.000.000 has been made to shareholders on 9 December 2018.

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 2018	1 January - 31 December 2017
Legal reserves at the beginning of the period	10,000,000	10,000,000
Reserves during the period	15,000,000	-
Legal reserves at the end of the period	25,000,000	10,000,000

Extraordinary reserves

	1 January - 31.December.2017	1 January - 31.December.2016
Extraordinary reserves at the beginning of the period	1,250,187,391	1,004,414,526
Dividend payment	(894,344,998)	-
Reserves during the period	-	245,772,865
Extraordinary reserves at the end of the period	355,842,393	1,250,187,391

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15 Equity (continued)

Revaluation of financial assets

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

	31 December 2018	31 December 2016
Valuation differences from financial assets	470,115	366,758
Deferred tax effect	(94,023)	(73,352)
Fair value reserves at the end of the period	376,092	293,406

16 Other reserves and equity component of DPF

As at 31 December 2017, there is not any other reserves presented under equity except for the fair value reserves of available-for-sale financial assets which is presented as “revaluation of financial assets” in the accompanying financial statements. Movement of fair value reserves of available-for-sale financial assets and their related tax effects are presented in Note 15.

The Company recognizes its liability to the policyholders due to the saving life products, classified as investment contracts, under life mathematical provisions. The Company recognizes its own portion for the unrealized gains and losses, recognized due to change in the fair values of available for sale financial assets backing long term investment contracts under equity within ‘revaluation of financial assets’.

17 Insurance contract liabilities and reinsurance assets

As at December, 31 2018 and December, 31 2017, provisions for technical reserves of the Company are disclosed as follows:

	31 December 2018	31 December 2017
Unearned premiums reserve, gross	78,164,647	95,761,086
Unearned premiums reserve, ceded (Note 10)	(19,316,147)	(25,155,218)
Unearned premiums reserve, net	58,848,500	70,605,868
Outstanding claims reserve, gross	67,986,593	49,825,781
Outstanding claims reserve, ceded (Note 10, Note 4.2)	(16,018,912)	(13,560,797)
Outstanding claims reserve, net	51,967,681	36,264,984
Life mathematical reserve (shot term and long term)	335,103,102	284,226,379
Equalization reserve, net	21,702,427	18,281,767
Total insurance technical reserves, net	467,621,710	409,378,998
Short-term	133,529,679	121,368,508
Medium and long-term	334,092,031	288,010,490
Total insurance technical provisions, net	467,621,710	409,378,998



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### 17 Insurance contract liabilities and reinsurance assets (continued)

As at December, 31 2018 and December, 31 2017, movements of the insurance liabilities and related reinsurance assets are presented below:

	1 January – 31 December 2018		
Unearned premiums reserve	Gross	Reinsurer share	Net
Unearned premiums reserve at the beginning of the period	95,761,086	(25,155,218)	70,605,868
Premiums written during the period	483,657,166	(38,779,286)	444,877,880
Premiums earned during the period	(501,253,605)	44,618,357	(456,635,248)
<b>Unearned premiums reserve at the end of the period</b>	<b>78,164,647</b>	<b>(19,316,147)</b>	<b>58,848,500</b>

	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 2018	1 January – 31 December 2017
Equalization reserve at the beginning of the period	18,281,767	14,630,646
Increases during the period	3,420,660	3,651,121
<b>Equalization reserve at the end of the period</b>	<b>21,702,427</b>	<b>18,281,767</b>

	1 January – 31 December 2018		
<b>Outstanding claims reserve</b>	<b>Gross</b>	<b>Reinsurer share</b>	<b>Net</b>
Outstanding claims reserve at the beginning of the period	49,825,781	(13,560,797)	36,264,984
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	132,177,942	(19,913,274)	112,264,668
Claims paid during the period	(114,017,130)	17,455,159	(96,561,971)
<b>Outstanding claims reserve at the end of the period</b>	<b>67,986,593</b>	<b>(16,018,912)</b>	<b>51,967,681</b>

	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>

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## 17 Insurance liabilities and reinsurance assets (continued)

## Claim development tables

The basic assumption used in the estimation of provisions for outstanding claims is the Company's past experience on claim developments. The Company's management uses the judgment to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. The sensitivity of certain assumptions like legislative change, uncertainty in the estimation process, etc, is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claims reserve is not known with certainty at the balance sheet date. Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognized in subsequent period financial statements.

Development of insurance liabilities enables to measure the performance of the Company in estimation of its ultimate claim losses. The numbers presented on the top of the below tables show the changes in estimations of the Company for the claims in subsequent years after accident years. The numbers presented on the below of the below tables give the reconciliation of total liabilities with outstanding claims reserve presented in the accompanying financial statements.

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17 Insurance liabilities and reinsurance assets (continued)

31 December 2018							
Accident year	2013	2014	2015	2016	2017	2018	Total
Accident year	68,061,846	59,352,208	58,640,250	73,584,052	90,137,094	112,381,245	462,156,695
1 year later	53,834,482	52,232,031	55,512,051	73,095,017	89,941,686	-	324,615,267
2 years later	50,170,930	51,075,574	55,780,436	72,221,645	-	-	229,248,585
3 years later	50,375,648	50,991,616	55,988,466	-	-	-	157,355,730
4 years later	49,787,814	51,377,612	-	-	-	-	101,165,426
5 years later	50,145,991	-	-	-	-	-	50,145,991
Current estimate of cumulative claims	50,145,991	51,377,612	55,988,466	72,221,645	89,941,686	112,381,245	432,056,645
Cumulative payments up to date	(48,063,212)	(49,078,816)	(52,128,762)	(65,740,353)	(79,988,904)	(85,088,917)	(380,088,964)
Liability recognized in balance sheet	2,082,779	2,298,796	3,859,704	6,481,292	9,952,782	27,292,328	51,967,681
Total outstanding claims reserve, net in the financial statements							51,967,681

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
Total outstanding claims reserve, net in the financial statements							36,264,984

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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 2018		31 December 2017	
Should be placed <sup>(*)</sup>	Placed <sup>(*)</sup>	Should be placed <sup>(*)</sup>	Placed <sup>(*)</sup>
Life:			
Bank deposits	418,623,610	334,508,969	
Financial assets <sup>(*)</sup>		25,008,576	20,704,930
Total	383,831,828	443,632,186	355,213,899
Non-life:			
Bank deposits	166,668	220,448	488,559
Total	383,998,496	443,852,634	355,702,458

<sup>(\*)</sup>As at December, 31 2018 and December, 31 2017, 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 2018		1 January - 31 December 2017	
	Number of policyholders	Life mathematical reserve	Life mathematical reserve
Beginning of the year	2,300,369	284,226,380	2,269,561
Additions during the year	1,943,703	170,820,706	2,367,099
Disposals during the year	(1,965,650)	(52,643,336)	(2,336,291)
Movements during the year <sup>(*)</sup>	-	(67,300,648)	-
Current	2,278,422	335,103,102	2,300,369

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

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

31 December 2018			31 December 2017		
	Number of contracts	Gross premium	Number of contracts	Gross premium	Net premium
Individual	531	1,558,625	626	1,566,709	1,566,709
Group	1,943,172	553,511,849	2,366,473	587,323,699	587,323,699
Total	1,943,703	555,070,474	2,367,099	588,890,408	588,890,408

## Garanti Emeklilik ve Hayat Anonim Şirketi

### Notes to the Financial Statements

#### as of 31 December 2018

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#### 17 Insurance liabilities and reinsurance assets (continued)

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 2018				31 December 2017			
	Number of contracts	Gross premium	Net premium	Mathematical Reserve	Number of contracts	Gross premium	Net premium	Mathematical reserve
Individual	893	244,435	244,435	7,848,414	1,048	299,370	299,370	2,785,555
Group	1,964,757	71,169,145	71,169,145	44,794,922	2,335,243	89,708,591	89,708,591	36,455,652
<b>Total</b>	<b>1,965,650</b>	<b>71,413,580</b>	<b>71,413,580</b>	<b>52,643,336</b>	<b>2,336,291</b>	<b>90,007,961</b>	<b>90,007,961</b>	<b>39,241,207</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 2018, deferred commission and other expenses amount to TL 16.251.527 and TL 8.754.217 (December, 31 2017: TL 21.361.094 and TL 8.898.072).

The movement of deferred commission expenses as of December, 31 2018 and December, 31 2017 is as follows.

	1 January - 31 December 2018	1 January - 31 December 2017
Deferred commission expenses at the beginning of the period	21,361,094	23,437,481
Commissions accrued during the period	105,148,579	110,041,087
Paid commissions during the period	(110,258,146)	(112,117,474)
<b>Deferred commission expenses at the end of the period</b>	<b>16,251,527</b>	<b>21,361,094</b>

#### 18 Investment contract liabilities

The movements of life mathematical reserve for saving life policies as at December, 31 2018 and December, 31 2017 are as follows:

Life mathematical provision for saving life policies	1 January - 31 December 2018	1 January - 31 December 2017
Investment contract liabilities at the beginning of the period (Life-mathematical reserve)	29,568,816	28,042,513
Effect of foreign exchange differences	9,917,842	2,108,535
Written premiums during the period (saving life policies)	447,817	480,866
Disposals during the period (leaving policyholders)	(12,739,472)	(3,540,718)
Profit shares	2,008,406	1,690,268
Changes in the fair values of investments (Note 30)	(1,377,073)	787,352
<b>Investment contract liabilities at the end of the period</b>	<b>27,826,336</b>	<b>29,568,816</b>

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#### 18 Investment contract liabilities (continued)

Profit share distribution rates to life policyholders during the period December, 31 2018 and December, 31 2017:

	31.December.2018	31.December.2017
USD:	%6.71	%6.47
EURO:	%3.52	%5.36

#### Pension operations

The details of receivables and liabilities from pension operations as at December, 31 2018 and December, 31 2017:

	31 December 2018	31 December 2017
Receivables from clearing house on behalf of the participants	13,325,377,037	11,965,601,267
Receivables from participants (entrance fee)	11,897,367	11,829,475

Receivables from pension operations (Note 12)	13,337,274,404	11,977,430,742
Provision for the receivables from participants (Note 4.2), (Note 12)	(35,940,008)	(25,184,323)
Receivables from pension operations (Note 12)	13,301,334,396	11,952,246,419

	31 December 2018	31 December 2017
Payables to participants	13,309,049,618	11,950,440,252
Participants temporary account	147,111,263	157,884,597
Payables to clearing house	2,027,961	355,162
Payables to Emeklilik Gözetim Merkezi	205,000	95,000
Other liabilities	6,958,763	6,780,294
Payables due to pension operations (Note 19)	13,465,352,605	12,115,555,305

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18 Investment contract liabilities (continued)

Pension operations (continued)

As at December, 31 2018 and December, 31 2017 pension investment funds founded by the Company and their unit prices are as follows:

	31 December 2018	31 December 2017
	Unit prices	Unit prices
Katılım Katkı EYF	0.016023	0.014023
Katılım Standart EYF	0.014746	0.013309
Altın EYF	0.025288	0.018402
Hisse Senedi EYF	0.093223	0.107237
Dinamik Değişken EYF	0.017588	0.016996
Katılım Dinamik Değişken EYF	0.020401	0.019247
Dengeli Değişken EYF	0.064414	0.059815
Temkinli Değişken EYF	0.033394	0.028575
Borçlanma Araçları EYF	0.059164	0.056772
Kamu Dış Borçlanma Araçları EYF	0.084027	0.064206
Dengeli Değişken Grup EYF	0.051214	0.047089
Borçlanma Araçları Grup EYF	0.037474	0.035842
Kamu Dış Borçlanma Araçları Grup EYF	0.057539	0.043835
Hisse Senedi Grup EYF	0.021464	0.024326
Sürdürülebilirlik Hisse Senedi EYF	0.017008	0.020785
Değişken EYF	0.048908	0.038408
Uzun Vadeli Kamu Borçlanma Araçları EYF	0.029631	0.028772
Katkı EYF	0.013954	0.013721
Para Piyasası EYF	0.056263	0.047767
Özel Sektör Borçlanma Araçları EYF	0.018727	0.016094
Standart EYF	0.015616	0.015105
Başlangıç EYF	0.013143	-
Başlangıç Katılım EYF	0.012466	-
OKS Temkinli Değişken Emeklilik Yatırım Fonu	0.011206	-
OKS Temkinli Katılım Değişken EYF	0.011314	-
OKS Dengeli Değişken Emeklilik Yatırım Fonu	0.010513	-
OKS Dengeli Katılım Değişken EYF	0.011054	-
OKS Dinamik Değişken Emeklilik Yatırım Fonu	0.010034	-
OKS Dinamik Katılım Değişken EYF	0.010388	-
OKS Agresif Değişken Emeklilik Yatırım Fonu	0.009438	-
OKS Agresif Katılım Değişken EYF	0.009638	-
OKS Standart Emeklilik Yatırım Fonu	0.010915	-
OKS Katılım Standart Emeklilik Yatırım Fonu	0.011064	-

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18 Investment contract liabilities (continued)

Pension operations (continued)

Number and amount of participation certificate in the portfolio and in circulation is such as follows as of December, 31 2018 and December, 31 2017:

	31 December 2018			
	Participation certificate in the circulation		Participation certificate in the portfolio	
	Number	Amount	Number	Amount
Katılım Katkı EYF	9,317,370,447	149,294,290	1,490,682,629,553	23,885,207,773
Katılım Standart EYF	6,562,304,000	96,767,681	1,493,437,696,000	22,022,232,265
Altın EYF	35,339,173,266	893,656,394	1,464,660,826,734	37,038,342,986
Hisse Senedi EYF	3,226,888,249	300,819,397	1,496,773,111,751	139,533,679,797
Dinamik Değişken EYF	88,840,494,473	1,562,556,544	1,411,159,505,527	24,819,473,383
Katılım Dinamik Değişken EYF	13,789,020,583	281,308,819	1,486,210,979,417	30,320,190,191
Dengeli Değişken EYF	11,239,538,666	723,978,701	1,488,760,461,334	95,897,016,356
Temkinli Değişken EYF	19,275,608,110	643,685,382	1,480,724,391,890	49,447,310,343
Borçlanma Araçları EYF	27,071,904,233	1,601,678,729	1,472,928,095,767	87,144,317,858
Kamu Dış Borçlanma Araçları EYF	9,437,536,922	793,010,053	1,490,562,463,078	125,247,492,085
Dengeli Değişken Grup EYF	3,390,237,214	173,628,404	1,496,609,762,786	76,647,372,391
Borçlanma Araçları Grup EYF	7,253,015,483	271,798,129	1,492,746,984,517	55,939,200,498
Kamu Dış Borçlanma Araçları Grup EYF	3,881,632,854	223,345,597	1,496,118,367,146	86,085,154,727
Hisse Senedi Grup EYF	3,622,246,189	77,747,573	1,496,377,753,811	32,118,252,108
Sürdürülebilirlik Hisse Senedi EYF	6,545,480,399	111,327,473	1,493,454,519,601	25,400,674,469
Değişken EYF	10,683,032,076	522,487,703	1,489,316,967,924	72,839,514,267
Uzun Vadeli Kamu Borçlanma Araçları EYF	775,322,989	22,973,303	1,499,224,677,011	44,423,526,405
Katkı EYF	117,724,838,357	1,642,680,602	1,382,275,161,643	19,288,267,606
Para Piyasası EYF	27,515,603,428	1,548,114,501	1,472,484,396,572	82,846,389,604
Özel Sektör Borçlanma Araçları EYF	4,864,292,987	91,093,527	1,495,135,707,013	27,999,406,385
Standart EYF	78,892,367,780	1,231,956,237	1,421,107,632,220	22,192,016,785
Başlangıç EYF	4,963,883,683	65,239,305	1,495,036,116,317	19,649,259,677
Başlangıç Katılım EYF	3,836,055,673	47,818,657	1,496,163,944,327	18,651,179,730
OKS Temkinli Değişken Emeklilik Yatırım Fonu	74,473,697	834,521	1,499,925,526,303	16,808,165,448
OKS Temkinli Katılım Değişken EYF	52,445,952	593,376	1,499,947,554,048	16,970,406,626
OKS Dengeli Değişken Emeklilik Yatırım Fonu	115,850,102	1,217,919	1,499,884,149,898	15,768,282,068
OKS Dengeli Katılım Değişken EYF	73,739,563	815,153	1,499,926,260,437	16,580,184,883
OKS Dinamik Değişken Emeklilik Yatırım Fonu	143,734,433	1,442,179	1,499,856,265,567	15,049,557,769
OKS Dinamik Katılım Değişken EYF	72,431,622	752,388	1,499,927,568,378	15,581,247,580
OKS Agresif Değişken Emeklilik Yatırım Fonu	170,857,170	1,612,556	1,499,829,142,830	14,155,387,450
OKS Agresif Katılım Değişken EYF	93,170,490	898,020	1,499,906,829,510	14,456,102,023
OKS Standart Emeklilik Yatırım Fonu	11,427,592,581	124,734,681	1,488,572,407,419	16,247,767,827
OKS Katılım Standart Emeklilik Yatırım Fonu	8,964,170,923	99,181,824	1,491,035,829,077	16,496,820,413
Total	519,236,314,594	13,309,049,618	48,980,763,685,406	1,377,549,399,776



Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2018

(Currency:Turkish Lira (TL))

18 Investment contract liabilities (continued)

Pension operations (continued)

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
Katkı 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 Temkinli Değişken Emeklilik Yatırım Fonu	-	-	1,500,000,000,000	15,000,000,000
OKS Temkinli Katılım Değişken EYF	-	-	1,500,000,000,000	15,000,000,000
OKS Dengeli Değişken Emeklilik Yatırım Fonu	-	-	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 Emeklilik Yatırım Fonu	-	-	1,500,000,000,000	15,000,000,000
OKS Dinamik Katılım Değişken EYF	-	-	1,500,000,000,000	15,000,000,000
OKS Agresif Değişken Emeklilik Yatırım Fonu	-	-	1,500,000,000,000	15,000,000,000
OKS Agresif Katılım Değişken EYF	-	-	1,500,000,000,000	15,000,000,000
OKS Standart Emeklilik Yatırım Fonu	-	-	1,500,000,000,000	15,000,000,000
OKS Katılım Standart Emeklilik Yatırım Fonu	-	-	1,500,000,000,000	15,000,000,000
Total	485,412,885,849	11,950,398,653	49,014,587,114,152	1,266,477,086,890

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2018

(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 2018				
	Additions during the period	Left/ cancellations during the period	Outstanding	Total amount
Individual	149,788	180,306	990,632	6,231,495,590
Group	23,478	44,300	232,315	2,227,078,437
Total	173,266	224,606	1,222,947	8,458,574,027

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
Total	229,588	165,764	1,274,287	7,907,079,766

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

	31 December 2018			31 December 2017		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	149,788	342,570,441	342,563,763	186,227	262,745,365	262,736,936
Group	23,478	45,480,529	45,469,812	43,361	48,224,714	48,208,625
<b>Total</b>	<b>173,266</b>	<b>388,050,970</b>	<b>388,033,575</b>	<b>229,588</b>	<b>310,970,079</b>	<b>310,945,561</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 2018			31 December 2017		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	3,652	132,489,133	132,489,133	2,452	69,919,194	69,919,194
Group	545	15,676,003	15,675,982	1,098	16,379,087	16,379,017
<b>Total</b>	<b>4,197</b>	<b>148,165,136</b>	<b>148,165,115</b>	<b>3,550</b>	<b>86,298,281</b>	<b>86,298,211</b>

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

None

## Garanti Emeklilik ve Hayat Anonim Şirketi

### Notes to the Financial Statements

#### as of 31 December 2018

(Currency:Turkish Lira (TL))

#### 18 Investment contract liabilities (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 2018			31 December 2017		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	180,306	2,020,845,273	2,019,952,101	125,095	1,208,312,557	1,207,538,219
Group	44,300	545,923,606	545,871,712	40,669	389,238,235	389,179,351
<b>Total</b>	<b>224,606</b>	<b>2,566,768,879</b>	<b>2,565,823,813</b>	<b>165,764</b>	<b>1,597,550,792</b>	<b>1,596,717,570</b>

#### 19 Trade and other payables and deferred income

	31 December 2018	31 December 2017
Payables due to main operations	13,488,360,572	12,144,251,395
Taxes and other liabilities and provisions	25,959,401	21,635,348
Due to related parties	2,735,694	8,325,915
Deferred commission income (Note 10)	4,678,473	7,810,551
Expense accruals <sup>(*)</sup>	18,818,037	16,377,106
Other various payables <sup>(**)</sup>	5,224,541	2,592,275
<b>Total</b>	<b>13,545,776,718</b>	<b>12,200,992,590</b>
Short term liabilities	13,545,776,718	12,200,992,590
<b>Total</b>	<b>13,545,776,718</b>	<b>12,200,992,590</b>

<sup>(\*)</sup>Expense accruals as of December, 31, 2018 and December, 31, 2017 consist of personnel premium accruals, performance accruals and other expense accruals

<sup>(\*\*)</sup>As at December, 31, 2018 and December, 31, 2017, 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 2018 and December, 31 2017 are detailed below:

	31 December 2018	31 December 2017
Payables to reinsurers (Note 10)	9,417,532	12,093,874
Payables to agencies	13,492,112	16,542,122
Payables to policyholders	98,323	60,094
<b>Total payables due to insurance operations</b>	<b>23,007,967</b>	<b>28,696,090</b>
Payables s due to pension operations (Note 18)	13,465,352,605	12,115,555,305
<b>Payables from main operations</b>	<b>13,488,360,572</b>	<b>12,144,251,395</b>

Corporate tax provision and prepaid taxes are disclosed below:

	31 December 2018	31 December 2017
Corporate tax provision	132,598,937	86,473,459
Prepaid taxes during the period	(123,553,978)	(74,334,232)
<b>Corporate tax payable, net</b>	<b>9,044,959</b>	<b>12,139,227</b>

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

None.

## Garanti Emeklilik ve Hayat Anonim Şirketi

### Notes to the Financial Statements

#### as of 31 December 2018

(Currency:Turkish Lira (TL))

#### 20 Financial liabilities

As of December 31, 2018, the Company does not have any financial lease liability (31 December 2017: short term financial lease liability amounting to TL 197.713 with a deferred cost TL 5.868).

#### 21 Deferred taxes

As at December, 31 2018 and December, 31 2017, the detailed analysis of the items resulting deferred tax assets and liabilities are as follows:

	31 December 2018	31 December 2017
	Deferred tax assets/(liabilities)	Deferred tax assets/(liabilities)
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(2,708,334)	(2,482,553)
Provision for impairment in receivables from participants	7,906,802	5,540,551
Equalization provision	4,340,485	3,656,353
Provision for employment termination benefits and unused vacation pay liability	2,044,245	1,905,881
Provision for personnel bonus	1,312,376	1,041,613
Plan bonus provision	1,291,920	1,175,479
Free provisions	660,000	660,000
Entrance fee discount provision	322,760	451,947
Provisions for lawsuits	438,291	358,809
Other expense accruals	2,477,922	1,224,403
<b>Deferred tax asset/(liability), net</b>	<b>18,086,467</b>	<b>13,532,483</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%.

Movement of the deferred tax assets / (liabilities) during the periods ending December, 31 2018 and December, 31 2017 is presented below:

	1 January - 31 December 2018	1 January - 31 December 2016
Beginning balance, January 1	13,532,483	6,213,042
Recognized in the income statement (Note 35)	4,424,479	7,268,961
Recognized in the equity (Note 4.2)	129,505	50,480
<b>Closing balance as of end of the period</b>	<b>18,086,467</b>	<b>13,532,483</b>

## Garanti Emeklilik ve Hayat Anonim Şirketi

### Notes to the Financial Statements

#### as of 31 December 2018

(Currency:Turkish Lira (TL))

#### 22 Retirement benefit obligations

None.

#### 23 Provisions for other liabilities and charges

As at December, 31 2018 and 2017; the details of the provisions for other risks are as follows:

	31 December 2018	31 December 2017
Provision for unused vacation pay liability (long term)	1,494,390	1,807,620
Provision for unused vacation pay liability (short term)	790,687	737,936
Provisions for lawsuits	1,992,230	1,630,950
<b>Provisions for costs</b>	<b>4,277,307</b>	<b>4,176,506</b>
<b>Provision for employment termination benefits</b>	<b>7,707,639</b>	<b>6,729,294</b>
<b>Total provisions for other risks</b>	<b>11,984,946</b>	<b>10,905,800</b>

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

	1 January – 31 December 2018	1 January – 31 December 2017
Provision for employment termination benefits at the beginning of the period	6,729,294	5,442,774
Interest cost	806,280	647,372
Service cost	1,791,975	1,757,519
Payments during the period	(2,370,792)	(1,440,531)
Actuarial loss	750,882	322,160
<b>Provision for employment termination benefits at the end of the period</b>	<b>7,707,639</b>	<b>6,729,294</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.

#### 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 2018	1 January – 31 December 2017
Fund management fee	187,818,896	164,263,025
Management fee deduction	59,980,518	40,790,276
Entrance fee	50,474,871	36,223,374
Management fee deduction in case of interruption	3,330,529	4,867,701
Other technical income	22,385	-
<b>Total pension technical income</b>	<b>301,627,199</b>	<b>246,144,376</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 2018, fees charged to saving life policyholders amounts to TL 26.622 (December, 31 2017: TL 28.700).

## Garanti Emeklilik ve Hayat Anonim Şirketi

### Notes to the Financial Statements

#### as of 31 December 2018

(Currency:Turkish Lira (TL))

#### 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 2018 (January, 1 – December, 31 2017: None).

#### 30 Investment contract benefits

As at and for the year ended December, 31 2018 and December, 31 2017, 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 2018	1 January- 31 December 2017
Change in life mathematical provisions for investment contracts recognized in the statement of income	(365,407)	738,951
Changes in shares of policy holders in unrealized gain or loss from available for sale financial asset in which the liabilities arising from investment contract benefits are invested (Note 18)	(1,377,073)	787,352
<b>Change in life mathematical provisions for investment contracts</b>	<b>(1,742,480)</b>	<b>1,526,303</b>

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2018

(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 2018 and December, 31 2017, the details of operating expenses are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Commission expenses	(161,099,924)	(153,668,392)
Commissions to intermediaries accrued during period	(155,846,502)	(150,394,784)
Change in deferred commission expenses	(5,109,504)	(2,076,387)
Deferred commission expenses	(143,918)	(1,197,221)
Employee benefit expenses (Note 33)	(84,224,635)	(77,854,516)
Commission income from reinsurers	19,301,716	21,132,504
Commission income from reinsurers accrued during period (Note 10)	16,169,638	21,252,899
Change in deferred commission income	3,132,077	(120,395)
Information technology expenses	(20,480,353)	(11,221,120)
Office expenses	(12,193,189)	(16,868,028)
Advertisement and public related expenses	(10,279,393)	(12,810,298)
Other expenses	(7,805,074)	(6,827,086)
Total	(276,780,852)	(258,116,936)

33 Employee benefit expenses

For the year ended December, 31 2018 and December, 31 2017, the details of employee benefit expenses are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Wages and salaries	(48,413,872)	(42,294,185)
Bonus, premium and commissions	(12,654,442)	(14,599,252)
Employer’s share in social security premiums	(8,806,307)	(7,913,414)
Employment termination benefits and unused vacation expenses	(1,117,873)	(684,470)
Other benefits	(13,232,141)	(12,363,195)
Total (Note 32)	(84,224,635)	(77,854,516)

34 Financial costs

There are not any finance costs classified either on production costs or tangible assets.

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2018

(Currency:Turkish Lira (TL))

35 Income tax expense

Income tax expense in the accompanying financial statements is as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Provision for corporate tax expense:		
Provision for corporate tax expense:	(132,598,937)	(86,473,459)
Deferred tax income:	4,424,479	7,268,961
Total income tax expense presented in the statement of income	(128,174,458)	(79,204,498)

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 2018 and December, 31 2017 is as follows:

	1 January- 31 December 2018		1 January- 31 December 2017	
Profit before taxes	581,731,250	Tax rate (%)	399,859,500	Tax rate (%)
Taxes on income per statutory tax rate:				
20%	(127,980,875)	(22)	(79,971,900)	(20)
Increase in tax rate	-	-	170,022	0.04
(Additions)/discounts, net	(193,583)	(0.03)	597,380	0.15
Total income tax expense presented in the statement of income	(128,174,458)	(22.03)	(79,204,498)	(19.81)



Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2018

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36 Net foreign exchange gains / losses

Net foreign exchange gains/losses are presented in Note 4.2 – Financial Risk Management.

37 Earnings per share

According to TAS 33 “Earnings per Share”, earnings per share of unquoted Companies do not disclose earnings per share. As for the Company is not listed, earnings per share is not calculated in the accompanying financial statements.

38 Dividends per share

The Company is not a listed entity, hence dividend per share is not presented in the accompanying financial statements.

39 Cash generated from operations

The cash flows from operating activities is presented in the accompanying statement of cash flows.

40 Convertible bond

None.

41 Redeemable preference shares

None.

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2018

(Currency:Turkish Lira (TL))

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 2018, the probable liability amount that will arise in the situation that all the cases that Company is defendant results against the Company is TL 12,711,415 (December, 31 2017: TL 10.703.039) in gross. The Company has recorded provision of TL 20,623,783 (December, 31 2017: TL 17.574.184) 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 2018	31 December 2017
Less than 1 year	3,036,874	2,376,487
More than 1 year less than 5 years	4,115,487	1,764,755
Total of minimum rent payments	7,152,361	4,141,242

44 Business mergers

None.

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2018

(Currency:Turkish Lira (TL))

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 2018 and December, 31 2017 are as follows:

	31 December 2018	31 December 2017
T.Garanti Bankası A.Ş.– cash at banks	746,237,041	1,179,423,520
<b>Banks</b>	<b>746,237,041</b>	<b>1,179,423,520</b>
T.Garanti Bankası A.Ş. – credit card collections	144,397,948	150,795,930
<b>Receivables from credit card collections less than 3 months (Not 14)</b>	<b>144,397,948</b>	<b>150,795,930</b>
Garanti Faktoring Hizmetleri A.Ş.	32,517	36,415
T. Garanti Bankası A.Ş.	92	-
Garanti Finansal Kiralama A.Ş.	-	-
Other	-	32,518
<b>Receivables from main operations</b>	<b>32,609</b>	<b>68,933</b>
T. Garanti Bankası A.Ş.	32,640	-
<b>Due from shareholders</b>	<b>32,640</b>	<b>-</b>
T. Garanti Bankası A.Ş. – commissions payable (net)	13,914,575	16,871,576
<b>Payables from main operations</b>	<b>13,914,575</b>	<b>16,871,576</b>
Eureko Sigorta A.Ş. – shared expenses and premiums written	222,112	213,030
T. Garanti Bankası A.Ş.– shared expenses	190,761	11,080
Garanti Hizmet Yönetimi A.Ş. – portfolio management	139,650	129,950
<b>Due from shareholders</b>	<b>552,523</b>	<b>354,060</b>
Garanti Portföy Yönetimi A.Ş. – pension funds management	2,011,922	7,158,620
Antur Turizm A.Ş. – transportation expenses	148,802	741,101
Garanti Filo Yönetim Hizmetleri A.Ş. – car rental expenses	6,661	8,236
Doğuş Yayın Grubu A.Ş.	-	9,268
Other	1,864	1,918
<b>Payables to related parties</b>	<b>2,169,249</b>	<b>7,919,143</b>
	<b>2,568</b>	<b>- 6,563,267</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.

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2018

(Currency:Turkish Lira (TL))

45 Related party transactions (continued)

The transactions with related parties during the year ended December,31 2018 and December, 31 2017 are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
T. Garanti Bankası A.Ş.	7,671,970	5,996,579
Garanti Ödeme Sistemleri A.Ş.	186,353	151,142
Garanti Yatırım Menkul Kıymetler A.Ş.	139,755	180,832
Garanti Finansal Kiralama A.Ş.	130,873	107,176
Eureko Sigorta A.Ş.	121,173	104,988
Garanti Portföy Yönetimi A.Ş.	65,352	70,345
Other	299,303	233,461
<b>Written premium</b>	<b>8,614,779</b>	<b>6,844,523</b>
T. Garanti Bankası A.Ş.	3,694,065	547,310
Garanti Portföy Yönetimi A.Ş	-	365,000
Other	274,037	16,066
<b>Claim paid</b>	<b>3,968,102</b>	<b>381,066</b>
T. Garanti Bankası A.Ş.– interest income on bank deposits	236,382,694	103,768,642
<b>Investment income</b>	<b>236,382,694</b>	<b>103,768,642</b>
T. Garanti Bankası A.Ş. - paid commissions <sup>(*)</sup>	151,819,646	146,273,025
T. Garanti Bankası A.Ş.– rent, tax and other expenses	18,346,054	16,794,566
Garanti Portföy Yönetimi A.Ş.	6,373,638	15,028,054
Eureko Sigorta A.Ş. – health and casco premiums	2,312,340	2,180,378
Garanti Filo Yönetim Hizmetleri A.Ş.– vehicle rent	2,429,415	1,800,192
Antur Turizm A.Ş. – tourism expenses	621,892	1,888,392
Garanti Finansal Kiralama A.Ş. - leasing expense	283,115	283,115
Doğuş-GE Gayrimenkul Yatırım Ortaklığı A.Ş. - rent expenses	20,399	46,532
Yön. İnsan Kay. Des. Hiz. Tic. Ltd. Şti. - office service expense	22,254	21,414
Doğuş Bilgi İşlem A.Ş.	5,072	4,461
Garanti Hizmet Yönetimi A.Ş. - fon management expenses	-	1,696,632
Doğuş Enerji Üretim ve Tic. A.Ş. - electrical expense	-	234,557
Ayhan Şahenk Vakfı – donation expenses	-	24,000
Other	-	9,368
<b>Operations expense</b>	<b>182,233,825</b>	<b>186,284,686</b>

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

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

as of 31 December 2018

(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 2018 and December, 31 2017, details of the resdicount and provision expenses are as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Provision for employment termination benefits (Note 23)	(2,598,255)	(2,404,891)
Provision for entrance fee receivables (Note 4.2)	(1,139,603)	(3,911,898)
Provision for lawsuits (Note 23)	(361,280)	(821,488)
Provision for unused vacation pay liability (Note 23)	260,479	(4,989)
Provision (expense) / release for receivables from main operations (Note 12)	29,028	(38,530)
<b>Total provision expenses</b>	<b>(3,809,631)</b>	<b>(7,181,796)</b>

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