

*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)*



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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
<p>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.</p> <p>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.</p> <p>Due to the nature of the technical reserves calculations which has uncertainty estimations and management judgments, this matter is determined to be a key audit matter.</p>	<p>Our auditing procedures for the matter are given –as below:</p> <p>We evaluated the assumptions and estimations of the company's outstanding claims provision calculations with the involvement of actuarial specialists.</p> <p>In this context, we evaluated the actual outstanding claims internal controls and effectiveness of the process with the involvement of our IT specialists. We chose samples and tested by obtaining supporting documents of the actual outstanding claims. We controlled the lawsuit files of the outstanding claims by obtaining letter of confirmation from company lawyer.</p> <p>We controlled the mathematical accuracy of the calculations and average file and opening amounts which are determined by company actuarial specialists. We evaluated the mathematical accuracy of technical reserves for each product.</p> <p>We recalculated the technical reserves and controlled the analyzes accuracy of the past experience of the company and legislation.</p> <p>Additionally, we evaluated the adequacy of financial statement disclosures relating to the technical reserves.</p>



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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting 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 firm of KPMG International Cooperative



Alper Gülveren
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 Afif 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
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Originally Issued in Turkish, See Note 2.1.1

ASSETS			
	Note	Audited Current Period 31 December 2018	Audited Prior Period 31 December 2017
I- Current Assets			
A- Cash and Cash Equivalents	14	1.449.294.559	2.140.945.542
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- Financial Assets and Investments with Risks on Policy Holders	11	25.883.330	20.976.257
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 (-)		-	-
C- Receivables from Main Operations	12	13.348.409.779	12.008.874.100
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 (-)		-	-
D- Due from Related Parties	12, 45	32.640	-
1- Due from Shareholders	12, 45	32.640	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Discount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
E- Other Receivables	12	132.881	76.252
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 (-)		-	-
F- Prepaid Expenses and Income Accruals		27.247.824	31.954.652
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
G- Other Current Assets		1.500	8.696
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 (-)		-	-
I- Total Current Assets		14.851.002.513	14.202.835.499

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))

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	Note	Audited Current Period 31 December 2018	Audited Prior Period 31 December 2017
II- Non Current Assets			
A- Receivables from Main Operations		-	-
1- Receivables from Insurance Operations		-	-
2- Provision for Receivables from Insurance Operations		-	-
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited for Insurance & Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Private Pension Operations		-	-
9- Doubtful Receivables from Main Operations		-	-
10-Provision for Doubtful Receivables from Main Operations		-	-
B- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Discount on Receivables Due from Related Parties		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties		-	-
C- Other Receivables	12	4.185	4.185
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income		-	-
3- Guarantees Given	12	4.185	4.185
4- Other Receivables		-	-
5- Discount on Other Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
D- Financial Assets		-	-
1- Investments In Associates		-	-
2- Affiliates		-	-
3- Capital Commitments to Affiliates (-)		-	-
4- Subsidiaries		-	-
5- Capital Commitments to Subsidiaries (-)		-	-
6- Joint Ventures		-	-
7- Capital Commitments to Joint Ventures (-)		-	-
8- Financial Assets and Investments with Risks on Policy Holders		-	-
9- Other Financial Assets		-	-
10- Diminution in Value of Financial Assets (-)		-	-
E- Tangible Assets	6	4.803.833	4.852.069
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)		-	-
F- Intangible Assets	8	38.391.132	34.116.849
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		-	-
H- Other Non-current Assets	21	18.086.467	13.532.483
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		-	-
II- Total Non-current Assets		61.285.617	52.505.586
Total Assets		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
Balance Sheet As at 31 December 2018

(Currency: Turkish Lira (TL))

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LIABILITIES			
	Note	Audited Current Period 31 December 2018	Audited Prior Period 31 December 2017
III-Short Term Liabilities			
A- Borrowings	20	-	197.713
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- Payables from Main Operations	19	13.488.360.572	12.144.251.395
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 (-)		-	-
C- Due to Related Parties		2.735.694	8.325.915
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
D- Other Payables	19	5.224.541	2.592.275
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 (-)		-	-
E- Insurance Technical Reserves	17	133.529.679	121.368.508
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		-	-
F- Taxes and Other Liabilities and Provisions	19	25.959.401	21.635.348
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		-	-
G- Provisions for Other Risks	23	2.782.917	2.368.886
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs	23	2.782.917	2.368.886
H- Deferred Income and Expense Accruals	19	23.496.510	24.187.657
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		-	-
III - Total Current Liabilities		13.682.089.314	12.324.927.697

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Balance Sheet As at 31 December 2018

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	Note	Audited Current Period 31 December 2018	Audited Prior Period 31 December 2017
IV- Long Term Liabilities			
A- Borrowings		-	-
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs		-	-
4- Bonds Issued		-	-
5- Other Issued Financial Assets		-	-
6- Value Differences on Issued Financial Assets (-)		-	-
7- Other Financial Borrowings (Liabilities)		-	-
B- Payables from Main Operations		-	-
1- Payables Due To Insurance Operations		-	-
2- Payables Due To Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due To Private Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Discount on Other Payables from Main Operations		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		-	-
1- Guarantees and Deposits Received		-	-
2- Payables to Social Security Institution		-	-
3- Other Payables		-	-
4- Discount on Other Payables		-	-
E- Insurance Technical Reserves	17	334.092.031	288.010.490
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
F- Other Liabilities and Provisions	23	1.494.390	1.807.620
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals	23	1.494.390	1.807.620
G- Provisions for Other Risks	23	7.707.639	6.729.294
1- Provision for Employment Termination Benefits	23	7.707.639	6.729.294
2- Provisions for Pension Fund Deficits		-	-
H- Deferred Income and Expense Accruals		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
I- Other Long Term Liabilities		-	-
1- Deferred Tax Liability		-	-
2- Other Long Term Liabilities		-	-
IV- Total Non Current Liabilities		343.294.060	296.547.404

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))

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SHAREHOLDERS' EQUITY			
V- Shareholders' Equity	Dipnot	Audited Current Period 31 December 2018	Audited Prior Period 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))

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	Note	Audited Current Period 1 January- 31 December 2018	Audited Prior Period 1 January- 31 December 2017
I-TECHNICAL PART			
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 Sotvage 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
I-TECHNICAL PART			
C- Non Life Technical Net Profit (A-B)	5	(1.187)	(7.392)
D- Life Technical Income	5	523.406.904	504.591.444
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 (+)		-	-
E- Life Technical Expense	5	(313.053.142)	(320.823.901)
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 (-)		-	-
F- Life Technical Profit/ (Loss) (D – E)	5	210.353.762	183.767.543
G- Private Retirement Technical Income	5,25	301.627.199	246.144.376
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		-	-
H- Private Retirement Technical Expenses	5	(174.762.131)	(151.362.082)
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)
I- Private Retirement Technical Profit/(Loss) (G – H)	5	126.865.068	94.782.294

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
II-NON-TECHNICAL			
C- Non Life Technical Net Profit (A-B)	5	(1.187)	(7.392)
F- Life Technical Profit/ (Loss) (D – E)		210.353.762	183.767.543
I- Private Pension Technical Profit/(Loss) (G – H)		126.865.068	94.782.294
J- General Technical Net Profit (C+F+I)		337.217.643	278.542.445
K- Investment Income	5	291.081.786	164.587.616
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		-	-
L- Investment Expenses (-)		(43.177.497)	(35.300.383)
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)
M- Other Income and Expenses (+/-)		1.033.797	(701.217)
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		-	-
N- Net Profit / (Loss)		453.556.792	320.655.002
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

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

(Currency: Turkish Lira (TL))

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	Total
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	-	1.313.412.902
A- Capital increase		-	-	-	-	-	-	-	-	-	-	-
B- Change in treasury shares		-	-	-	-	-	-	-	-	-	-	-
C- Income / (expense) recognized directly in the equity		-	-	-	-	-	-	-	(257.728)	-	-	(257.728)
D- Value increase/(decrease) in financial assets		-	-	55.808	-	-	-	-	-	-	-	55.808
E- Translation reserves		-	-	-	-	-	-	-	-	-	-	-
F- Other income / (expenses)		-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period		-	-	-	-	-	-	-	-	320.655.002	-	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	-	1.633.865.984

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	Total
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	-	1.633.865.984
A- Capital increase		-	-	-	-	-	-	-	-	-	-	-
B- Change in treasury shares		-	-	-	-	-	-	-	-	-	-	-
C- Income / (expense) recognized directly in the equity		-	-	-	-	-	-	-	(600.706)	-	-	(600.706)
D- Value increase/(decrease) in financial assets		-	-	82.686	-	-	-	-	-	-	-	82.686
E- Translation reserves		-	-	-	-	-	-	-	-	-	-	-
F- Other income / (expenses)		-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period		-	-	-	-	-	-	-	-	453.556.792	-	453.556.792
I- Dividends distributed		-	-	-	-	-	-	-	(894.344.998)	(305.655.002)	-	(1.200.000.000)
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	-	886.904.756

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 (*)			
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 (%)		-	-

(*) 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 Şirketi”, first changed on 18 May 1999 as “Garanti Hayat Sigorta Anonim Şirketi”.

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

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

The Company has thirty-three pension mutual funds as of 31 December 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
Total	775	817

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.

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.

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 (continued)

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.

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.

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)

2.4 Reserves in Foreign Currencies

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

2.5 Property, Plant and Equipment

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

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

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

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

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

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

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

Depreciation rates and estimated useful lives are as follows:

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

2.6 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%.

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

Classification and measurement

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

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

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

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

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

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

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

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

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

Purchase and sale transactions of marketable securities are accounted on settlement 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)

2.8 Financial assets (continued)

Specific instruments

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

(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.

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)

2.18 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.

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)

2.19 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).

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.

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)

2.21 Revenue recognition

Written premiums

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

Received and paid commissions

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

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

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

Interest income and expense

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

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

Trading income/expense

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

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)

2.21 Revenue recognition (continued)

Dividends

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

Income from private pension operations

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

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

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

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

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

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

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

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Notes to The Financial Statements as of 31 December 2018

(Currency: Turkish Lira (TL))

2 Summary of Significant Accounting Policies (continued)

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.

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.

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)

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

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

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

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.

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)

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

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

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

Accordingly, as of December, 31 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.

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)

2.27 Mathematical provisions (continued)

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

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

2.28 Equalization reserve

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

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

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

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

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Notes to The Financial Statements as of 31 December 2018

(Currency: Turkish Lira (TL))

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.

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)

2.32 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.

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.

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Notes to The Financial Statements as of 31 December 2018

(Currency: Turkish Lira (TL))

2 Summary of Significant Accounting Policies (continued)

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

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

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.

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.

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3 Critical accounting estimates and judgments

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

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

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

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

Note 4.1 – Management of insurance risk

Note 4.2 – Financial risk management

Note 6 – Tangible assets

Note 8 – Intangible assets

Note 10 – Reinsurance assets/liabilities

Note 11 – Financial assets

Note 12 – Loans and receivables

Note 14 – Cash and cash equivalents

Note 17 – Insurance liabilities and reinsurance assets

Note 17 – Deferred acquisition costs

Note 18 – Investment contract liabilities

Note 18 – Receivables from private pension operations

Note 21 – Deferred income taxes

Note 23 – Provisions for other liabilities and charges

4 Management of insurance and financial risk

4.1 Management of insurance risk

Pricing policies

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

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

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

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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)

Pricing policies (continued)

CSO-58, SM-53, CSO-80 and CSO-2001 mortality tables are used in the determination of the prices of life insurance products

Insurance risk accepted by the Company in accordance with their total amounts and the quantity of the policies are presented in the below table. The Company management believes that the distribution of the insurance risk in terms of their total amounts and quantities are satisfactory.

	31 December 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

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.

Garanti Emeklilik ve Hayat Anonim Şirketi

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4 Management of insurance and financial risk (continued)

4.1 Management of insurance risk (continued)

Operational risk management

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

Reinsurance policies

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

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

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

Reinsurance companies

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

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

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

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

Garanti Emeklilik ve Hayat Anonim Şirketi

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4 Management of insurance and financial risk (continued)

4.1 Management of insurance risk (continued)

Reinsurance companies (continued)

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

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

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

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

Reinsurer	Rating	Standard & Poors			AM Best		
		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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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(agencies)
- private pension operations and receivables from pension investment funds and participants
- receivables from reinsurance companies related to claims paid and commissions accrued
- reinsurance shares of insurance liabilities
- due from related parties
- other receivables

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

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

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
Total	14.839.483.982	14.184.144.829

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

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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 (*)	Gross amount	Provision (*)
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	-
Total	13.384.413.636	(36.003.857)	12.034.151.300	(25.277.200)

(*)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)
Provision for receivables from insurance and private pension operations at the end of the year	(36.003.857)	(25.277.200)

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.

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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
Total assets	14.851.006.698	13.289.729.334	5.829.293	358.488.772	531.444.855	16.606.608	623.312.625	25.595.211
Financial liabilities	-	-	-	-	-	-	-	-
Payables arising from main operations	13.488.360.572	13.309.049.618	-	165.482.805	7.121.464	4.999.349	1.707.336	-
Due to related parties	2.735.694	-	-	2.735.694	-	-	-	-
Other liabilities	5.224.541	-	-	5.224.541	-	-	-	-
Insurance technical provisions (*)	51.967.681	51.967.681	-	-	-	-	-	-
Provisions for taxes and other similar obligations	25.959.401	-	-	25.959.401	-	-	-	-
Provisions for other risks	11.984.946	-	-	-	-	-	-	-
Deferred expenses and income accruals	23.496.510	18.818.037	-	788.167	1.310.053	1.448.473	1.131.780	9.202.029
Total liabilities	13.609.729.345	13.379.835.336	-	200.190.608	8.431.517	6.447.822	5.622.033	9.202.029

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

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

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	-	-	-	-	-	-	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.

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

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	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	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.

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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)

4.2 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(*)	Profit or loss	Equity (*)
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
Total, net	3.503.027	3.550.038	2.044.678	2.081.352

(*)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.

31 December 2018	Statement of income		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial investments with risks on policyholders (Available for sale financial assets)	-	-	(63.924)	69.127
Total, net	-	-	(63.924)	69.127

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

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

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)

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			Total
	Level 1	Level 2	Level 3	
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			Total
	Level 1	Level 2	Level 3	
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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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)

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
Financial gains and losses recognized in equity	31 December 2018	31 December 2017
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.

Garanti Emeklilik ve Hayat Anonim Şirketi

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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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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
Cost:				
Furniture and fixtures	16.979.759	998.995	(2.908.720)	15.070.034
Other tangible assets (including leasehold improvements)	2.590.227	1.349.623	(26.169)	3.913.681
Tangible assets acquired through finance leasing	1.300.924	-	-	1.300.924
	20.870.910	2.348.618	(2.934.889)	20.284.639
Accumulated depreciation:				
Furniture and fixtures	(13.054.416)	(1.919.101)	2.908.720	(12.064.797)
Other tangible assets (including leasehold improvements)	(2.347.692)	(194.638)	26.169	(2.516.161)
Tangible assets acquired through finance leasing	(616.733)	(283.115)	-	(899.848)
	(16.018.841)	(2.396.854)	2.934.889	(15.480.806)
Net book value	4.852.069			4.803.833

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
Cost:				
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
Accumulated depreciation:				
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)
Net book value	7.306.903			4.852.069

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).

7 Investment properties

None.

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to The Financial Statements as of 31 December 2018

(Currency: Turkish Lira (TL))

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
Cost:				
Rights	334.371	-	-	334.371
Other intangible assets (*)	147.192.635	28.161.200	-	175.353.835
	147.527.006	28.161.200	-	175.688.206
Accumulated amortisation:				
Rights	(334.371)	-	-	(334.371)
Other intangible assets (*)	(113.075.786)	(23.886.917)	-	(136.962.703)
	(113.410.157)	(23.886.917)	-	(137.297.074)
Net book value	34.116.849			38.391.132

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
Cost:				
Rights	334.371	-	-	334.371
Other intangible assets (*)	123.225.424	23.967.211	-	147.192.635
	123.559.795	23.967.211	-	147.527.006
Accumulated amortisation:				
Rights	(334.371)	-	-	(334.371)
Other intangible assets (*)	(91.106.571)	(21.969.215)	-	(113.075.786)
	(91.440.942)	(21.969.215)	-	(113.410.157)
Net book value	32.118.853			34.116.849

(*)Other intangible assets consist of computer softwares.

9 Investments in associates

None.

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(Currency: Turkish Lira (TL))

10 Reinsurance assets/(liabilities)

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

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
Total	40.634.039	43.161.244

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
Total	14.096.005	19.904.425

	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
Ceded premiums to reinsurers (Note 17)	(44.618.357)	(49.372.860)
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
Reinsurance share of claims incurred (Note 17)	19.913.274	21.130.956
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)
Commission income earned from reinsurers	19.301.716	21.132.504
Total	(5.403.367)	(7.109.400)

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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 (*)	292.304	292.304
Financial investments with risks on saving life policyholders classified as available for sale	25.591.026	20.683.953
Total	25.883.330	20.976.257

(*) 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 (*)	292.304	292.304	292.304
Total financial assets available for sale	292.304	292.304	292.304

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

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

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

As at December, 31 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
Financial investments with risks on saving life policyholders classified as available for sale	23.332.755	25.591.026	25.591.026

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Notes to The Financial Statements as of 31 December 2018

(Currency: Turkish Lira (TL))

11 Financial assets (continued)

	31 December 2017		
	Cost	Fair value	Carrying value
<i>Debt instruments:</i>			
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:

<u>Yıl</u>	<u>Change in value increase/(decrease)</u>	<u>Total increase/(decrease) in value</u>
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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Notes to The Financial Statements as of 31 December 2018

(Currency: Turkish Lira (TL))

11 Financial Assets (continued)

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

	31 December 2018		
	Financial investments with risks on saving life policyholders	Financial assets available for sale	Total
Balance at the beginning of the period	20.683.953	292.304	20.976.257
Unrealized exchange differences on financial assets	6.322.276	-	6.322.276
Acquisitions during the period	6.028.585	-	6.028.585
Disposals (either sold or settled)	(4.668.510)	-	(4.668.510)
Change in the fair values of financial assets	(2.704.781)	-	(2.704.781)
Change in the amortised costs of the financial assets	(70.497)	-	(70.497)
Balance at the ending of the period	25.591.026	292.304	25.883.330

	31 December 2017		
	Financial investments 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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(Currency: Turkish Lira (TL))

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
Total	13.348.579.485	12.008.954.537
Short-term receivables	13.348.575.300	12.008.950.352
Mid-term and long-term receivables	4.185	4.185
Total	13.348.579.485	12.008.954.537

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)
Total receivables from insurance operations, net	46.861.747	56.491.401
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)
Receivables from main operations	13.348.409.779	12.008.874.100

Provision for both overdue receivables and receivables not due yet

- Receivables under legal or administrative follow up (due): None (December, 31 2017: None).
- Provision for premium receivables (due): TL 63.849 (December, 31 2017: TL 92.877).
- 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.

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Notes to The Financial Statements as of 31 December 2018

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13 Derivative financial instruments

The Company does not have any derivative financial instruments as of December, 31 2018 and December, 31 2017.

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
Cash and cash equivalents in the balance sheet	1.449.294.559	2.140.945.542	2.140.945.542	1.684.432.635
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)
Total	536.966.582	289.861.781	289.861.781	539.303.084

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
Cash at banks	1.304.896.611	1.990.149.612

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

	1 Ocak - 31.December.2017	1 Ocak - 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

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

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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 (short 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

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

Unearned premiums reserve	1 January – 31 December 2018		
	Gross	Reinsurer share	Net
Unearned premiums reserve at the beginning of the period	95.761.086	(25.155.218)	70.605.868
Premiums written during the period	483.657.166	(38.779.286)	444.877.880
Premiums earned during the period	(501.253.605)	44.618.357	(456.635.248)
Unearned premiums reserve at the end of the period	78.164.647	(19.316.147)	58.848.500

Unearned premiums reserve	1 January – 31 December 2017		
	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)
Unearned premiums reserve at the end of the period	95.761.086	(25.155.218)	70.605.868

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17 Insurance contract liabilities and reinsurance assets (continued)

	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
Equalization reserve at the end of the period	21.702.427	18.281.767

	1 January – 31 December 2018		
	Gross	Reinsurer share	Net
Outstanding claims reserve at the beginning of the period	49.825.781	(13.560.797)	36.264.984
Claims reported during the period and changes in the estimations of	132.177.942	(19.913.274)	112.264.668
Claims paid during the period	(114.017.130)	17.455.159	(96.561.971)
Outstanding claims reserve at the end of the period	67.986.593	(16.018.912)	51.967.681

	1 January – 31 December 2017		
	Gross	Reinsurer share	Net
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	111.404.819	(21.130.956)	90.273.863
Claims paid during the period	(98.828.601)	17.679.996	(81.148.605)
Outstanding claims reserve at the end of the period	49.825.781	(13.560.797)	36.264.984

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)

Claim development tables (continued)

31 December 2018							
Accident year	2013	2014	2015	2016	2017	2018	Total
Accident year	107.058.927	86.156.919	81.677.793	95.132.970	108.687.951	132.204.663	610.919.223
1 year later	91.410.107	78.253.153	79.018.060	96.678.810	108.737.525	-	454.097.655
2 years later	87.650.908	76.501.800	79.726.520	95.628.607	-	-	339.507.835
3 years later	87.157.174	76.429.633	79.883.028	-	-	-	243.469.835
4 years later	86.566.330	76.925.800	-	-	-	-	163.492.130
5 years later	86.887.564	-	-	-	-	-	86.887.564
Current estimate of cumulative claims	86.887.564	76.925.800	79.883.028	95.628.607	108.737.525	132.204.663	580.267.187
Cumulative payments up to date	(84.518.464)	(73.754.195)	(74.705.767)	(86.286.280)	(95.738.455)	(97.277.433)	(512.280.594)
Liability recognized in balance sheet	2.369.100	3.171.605	5.177.261	9.342.327	12.999.070	34.927.230	67.986.593
Total outstanding claims reserve, gross in the financial statements							67.986.593

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	88.457.043	98.752.008	86.156.919	81.677.793	95.132.970	108.687.951	558.864.684
1 year later	64.914.834	88.880.162	78.253.153	79.018.060	96.678.810	-	407.745.019
2 years later	60.957.165	84.421.714	76.501.800	79.726.520	-	-	301.607.199
3 years later	62.648.336	84.502.659	76.429.633	-	-	-	223.580.628
4 years later	62.431.759	84.929.347	-	-	-	-	147.361.106
5 years later	62.539.807	-	-	-	-	-	62.539.807
Current estimate of cumulative claims	62.539.807	84.929.347	76.429.633	79.726.520	96.678.810	108.687.951	508.992.068
Cumulative payments up to date	(60.902.824)	(83.207.128)	(72.506.431)	(73.592.883)	(85.049.456)	(83.907.565)	(459.166.287)
Liability recognized in balance sheet	1.636.983	1.722.219	3.923.202	6.133.637	11.629.354	24.780.386	49.825.781
Total outstanding claims reserve, gross in the financial statements							49.825.781

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

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to The Financial Statements as of 31 December 2018

(Currency: Turkish Lira (TL))

17 Insurance liabilities and reinsurance assets (continued)

Total amount of guarantee that should be placed by the Company for life and non-life branches and guarantees placed for the life and non-life branches in respect of related assets

	31 December 2018		31 December 2017	
	Should be placed (**)	Placed (*)	Should be placed (**)	Placed (*)
Life:				
Bank deposits		418.623.610		334.508.969
Financial assets (*)		25.008.576		20.704.930
Total	383.831.828	443.632.186	316.115.572	355.213.899
Non-life:				
Bank deposits	166.668	220.448	166.676	488.559
Total	383.998.496	443.852.634	316.282.248	355.702.458

(*)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”.

(**)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	Number of policyholders	Life mathematical reserve
Beginning of the year	2.300.369	284.226.380	2.269.561	199.159.599
Additions during the year	1.943.703	170.820.706	2.367.099	162.933.349
Disposals during the year	(1.965.650)	(52.643.336)	(2.336.291)	(39.241.207)
Movements during the year (*)	-	(67.300.648)	-	(38.625.362)
Current	2.278.422	335.103.102	2.300.369	284.226.379

(*)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	Net premium	Number of contracts	Gross premium	Net premium
Individual	531	1.558.625	1.558.625	626	1.566.709	1.566.709
Group	1.943.172	553.511.849	553.511.849	2.366.473	587.323.699	587.323.699
Total	1.943.703	555.070.474	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

(Currency: Turkish Lira (TL))

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
Total	1.965.650	71.413.580	71.413.580	52.643.336	2.336.291	90.007.961	90.007.961	39.241.207

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)
Deferred commission expenses at the end of the period	16.251.527	21.361.094

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:

	1 Ocak - 31 December 2018	1 Ocak - 31 December 2017
Life mathematical provision for saving life policies		
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
Investment contract liabilities at the end of the period	27.826.336	29.568.816

Garanti Emeklilik ve Hayat Anonim Şirketi

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(Currency: Turkish Lira (TL))

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

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)

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 Unit prices	31 December 2017 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	-

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)**

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
Katılı 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
Toplam	519.236.314.594	13.309.049.618	48.980.763.685.406	1.377.549.399.776

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18 Investment contract liabilities (continued)

Pension operations (continued)

	31 Aralık 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
Toplam	485.412.885.849	11.950.398.653	49.014.587.114.152	1.266.477.086.890

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18 Investment contract liabilities (continued)**Pension operations (continued)****Portfolio amounts in terms of number of new participants, left or cancelled participants, and existing participants for individuals and groups**

	1 January – 31 December 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
Total	173.266	388.050.970	388.033.575	229.588	310.970.079	310.945.561

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
Total	4.197	148.165.136	148.165.115	3.550	86.298.281	86.298.211

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

None

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
Total	224.606	2.566.768.879	2.565.823.813	165.764	1.597.550.792	1.596.717.570

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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 (*)	18.818.037	16.377.106
Other various payables (**)	5.224.541	2.592.275
Total	13.545.776.718	12.200.992.590
Short term liabilities	13.545.776.718	12.200.992.590
Total	13.545.776.718	12.200.992.590

(*)Expense accruals as of December, 31, 2018 and December, 31, 2017 consist of personnel premium accruals, performance accruals and other expense accruals

(**)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
Total payables due to insurance operations	23.007.967	28.696.090
Payables due to pension operations (Note 18)	13.465.352.605	12.115.555.305
Payables from main operations	13.488.360.572	12.144.251.395

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)
Corporate tax payable, net	9.044.959	12.139.227

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

None.

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).

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to The Financial Statements as of 31 December 2018

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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
Deferred tax asset/(liability), net	18.086.467	13.532.483

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 Aralık 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
Closing balance as of end of the period	18.086.467	13.532.483

22 Retirement benefit obligations

None.

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Notes to The Financial Statements as of 31 December 2018

(Currency: Turkish Lira (TL))

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
Provisions for costs	4.277.307	4.176.506
Provision for employment termination benefits	7.707.639	6.729.294
Total provisions for other risks	11.984.946	10.905.800

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
Provision for employment termination benefits at the end of the period	7.707.639	6.729.294

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	-
Total pension technical income	301.627.199	246.144.376

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
Change in life mathematical provisions for investment contracts	(1.742.480)	1.526.303

31 Other mandatory expenses

The allocation of the expenses with respect to their nature or function is presented in Note 32 below.

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to The Financial Statements as of 31 December 2018

(Currency: Turkish Lira (TL))

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)
<i>Commissions to intermediaries accrued during period</i>	<i>(155.846.502)</i>	<i>(150.394.784)</i>
<i>Change in deferred commission expenses</i>	<i>(5.109.504)</i>	<i>(2.076.387)</i>
<i>Deferred commission expenses</i>	<i>(143.918)</i>	<i>(1.197.221)</i>
Employee benefit expenses (Note 33)	(84.224.635)	(77.854.516)
Commission income from reinsurers	19.301.716	21.132.504
<i>Commission income from reinsurers accrued during period (Note 10)</i>	<i>16.169.638</i>	<i>21.252.899</i>
<i>Change in deferred commission income</i>	<i>3.132.077</i>	<i>(120.395)</i>
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.

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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	Tax rate	1 January- 31 December 2017	Tax rate
Profit before taxes	581.731.250	(%)	399.859.500	(%)
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	(128.174.458)	(22,03)	(79.204.498)	(19,81)

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.

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to The Financial Statements as of 31 December 2018

(Currency: Turkish Lira (TL))

41 Redeemable preference shares

None.

42 Contingencies

In the normal course of its operations, the Company is exposed to legal disputes, claims and challenges, which mainly stem from its insurance operations. The necessary income/expense accruals for the revocable cases against/on behalf of the Company are provided either under provision for outstanding claims or provisions for other risks in the accompanying financial statements.

As at December, 31 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
Banks	746.237.041	1.179.423.520
T.Garanti Bankası A.Ş. – credit card collections	144.397.948	150.795.930
Receivables from credit card collections less than 3 months (Not 14)	144.397.948	150.795.930
Garanti Faktoring Hizmetleri A.Ş.	32.517	36.415
T. Garanti Bankası A.Ş.	92	-
Garanti Finansal Kiralama A.Ş.	-	-
Other	-	32.518
Receivables from main operations	32.609	68.933
T. Garanti Bankası A.Ş.	32.640	-
Due from shareholders	32.640	-
T. Garanti Bankası A.Ş. – commissions payable (net)	13.914.575	16.871.576
Payables from main operations	13.914.575	16.871.576
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
Due from shareholders	552.523	354.060
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
Payables to related parties	2.169.249	7.919.143

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

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

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45 İlişkili taraflarla işlemler (devamı)

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
Written premium	8.614.779	6.844.523
T. Garanti Bankası A.Ş.	3.694.065	547.310
Garanti Portföy Yönetimi A.Ş.	-	365.000
Other	274.037	16.066
Claim paid	3.968.102	381.066
T. Garanti Bankası A.Ş.– interest income on bank deposits	236.382.694	103.768.642
Investment income	236.382.694	103.768.642
T. Garanti Bankası A.Ş. - paid commissions (*)	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
Operations expense	182.233.825	186.284.686

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

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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)
Total provision expenses	(3.809.631)	(7.181.796)