Annual Journal of a Pension Company

GARANTİ
PENSION
2013
ANNUAL
REPORT

Contents

GARANTİ PENSION BECAME THE SECTOR LEADER IN NUMBER OF PARTICIPANTS!

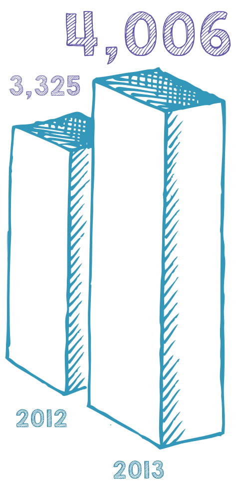
WE ARE HAPPY AND HONORED TO BE TURKEY'S MOST PREFERRED PRIVATE PENSION COMPANY.

AS THE LEADING COMPANY IN THE SECTOR, WE ARE WORKING HARD TO FURTHER STRENGTHEN OUR LEADERSHIP POSITION.

Financial Indicators 2013

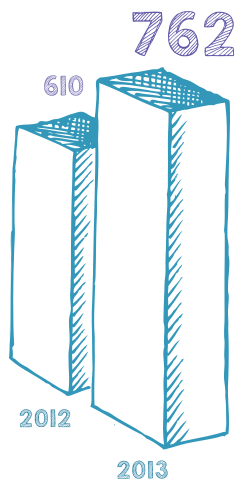
GARANTİ PENSION AND LIFE'S FUND SIZE CLIMBED TO TL 4 BILLION WITH 762,000 PARTICIPANTS AT YEAR-END 2013.

Total Pension Funds
(TL million)



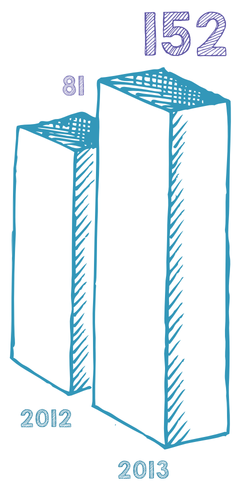
20.5 % Growth

Number of Participants
(thousand)



24.9 % Growth

Annual Increase in Private Pension Participants
(thousand)



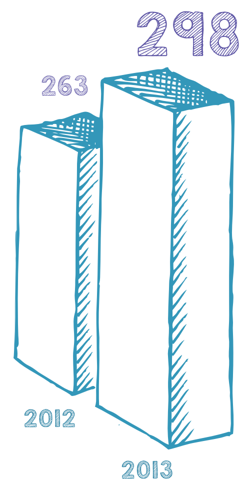
86.6 % Growth

Garanti Pension and Life has maintained rapid and stable growth in both private pension and life insurance.

* The referenced private pension financials in the report are as of 27.12.2013.

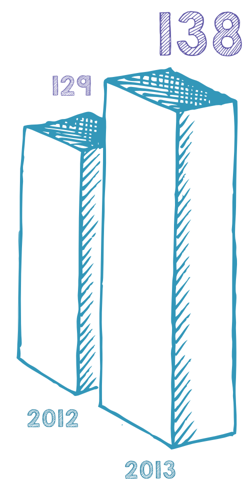
THANKS TO OUR VALUED BRAND AND CUSTOMER TRUST, GARANTİ PENSION AND LIFE BECAME THE SECTOR LEADER IN NET INCREASE OF PARTICIPANTS IN 2013.

Life Insurance Premium Production
(TL million)



13.4 % Growth

Net Profit
(TL million)



6.9 % Growth

Garanti Pension and Life is the market share leader in both sectors.

About Garanti Pension and Life

Garanti Emeklilik ve Hayat Anonim Şirketi (Garanti Pension and Life) was incorporated as "AGF Garanti Hayat Sigorta Anonim Şirketi" on July 24, 1992. The Company trade name was changed to "Garanti Hayat Sigorta Anonim Şirketi" on May 18, 1999.

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

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

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

Journey to Market Leadership

2003

Introducing pension products to customers
- Garanti Pension and Life entered the sector by offering pension products..

2004

Innovative approaches for changing market conditions
- Marketing activities to promote corporate pension plans started.
- Due to evolving customer needs, the Company updated its Credit Life products and added "Guarantor Life Insurance" to the product lineup.

2005

Different solutions for different needs
- Garanti Pension and Life developed group funds to meet the needs of corporate clients.
- The Company launched the "Guaranteed Tomorrows" insurance product, which provides life and critical illness coverage.

2006

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

2007

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

2008

Thought leader of the sector
- The "Garanti Pension Hobby Clubs" initiative, which aims to add value to the social lives of customers, launched.
- The Company rolled out three different life insurance products with additional unemployment coverage.

2009

A pioneer in innovation
- Garanti Pension and Life achieved another first in the sector by launching the "Flexible Alternative Fund" which invests exclusively in income-indexed securities.
- The Company became the first to launch Pension Income Plans and to make salary payments to retired customers under an income drawdown plan.
- By rolling out the Mobile Branch application, Garanti Pension and Life allowed customers to monitor their accounts via cell phones 24/7.
- The Company again served as a model for the sector by offering private pension contracts over the Internet.

2010

The "Garanti Pension" brand grows stronger with innovations and awards
- The Company launched the "Online Pension Advisor" service, a first in the sector.
- Private pension plans were developed specially for participation banking customers.
- The Company launched the corporate social responsibility initiative "Back to School."
- The Social Security Advisor application launched as another innovation in the sector.

2011

Customer-focused investments and practices
- Garanti Pension and Life Flexible (TL), Garanti Pension and Life Domestic Government Debt Securities Income, Garanti Pension and Life Equity, and Garanti Pension and Life Group Equity and Pension Mutual Funds launched.
- The Company created a Facebook page to enable social media interaction.

2012

Garanti Pension and Life spearheads the sector's transformation
- The Company set up a Special Customer Relations Unit to offer customers a differentiated service point.
- Garanti Pension and Life updated the credit life products in line with the changing needs of customers.
- The Company updated its private pension products in line with new legislation. Garanti Pension and Life developed special products for self-employed and young customers.

2013

Sector leader in number of participants
- Thanks to the coordination with Garanti Bank and effective 360-degree marketing campaigns, the Company became sector leader in number of participants.
- The Company revamped garantiemeklilik.com.tr with an appealing visual quality, user-friendliness and advanced functionality to further improve customer accessibility and increase user satisfaction.
- Having performed strongly in the compliance review by Investors in People (IIP), the world's only international human resources quality standard, Garanti Pension and Life became the first and the only company in the sector to be awarded "Silver" certification.

Vision

TO BECOME THE BEST PRIVATE PENSION AND LIFE INSURANCE COMPANY IN EUROPE.

Mission

WE STAKE A CLAIM ON THE HAPPY FUTURE OF OUR STAKEHOLDERS, GUIDE THEM, ADD VALUE AND MAKE THEM FEEL ASSURED.

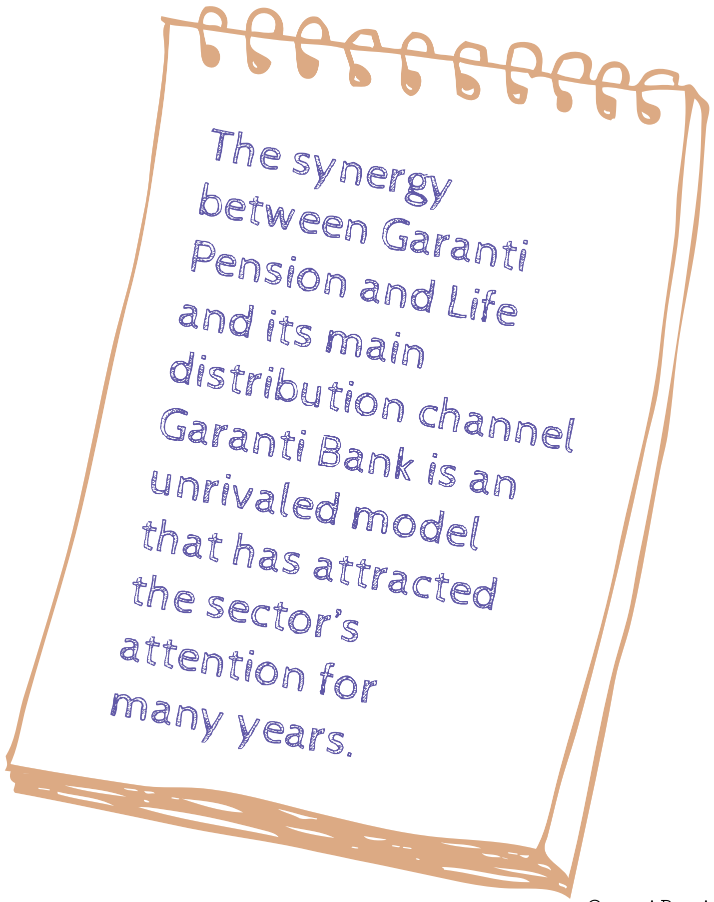
Garanti Pension and Life's vision and mission drive the Company's operations and are the key to its sustainable success.

Core Values

- We strive to attain customer satisfaction far above expectations.
- We believe in open dialogue, listen to each and every person and consider all ideas and suggestions.
- We have a sincere approach and act in an honest and ethical manner.
- We abide in full and prudent compliance with relevant laws.
- We believe that customer satisfaction can only be attained with happy employees.
- We pay attention to derive the highest performance from our employees and believe in continuous development.
- We differentiate Garanti Pension and Life with our innovativeness and creativity.

"CUSTOMER SATISFACTION" IS ONE OF GARANTİ PENSION'S CORE VALUES.

Competitive Advantages



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

Key Differentiators

Garanti Pension and Life's key differentiators are:

BRAND EQUITY OF "GARANTİ"

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

FINANCIAL STRENGTH AND ADVANCED TECHNOLOGY INFRASTRUCTURE

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

CORPORATE CULTURE AND HUMAN RESOURCES

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

CUSTOMER-CENTRIC SERVICE APPROACH

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

EFFECTIVE SALES FORCE

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

Garanti Bank in Brief

Established in Ankara in 1946, Garanti Bank is Turkey's second largest private bank with consolidated assets totaling over US$ 106 billion as of September 30, 2013.

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

As of September 30, 2013, Garanti Bank provides a wide range of financial services to more than 12.2 million customers with about 19 thousand employees. The Bank's branch network includes 966 domestic locations and eight foreign branches, with six in Cyprus and one each in Luxembourg and Malta. In addition, the Bank has representative offices in London, Düsseldorf and Shanghai; over 3,700 ATMs; an award-winning Call Center; an extensive distribution network consisting of internet and mobile branches as well as social banking platforms, all of which feature an advanced technology infrastructure.

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

Adopting the best practices in corporate governance, Garanti Bank is jointly managed by two powerful corporations, Doğuş Holding and Banco Bilbao Vizcaya Argentaria S.A. (BBVA), on an equal partnership basis. The Bank's shares are publicly listed and traded in Turkey with a free float of 49.92% on Borsa Istanbul as of September 30, 2013. In addition, Garanti Bank depositary receipts are traded in the UK and US.

Standing out with a dynamic business model, Garanti Bank facilitates the lives of customers through the use of advanced technology applications, which are integrated into its innovative products and services. Custom-tailored solutions and a wide product variety play a key role in the Bank's US$ 77.2 billion cash and non-cash loan portfolio. Garanti Bank's high asset quality is achieved through advanced risk management systems and a well-established risk management culture, which differentiate the Bank in the sector.

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

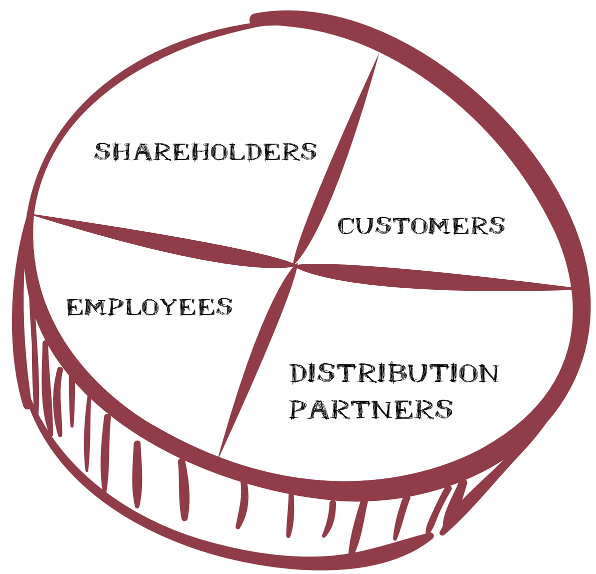
Achmea B.V. in Brief

ACHMEA B.V.'S MISSION IS TO CREATE VALUE FOR FOUR MAIN STAKEHOLDER GROUPS THAT IT SEES AS EQUALLY IMPORTANT: CUSTOMERS, DISTRIBUTION PARTNERS, SHAREHOLDERS AND EMPLOYEES.

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

Achmea Group works to help people live healthier lives, provide coverage and protection from damages resulting from fire, traffic accidents and burglary and ensure long term financial security. Through its micro insurance projects, Achmea also contributes to the development of economic sustainability in underdeveloped countries.

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



Chairman's Message

Dear Stakeholders,

The world economy experienced the year 2013 largely as a period of recovery. Structural measures to overcome the sovereign debt crisis in the Eurozone, however, remained in the planning rather than implementation stage, while more positive developments occured in the most advanced economies, especially in the US. As a result, global capital flows changed their course into the most developed countries from emerging markets, a fundamental shift from the previous 10 years.

In the US, which has been making progress in achieving its employment and economic growth targets, the Federal Reserve Bank lowered its monthly asset purchase amount from USD 85 billion to USD 75 billion under a tapering program in light of the improving macroeconomic outlook. This policy shift negatively affected the economies and markets of developing countries, including Turkey.

After the country's benchmark bond rate dropped to a record low of 4.7% in May 2013, it climbed to over 10%; meanwhile, the Turkish lira depreciated to 2.69, from 2.00, against a EUR/USD currency basket. The BIST 100 fell as low as 61,000, significantly down from its historic peak of 93,000.

In recent years, Turkey figured among the world's leading emerging markets along with China, India, Russia and South Africa; in 2013, however, the Turkish economy found itself in this same group which became known at the "Fragile Five" due to their dependence on foreign funding sources to sustain rapid growth. With the increasing political risks and soaring foreign currency exchange rates well-above expectations, Turkey may find it difficult to achieve its inflation and current account deficit targets in the coming year. We experienced the same negative impact on the country's economic growth during 2013.

Having achieved 4% growth as of third quarter 2013, the Turkish economy is expected to slow in the short-term, though the long-term growth outlook remains positive.

Besides these macroeconomic developments, improvements in the private pension sector ranked among the most important topics of 2013 for us.

In order to curb the current account deficit, the biggest obstacle to economic growth in Turkey, the domestic savings rate needs to increase. To this end, the government started contributing

GARANTİ PENSION AND LIFE WAS THE MOST PREFERRED PRIVATE PENSION COMPANY ONCE AGAIN IN 2013.

Garanti Pension and Life continues to increase both its market share and profitability.

GARANTİ PENSION AND LIFE BECAME THE SECTOR LEADER THANKS TO THE STRENGTH OF THE GARANTI BRAND, THE DEDICATED EFFORTS OF OUR EMPLOYEES AND THE TRUST OF OUR CUSTOMERS.

a 25% match to the monthly contribution of all participants in the private pension system. During the year, we have seen the positive outcomes of this newly implemented practice. With the implementation of other new regulations at the beginning of the year, participation in the system has increased significantly. Demand for the private pension system rose to record levels in 2013 with some 1 million new participants.

During a year in which we experienced significant changes in the private pension sector, Garanti Pension and Life maintained its market leadership and managed to be the most preferred company in the sector once again thanks to its market appropriate strategies.

Having risen to the sector leading position in February 2013, Garanti Pension plans to continue its strong performance in private pension in the coming year.

Another field of activity for us, life insurance saw a record TL 3.4 billion in premium production during 2013. Garanti Pension and Life continues to be one of the leading life insurance providers with a 9% market share thanks to the Company's successful operations in bancassurance.

In addition to all of these accomplishments, we are happy and honored to be the most profitable company in the sector in 2013, yet again. With our customer-focused business processes, we plan to continue as market leader by growing stronger and stronger as the most innovative company in the sector.

I would like to take this opportunity to express my deepest gratitude to all our employees, participants, policyholders and stakeholders for their support and efforts on our journey to market leadership.

Respectfully yours,

Ergun ÖZEN
Chairman of the Board of Directors

CEO's Message

MAINTAINING MARKET LEADERSHIP IN PRIVATE PENSION PARTICIPANTS LIES AT THE FOUNDATION OF THE COMPANY'S STRATEGY.

2013 was a banner year for the private pension system in Turkey.
Thanks to the legislative changes implemented in January 2013, and especially the state matching contribution of 25%, Turkey's private pension system experienced a banner year, and recorded significant growth. The start of the 25% state contribution to private pension in 2013 boosted interest in the system and led to considerable growth in participant numbers. In 2012, new private pension participants totaled 486 thousand while in 2013 this number more than doubled, climbing to over 1 million. Total funds in the sector recorded a TL 4.5 billion increase. At year-end 2013, the private pension system had over 4.1 million participants and a fund size of TL 25 billion.

Leader in number of participants!
In a year in which public awareness of changes in the country's private pension system was the highest, Garanti Pension became the leader in the number of participants in February 2013 thanks to the coordination with Garanti Bank and effective 360-degree marketing campaigns. During the reporting year, Garanti Pension and Life increased its participant numbers by 152 thousand; as of year-end 2013, the Company continued to steer the sector with 762 thousand participants in total. As a pioneer of many "firsts" in the sector, Garanti Pension has been the most preferred private pension provider each of the last three years. Besides advancing in terms of financial indicators, Garanti Pension and Life continues to move its diversified operations forward with the strategy of being a pioneer in the sector.

Nine percent market share in the life insurance segment.
Our second area of business, the life insurance segment, posted 25.1% growth over the prior year, with premium production totaling TL 3,350 million. The main driver of this rapid expansion was that the whole sector recognized Garanti Pension and Life's effective bancassurance strategy and started to implement it; as a result, credit life insurance premium production rose 34.8% to TL 2.5 billion. At Garanti Pension and Life, we maintained our strong track record in this life insurance category and captured a 9% market share.

As the pioneer in the sector, Garanti Pension has been the most preferred private pension company for three consecutive years.

AFTER RESTRUCTURING OUR SALES PROCESSES IN 2013, WE STARTED TO USE OUR CUSTOMER-FOCUSED SALES MODEL.

Remarkable financial achievements
Aiming to achieve sustainable profitability in all its business areas, Garanti Pension and Life generated technical profit of TL 111 million in the private pension segment and TL 26 million in life insurance in 2013. Some 79% of our Company's profit before taxes originated from the technical profit gained in our operating sectors. Standing out within the sector with its high level of profitability, our Company closed the year with net profit of TL 138 million.

Customers come first!
With our customer-focused business processes that accurately determine client needs and provide them with immediate solutions, Garanti Pension and Life will continue working to be available to customers at every possible point in the coming period. In 2013, with the restructuring of our sales processes, we started to use our customer-focused sales model. As a result, we made a difference by boosting our service provision with a strong system infrastructure and innovative applications as well as by increasing the service quality for our customers.

We add value to society with our support to social responsibility initiatives.
Garanti Pension and Life conducts its operations with a keen sense of awareness of its corporate social responsibility, which is a core component of our management approach. As a result, we continued to provide support to ongoing CSR projects, especially those focused on the education and healthcare of children. Thanks to our "Back to

Garanti Pension and Life aims to achieve sustainable profitability in all its business areas.

CEO's Message

School" initiative, implemented in collaboration with the Istanbul Province National Education Directorate and Boğaziçi University since 2013, we have reached out to thousands of children laboring in various workplaces, and mainly on the streets. We made it possible for these youth to enjoy their schools more, and even for some of them, to leave their jobs and return to school. Since the start of "Back to School," and with the dedicated efforts of our 650 volunteers, we have reached out to some 4,100 children, of whom 305 went back to school. Our initiative has been recognized with three prestigious awards, from both domestic and international competitions, including the Golden Compass Public Relations Awards, Hermes Creative Awards and European Excellence Awards. As a result, we feel both honored and encouraged to continue our "Back to School" project with additional improvements.

At Garanti Pension and Life, we aim to reach thousands more at-risk youth in the coming years and to make sure that they leave their jobs and take steps to embark upon a safe and more secure future.

We will continue to be the sector leader in 2014.
With the valuable contributions of each member of the Garanti Pension and Life family, we once again broke new ground in 2013 as the Company was honored with Silver certification from Investors in People (IIP), which awards enterprises that prioritize people. Furthermore, we became the first among insurance and private pension companies to receive a Corporate Governance Principles compliance rating. In 2014, we plan to continue innovations such as these while maintaining our sector leadership. At Garanti Pension and Life, our aim is to continue to be the most preferred company in the sector, as in the last three years, and to increase our profitability.

I would like to express my deepest gratitude to all our valuable employees, who have helped propel our Company forward to its present market leading position and who will advance it even further; to our participants and policyholders who have preferred our Company; and to our shareholders whose unwavering support we depend on. I am looking forward to sharing with you the joy of further achievements in the period ahead.

Respectfully yours,

Cemal ONARAN
CEO

Garanti Pension and Life will continue to introduce innovations and lead the sector.

Overview of the Economy in 2013

AS THE GLOBAL ECONOMIC RECOVERY CONTINUED IN 2013, WE SAW EXIT SIGNS FROM THE CRISIS IN SOME COUNTRIES, MAINLY IN THE US.

In May 2013, the US Fed announced that it would start tapering its monthly bond purchases.

During the first half of 2013, emerging markets recorded rising stock markets and drops in bond interests. As the global economic recovery continued in 2013, we saw exit signs from the crisis in some countries, mainly in the US. With the Federal Reserve Bank announcement that it would taper its bond purchase program, the upward momentum experienced in the first half of the year turned into downward spiral. Recovery from the global crisis had a varying impact on many economies around the world, and Turkey was one that was negatively affected to a degree.

In the wake of the global financial crisis, emerging markets like Turkey generally decoupled from the downturn in advanced economies. The ongoing sovereign debt crisis in the Eurozone, our largest trading partner, had a negative impact on Turkey's performance.

In response to the Federal Reserve's expansionary policy lead in the US, central banks in developing countries adopted policies based on the injection of abundant and cheap liquidity into their markets to keep their economies afloat after the global crisis. In May 2013, however, the Fed announced that it would make reductions to its monthly asset purchase program. After the announcement of

Overview of the Economy in 2013

the Fed's tapering decision and in an environment of conflicting opinions voiced within the US Federal Reserve, Turkey experienced outflows of foreign funds as did other emerging markets.

Istanbul's stock exchange, the BIST, recorded one of its best performances ever during the first five months of 2013: the leading index hit a record high with rapid rises. From the second quarter on, economic uncertainty caused by domestic political tensions and the expectations of a reduction in the Fed's bond purchases led to falls in the BIST index and Turkish interest rates went up.

Turkey's dependence on energy and imported inputs for production is one of the main problems facing the country's economy. This dynamic fueled economic growth and increased the current account deficit, which was eased by some measures taken by Turkey's Central Bank to cool the overheating economy. However, in 2013, these macroeconomic indicators were better than expectations by a small margin.

After experiencing 9.0% growth in 2011 and 2.2% in 2012, Turkey's GDP expanded by 4.4% in the third quarter of 2013, and the country posted 4.0% growth in the first three quarters of the year.

The current account deficit in September 2013 totaled US$ 3.3 billion, resulting in a nine-month average of US$ 49 billion, up 28% compared to the prior year and totaling US$ 59.1 billion in the 12-month period.

ISTANBUL'S STOCK EXCHANGE (BIST) RECORDED ONE OF ITS BEST PERFORMANCES EVER DURING THE FIRST FIVE MONTHS OF 2013.

The inflation rate, a key economic indicator, fell slightly from an annualized rate of 7.88% in 2012 to 7.71% in 2013.

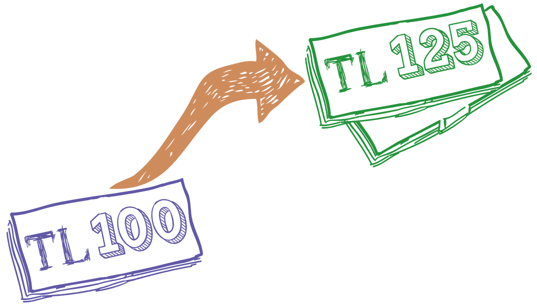
Having peaked in 2009 and recording a gradual fall in the following years, the country's unemployment rate has seemed to be on the rise since the start of 2012. Turkey's unemployment rate in August 2013 had climbed to 9.8% compared to 8.8% a year earlier.

Meanwhile, the inflation rate, another key economic indicator, fell slightly: from an annualized rate of 7.88% in 2012 down to 7.71% according to October data; meanwhile, PPI increased from 6.2% to 6.8%, its highest level since May 2012.

In order to stimlate their economies in the post-crisis period, central banks in emerging markets injected abundant liquidity into the markets and facilitated foreign capital inflows. However, after the recovery signs in advanced economies this year, especially in the the US, and coupled with the Fed's tapering announcement, this foreign capital started to flow back into the most developed countries.

The exit of advanced economies from the global crisis is expected to have an adverse impact on emerging markets in the coming year. After a high amount of capital outflow, the reaction of Turkey's economy, and those of other developing countries, in this period should be closely monitored despite the expectations of domestic GDP growth 4.5%.

Sector Developments in 2013



WITH THE NEW LEGISLATION AND 25% STATE SUBSIDY THE PRIVATE PENSION SYSTEM GREW ACROSS TURKEY.

The private pension system has undergone a transformation.
With the new legislation and 25% state subsidy contribution, the private pension system grew across Turkey.

Changes in pension funds along with the permission to establish different investment instruments such as a precious metals fund, prompted a wide range of investor profiles to join the system.

Private pension had a banner year.
The total number of participants in the private pension system in 2013 increased 105% over last year, to 1 million while the system's fund size expanded by TL 4.5 billion.

Garanti Pension: Sector Leader
Having captured the biggest share during the sector's critical leap forward in 2013, Garanti Pension was the most preferred private pension company during the year; in February, the Company became the sector leader in participant numbers. Overall, the private pension system attracted 1 million new participants in 2013; of whom, 152 thousand came to Garanti Pension. Maintaining its sector leading position with 762,000 participants as of December 2013, the Company continues to be one of the biggest players in the market with a fund size of over TL 4 billion.

Life insurance gained momentum.
With strong future growth potential, Turkey's life insurance sector followed an upward trend in 2013, closing the year with TL 3.4 billion in premium production, up 25% over 2012. The sector has generally completed its transition to risk products, and is expected to continue to expand in 2014.

With the new legislation and 25% government funded matching contribution, the private pension system posted significant growth in Turkey in 2013.

Financial Strength of Garanti Pension and Life

Having maintained a solid market position and reassured its customers in every way with the Company's robust financial structure, Garanti Pension and Life achieved great success once again in 2013. A pioneer of new ideas and applications and regarded as a model in the sector, the Company always targets sustainable profitability in all its business activities. Implementing customer-focused strategies, investing in an advanced technology infrastructure, communicating effectively, carrying out marketing and sales activities as well as perfectly executed cost-control efforts, Garanti Pension and Life recorded a very strong performance in 2013. The Company achieved rapid growth in total assets and improvements in its profitability ratios during the year, as in prior reporting periods.

In 2013, Garanti Pension's total assets grew 26% to TL 5.3 billion while shareholders' equity was up 29% to TL 707 million. Further strengthening its already robust financial structure with these results, the Company increased net profit after taxes by 7% over the previous year to TL 138 million.

A significant proportion of the Garanti Pension's profit originated from technical profit earned from operations in life insurance and private pension. Gross technical profit amounted to TL 137 million in 2013. Some 79% of the Company's pre-tax profit of TL 174.3 million for the year was comprised of technical profit.

Garanti Pension's main targets for 2014 include continuing to be the most preferred private pension company, maintaining leadership in participant numbers and increasing its market share of the sector's total funds. Improving sales and services models with a customer-oriented mindset and constantly working to make all service points better rank among the Company's other top priorities. Garanti Pension and Life also plans to enhance customer service through technological improvements and launch new life insurance products as well.

Review of 2013 Operations

GARANTİ PENSION AND LIFE BECAME THE FIRST COMPANY IN THE SECTOR TO REACH 700 THOUSAND PRIVATE PENSION PARTICIPANTS.

Kaan GÜNAY
Retail Marketing

Garanti Pension and Life closed 2013 with a superior performance in the private pension sector, and made significant gains thanks to its yearlong growth initiatives. The Company's achievements in private pension during the year include:

- Sector leadership in number of participants;
- The most preferred private pension company for the last three consecutive years;
- The highest market share gain in fund size in the last five years; and
- Leadership in the market share of group pension plan contracts.

Sector leader in number of participants.
Having captured the biggest share of new participants during the sector's critical leap forward, Garanti Pension became the sector leader in February 2013. The Company has maintained its leadership position with a total of 762,000 participants.

The most preferred private pension company in the sector for the last three consecutive years.
Some 15.2% of participants who joined the private pension system in 2013 preferred Garanti Pension and Life. With 152,000 new participants, the Company became the most preferred company in the sector and ended the year with 762,000 participants and an 18.5% market share. Garanti Pension and Life has been the most preferred company in the sector in 2011, 2012 and 2013.

The highest market share gain in fund size over the last five years.
Having grown stronger with a robust financial structure and stable performance thanks to customer satisfaction focused activities and investments implemented throughout the year, Garanti Pension recorded a 20.5% increase

GARANTİ PENSION AND LIFE MAINTAINED ITS LEADER POSITION IN GROUP PENSION CONTRACTS IN 2013.

Özlem DOĞAN ÖZKÖK
Corporate Marketing and
Private Customer Relations Management

in fund size to TL 4 billion in 2013. With its market share climbing to 16.1%, the Company has gained the most share in total fund size over the last five years of any other private pension provider in the sector.

Market leadership maintained in group pension plans.
As a result of focused efforts in group pension contracts and customer trust, Garanti Pension and Life attained a market share of 18.9% in group pension plans, and maintained its leading position in this segment in 2013.

Garanti Pension and Life's Success Statement in Private Pension

	2009	2010	2011	2012	2013*
Pension Fund Size (TL million)	1,326.7	1,834.9	2,345.8	3,325.1	4,006.2
Pension Fund Size Market Share (%)	14.6	15.3	16.4	16.3	16.1
Number of Pension Participants 399,354	455,386	529,076	610,487	762,408	762,408
Pension Participants Market Share (%)	20.1	20.0	20.0	19.5	18.5
Total Pension Contributions (TL million)	1,051.7	1,501.8	2,058.4	2,677.3	3,550.1
Pension Contributions Market Share (%)	14.8	15.8	16.6	16.5	16.3

* The referenced private pension financials in the report are as of 27.12.2013.

A Year of Growth in the Life Insurance Sector

Garanti Pension and Life continued to increase its life insurance premium production during the year. While closely monitoring developments in the sector and designing new products accordingly, the Company also improved its existing product offering in line with customer needs. Garanti Pension and Life increased its life insurance premium production in 2013, with direct premium production of TL 298 million; the Company ranked third in the sector with a market share of 8.9%.

Thanks to its fruitful collaboration with Garanti Bank in the area of life insurance production, the Company has proven to be highly successful in bancassurance, setting an example for other companies in the sector. Through the Bank's extensive branch network, Garanti Pension and Life reaches a broad customer base. The Company's market share in risk life premium production was 8.9% in 2013. Garanti Pension and Life was the dominant market leader among all insurance providers in life insurance premium production through alternative distribution channels in 2013.

With TL 74.4 million in premium production generated through alternative distribution channels, Garanti Pension and Life is the sector leader. The Company plans to further bolster its sector leading position in this area in coming years.

IN 2013, GARANTİ PENSION AND LIFE BECAME THE SECTOR LEADER IN LIFE INSURANCE PREMIUM PRODUCTION THROUGH ALTERNATIVE DISTRIBUTION CHANNELS.

Garanti Pension and Life's Success Statement in Life Insurance

	2009	2010	2011	2012	2013
Life Insurance Premium Production (TL million)	181.1	234.2	240	262.9	298.1
Life Insurance Premium Production Market Share (%)	10.2	10.9	9.1	9.8	8.9

Repeatedly achieving important accomplishments in both private pension and life insurance, Garanti Pension and Life takes full advantage of the collaboration between the banking and insurance sectors. The Company aims to maintain its market leadership in the coming years as well.

Customer-Centric Strategies

GARANTİ PENSION AND LIFE ADHERES TO THE "CUSTOMERS COME FIRST" PRINCIPLE IN ALL OF ITS BUSINESS ACTIVITIES.

Aylin EŞKİNAT
Customer Relationship Management and Marketing

Having expanded its entire customer base in 2013, Garanti Pension and Life constantly introduces new services.
With its wide range of products and multi-distribution-channel marketing campaigns that enable customers to maximize their benefit from the private pension system, the Company gained a significant advantage over the competition and became the sector leader in 2013 in number of participants.

The most important principle that Garanti Pension and Life placed at the heart of its strategies is to meet all needs of its customers, to always be right beside them and to support them on their path to becoming pensioners. Starting from the sales of private pension contracts and continuing with every interaction at every service point, Garanti Pension and Life prioritizes customer satisfaction and guarantees to provide exceptional service that exceeds customer expectations. In order to further enhance customer satisfaction, the Company launched "Customer's Voice" in 2013. This initiative evaluated feedback originating from various service channels from over 52,000 customers. With the services and multi-channel strategy developed with a customer-centric understanding, Garanti Pension and Life continues to be a sector pioneer in different areas and bases all of its operations on a "Customers come first" approach.

Wide Range of Products

GARANTİ PENSION AND LIFE OFFERS CUSTOMERS THE OPPORTUNITY TO CHOOSE FROM A WIDE RANGE OF PRODUCTS GATHERED UNDER A SINGLE ROOF.

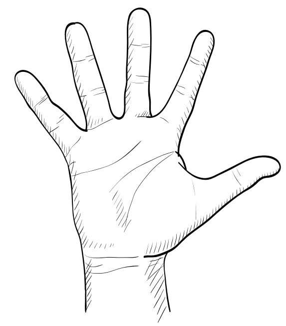
Şenol Serkan ŞENTÜRK
Product Development and Actuary

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

A variety of private pension plans

The most important development in the private pension system in 2013 was the change in the legislation. All products were revised accordingly and became valid in their current form on January 1, 2013.

With the new legislation, some part of the private pension fund entrance fee that can be prepaid cannot exceed 10% of the gross minimum wage on the date the offer was signed and approved. The collection of some part of the entrance fee that will be collected while leaving the plan can be postponed no more than 10 years. In the event that a participant has more than one private pension contract or a group pension plan contract with the same company, the customer can only be charged the entrance fee for the first of these contracts.



Garanti Pension and Life offers five different plan alternatives in pension products.

Formerly charged a maximum of 8% on the contributions, the management expense fee is reduced to a maximum of 2%. Furthermore, in case of discontinued contributions, participants are now charged an additional management expense fee not exceeding TL 2 for each whole month they stopped making a payment into the system.

With the changes in fund management fees, instead of the fund management fee having a daily maximum rate of 0.01% with the fund being calculated based on the net asset value, grouping according to fund types was introduced and the total fund expense fee was changed to a daily maximum rate of 0.0625%.

Additionally, as of September 2013, the "Distance Sales" regulation made it possible to draw up pension contracts through the Company's call center or website, except from employer group pension contracts.

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

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

With the Public and Private Sector Securities Fund, Contribution Fund, Alternative Contribution Fund, Gold Fund and Alternative Standard Fund that the Company offered to the public in 2013, Garanti Pension and Life increased the number of fund options for customers to 21 in terms of private pension plans.

Wide Range of Products

WITH THE LAUNCH OF NEW FUNDS OFFERED TO PUBLIC IN 2013, GARANTİ PENSION AND LIFE INCREASED THE NUMBER OF FUND OPTIONS ON OFFER TO 21.

Şadiye AKSAKAL
Fund Management, Budgeting and Reporting

IN 2013, THE COMPANY MADE TL 53 MILLION IN CLAIMS PAYMENTS TO MORE THAN 14,000 POLICYHOLDERS.

Şükrü YILDIRIM
Operations

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

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

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

Garanti Pension and Life's insurance products include:
- Credit life insurance products,
- Risk life insurance products,
- Guaranteed Tomorrows Insurance which offers financial coverage against critical illnesses,
- Education Insurance for those customers who would like to secure the educational expenses of their loved ones,

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

In 2013, the Company executed 14,015 claims payments to policyholders.

Garanti Pension and Life's insurance products insure individuals and their families against unexpected risks in life, within certain coverage limits.

Technology Investments and Improvements in Operational Processes

GARANTİ PENSION AND LIFE CHANNELS ITS FINANCIAL STRENGTH TO MAKE ADVANCED TECHNOLOGY INFRASTRUCTURE INVESTMENTS AS WELL AS TO IMPROVE THE COMPANY'S OPERATIONAL PROCESSES THAT AIM TO MAXIMIZE CUSTOMER SATISFACTION.

Aykut TAMER
Organization, Process and Project Management

Increasing competitive advantages with customer-centric technology investments
In order to offer quality service that exceeds customer expectations, Garanti Pension and Life channels its financial strength to make advanced technology infrastructure investments as well as to improve the Company's operational processes. Thanks to the rapid flow of business processes and by effectively using information technology in services delivery, the Company is a standout in the sector.

With its dynamic and innovative organizational structure, Garanti Pension and Life continues to be the pioneer and the model company in the sector, continually developing new initiatives. Company personnel play an important role in these projects with their innovative ideas and suggestions. With 84 employee suggestions coming to the "Unleash Your Ideas" platform in 2013, Garanti Pension and Life implemented numerous new initiatives and improvements in current business processes during the year.

The infrastructure of the private pension system was updated with the government support.
In 2013, the infrastructure of the private pension system was updated in line with the legislative changes, and all necessary adjustments were made to enable customers to benefit from the new system as quickly as possible.

Projects to improve the sales processes have been implemented.
Aiming to increase the current speed of operations by simplifying the sales processes, the Company launched a sales optimization initiative. With this optimization, the Company's aim was to improve the customer experience by making private pension contract sales processes faster and more effective at Garanti Bank branches.

Garanti Pension and Life's Distribution Channels

OUR AFTER SALES SERVICES AND CALL CENTER EMPLOYEES ARE ALWAYS THERE WITH THEIR SUPPORT TO MEET EVERY POSSIBLE NEED OF OUR CUSTOMERS, FROM THE MOMENT THEY JOIN THE GARANTİ PENSION AND LIFE FAMILY.

Engin EKER
After Sales Services and Call Center

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

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

Garanti Pension and Life uses alternative distribution channels effectively. Achieving unparalleled success in the sector with premium production realized via the branchless banking and call center channels, the Company reaches target customers through a very extensive distribution network.

After Sales Services and Call Center employees are always there with their support to meet the needs of private pension participants and policyholders from the moment they join the Garanti Pension and Life family. Once each and every contract goes into effect, customers are first contacted with a "Welcome Call" and informed about the funds as well as increases in funds with regular calls. With the introduction of "Distance Sales" that commenced in 2013, we signed 8,300 new private pension contracts remotely.

Garanti Pension and Life Call Center monitors and evaluates customer demands and complaints in a very fast and effective manner. After the operational efficiency studies carried out in 2013, the average call reception rate at the Call Center rose to 97%, with a service rate of 97%.

Garanti Pension in 2013

THROUGHOUT 2013, GARANTİ PENSION AND LIFE CARRIED OUT COMMUNICATIONS ACTIVITIES WITH THE LEADERSHIP CONCEPT.

Deniz GÜNEY
Corporate Communications

CORPORATE COMMUNICATIONS ACTIVITIES

Garanti Pension is the most preferred provider in Turkey.
Garanti Pension and Life continued to use the happiness theme as the key message of the Company's marketing communications throughout the year. With the implementation of new legislation in 2013, we entered a new era in private pension sector. In this period, Garanti Pension and Life has intensified its communications activities on the issue of the state contribution. For example, the Company conducted a prize campaign and promoted it through radio, newspaper, magazine, internet and outdoor media channels.

After achieving market leadership in the number of private pension participants in February, Garanti Pension and Life implemented a communication campaign at the end of the year to emphasize this accomplishment. Together with print media activities that featured real customers from different occupational groups, the Company conducted promotional campaigns with the market leader theme using radio, outdoor media and the Internet.

Having received "Silver" certification from Investors in People (IIP) for the Company's Human Resources excellence, Garanti Pension and Life announced the award via a newspaper promotional campaign.

The advertisements related to Hobby Clubs, the Company's customer loyalty initiative, continued during the year both in magazines and outdoor media.

In 2013, Garanti Pension and Life primarily used radio, newspaper, and outdoor media channels. During its various promotional campaigns, however, the Company also focused on the Internet and social media, marking the first steps in these channels by a provider in the sector.

More than 20,000 Garanti Pension and Life customers are happy with their hobbies!
Launched in 2008, and celebrating its fifth anniversary in 2013, the Company's Hobby Clubs initiative introduces more members to the colorful world of hobbies every day. With the unique advantages it provides for some 18 different hobby areas, Hobby Clubs reached more than 20,000 Garanti Pension and Life members in seven different cities with over 200 participating vendors.

In 2013, Garanti Pension and Life primarily used radio, newspaper, and outdoor media channels for its advertising campaigns.

Designed for the exclusive use of Hobby Clubs members and developed to enhance the social lives of the Company's customers, hobimlemutluyum.com attracts an increasing number of users every year. The unique website is the most comprehensive hobby-related portal in Turkey and had over 18,000 registered members as of year-end 2013.

Leader of the online world!
Closely following the latest developments in the online world and continuing to pioneer innovations in the sector, Garanti Pension and Life used Internet channels effectively once again in 2013.

With a corporate website that features new generation Internet applications and that was revamped in line with the latest online trends, Garanti Pension and Life is the first source for those who want to obtain accurate and comprehensive information on private pension and life insurance.

Garanti Pension in 2013

As a pioneering private pension company in implementing Internet-related innovations, Garanti Pension and Life conducted a campaign in January to increase online applications from customers. Under this email campaign, the Company sent out an exclusive online video to 1.5 million Garanti Bank customers addressing each individually using their personal names.

Garanti Pension and Life also renewed its Facebook page in May and in a short time reached more than 160,000 followers on the popular social media platform, becoming the page with the most likes in the sector. Moreover, with various promotional campaigns, and its fun, friendly and rich content, the Company's Facebook page ranked among those that most frequently interact with followers.

Garantiemeklilik.com.tr is now more interesting and user-friendly!
Aiming to provide better service to customers and to be always there for them, Garanti Pension and Life redesigned its corporate website. Garantiemeklilik.com.tr is a reflection of the Company's advanced technology, innovative, dynamic and honest approach.

With its revamped design in line with the latest in online trends, advanced infrastructure and rich content, Garantiemeklilik.com.tr makes it easier and faster to find answers to questions on private pension as well as life and unemployment insurance.

With an effective campaign conducted to take the online sales channel to the next level, the Company increased its online sales performance seven-fold in 2013 over the prior year.

With its online calculation tool that enables website visitors to determine their dream pension plan, Garanti Pension and Life continues to provide the best customer service with a steady stream of user-friendly innovations.

SOCIAL RESPONSIBILITY PROJECTS

Since its establishment, Garanti Pension and Life has acted in a socially responsible manner in all its business activities, which is a key component of the Company's management approach. As a result, Garanti Pension and Life aims to contribute to society as a whole with social responsibility projects centered on the education and healthcare of children. The Company further improved and implemented these initiatives in 2013.

Garanti Pension and Life redesigned its corporate website Garantiemeklilik.com.tr in 2013.

GARANTİ PENSION AND LIFE INCREASED ITS ONLINE SALES PERFORMANCE SEVEN-FOLD IN 2013 OVER THE PREVIOUS YEAR.

APPROXIMATELY 200 GARANTI PENSION AND LIFE VOLUNTEERS ACTIVELY PARTICIPATED IN THE "BACK TO SCHOOL" PROJECT.

In 2013, "Back to School" project related activities continued at 19 schools in 10 districts in Istanbul with new 1,600 youngsters.

The Company places great importance on the active involvement of employees in these corporate social responsibility initiatives. Therefore, personnel were encouraged to actively participate in suggesting, developing and implementing such projects in 2013.

With the "Back to School" project, Garanti Pension and Life continues to be a guiding light for working children and helps them shape their future...
Since 2010, Garanti Pension and Life has implemented the "Back to School" initiative, developed in collaboration with the Istanbul Province National Education Directorate and Boğaziçi University. This project seeks to lure elementary-age children who are working for a living back to school on a full time basis. In 2013, "Back to School" targeted 19 schools in 10 districts in Istanbul, and reached out to some 1,600 youth.

Under this initiative, schoolchildren who work to make a living receive extracurricular supportive trainings two days a week in order to reinforce their academic success. In addition, these at-risk students participate in various social activities to support their self-expression, communications skills and personal development. Counselor teachers also conduct parent trainings for families, who are a primary incentive to get children back in school. The training sessions make families aware of the dangers awaiting their children in the workplace.

Having started as collaboration with Uygur Children's Theater in 2012, "Drama Workshops" continued at schools in 2013 with professional trainers. Children continued to receive four hours a month of drama training, which is focused on their personal development.

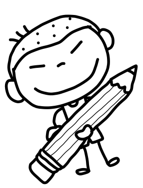
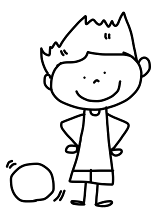
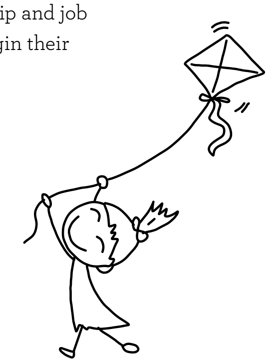
In 2013, the Department of Psychological Counseling and Guidance at Boğaziçi University gathered students at schools with their parents and carried out trainings on the importance of parents in children's education and future. The training sessions included ways to recognize roles and responsibilities of parents on this path.

Garanti Pension in 2013

305 working children went "Back to School"
The Company's employees have provided support to this initiative since the launch, and they continued to actively participate in "Back to School" in 2013. About 200 Garanti Pension and Life volunteers spared their time to help at risk youth with their school work and to take the children on museum visits or day trips as part of extracurricular activities, while serving as role models for these youngsters in need.

To date, "Back to School" has reached out to some 4,100 students; and with the support of some 650 Garanti Pension employee volunteers since the project's launch, 305 working children in total have returned to school full time. In the coming years, Garanti Pension and Life aims to reach out to thousands more at risk working children, and to provide them a more secure future by helping them quit work and return to school as full time students.

Garanti Pension executives prepare students for the business world.
To help ready students for the professional world, Garanti Pension and Life started its collaboration with the Cappadocia Vocational School in 2008 and the Company continued the initiative throughout 2013. Under the program, the Company's executives teach courses to students who are studying banking and insurance at this school to prepare them for the Private Pension Intermediary License exam. The executive instructors also share their experience with the students to help prepare them for the business environment. Additionally, Garanti Pension and Life offers qualified students internship and job opportunities at the Company to allow them to begin their professional careers on solid footing.


GARANTİ PENSION AND LIFE CONTINUES TO ACT IN A SOCIALLY RESPONSIBLE MANNER IN ALL ITS BUSINESS ACTIVITIES, A KEY COMPONENT OF THE COMPANY'S MANAGEMENT APPROACH.

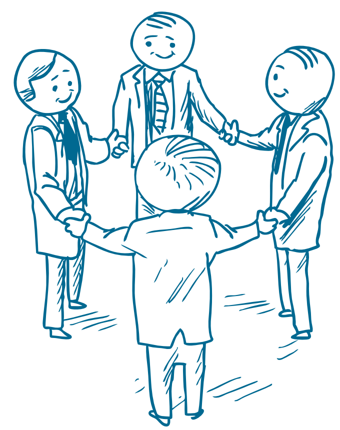
The Company continues to support efforts for the education and personal development of children with the Community Volunteers Foundation.
Since 2006, Garanti Pension and Life has supported the efforts of the Community Volunteers Foundation for the education and personal development of youth. The Foundation's activities include tutoring students with limited means for high school and university entrance exams, teaching literacy skills and instructing computer classes, all of which aim to provide a solid future for the country's youth. Garanti Pension and Life plans to continue providing support to these efforts in 2014.

Children in need can benefit from free healthcare with "Mobile Health Services."
Garanti Pension and Life has supported the Mobile Health Services initiative administered by the Ayhan Şahenk Foundation since 2005. The project provides free healthcare in every corner of Turkey, and the Company will continue to support this critical initiative in 2014 as well.

Under Mobile Health Services, ophthalmology, general medicine and pediatric specialists provide free healthcare via specially designed modern medical care vehicles. The services are mainly intended for financially challenged and uninsured persons, with a focus on reaching elementary school children.

SPONSORSHIP ACTIVITIES

Garanti Pension and Life reflects its strong brand image in sponsored events.
With its strong corporate image, Garanti Pension and Life added significant value to several events as a sponsor in 2013, as in prior years. The Company reached wide audiences through various sponsorships during the year, including those outlined below.



Garanti Pension in 2013

Main sponsor of the Human Resources Summit for the sixth year...
Garanti Pension and Life assumed the main sponsorship of the Human Resources Summit in 2013, for the sixth consecutive year. At the 2013 summit, organized around the theme “Energy Creators: Action, Transformation, Power,” world-renowned speakers, experts in their respective fields, and human resources executives came together to form an important information sharing platform.

As the main sponsor, Garanti Pension and Life targeted potential corporate and private customers, and actively promoted its products and services, the advantages of the private pension system as well as the colorful world of Hobby Clubs.

Ongoing sponsorship and promotional activities in various media in 2013...
In 2013, Garanti Pension and Life continued to undertake a variety of sponsorships to meet existing customers and reach out to potential clients.

As in the prior year, the Company was the sponsor of the “Life” section in Capital Magazine in 2013, one of the country’s most popular monthly business and economic publications. The Company also sponsored CEO Band 2013, which brings together leading CEOs in Turkey and which was organized by Capital and Ekonomist magazines for the fifth time.

In addition, Garanti Pension and Life used venue sponsorships throughout the year to promote its Hobby Clubs.

AWARDS

Altın Örümcek
With its redesigned corporate website, Garanti Pension and Life was presented with the top prize at the 11th Altın Örümcek Web Awards, an annual awards tradition, having been held every year since 2002. This was the third time that the Company received the first prize award, having won previously in 2010 and 2011.

GARANTİ PENSION AND LIFE WAS AWARDED THE TOP PRIZE AT THE 11TH ALTIN ÖRÜMCEK WEB AWARDS FOR ITS REDESIGNED CORPORATE WEBSITE.

The Altın Örümcek Web Awards is Turkey’s first and only independent web competition and it receives hundreds of entries from companies in a total of 35 categories. At the competion, Garanti Pension and Life’s corporate website, Garantiemeklilik.com.tr, won the “Best Website of the Year” award in the “Insurance” category.

LACP Vision Awards
The Garanti Pension 2012 Annual Report was honored with an award at the 2013 Vision Awards held by the League of American Communications Professionals (LACP). In addition to winning the “Silver Award” in the Financial Services category, Garanti Pension also made its debut in the “Turkey’s Top 20 Annual Reports” list. The Company had also received awards in LACP’s previous competitions, in 2010 and 2011.

Golden Compass
Ongoing since 2010, Garanti Pension and Life’s “Back to School” initiative was honored with the “Golden Compass” award in the “Corporate Social Responsibility” category at the 12th Golden Compass Public Relations Awards.

Hermes Creative Awards
Garanti Pension and Life received the “Platinum Award” in the “Corporate Social Responsibility” category with its “Back to School” CSR project at the Hermes Creative Awards competition.

European Excellence Awards
Thanks to its “Back to School” social responsibility initiative, Garanti Pension was recognized with an award at the European Excellence Awards. As a result, the Company was the only Turkish enterprise in any category to be honored with an award.

The Garanti Pension 2012 Annual Report was honored with the “Silver Award” at the LACP Vision Awards held by the League of American Communications Professionals.

Board of Directors

ERGUN ÖZEN (1960)
Chairman of the Board of Directors
A graduate of the State University of New York, Faculty of Economics, and Harvard Business School Executive Management Program, Ergun Özen joined the Garanti Family in 1992, where he has been serving as President, CEO and Board Member since April 1, 2000. He is also a Board Member of Garanti Securities, Garanti Asset Management, Garanti Pension and Life, Garanti Factoring, Garanti Leasing, Garanti Payment Systems, Garanti Technology, Garanti Bank SA (Romania) and Garanti Bank Moscow. In addition, Mr. Özen serves as Chairman of the Board of Teachers Academy Foundation and Board Member of the Banks Association of Turkey, Turkish Industrialists' and Businessmen's Association (TÜSİAD), Istanbul Foundation for Culture and Arts (İKSV) and Turkish Education Association.

GÖKHAN ERÜN (1968)
Vice Chairman of the Board of Directors
Gökhan Erün holds a BS degree in Electronics and Communications from Istanbul Technical University, and an MBA from Yeditepe University. He joined Garanti Bank in 1994 in the Treasury Department. He worked as Director of the Commercial Marketing and Sales Department from 1999 until 2004. He was appointed General Manager of Garanti Pension and Life in 2004, and later Executive Vice President in charge of Human Resources and Training on September 1, 2005. Subsequently, he assumed additional responsibilities, including Investment Banking in 2006 and Treasury in 2013. Mr. Erün is the Chairman of the Board of Garanti Hizmet Yönetimi A.Ş.; Vice Chairman of the Board of Garanti Pension and Life; and a Member of the Board of Garanti Asset Management, Garanti Mortgage, Garanti Securities, and Garanti Bank SA (Romania).

M. CÜNEYT SEZGİN (1961)
A graduate of Middle East Technical University, Department of Business Administration, M. Cüneyt Sezgin obtained an MBA from Western Michigan University and a PhD from Istanbul University Faculty of Economics. He has served in various executive positions at several private banks. In 2001, Dr. Sezgin joined Garanti Bank. There, he is currently a Board Member and Audit Committee Member; in addition, he serves as a Board Member at Garanti Bank SA (Romania), Garanti Pension and Life, Garanti Factoring, Garanti Leasing, Garanti Fleet Management, Garanti Asset Management, Garanti Securities and Corporate Volunteer Association-Turkey. Dr. Sezgin has served as a Board Member of Garanti Bank since June 30, 2004, and since April 30, 2013 as Independent Board Member of Garanti Bank, his new title in accordance with the revised regulatory requirements of the Capital Markets Board of Turkey.

H. MURAT AKA (1962)
H. Murat Aka received a BBA from Middle East Technical University (1984), and an MBA from Boğaziçi University (1987). He completed the Advanced Management Program (AMP172) at Harvard University in 2007. Mr. Aka joined Doğuş Group in 1987 and currently serves as Member of the Board of Directors and Member of the Audit Board at Doğuş Automotive and other subsidiaries of Doğuş Group.

F. NAFİZ KARADERE (1957)
F. Nafiz Karadere is a graduate of Ankara University, Faculty of Political Sciences, Department of International Relations. He has worked as a senior executive at various private banks and was appointed to his current position on May 1, 1999. Mr. Karadere is a Board Member of Garanti Bank SA (Romania), Garanti Payment Systems, Garanti Mortgage, Garanti Pension and Life, Garanti Technology and Garanti Bank Pension Fund Foundation and a Member of the Board of Trustees and Vice Chairman at Teachers Academy Foundation. He is also the Vice Chairman of World Wildlife Foundation-Turkey and Chairman of SALT.

ERHAN ADALI (1966)
Erhan Adalı is a graduate of Istanbul University, Department of Political Science Public Administration. He joined Garanti Bank as an Assistant Internal Auditor in 1989. He served as Branch Manager, Regional Manager and SME Banking Coordinator and he was the CEO of Garanti Pension and Life during the period 2005 to 2012. Mr. Adalı was appointed to his current position on August 3, 2012. He is also a Board Member of Garanti Leasing.

ONUR GENÇ (1974)
Onur Genç is a graduate of Boğaziçi University, Department of Electrical and Electronics Engineering; subsequently, he received an MBA from Carnegie Mellon University. Starting his career in 1996 in the US and most recently serving as Director and Country Manager of McKinsey & Company, a global management consultancy, Mr. Genç joined Garanti Bank on March 20, 2012 as Executive Vice President responsible for Retail and Private Banking. As of May 2012, Mr. Genç also assumed CEO responsibilities at Garanti Payment Systems. Onur Genç is a Board Member of Garanti Asset Management, Garanti Pension and Life, Garanti Technology, Garanti Bank SA (Romania), Garanti Payment Systems and Chairman of Garanti Mortgage.

JAN NIJSSEN (1953)
Jan Nijssen is a graduate of the Business Econometrics Department of Erasmus University in Rotterdam. His professional career began in 1978 at Nationale Nederlanden, where he worked in various levels. In 1992, he was appointed General Manager of NN Life Company. After the merger of NMB with Postbank, NN was renamed ING, and Mr. Nijssen was appointed Executive Board Member of ING Netherlands and ING Europe. He served ING Group as the Global President of Pension and CEO of Central Europe Insurance. Mr. Nijssen is currently a partner of Montae Netherlands, and he also serves as Board Member of Shell Company Pension Fund company.

MARIA DE LA PALOMA PIQUERAS HERNANDEZ (1966)
Maria de la Paloma Piqueras Hernandez studied law and economics at Pontificias de Comillas University from 1984 until 1990, and she became a Certified Financial Analyst after attending the EFFAS certification program between 1993 and 1994. In 1990, Ms. Hernandez joined BBVA Group where she served as Fund Manager for a period of 10 years. Later she was appointed Head of the Innovation and Product Development Department. In September 2009, she was appointed CEO of SGIIC, an asset management company of BBVA Group, and was in charge of the management of Private Pension and Investment Funds for Spain and Portugal. Since January 2012, Ms. Hernandez has headed BBVA Group's Global Portfolio Management, operating in Europe, Mexico, Colombia, Chile, Peru, and Argentina.

MANUEL PEDRO GALATAS SANCHEZ HARGUINDEY (1962)
Manuel Galatas Sanchez-Harguindey has a degree in Business Administration and International Finance from Georgetown University. After working as an executive at various private corporations, he joined Argentaria (today BBVA) in 1994. Before joining Garanti, he was based in Hong Kong as the General Manager in charge of all BBVA Branches and Representative Offices in Asia/Pacific. He is now both Board Member and Audit Committee Member of Garanti Bank Turkey and General Manager of BBVA Turkey Representative Office based in Garanti Bank Headquarters in Istanbul. He is also a Board Member at Garanti Bank SA (Romania), Garanti Bank Moscow, Garanti Bank International NV, Garanti Securities, Garanti Asset Management, Garanti Pension and Life, Garanti Factoring, Garanti Leasing, Garanti Payment Systems and Garanti Fleet Management. He has been serving as Board Member of Garanti Bank since May 5, 2011, and since April 30, 2013, as Independent Board Member of Garanti Bank, his new title in accordance with the revised regulatory requirements of the Capital Markets Board of Turkey.

CEMAL ONARAN (1968)
Board Member and CEO
(See page 44.)

Executive Management

CEMAL ONARAN (1968) 1
Board Member and CEO
Cemal Onaran graduated from Middle East Technical University, Department of Public Administration in 1990, and began his professional career the same year as Assistant Auditor on the Audit Committee of Garanti Bank. After working as Regional Manager at various regional offices of Garanti Bank until 2007, he was appointed CEO of Garanti Mortgage, a subsidiary of Garanti Bank, in October 2007. Since August 1, 2012, Mr. Onaran has been the CEO of Garanti Pension and Life.

K. ÇAĞLAYAN BAKAÇHAN (1973) 2
Executive Vice President
K. Çağlayan Bakaçhan graduated from Middle East Technical University, Department of Guidance and Psychological Counseling. Between 1998 and 2006, he assumed various duties in the Human Resources Department at Garanti Bank. In 2006, Mr. Bakaçhan was appointed Human Resources Manager at Garanti Pension and Life. In October 1, 2012, he was promoted to his current position as Executive Vice President in charge of Human Resources, Procurement and Administrative Affairs, Organization, Process and Project Management.

AHMET KARAMAN (1970) 3
Executive Vice President
Ahmet Karaman is a graduate of Middle East Technical University, Department of Economics. He began his professional career in the banking sector and assumed various positions at Garanti Bank headquarters, where he worked until 2005. He was then appointed to the position of Finance and Management Reporting Department Manager at Garanti Pension and Life. Since September 2009, Mr. Karaman has been Executive Vice President in charge of Fund Management, Budget and Reporting, Finance and Operations.

E. YASEMEN KÖNE (1972) 4
Executive Vice President
E. Yasemen Köne holds a BBA (English) from Marmara University. She started her professional career as Assistant Specialist in the Corporate and Commercial Loans Department at Garanti Bank in 1994, and later worked in the Corporate Banking Marketing Department. She was promoted to the position of Corporate Banking Portfolio Executive, and to Corporate Branch Marketing Executive, respectively. In November 2005, Ms. Köne left her Commercial Branch Manager position in Gebze to join Garanti Pension and Life as Executive Vice President in charge of Retail Marketing, Corporate Marketing, Private Banking Relationship Management, After Sales Services and Call Center, Corporate Communications, and Regional Sales Offices.

CEMŞİT TÜRKER (1966) 5
Executive Vice President
Cemşit Türker graduated from Istanbul Technical University with a BS degree in Industrial Engineering. He began his professional career at Garanti Bank as an Assistant Specialist in 1991 and was appointed Retail Banking Business Development Executive in 1996. Until 2004, Mr. Türker served as Branch Director, Small Enterprises Targeting and Overseeing Executive, Retail Regional Marketing Director, and Retail Regional Sales Director, respectively. He was appointed Director of the Corporate Business and Performance Development Department at Garanti Pension and Life in March 2004. He continues his position as Executive Vice President in charge of Product Development, Strategic Planning, Customer Relationship Management and Marketing, and Legal Affairs.

Committees and Meeting Attendance

A- Corporate Governance Committee

Corporate Governance Committee
The Committee was established in 2011, pursuant to the Circular on Corporate Governance Principles of Insurance, Reassurance and Pension Companies published by the Undersecretariat of Treasury.

The Corporate Governance Committee held two meetings in 2013 with all members present.

Committee Members
M. CÜNEYT SEZGİN
Committee Chairman – Board Member
GÖKHAN ERÜN
Committee Member – Vice President of the Board of Directors
CEMAL ONARAN
Committee Member – CEO and Board Member

Committee Activities
The Committee is responsible for:
- Ensuring that the Company adheres to the Corporate Governance Principles,
- Implementing necessary measures to create a general corporate governance culture,
- Making suggestions to the Board of Directors in these matters,
- Monitoring the Company's compliance with the Corporate Governance Principles.

The duties and authorities of the Corporate Governance Committee include:

- Making sure that the Company's corporate governance principles comply with the principles of equality, transparency, accountability and responsibility;
- Creating the necessary environment for the Board of Directors and Company management to conduct their activities in a fair, transparent, accountable and responsible way;
- Ensuring that the Company carries out its business activities and processes in a transparent way;
- Protecting stakeholder rights independently from each other;
- Bearing in mind Company's ethical values, strategic targets and financial situation while deciding on the remuneration policy;
- Taking necessary precautions to enable the exercise of rights resulting from laws, rules and regulations, the Company's articles of association and other internal bylaws for the exercise of shareholder rights by the Company;
- Preparing a Corporate Governance Principles Compliance Report* every March pursuant to the Circular on Corporate Governance Principles, presenting the report to the Board of Directors and disclosing it to the Undersecretariat of Treasury.

(*) The Corporate Governance Principles Compliance Report 2013 is accessible on www.garantiemeklilik.com.tr in the Corporate Governance section.

B- Remuneration Committee
Operating directly under the Board of Directors, the Remuneration Committee was formed in 2013. Gökhan Erün and Manuel Pedro Galatas Sanchez Harguindey were elected as members of the Committee.

The Remuneration Committee held one meeting in 2013.

Committee Members
GÖKHAN ERÜN
Committee Member – Vice Chairman of the Board of Directors
MANUEL PEDRO GALATAS SANCHEZ HARGUINDEY
Committee Member – Board Member

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

C- Audit Committee
The Committee is currently composed of two non-executive Board Members.

The Audit Committee held four meetings in 2013 with all members present.

Committee Members
M. CÜNEYT SEZGİN
Committee Member – Board Member
H. MURAT AKA
Committee Member – Board Member

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

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

Committees and Meeting Attendance

The duties and authorities of the Audit Committee include:

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

Board of Directors Meeting Attendance

In 2013, the Garanti Pension and Life A.Ş. Board of Directors held 42 meetings. Eleven members attended five of these meetings, nine attended one meeting, seven attended 16 meetings, six attended nine meetings and five members attended two meetings.

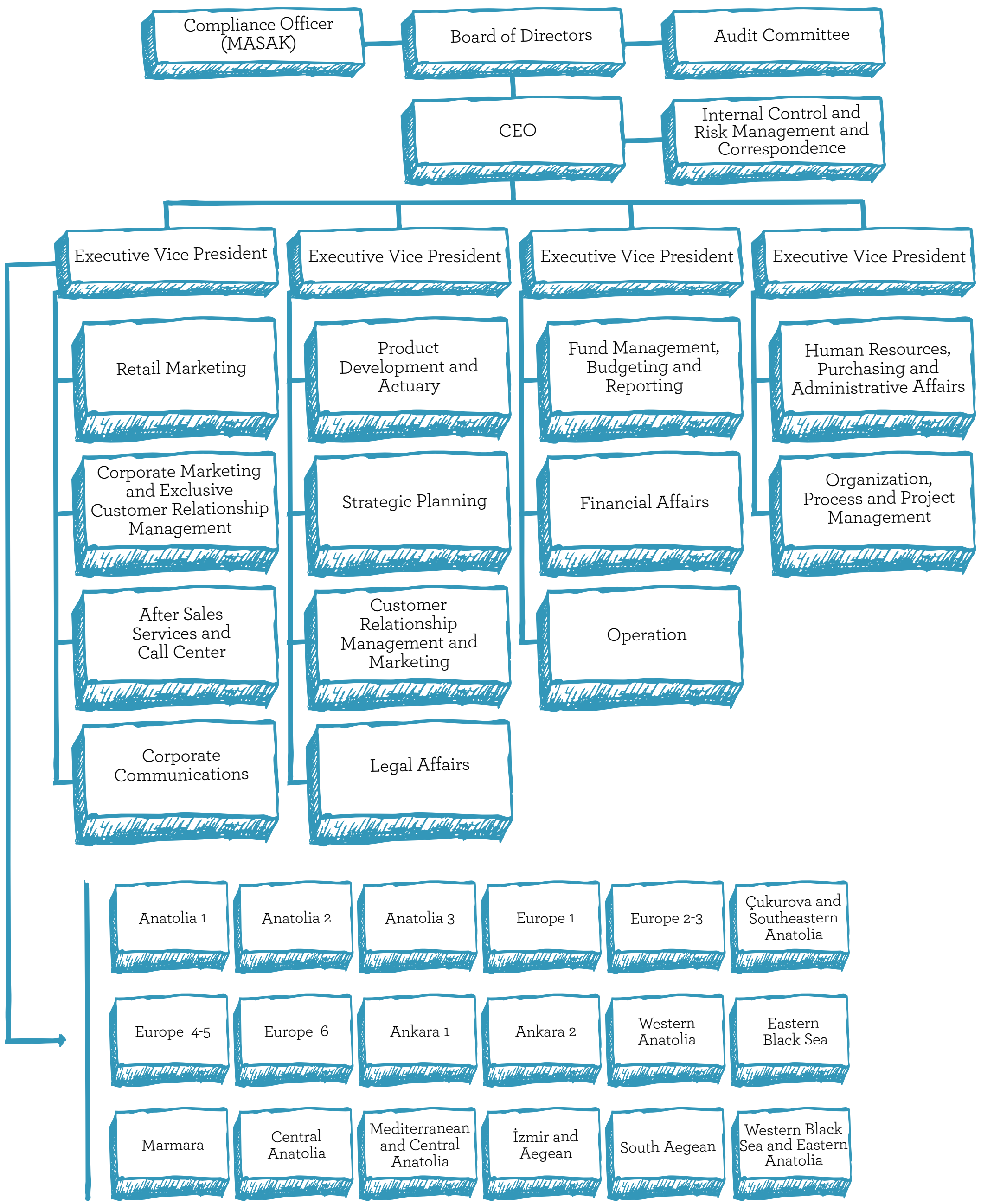
(*) Pursuant to the provisions of Turkish Commercial Code no. 6102, namely that auditing of companies should be performed by independent external audit firms, there was no selection made for the internal audit for the Company this year; and for the Independent External Audit, the Company made an agreement with Deloitte.

GARANTİ PENSION AND LIFE CONDUCTS ITS AUDITING ACTIVITIES WITHIN THE FRAMEWORK OF INTERNATIONALLY ACCEPTED STANDARDS.

Board of Directors

Meeting Dates	Meeting No.	No. Present
February 15, 2013	326	7
March 20, 2013	327	7
March 20, 2013	328	7
March 20, 2013	329	7
March 20, 2013	330	7
March 20, 2013	331	6
March 20, 2013	332	6
March 20, 2013	333	6
March 25, 2013	334	6
March 25, 2013	335	6
March 25, 2013	336	6
March 25, 2013	337	6
April 18, 2013	338	6
April 18, 2013	339	5
April 29, 2013	340	6
May 7, 2013	341	7
May 9, 2013	342	5
May 22, 2013	343	9
July 31, 2013	344	7
July 31, 2013	345	7
September 4, 2013	346	11
September 4, 2013	347	11
September 4, 2013	348	11
September 4, 2013	349	11
September 4, 2013	350	11
October 22, 2013	351	7
October 22, 2013	352	7
October 22, 2013	353	7
October 22, 2013	354	7
October 22, 2013	355	7
October 22, 2013	356	7
October 22, 2013	357	7
October 22, 2013	358	7
December 17, 2013	359	9
December 17, 2013	360	9
December 17, 2013	361	9
December 17, 2013	362	9
December 17, 2013	363	9
December 17, 2013	364	9
December 17, 2013	365	9
December 17, 2013	366	9

Organizational Chart



Human Resources

GARANTİ PENSION AND LIFE ACTS IN ACCORDANCE WITH THE PRINCIPLE THAT HAPPY EMPLOYEES ARE ESSENTIAL IN ORDER TO HAVE HAPPY CUSTOMERS.

Ayşegül GÜRKALE
Human Resources

GARANTİ PENSION AND LIFE HUMAN RESOURCES

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

Number of Employees of Garanti Pension and Life in 2013

Operating in the areas of private pension and life insurance, Garanti Pension and Life employed 898 personnel at year-end 2013.

Number of Employees in 2013

Head Office	177
After Sales Services and Call Center	255
Sales	466
Total	**898**

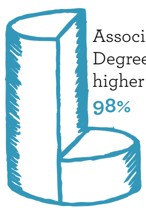
Human Resources

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

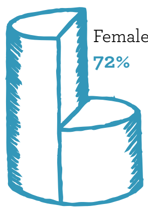
Demographic Data for Garanti Pension and Life

Average Age	
Female	28
Male	30
Company	29

Education Status



Gender Distribution



RECRUITING PRACTICES

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

In an effort to increase efficiency, the Company cooperates with some recruitment consulting firms to fill certain positions. As of May, recruitment processes for the sales team have been carried out under the new recruiting model, and the first applications of the revised process were in Istanbul, Ankara and Bursa.

As of May, recruitment processes for the Sales Team have been carried out the new recruiting model.

Garanti Pension maintains its training approach in line with the principle of life-long learning.

TRAINING PRACTICES

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

In 2013, Garanti Pension and Life personnel received 8.5 days of training per person on average.

Continuous development for sustainable success

Orientation, Management Trainee (MT) and other specific training programs developed for After Sales Services teams are organized by the Human Resources Department. In addition, the Company administers Private Pension Intermediaries Licensing Training, Garanti Pension Product Training, Sales Compass Training, On-the-Job Training, and Catalogue Training.

Furthermore, employees have the opportunity to attend conferences and seminars related to their job descriptions. In 2014, Company employees will be able to attend trainings that they can choose from the training catalogue that includes 150 different alternatives.

Training Applications

In 2014, the Company will hold Training Needs Analysis meetings with all business units in order to outline the plan for the year, determine the trainings needed and organize the training program.

Orientation training programs for new employees include all the necessary technical information and sales methods; these programs will continue in 2014. Employees will be provided support via both classroom trainings and e-learning practice sessions.

Training plans prepared for the Sales Team are carried out in different cities according to the employee job description and experience. Trainings for the Sales Team are designed to meet the needs of the organization.

In 2013, Garanti Pension and Life personnel received 8.5 days of training per person on average.

Human Resources

Organized for the second time in 2013 and comprised of seven modules in total over a period of 18 months, the Supervisor Development Program has commenced with the participation of 50 managers.

Garanti Bank employee trainings on Garanti Pension private pension, life insurance products and sales methods are scheduled to continue in 2014.

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

During the initial IIP review process, interviews were conducted with 61 Garanti Pension and Life personnel. Under the "Development Starts with me," the Company held five workshops which were attended by 40 employees.

As part of IIP's ongoing review, 84 Garanti Pension and Life personnel were interviewed and improvements were made in 31 areas to meet the needs of employees. Improvements will continue in 2014 based on employee feedback and demands.

IK.net
Job applications for career advancement, performance evaluation processes and information on employee benefits are found on GE-IK.net. Company staff can update all personal and position-related information, follow up their travel expenses, and receive advance payments for their business travel all on IK.net. Systems improvements continued in 2013. As a result, employee travel related requests will be able to be performed on IK.net after integration with accommodation and transportation reservation systems is complete.

ORGANIZED FOR THE SECOND TIME IN 2013 AND COMPRISED OF SEVEN MODULES IN TOTAL OVER A PERIOD OF 18 MONTHS, THE SUPERVISOR DEVELOPMENT PROGRAM HAS COMMENCED WITH THE PARTICIPATION OF 50 SUPERVISORS.

Garanti Pension and Life became the first company in the sector to receive IIP certification.

GARANTİ PENSION AND LIFE EMPLOYEES ARE ENCOURAGED TO PLAN THEIR OWN CAREERS.

Garanti Pension and Life strives to train candidates for managerial positions from among current personnel.

Communication Plan
Garanti Pension and Life continues to conduct interviews with personnel to improve effective communication with them, help plan their career paths, sustain employee satisfaction in the workplace and to maintain a positive relationship with their managers.

To speed up and standardize the orientation process of newly recruited Sales Team employees, the Company commenced an ongoing development monitoring process. As part of this monitoring process, all feedback noted is followed up by Human Resources on IK.net and meetings are held with employees and managers on the points that can be improved.

Rewarding Employee Success
The Rewards Program serves to incentivize high employee performance, and is critical in setting a good example for the Company in general by showcasing the model actions and attitudes of dedicated personnel in various departments. Under the Rewards Program in 2013, some 129 Company employees received recognition and rewards for their exemplary job performance.

Career Planning and MT Program
Garanti Pension and Life strives to train candidates for managerial positions from among its existing employees, and encourages personnel to actively plan their careers. In 2013, 16 Head Office employees and 175 Sales Team personnel were promoted to higher positions; in addition, 23 of the Company's employees transferred to Garanti Bank to take advantage of the career opportunities provided there.

With the fourth edition of the Management Training Program scheduled for 2014, the Garanti Pension and Life aims for the MT process to become a sustainable and deep-rooted component of the the corporate culture.

Summary Report of the Board of Directors to the General Assembly

GARANTİ EMEKLİLİK VE HAYAT A.Ş.
2013 ANNUAL REPORT

Dear Shareholders,
We sincerely thank each and every one of you for your attendance at the General Assembly convened to review and vote on the accounts and operations results of the 22nd Fiscal Year of Garanti Emeklilik ve Hayat Sigorta Anonim Şirketi. Our Company's nominal paid-in capital in 2013 stood at TL 50,000,000 while shareholders' equity reached TL 706,888,757, corresponding to a 24% increase over the previous year.

Our Company's net life insurance premium production (gross premiums, minus any premiums ceded to reinsurers) increased 10% over the previous year and amounted to TL 257,074,731.

Our Company's Private Pension fund size grew 28%, from TL 3,324,797,020 at year-end 2012 to TL 4,249,324,274 at year-end 2013.

Achieving many accomplishments in 2013, our Company sustained its lasting growth and attained its objectives.

Dear Shareholders,
Our Company, whose operations are summarized above, generated pre-tax accounting profit of TL 174,315,613 in 2013, corresponding to net profit of TL 137,980,697 in our Company's financial statements after allowing for Corporate Tax.

We appreciate the interest you have shown in the General Assembly and wish the best for our country and our Company in 2014.

Respectfully yours,

Cemal ONARAN
Member of the Board of Directors and CEO

Report on Compliance of the Annual Report

Deloitte.

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Serbest Muhasebeci
Mali Müşavirlik A.Ş.
Sun Plaza
Bilim Sok. No:5
Maslak, Şişli 34398
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Tel : (212) 366 6000
Fax : (212) 366 6010
www.deloitte.com.tr

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

We have audited the accuracy and consistency of the financial information included in the Annual Report of Garanti Emeklilik ve Hayat Anonim Şirketi ("the Company") as of December 31, 2013 with the independent auditors' report drawn up as of the end of the same fiscal period. The Annual Report is the responsibility of the Company's management; our responsibility, as independent auditors, is to express an opinion on the compliance of the financial information presented in the annual report that we have audited with the independently audited financial statements and the accompanying notes to these financial statements.

We have conducted our audit in accordance with the procedures and principles set out by the regulations on preparation and issuance of annual reports in Insurance Law No. 5684 and independent auditing principles. Those regulations require that we plan and perform the audit to obtain reasonable assurance on whether the financial information included in an annual report is free from material errors. We believe that our audit provides a reasonable and sufficient basis for our opinion.

In our opinion, the financial information presented in the accompanying Annual Report accurately reflects, in all material respects, the information regarding the financial position of Garanti Emeklilik ve Hayat Anonim Şirketi as of December 31, 2013 in accordance with the principles and procedures set out by the regulations and in conformity with Insurance Law No. 5684. It includes the summary report of the Board of Directors and the independent auditor's report issued by us; it is consistent with the information presented in the audited financial statements and accompanying notes.

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

Müjde ŞEHSUVAROĞLU
Managing Partner, Chief Auditor,
Certified Public Accountant
Istanbul, February 28, 2014
Member of Deloitte Touche Tohmatsu Limited

Information on Financial Structure

THE INCREASE IN THE COMPANY'S TOTAL ASSETS IS LARGELY DUE TO PRIVATE PENSION ACTIVITIES.

Salih İLERİ
Financial Affairs

As in previous years, Garanti Emeklilik ve Hayat A.Ş. (Garanti Pension and Life) continued to achieve rapid growth both in total assets and profitability in 2013.

Pre-tax profit grew 7.2% over the prior year and amounted to TL 174,315,613. The Company paid TL 129,046,426 in taxes in 2013, resulting in profit after tax of TL 137,980,697.

During the same period, technical profit from life insurance and pension operations totaled TL 136,936,987. Shareholders' equity increased 23.7% to TL 706,888,757 in the reporting year. As of December 31, 2013, the Company's total assets grew 25.9% compared to a year ago and reached TL 5,318,601,020.

The increase in total assets is largely due to private pension activities as of December 31, 2013. The Company recorded a 27.8% increase in participants' funds compared to previous year. The Company's total pension fund size amounted to TL 4,249,324,274.

The share of cash assets in total assets stood at 15% as of December 31, 2013, while financial assets constituted 2% of total assets.

As of December 31, 2013, the share of the Company's insurance technical reserves in total liabilities stood at 4.64%. The Company's source of premium income is derived from the life insurance sector; total earned premium in the fiscal year ending on December 31, 2013 was TL 241,545,052.

Assessment of Financial Position, Profitability and Claims Servicing Capacity

In 2013, total life insurance claims decreased 10% from the previous year to TL 53,166,314. The Company's technical profit was up 14% to TL 136,936,987.

The Company's technical reserves consist of unearned premium reserve, reserves for outstanding claims, life insurance mathematical reserve, reserve for life insurance profit share, equalization reserve, and reserve for bonus payments and discounts.

In financial statements, the unearned premium reserve is the outstanding part of the premiums which have accrued for the applicable insurance contracts for the next accounting period(s) on a daily basis, remaining after production commissions and after the share of expenses in life insurance as well as the portion allocated to savings, if any.

At the end of the each period and year, a reserve for outstanding claims is apportioned for all liabilities concerning unpaid claim files of which the Company has already been notified and are under review. The reserve for outstanding claims is set according to expert reports or policyholder and expert assessments. Within this framework, as of December 31, 2013, the change in reserve for outstanding claims stood at TL 4,703,667.

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

Board of Directors' Annual Activity Report

Board of Directors' Annual Activity Report
January 1, 2013 – December 31, 2013
(Pursuant to the circular of the Ministry of Customs and Trade, dated August 28, 2012)

1. General Information

Reporting period	: 2013
Trade name	: Garanti Emeklilik ve Hayat A.Ş.
Registration number	: 288647/236229
Head Office address	: Mete Cad. No: 30 34437 Taksim Istanbul
Contact Information	
Phone	: + 90 212 334 70 00
Fax	: + 90 212 334 63 00
E-mail	: GEMusteriHizmetleri@garantiemeklilik.com.tr
Website	: www.garantiemeklilik.com.tr

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

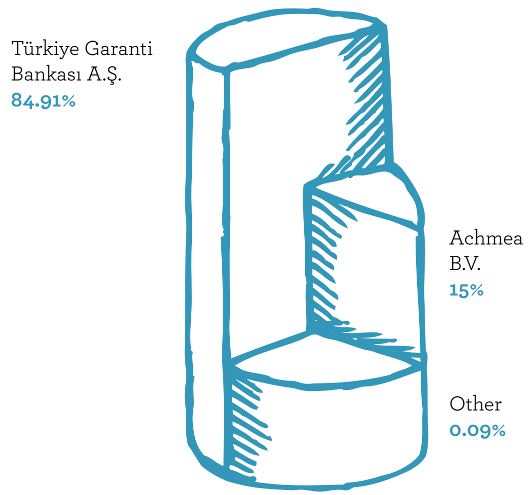
Capital Structure and Ownership Structure
In 2007, Achmea B.V. acquired 15% of the shares of Garanti Pension and Life for € 100 million. There were no changes in the Company's ownership structure in 2013.

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

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

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

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



B- INFORMATION ON PREFERRED SHARES
The Company does not currently issue preferred shares.

Board of Directors' Annual Activity Report

C- INFORMATION ON THE COMPANY'S MANAGEMENT BODY, EXECUTIVE MANAGERS AND SENIOR STAFF

a)- The Company's Management Body is the Board of Directors comprising 11 members. The names and the titles of the Board Members are as follows:

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

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

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

c)- Number of Employees: 898

d)- Within the framework of the permission granted by the General Assembly, Board Members do not transact with the Company, either directly or on behalf of others.

2- Remuneration of Board Members and Executive Managers

Remuneration and other benefits paid by the Company to Board Members and executive managers totaled TL 4,586,410 in 2013.

3- The Company's Research and Development Activities

The Company did not carry out any research and development activities in 2013.

4- Company Operations and Related Important Developments

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

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

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

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

During 2013, the Company has been subject to ordinary audits carried out by the Insurance Auditing Board of the Undersecretariat of Treasury related to internal system practices, and also to periodic audits carried out by the Capital Markets Board regarding the previous accounting period of private pension funds established by our Company.

e) No lawsuits, which might affect the financial position and the activities of the Company, have been filed against the Company during the activity period.

f) There have been no administrative or legal sanctions imposed on the Company or its board members due to illegal practices, during the activity period.

As a result of the Capital Markets Board's audit regarding the year 2011, in violation of the provision at the clause (a) of the Article 21 of the Capital Markets Board Regulation stating "the fund cannot make capital market instrument investments that total over 5% of total fund assets and cannot exceed 40% of the total pension fund portfolio", with regards to the transactions in the fund coded as GHH, a monetary penalty of TL 2,524 was imposed pursuant to Private Pension Savings and Investment System Law Article 22 / S due to the continuation of the aforementioned violations in a frequent manner for an extended period of time.

g) During the activity period, the Company has reached all of its targets and fulfilled the requirements of all General Assembly resolutions.

h) An Extraordinary General Meeting was held on May 20, 2013, and the number of Board Members increased from nine to 11 and the changing of the Signature Circular of the Company was unanimously approved.

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

Garanti Pension made a total expenditure of TL 62,248 in 2013.

j) Transactions carried out with the parent company and affiliated companies within the Group are ordinary commercial activities. There are neither any transactions made in the interest of the parent company or one of the affiliated companies, with or without the instruction of the parent company, nor any measures taken or refrained from, in this respect.

Board of Directors' Annual Activity Report

k) In cases where a legal transaction is made or required, measures are taken or refrained from, based on all facts and conditions known to the Company's Board of Directors at the time, neither due consideration nor taking necessary measures or refraining from taking such measures, that can harm the Company, were required as there have not been any legal transactions.

5- Financial Position

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

In 2013, Garanti Pension achieved profit of TL 174,315,613. While the Company's total assets were TL 5,318,601,020, shareholders' equity amounted to TL 706,888,757. The Company's fixed assets totaled TL 73,338,098, of which TL 10,245,595 has been allocated for depreciation.

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

TL	**2012**	**2013**
Profit / (Loss) for the Period	162,539,197	174,315,613
Corporate Tax Liability Provision	33,492,771	36,334,916
Net Profit / (Loss) for the Period	129,046,426	137,980,697

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

The Company shareholders' equity totaled TL 706,888,757, and its capital is fully paid.

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

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

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

In regard to the profit distribution policy, the Board of Directors draws up the profit distribution proposal in accordance with the provisions of the Turkish Commercial Code, Tax Regulations, and the Company's Articles of Association, and then submits it for the approval of the General Assembly. The decisions regarding whether to distribute profit, or when and by which means it will be distributed, are made at the General Assembly, and all announcements are made in accordance with the regulations and within legally prescribed time limits. The Company has not distributed profit from the date of its establishment to December 12, 2013; all profits have been transferred to the reserves.

STRUCTURED DIRECTLY UNDER THE BOARD OF DIRECTORS IN THE ORGANIZATIONAL SCHEME OF THE COMPANY, THE MAIN PRINCIPLES OF THE BOARD OF AUDIT ARE INDEPENDENCE, OBJECTIVITY AND BEING RISK-FOCUSED.

Talat SOYSAL
Internal Audit

6- Internal Audit, Internal Control, Risk Management and Compliance Activities

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

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

Board of Directors' Annual Activity Report

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

- Compliance of operations with applicable laws and regulations as well as with the Company's strategies, policies, procedures, and other bylaws;
- Effectiveness and adequacy of internal control and risk management practices;
- Accuracy and reliability of the accounting records and financial statements;
- Compliance of operational activities with the designated procedures, and the progress of related internal control practices;
- Reliability of the electronic data system;
- Accuracy and reliability of the reporting presented to the Board of Directors

and disclosed to the public.

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

b) Internal Control, Risk Management and Legal Compliance

b.1. Internal Control
With the growing importance of legal compliance risk, a compliance function was formed as of April 1, 2013 under the Internal Control and Risk Management Department to coordinate compliance activities conducted by separate departments from one central point. Furthermore, the Head of the Department started work on the same date as the Company's Compliance Officer.

The compliance function oversees that the Company's transactions comply with the laws, the strategies and policies of the Company as well as the practices in the sector. Depending on the changes in the legal arrangements, it also provides opinion before the revisions of Company processes, the briefing of the employees and the implementation of new products and services.

The duties and the responsibilities of the Compliance Officer, as stipulated by Law No: 5549 on Prevention of Laundering Proceeds of Crime and Financing of Terrorism, are amended and in written form as follows:

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

INTERNAL CONTROL FUNCTION MAKES SURE THAT COMPANY ACTIVITIES ARE CONDUCTED IN ACCORDANCE WITH THE CURRENT LEGISLATION AND LAWS.

Defne ÜSTEM
Internal Control – Risk Management and Compliance

The identification, assessment, monitoring and reporting of the operational and financial risks the Company is exposed to be carried out by the Risk Management Department. Business Continuity Management (BCM) in the event of emergency also falls within the scope of the Risk Management Department.

In this context, apart from practices to keep the current plan updated, periodic tests and drills are carried out to make sure those critical processes, back-up systems, alternative working areas are ready to be utilized when necessary.

b.2. Risk Management (Risk Management Activities under the Responsibility of Internal Control Department)

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

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

Board of Directors' Annual Activity Report

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

Risk Control Self-Assessment enables the monitoring of the operational risks around the risk matrix formed by grouping the processes and functions that are considered risky in accordance with risks, probabilities and effects.

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

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

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

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

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

The Company's risk management policies have been formulated to identify and analyze risks encountered by the Company, to define risk limits and controls, and to monitor the risks and compliance with set limits. These policies and systems are periodically reviewed in a way that reflects changes in market conditions as well as product and service offerings. The Company is developing a disciplined and constructive supervision framework with relevant training and management standards and procedures so that all employees understand their own duties and responsibilities.

Credit Risk
Credit risk is defined as the possibility that counterparties might not be able to fulfill their obligations in accordance with the terms of contract that have been mutually agreed upon. Major balance sheet items where the Company is exposed to credit risk include the following:

Banks
- Other cash assets and cash equivalents (cash accounts excluded),
- Financial assets held for trading,
- Financial investments owned by risk-based life insurance policyholders,
- Premium receivables from the insured,
- Receivables from agencies,
- Pension mutual funds related to Private Pension operations, and receivables from participants,
- Receivables from reinsurers related to commissions and paid-up claims,
- Reinsurance shares from insurance liabilities,
- Receivables from the parties concerned,
- Other receivables, and
- Prepaid taxes and funds.

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

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

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

As a method of protection against liquidity risk, maturity match is maintained between assets and liabilities; liquid assets are kept ready for complete fulfillment of potential liquidity requirements if necessary.

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

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

Foreign exchange gains and losses from foreign currency transactions were entered in the accounting records for the corresponding periods. At the end of each period, balances of foreign currency asset and liability accounts were translated and converted into Turkish lira at the exchange rates prevailing at that time. The resulting foreign exchange differences were reflected in the records as gains or losses from foreign exchange transactions.

Board of Directors' Annual Activity Report

Foreign currency-denominated transactions were recognized on the basis of exchange rates prevailing on the date of transaction. As of the balance sheet date, foreign currency-denominated asset and liability items were translated based on the foreign exchange buying rate of the Central Bank of Turkey (CBT), effective on December 31, 2013. Only life insurance mathematical reserves and loans were translated based on the effective selling rates of CBT as stated in the policy guidelines.

Interest Rate Risk Exposure
Risk exposure of the trading securities portfolio is based on fluctuations in market prices of relevant securities resulting from changes in interest rates. The major risk for the non-trading securities portfolio is the loss from fluctuations in future cash flows and the loss stemming from a drop in the fair market value of financial assets as a result of changes in market interest rates. Interest rate risk is managed through monitoring of the interest rate range and setting pre-approved limits for re-pricing ranges.

Interest Rate Sensitivity of Financial Instruments
Interest rate sensitivity on the income statement is the effect of the change in interest rates, under the criteria assumed below, on the fair market value of the financial assets. The difference in fair market value as of December 31, 2013 is reflected in the profit or loss, and the effect on net interest income from the non-trading financial assets and liabilities with a variable interest rate. Interest rate sensitivity on shareholders' equity is calculated on the basis of the variation in the market value of the financial assets which are available for sale in the portfolio as of December 31, 2013 as a result of the presumed variations in interest rates. During this analysis, other variables, particularly foreign exchange rates, are assumed to be fixed.

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

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

Capital Management

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

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

c. Assessment of Insurance Risk and Management Body

Insurance Pricing Policies
Garanti Pension and Life adopts the following pricing principles and policies:

When setting risk premiums, the expected claim amount is taken into consideration and premium limits are determined accordingly.

The relevant departments of the Company continuously monitor changing competitive conditions and customer needs. The Company uses the regular data flow from these departments and the interdepartmental collaboration in pricing, which is a part of the product development process.

The Company aims to establish pricing policies that ensure product profitability and service continuity.

The Company compares the prices it sets with those of its domestic competitors, as well as those of foreign counterparts.

The breakdown of the Company's premium production by product category in 2013 reveals that the share of variable universal and risk life insurance policies remained at the same level compared to last year. Variable universal life insurance policies continue to decline due to the lack of new production.

The Company's management is of the opinion that this trend had a positive impact on profitability ratios. Taking high profitability into consideration in product pricing practices is important in terms of safeguarding the Company's future.

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

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

Board of Directors' Annual Activity Report

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

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

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

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

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

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

The leading reinsurer in reinsurance agreements is the Munich-based Münchener Rückversicherungs AG (Munich RE). In terms of share in reinsurance agreements, the second-ranking reinsurer is Milli Reasürans T.A.Ş. (Milli Re). Other reinsurers with the same share are Reinsurance Group of America (RGA) based in Milan and the French reinsurer Scor Global Life. For life insurance products with unemployment coverage, the Company is also engaged in the reinsurance business with Istanbul-based Cardif Hayat Sigorta A.Ş., a BNP Paribas subsidiary, and with Scor Global Life.

7- Subsequent Events
There have not been any material events, which might affect the rights of shareholders, recipients or other individuals and companies, after the reporting period.
This report was prepared in compliance with the provisions of the "Regulation on Determination of Minimum Content of Companies' Annual Activity Reports," issued by the Ministry of Customs and Trade and published in the Official Gazette Issue: 28395, dated August 28, 2012; the report is approved and signed by the Company's Board Members whose names appear below.

S. Ergun Özen	**Gökhan Erün**	**Cemal Onaran**
Chairman of the Board of Directors	Vice Chairman of the Board of Directors	CEO Member of the Board of Directors

Garanti Emeklilik ve Hayat Anonim Şirketi

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2013

Translated into English from
The Original Turkish Report

Deloitte.

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GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of

Garanti Emeklilik ve Hayat A.Ş.

1. We have audited the accompanying financial statements of Garanti Emeklilik ve Hayat Anonim Şirketi ("the Company") which comprise the balance sheet as at 31 December 2013, and statement of income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued based on insurance laws and regulations. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditor's Opinion

4. In our opinion, the accompanying financial statements give a true and fair view of the financial position of Garanti Emeklilik ve Hayat Anonim Şirketi as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with the applicable accounting principles and standards issued (Note 2), based on insurance laws and regulations.
Additional paragraph for the English translation:

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

Istanbul, 28 February 2014

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

Müjde Şehsuvaroğlu
Partner

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

THE FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

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

Istanbul, 28 February 2014

Didem SAYIM Actuary	**Salih İLERİ** Financial Affairs Unit Manager
Ahmet KARAMAN Executive Vice President	**Cemal ONARAN** Member of the Board of Directors, General Manager

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ
BALANCE SHEET AS OF 31 DECEMBER 2013
(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

ASSETS

I- Current Assets	Note	Audited Current Period 31 December 2013	Audited Prior Period 31 December 2012
A- Cash and Cash Equivalents	**14**	**786.835.656**	**672.137.008**
1- Cash	14	48	48
2- Cheques Received		-	-
3- Banks	14	718.310.731	620.450.633
4- Cheques Given and Payment Orders (-)		-	-
5- Bank Guaranteed Credit Card Receivables (Less than 3 months)	14	66.948.255	51.686.327
6- Other Cash and Cash Equivalents	14,45	1.576.622	-
B- Financial Assets and Investments with Risks on Policy Holders	**11**	**123.056.814**	**82.938.137**
1- Financial Assets Available for Sale	11	69.591.784	14.088.769
2- Financial Assets Held to Maturity		-	-
3- Financial Assets Held for Trading	11	29.877.209	44.625.669
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Investments with Risks on Policy Holders	11	23.587.821	24.223.699
7- Equity Shares		-	-
8- Diminution in Value of Financial Assets (-)		-	-
C- Receivables from Main Operations	**12**	**4.342.294.297**	**3.410.867.880**
1- Receivables from Insurance Operations	12	74.938.128	71.518.466
2- Provision for Receivables from Insurance Operations (-)	12	(143.057)	(86.479)
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations (-)		-	-
5- Cash Deposited for Insurance & Reinsurance Companies		-	-
6- Loans to Policyholders	2.8,12	59.194	584.299
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Private Pension Operations	12,18	4.267.440.032	3.338.851.594
9- Doubtful Receivables from Main Operations		-	-
10- Provisions for Doubtful Receivables from Main Operations (-)		-	-
D- Due from Related Parties	**12,45**	**-**	**5.182.582**
1- Due from Shareholders	45	-	33.679
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties	45	-	5.148.903
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**	**6.817**	**45.403**
1- Lease Receivables		-	-
2- Unearned Lease Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables	12	6.817	45.403
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
F- Prepaid Expenses and Income Accruals		**41.099.897**	**35.944.595**
1- Deferred Acquisition Costs	17	40.923.032	35.789.280
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Prepaid Expenses		176.865	155.315
G- Other Current Assets		**4**	**478**
1- Inventories		-	-
2- Prepaid Taxes and Funds		4	478
3- Deferred Tax Assets		-	-
4- Business Advances		-	-
5- Advances Given to Personnel		-	-
6- Stock Count Differences		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		**5.293.293.485**	**4.207.116.083**

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

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ
BALANCE SHEET AS OF 31 DECEMBER 2013
(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

ASSETS

II- Non Current Assets	Note	Audited Current Period 31 December 2013	Audited Prior Period 31 December 2012
A- Receivables from Main Operations		**-**	**-**
1- Receivables from Insurance Operations		-	-
2- Provision for Receivables from Insurance Operations		-	-
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited for Insurance & Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Private Pension Operations		-	-
9- Doubtful Receivables from Main Operations		-	-
10-Provision for Doubtful Receivables from Main Operations		-	-
B- Due from Related Parties		**-**	**-**
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Discount on Receivables Due from Related Parties		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties		-	-
C- Other Receivables		**4.169**	**4.169**
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income		-	-
3- Guarantees Given		4.169	4.169
4- Other Receivables		-	-
5- Discount on Other Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
D- Financial Assets		**-**	**-**
1- Investments In Associates		-	-
2- Affiliates		-	-
3- Capital Commitments to Affiliates (-)		-	-
4- Subsidiaries		-	-
5- Capital Commitments to Subsidiaries (-)		-	-
6- Joint Ventures		-	-
7- Capital Commitments to Joint Ventures (-)		-	-
8- Financial Assets and Investments with Risks on Policy Holders		-	-
9- Other Financial Assets		-	-
10- Diminution in Value of Financial Assets (-)		-	-
E- Tangible Assets	**6**	**4.496.232**	**2.981.301**
1- Investment Properties		-	-
2- Diminution in Value for Investment Properties (-)		-	-
3- Owner Occupied Properties		-	-
4- Machinery and Equipment		-	-
5- Furnitures and Fixtures	6	10.120.021	9.214.680
6- Vehicles		-	-
7- Other Tangible Assets (Including Leasehold Improvements)	6	1.841.193	1.898.379
8- Leased Tangible Assets	6	168.464	168.464
9- Accumulated Depreciation (-)	6	(7.633.446)	(8.300.222)
10- Advances Paid for Tangible Assets (Including Construction In Progress)		-	-
F- Intangible Assets	**8**	**17.952.119**	**12.644.442**
1- Rights	8	334.371	334.371
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
6- Other Intangible Assets	8	60.874.049	46.605.698
7- Accumulated Amortization (-)	8	(43.256.301)	(34.295.627)
8- Advances Regarding Intangible Assets		-	-
G- Prepaid Expenses and Income Accruals		**-**	**-**
1- Deferred Acquisition Costs		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses		-	-
H- Other Non-current Assets	**21**	**2.855.019**	**1.112.001**
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21	2.855.019	1.112.001
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization		-	-
8- Provision for Other Non-current Assets		-	-
II- Total Non-current Assets		**25.307.539**	**16.741.913**
TOTAL ASSETS		**5.318.601.020**	**4.223.857.996**

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

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ
BALANCE SHEET AS OF 31 DECEMBER 2013
(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

LIABILITIES

III-Short Term Liabilities	Note	Audited Current Period 31 December 2013	Audited Prior Period 31 December 2012
A- Borrowings		**-**	**812.407**
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs		-	-
4- Current Portion of Long Term Borrowings		-	-
5- Principal, Installments and Interests on Issued Bills (Bonds)		-	-
6- Other Issued Financial Assets		-	-
7- Value Differences on Issued Financial Assets (-)		-	-
8- Other Financial Borrowings (Liabilities)	20,45	-	812.407
B- Payables from Main Operations	**19**	**4.336.230.338**	**3.398.421.509**
1- Payables Due To Insurance Operations	19	23.766.485	23.201.586
2- Payables Due To Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due To Private Pension Operations	18,19	4.312.463.853	3.375.219.923
5- Payables from Other Operations		-	-
6- Discount on Other Payables from Main Operations, Notes Payable (-)		-	-
C- Due to Related Parties		**2.342.638**	**5.888.688**
1- Due to Shareholders	45	342.188	121.814
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		46.923	34.902
6- Due to Other Related Parties	45	1.953.527	5.731.972
D- Other Payables	**19,47**	**5.010.329**	**1.104.554**
1- Guarantees and Deposits Received		-	-
2- Payables to Social Security Institution		-	-
3- Other Payables	19,47	5.010.329	1.104.554
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves	**17**	**168.890.121**	**163.209.776**
1- Unearned Premiums Reserve - Net	17	109.056.214	93.526.742
2- Unexpired Risk Reserves - Net		-	-
3- Life Mathematical Reserves - Net	17,18	12.930.577	27.481.052
4- Outstanding Claims Reserve - Net	17	46.903.330	42.201.982
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves – Net		-	-
F- Taxes and Other Liabilities and Provisions	**19**	**8.882.229**	**12.226.305**
1- Taxes and Dues Payable		2.836.034	2.596.190
2- Social Security Premiums Payable		908.311	864.269
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		-	-
5- Corporate Tax Liability Provision on Period Profit	19	36.334.916	33.492.771
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	19	(31.197.032)	(24.726.925)
7- Provisions for Other Taxes and Liabilities		-	-
G- Provisions for Other Risks	**23**	**1.141.093**	**1.048.284**
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs	23	1.141.093	1.048.284
H- Deferred Income and Expense Accruals	**19**	**6.341.716**	**5.385.796**
1- Deferred Commission Income	10,19	4.123.272	3.611.023
2- Expense Accruals	19	2.218.444	1.774.773
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		**4.528.838.464**	**3.588.097.319**

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

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ
BALANCE SHEET AS OF 31 DECEMBER 2013
(Amounts expressed in Turkish Lira (TL) unless otherwise stated)

LIABILITIES

IV- Long Term Liabilities	Note	Audited Current Period 31 December 2013	Audited Prior Period 31 December 2012
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**	**77.885.424**	**63.116.535**
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Life Mathematical Reserves - Net	17,18	70.536.922	57.799.004
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts – Net		-	-
6- Other Technical Reserves – Net	17	7.348.502	5.317.531
F- Other Liabilities and Provisions	**23**	**1.396.601**	**1.189.883**
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals	23	1.396.601	1.189.883
G- Provisions for Other Risks	**23**	**3.591.774**	**141.309**
1- Provision for Employment Termination Benefits	23	3.591.774	141.309
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		**82.873.799**	**64.447.727**

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

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ
BALANCE SHEET AS OF
31 DECEMBER 2013
(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

SHAREHOLDERS' EQUITY

V- Shareholders' Equity	Note	Audited Current Period 31 December 2013	Audited Prior Period 31 December 2012
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		**515.823.615**	**389.182.079**
1- Legal Reserves	15	10.000.000	10.000.000
2- Statutory Reserves		-	-
3- Extraordinary Reserves	15	505.609.640	378.770.696
4- Special Funds (Reserves)		-	-
5- Valuation of Financial Assets	11,15	213.975	411.383
6- Other Profit Reserves		-	-
D- Previous Years' Profits		**-**	**-**
1- Previous Years' Profits		-	-
E- Previous Years' Losses (-)		**-**	**-**
1- Previous Years' Losses		-	-
F- Net Profit of the Period		**137.980.697**	**129.046.426**
1- Net Profit of the Period		137.980.697	129.046.426
2- Net Loss of the Period		-	-
3- Nondistributed Net Profit of the Period		-	-
Total Shareholders' Equity		**706.888.757**	**571.312.950**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**5.318.601.020**	**4.223.857.996**

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

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ
INCOME STATEMENT FOR THE YEAR ENDED
31 DECEMBER 2013
(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

I-TECHNICAL PART	Note	Audited Prior Period (01/01/2013 - 31/12/2013)	Audited Prior Period (01/01/2012 - 31/12/2012)
A- Non-Life Technical Income		**1.441**	**3.664**
1- Earned Premiums (Net of Reinsurer Share)	17	1.441	3.664
1.1 - Premiums (Net of Reinsurer Share)	17	1.233	1.224
1.1.1 - Gross Premiums	17	1.233	1.224
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	208	2.440
1.2.1 - Unearned Premiums Reserve	17	208	2.440
1.2.2 - Reinsurance Share of Unearned Premiums Reserve		-	-
1.2.3- SSI Share of Gross Unearned Premiums Reserve (Net of Reserves Carried Forward)(+/-)		-	-
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)		-	-
1.3.1 - Unexpired Risks Reserve		-	-
1.3.2 - Reinsurance Share of Unexpired Risks Reserve		-	-
2- Investment Income Transferred from Non-Technical Part		-	-
3- Other Technical Income (Net of Reinsurer Share)		-	-
3.1 - Gross Other Technical Income		-	-
3.2 - Reinsurance Share of Other Technical Income		-	-
4. Accrued Subrogation and Sovtage Income (+)		-	-
B- Non-Life Technical Expense (-)		**(21.854)**	**(24.161)**
1- Total Claims (Net of Reinsurer Share)	17	2.318	(765)
1.1- Claims Paid (Net of Reinsurer Share)		-	-
1.1.1 - Gross Claims Paid		-	-
1.1.2 - Reinsurance Share of Claims Paid		-	-
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward)	17	2.318	(765)
1.2.1 - Outstanding Claims Reserve	17	2.318	(765)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve		-	-
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward)		-	-
2.1 - Bonus and Discount Reserve		-	-
2.2 - Reinsurance Share of Bonus and Discount Reserve		-	-
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
4- Operating Expenses (-)	32	(24.172)	(23.396)
5- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
5.1- Mathematical Reserves		-	-
5.2- Reinsurance Share in Mathematical Reserves (+)		-	-
6- Other Technical Expenses (-)		-	-
6.1- Gross Other Technical Expenses(-)		-	-
6.2- Reinsurance Share in Gross Other Technical Expenses (+)		-	-

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

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ
INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013
(Amounts expressed in Turkish Lira (TL) unless otherwise stated)

I-TECHNICAL INCOME	Note	Audited Current Period (01/01/2013 - 31/12/2013)	Audited Prior Period (01/01/2012 - 31/12/2012)
C- Non Life Technical Net Profit (A-B)		**(20.413)**	**(20.497)**
D- Life Technical Income		**258.104.417**	**207.567.462**
1- Earned Premiums (Net of Reinsurer Share)	17	241.545.052	197.127.412
1.1 - Premiums (Net of Reinsurer Share)	17	257.074.731	233.056.168
1.1.1 - Gross Premiums (+)	17	298.108.201	262.853.846
1.1.2 - Ceded Premiums to Reinsurers (-)	10, 17	(41.033.470)	(29.797.678)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	17	(15.529.679)	(35.928.756)
1.2.1 - Unearned Premiums Reserve (-)		(16.277.939)	(7.380.473)
1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+)	10	748.260	(28.548.283)
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		16.434.761	10.319.080
3- Accrued (Unrealized) Income from Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)		124.604	120.970
4.1- Gross Other Technical Income (+/-)		124.604	120.970
4.2- Reinsurance Share in Gross Other Technical Income (+)		-	-
5- Accrued Subrogation Income (+)		-	-
E- Life Technical Expense		**(147.054.374)**	**(128.357.856)**
1- Total Claims (Net of Reinsurer Share)	17	(53.166.314)	(59.183.558)
1.1- Claims Paid (Net of Reinsurer Share)	17	(48.462.647)	(33.752.091)
1.1.1- Gross Claims Paid (-)	17	(74.110.253)	(55.463.242)
1.1.2- Reinsurance Share of Claims Paid (+)	10, 17	25.647.606	21.711.151
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17	(4.703.667)	(25.431.467)
1.2.1- Outstanding Claims Reserve (-)	17	(4.088.442)	(31.179.666)
1.2.2- Reinsurance Share of Outstanding Claims Reserve (+)	10, 17	(615.225)	5.748.199
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	80.563
2.1- Bonus and Discount Reserve (-)		-	80.563
2.2- Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3- Changes in Life Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		(57.194)	(2.838.138)
3.1- Life Mathematical Reserves		(57.194)	(2.838.138)
3.1.1- Actuarial Mathematical Reserve (+/-)		(57.194)	(2.838.138)
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) (+/-)		(2.030.971)	(1.783.488)
5- Operating Expenses	32	(85.425.119)	(64.285.945)
6- Investment Expenses		-	-
7- Unrealized Losses from Investments (-)		-	-
8- Investment Income Transferred to Non Technical Divisions (-)		(6.374.776)	(347.290)

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

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ
INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013
(Amounts expressed in Turkish Lira (TL) unless otherwise stated)

I-TECHNICAL PART	Note	Audited Current Period (01/01/2013 - 31/12/2013)	Prior Period (01/01/2012 - 31/12/2012)
F- Life Technical Profit/ (Loss) (D – E)		**111.050.043**	**79.209.606**
G- Private Retirement Technical Income	25	**110.240.462**	**109.666.848**
1- Fund Management Fee		62.680.304	53.523.594
2- Management Fee Deduction		14.345.311	24.297.142
3- Entrance Fee Income		30.280.404	31.841.631
4- Management Fee In Case of Temporary Suspension		2.895.694	-
5- Witholding Tax		-	-
6- Increase in Market Value of Capital Commitment Advances		38.212	-
7- Other Technical Income		537	4.481
H- Private Retirement Technical Expenses		**(84.333.105)**	**(68.806.579)**
1- Fund Management Expenses (-)		(5.437.249)	(8.581.216)
2- Decrease in Market Value of Capital Commitment Advances (-)		-	-
3- Operating Expenses (-)	32	(72.934.313)	(54.343.964)
4- Other Technical Expenses (-)		(5.961.543)	(5.881.399)
I- Private Retirement Technical Profit/(Loss) (G – H)		**25.907.357**	**40.860.269**

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

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

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

II-NON-TECHNICAL	Note	Audited Current Period (01/01/2013 - 31/12/2013)	Audited Prior Period (01/01/2012 - 31/12/2012)
C- Non Life Technical Net Profit (A-B)		**(20.413)**	**(20.497)**
F- Life Technical Profit/ (Loss) (D – E)		**111.050.043**	**79.209.606**
I- Private Pension Technical Profit/(Loss) (G – H)		**25.907.357**	**40.860.269**
J- General Technical Net Profit (C+F+I)		**136.936.987**	**120.049.378**
K- Investment Income		**58.257.533**	**50.652.773**
1- Income from Financial Investments		40.373.586	43.767.091
2- Income from Sale of Financial Investments		1.802.813	457.838
3- Valuation of Financial Investments		6.304.849	5.411.589
4- Foreign Exchange Gains		3.401.509	668.965
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		6.374.776	347.290
L- Investment Expenses (-)		**(16.538.848)**	**(9.971.383)**
1- Investment Management Expenses (Including Interest)		(53.153)	(107.130)
2- Valuation Allowance of Investments		-	-
3- Losses On Sales of Investments		(2.392.951)	(228.374)
4- Investment Income Transferred to Life Technical Part		-	-
5- Losses from Derivatives		-	-
6- Foreign Exchange Losses		(2.940.410)	(659.080)
7- Depreciation and Amortization Expenses	6, 8	(10.245.595)	(8.948.662)
8- Other Investment Expenses		(906.739)	(28.137)
M- Other Income and Expenses (+/-)		**(4.340.059)**	**1.808.429**
1- Provisions Account	47	(4.088.503)	(352.606)
2- Discount Account		(186.354)	489.247
3- Specialty Insurances Account		-	-
4- Inflation Adjustment Account		-	-
5- Deferred Tax Asset Accounts	21, 35	-	572.804
6- Deferred Tax Liability Accounts		1.141.795	-
7- Other Income and Revenues		374.274	3.491.775
8- Other Expense and Losses	47	(1.581.271)	(2.392.791)
9- Prior Period Income		-	-
10- Prior Period Losses		-	-
N- Net Profit / (Loss)		**137.980.697**	**129.046.426**
1- Profit /(Loss) Before Tax		174.315.613	162.539.197
2- Corporate Tax Charge (-)	35	(36.334.916)	(33.492.771)
3- Net Profit /(Loss) for the Period		137.980.697	129.046.426
4- Inflation Adjustment Account		-	-

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

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

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

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ
SHAREHOLDERS' EQUITY MOVEMENTTL

Audited PRIOR PERIOD	Notes	Capital	Treasury Shares	Valuation of Financial Assets	Inflation Adjustment on Shareholders' Equity	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit (Loss) for the Period	Previous Years' Profits/ Losses	Total
I - Closing Balance of Prior Period (01/01/2012)	15	50.000.000	-	274.386	3.084.445	-	10.000.000	-	266.164.169	112.606.527	-	442.129.527
A- Capital increase		-	-	-	-	-	-	-	-	-	-	-
1-Cash		-	-	-	-	-	-	-	-	-	-	-
2- Internal sources		-	-	-	-	-	-	-	-	-	-	-
B- Change in treasury shares		-	-	-	-	-	-	-	-	-	-	-
C- Income / (expense) recognized directly in the equity		-	-	-	-	-	-	-	-	-	-	-
D- Value increase/(decrease) in financial assets		-	-	136.997	-	-	-	-	-	-	-	136.997
E- Translation reserves		-	-	-	-	-	-	-	-	-	-	-
F- Other income / (expenses)		-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period		-	-	-	-	-	-	-	-	129.046.426	-	129.046.426-
I- Dividends distributed		-	-	-	-	-	-	-	-	-	-	-
J- Transfer		-	-	-	-	-	-	-	112.606.527	(112.606.527)	-	-
II - Closing Balance at 31/12/2012 (I+A+B+C+D+E+F+G+H+I+J)		50.000.000	-	411.383	3.084.445	-	10.000.000	-	378.770.696	129.046.426	-	571.312.950

TL

Audited CURRENT PERIOD	Notes	Capital	Treasury Shares	Valuation of Financial Assets	Inflation Adjustment on Shareholders' Equity	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit (Loss) for the Period	Previous Years' Profits/ Losses	Total
I - Closing Balance of Prior Period (01/01/2013)	15	50.000.000	-	411.383	3.084.445	-	10.000.000	-	378.770.696	129.046.426	-	571.312.950
A- Capital increase		-	-	-	-	-	-	-	-	-	-	-
1-Cash		-	-	-	-	-	-	-	-	-	-	-
2- Internal sources		-	-	-	-	-	-	-	-	-	-	-
B- Change in treasury shares		-	-	-	-	-	-	-	-	-	-	-
C- Income / (expense) recognized directly in the equity		-	-	-	-	-	-	-	-	-	-	-
D- Value increase/(decrease) in financial assets		-	-	(197.408)	-	-	-	-	-	-	-	(197.408)
E- Translation reserves		-	-	-	-	-	-	-	-	-	-	-
F- Other income / (expenses)	23	-	-	-	-	-	-	-	-	-	(2.207.482)	(2.207.482)
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period		-	-	-	-	-	-	-	-	137.980.697	-	137.980.697
I- Dividends distributed		-	-	-	-	-	-	-	-	-	-	-
J- Transfer		-	-	-	-	-	-	-	126.838.944	(129.046.426)	2.207.482	-
II - Closing Balance at 31/12/2013 (I+A+B+C+D+E+F+G+H+I+J)		50.000.000	-	213.975	3.084.445	-	10.000.000	-	505.609.640	137.980.697	-	706.888.757

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

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013
(Amounts expressed in Turkish Lira (TL) unless otherwise stated)

	Note	Audited Current Period (01/01/2013- 31/12/2013)	Audited Current Period (01/01/2012- 31/12/2012)
A. CASH FLOWS FROM THE OPERATING ACTIVITIES			
1. Cash inflows from the insurance operations		285.124.980	221.238.601
2. Cash inflows from the reinsurance operations		-	-
3. Cash inflows from the private pension operations		110.240.462	109.666.848
4. Cash outflows due to the insurance operations (-)		(161.009.220)	(111.315.732)
5. Cash outflows due to the reinsurance operations (-)		-	-
6. Cash outflows due to the private pension operations (-)		(78.718.899)	(26.165.564)
7. Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)		**155.637.323**	**193.424.153**
8. Interest payments		-	-
9. Income tax payments		(39.962.878)	(32.923.712)
10. Other cash inflows		16.956.606	10.338.527
11. Other cash outflows		(14.691.922)	(12.654.353)
12. Net cash generated from the operating activities		**117.939.129**	**158.184.615**
B. CASH FLOWS FROM THE INVESTING ACTIVITIES			
1. Sale of tangible assets		-	-
2. Purchase of tangible assets	6	(2.800.796)	(1.180.346)
3. Acquisition of financial assets		(282.762.777)	(159.838.094)
4. Sale of financial assets		239.989.950	133.964.534
5. Interest received		49.247.939	46.474.371
6. Dividends received		-	-
7. Other cash inflows		9.776.285	805.962
8. Other cash outflows (-)		(15.311.233)	(10.999.837)
9. Net cash generated from the investing activities		**(1.860.632)**	**9.226.591**
C. CASH FLOWS FROM THE FINANCING ACTIVITIES			
1. Issue of equity shares		-	-
2. Cash inflows from borrowings		(812.407)	812.407
3. Payments of financial leases		-	-
4. Dividends paid		-	-
5. Other cash inflows		-	-
6. Other cash outflows		-	-
7. Cash generated from the financing activities		**(812.407)**	**812.407**
D. EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS		**(2.208.141)**	**742.593**
E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)		**113.057.949**	**168.966.206**
F. Cash and cash equivalents at the beginning of the period	14	**666.109.761**	**497.143.555**
G. Cash and cash equivalents at the end of the period (E+F)	14	**779.167.710**	**666.109.761**

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

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ
STATEMENT OF PROFIT DISTRIBUTION AS OF 31 DECEMBER 2013
(Amounts expressed in Turkish Lira (TL) unless otherwise stated)

	Note	AUDITED Current Period (31/12/2013) (*)	AUDITED Prior Period (31/12/2012)
I. DISTRIBUTION OF PROFIT FOR THE PERIOD			
1.1. PRFIT FOR THE PERIOD		174.315.613	162.539.197
1.2. TAXES PAYABLE AND LEGAL LIABILITIES		(36.334.916)	(33.492.771)
1.2.1. Corporate Tax (Income Tax)		(36.334.916)	(33.492.771)
1.2.2. Income Tax Deduction		-	-
1.2.3. Other Taxes And Legal Liabilities		-	-
A NET PROFIT FOR THE PERIOD (1.1 – 1.2)		**137.980.697**	**129.046.426**
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)]"		**137.980.697**	**129.046.426**
1.6. FIRST DIVIDENDS TO SHAREHOLDERS (-)		-	-
1.6.1. To Holders of Ordinary Shares		-	-
1.6.2. To Holders of Preferred Shares		-	-
1.6.3 To Holders Of Participating Redeemed Shares		-	-
1.6.4 To Holders of Bonds Participating to Profit		-	-
1.6.5 To Holders of Profit and Loss Sharing Certificates		-	-
1.7. DIVIDENDS TO PERSONNEL (-)		-	-
1.8. DIVIDENDS TO FOUNDERS (-)		-	-
1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.10. SECOND DIVIDENDS TO SHAREHOLDERS (-)		-	-
1.10.1. To Holders of Ordinary Shares		-	-
1.10.2. To Holders of Preferred Shares		-	-
1.10.3. To Holders Of Participating Redeemed Shares		-	-
1.10.4. To Holders of Bonds Participating to Profit		-	-
1.10.5. To Holders of Profit and Loss Sharing Certificates		-	-
1.11. SECOND LEGAL RESERVE (-)		-	-
1.12. STATUTORY RESERVES (-)		-	-
1.13. EXTRAORDINARY RESERVES		-	-
1.14 OTHER RESERVES		-	-
1.15 SPECIAL FUNDS		-	-
II. DISTRIBUTION FROM RESERVES		**-**	**-**
2.1. DISTRIBUTED RESERVES		-	-
2.2. SECOND LEGAL RESERVE (-)		-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.3.1. To Holders of Ordinary Shares		-	-
2.3.2 To Holders of Preferred Shares		-	-
2.3.3. To Holders Of Participating Redeemed Shares		-	-
2.3.4 To Holders of Bonds Participating to Profit		-	-
2.3.5 To Holders of Profit and Loss Sharing Certificates		-	-
2.4. DIVIDENDS TO EMPLOYEES (-)		-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III. PROFIT PER SHARE		**-**	**-**
3.1. TO OWNERS OF ORDINARY SHARES		-	-
3.2. TO OWNERS OF ORDINARY SHARES (%)		-	-
3.3. TO OWNERS OF PREFERRED SHARES		-	-
3.4. TO OWNERS OF PREFERRED SHARES (%)		-	-
IV. DIVIDENDS PER SHARE		**-**	**-**
4.1. OWNERS OF ORDINARY SHARES		-	-
4.2. TO OWNERS OF ORDINARY SHARES (%)		-	-
4.3. TO OWNERS OF PREFERRED SHARES		-	-
4.4. TO OWNERS OF PREFERRED SHARES (%)		-	-

(*) As the statement of profit distribution to be authorized by the General Assembly is not determined by the Board of Directors, only the net profit available for distribution is presented in the statement of profit distribution for the year 2013

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

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013
(Amounts expressed in Turkish Lira (TL) unless otherwise stated).

1. General information

1.1 Parent Company and the Ultimate Owner of the Company

As at 31 December 2013, the shareholder having direct or indirect control over the shares of Garanti Emeklilik ve Hayat Anonim Şirketi ("the Company") is Türkiye Garanti Bankası AŞ ("Garantibank") by %84,91 of the outstanding shares of the Company. Other shareholder having significant influence over the Company management is Achmea BV, Netherlands based Company, by %15,00 participation ratio.

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

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

1.3 Main Operations of the Company

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

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

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

As a result of the Board of Directors decision dated 17 December 2012, 3 funds (Garanti Hayat ve Emeklilik A.Ş. Gold, Contribution and Alternative Contribution Pension Mutual Fund), with the decision of the Board of Directors dated 20 March 2013, 1 fund (Garanti Hayat ve Emeklilik A.Ş. Alternative Standard Pension Mutual Fund) with the permission of the Capital Markets Board 4 total pension funds have been established. These funds are managed by Garanti Asset Management A.Ş. according to the Fund Portfolio Management Service Agreement signed between the parties. During the establishment phase of Garanti Hayat ve Emeklilik A.Ş. Gold Pension Mutual Fund, Company made capital allocation a total of TL 500,000 to this branch.

As of 31 December 2013, the Company has twenty one pension investment funds in total (As at 31 December 2012: Sixteen pension investment funds in total).

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

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

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013
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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:

	2013	2012
Key management personnel	6	6
Other personnel	892	867
Total	**898**	**873**

1.6 Remuneration and fringe benefits provided to top management

As of 31 December 2013, 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 4.586.410 (31 December 2012: TL 4.656.408).

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)

Operating expenses that can be distinguished and is documented are directly recorded under life, non-life or private pension segments in accordance with 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" dated 4 January 2008 and numbered 2008/1 numbered 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 profit and loss from non-technical profit and loss.

Income from the assets invested against mathematical and profit sharing provisions is recorded under technical profit and loss, remaining income is transferred to the non-technical profit and loss.

1.8 Stand-alone or consolidated financial statements

The accompanying financial statements comprise only the financial information of the Company. As further detailed in Note 2.2, the Company has not prepared consolidated financial statements as at and for the year ended 31 December 2013.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013
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1.9 Name and other information of the reporting company and subsequent changes to the prior balance sheet date

Trade name of the Company : Garanti Emeklilik ve Hayat Anonim Şirketi
Registered address of the head office : Mete Cad. No:30 Taksim/İstanbul
The web page of the Company : www.garantiemeklilik.com.tr
There is no change in the aforementioned information subsequent to the balance sheet date.

1.10 Subsequent events

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

2 Summary of Significant Accounting Policies

2.1 Basis of Preparation

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

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

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

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

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

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

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013
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2.1.2 Other accounting policies appropriate for the understanding of the financial statements

Preparation of Financial Statements in Hyperinflationary Periods

With respect to the 4 April 2005 dated and 19387 numbered declaration of the Turkish Treasury, the Company restated its financial statements as at 31 December 2004 and prepared opening balances of the financial statements of 2005 in accordance with the "Restatement of Financial Statements in Hyperinflationary Periods" of the Capital Markets Board ("CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Market" published in the Official Gazette dated 15 January 2003 and numbered 25290. Inflation accounting is no longer applied starting from 1 January 2005, in accordance with the same declaration of the Turkish Treasury.

Other accounting policies

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

2.1.3 Functional and presentation currency

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

2.1.4 Rounding level of the amounts presented in the financial statements

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

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

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

2.1.6 Accounting policies, changes in accounting estimates and errors

a. Amendments to IFRS's affecting amounts reported in the financial statements.

IAS 19 Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to IAS 19 require retrospective application.

As of 31 December 2013, when preparing the impact of IAS 19, Company's management evaluated retrospectively; the impact of actuarial gains and losses for the year 2012 consists of a set of financial statements is insignificant for the year 2012 and there has not been any change in the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013
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b. New and Revised IFRSs applied with no material effect on the consolidated financial statements

Amendments to IAS *1 Presentation of Items of Other Comprehensive Income*

The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011)

Key requirements of these five Standards are described below.

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-12 *Consolidation - Special Purpose Entities* will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures.* IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

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NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013
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In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

IFRS 13 ***Fair Value Measurement***

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy required for financial instruments only under IFRS 7 Financial Instruments: Disclosures are extended by IFRS 13 to cover all assets and liabilities within its scope.

Amendments to IAS 1 *Presentation of Financial Statements* (as part of the *Annual Improvements to IFRSs 2009-2011* Cycle issued in May 2012)

The amendments to IAS 1 as part of the Annual Improvements to 2009-2011 Cycle are effective for the annual periods beginning on or after 1 January 2013.

IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

Amendments to IFRS 7 *Offsetting Financial Assets and Financial Liabilities and the related disclosures*

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

Annual Improvements to 2009 - 2011 Cycle issued in May 2012

- Amendments to IAS 16 *Property, Plant and Equipment;*
-
- Amendments to IAS 32 *Financial Instruments: Presentation; and*
-
- Amendments to IAS 34 *Interim Financial Reporting.*

Amendments to IAS 16

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The amendments to IAS 16 did not have a significant effect on the Group's consolidated financial statements.

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NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2013
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Amendments to IAS 32

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes. The amendments to IAS 32 did not have a significant effect on the Group's consolidated financial statements.

Amendments to IAS 34

The amendments to IAS 34 clarify that disclosure of the total assets and total liabilities for a particular reportable segment is only required if a measure of total assets or total liabilities (or both) is regularly provided to the chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The amendments to IAS 34 did not have an effect on the Group's consolidated financial statements.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (production stripping costs). Under the Interpretation, the costs from this waste removal activity (stripping) which provide improved access to ore is recognized as a non-current asset (stripping activity asset) when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with IAS 2 Inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

IFRIC 20 is effective for annual periods beginning on or after 1 January 2013. Specific transitional provisions are provided to entities that apply IFRIC 20 for the first time. However, IFRIC 20 must be applied to production stripping costs incurred on or after the beginning of the earliest period presented. The Group management anticipates that IFRIC 20 will have no effect to the Group's financial statements as the Group does not engage in such activities.

c. New and revised IFRSs in issue but not yet effective

IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 9 and IFRS 7	*Mandatory Effective Date of IFRS 9 and Transition Disclosures*[2]
Amendments to IFRS 10, 11, IAS 27	*Investment Entities*[1]
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to IAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*[1]
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21 Levies[1]	

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 January 2015

2.2 Consolidation

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

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2.3 Segment reporting

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

2.4 Reserves in Foreign Currencies

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

2.5 Property, Plant and Equipment

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

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

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

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

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

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

Depreciation rates and estimated useful lives are as follows:

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

2.6 Investment Properties

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

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2.7 Intangible assets

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

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

2.8 Financial assets

Classification and measurement

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

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

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

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

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

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

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

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

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

Securities are recognized at the date of settlement.

Specific instruments

Loans to the policyholders are the securitized loans that are used by the policyholders with the security of their saving life insurance policies that have made premium payments throughout the period that is determined by the technical bases related to certified tariffs of saving life policies (this period is 3 years according to general conditions of life insurance). As at 31 December 2013, total amount of loans to the policyholders amounts to TL 59.194 (31 December 2012: TL 584.299).

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 2013, 95% of the difference between fair values and amortized costs of those assets backing liabilities amounted to TL 2.027.096 (31 December 2012: TL 3.896.847) 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.

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2.9 Impairment on assets

Impairment on financial assets

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

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

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

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

Impairment on tangible and intangible assets

On each balance sheet date, the Company evaluates whether there is an indication of impairment of fixed assets. If there is an objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the IAS 36 – Impairment of Assets and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

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

2.10 Derivative financial instruments

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

2.11 Offsetting of financial assets

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

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

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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 Capital

As at 31 December 2013, the shareholder having direct or indirect control over the shares of Garanti Emeklilik ve Hayat Anonim Şirketi ("the Company") is Türkiye Garanti Bankası AŞ ("Garantibank") by %84,91 of the outstanding shares of the Company. Other shareholder having significant influence over the Company management is Achmea BV, Netherlands based company, by %15,00 participation ratio.

As at 31 December 2013 and 2012, the share capital and ownership structure of the Company are as follows:

Name	31 December 2013		31 December 2012	
	Nominal Value of the Shares (TL)	Percentage (%)	Nominal Value of the Shares (TL)	Percentage (%)
Türkiye Garanti Bankası A.Ş.	42.456.190	84,91	42.456.190	84,91
Achmea BV	7.500.000	15,00	7.500.000	15,00
Other	43.810	0,09	43.810	0,09
Paid-in Capital	**50.000.000**	**100,00**	**50.000.000**	**100,00**

Sources of the capital increases during the year: None.
Privileges on common shares representing share capital: None.
Registered capital system in the Company: None.
Repurchased own shares by the Company: None.

2.14 Insurance and investment contracts – classification

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

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

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

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2.15 Insurance contracts and investment contracts with discretionary participation feature

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

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

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

2.16 Investment contracts without DPF

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

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

2.17 Liabilities

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

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

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2.18 Income taxes

Corporate tax

Statutory income is subject to corporate tax at 20%. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. The withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

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

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

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

Deferred taxes

In accordance with IAS 12 – Income taxes, deferred tax assets and liabilities are recognized on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

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

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

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Transfer pricing

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

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

2.19 Employee benefits

Employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2013 is TL 3.254 (31 December 2012: TL 3.125).

The Company reserved for employee severance indemnities using actuarial method in compliance with the IAS 19 – Employee Benefits. The major actuarial assumptions used in the calculation of the total liability as at 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013	31 December 2012
Interest Rate	7,03%	7,03%
Expected Rate of Salary/Limit Increase	5,00%	5,00%
Discount Rate	1,93%	1,93%

Other benefits to employees

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

Provisions, contingent assets and liabilities

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

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

2.20 Revenue recognition

Written premiums

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

Commission income and expense

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

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

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

Interest income and expense

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

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

Trading income/expense

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

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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.

Management fee is levied on contributions of the participants up to %8 and recognized as income.

Entrance fees are received by the Company from participants during entry into the system and for the opening of a new private pension account. Entrance fees charged to the participants could not be higher than minimum wage that is valid on the date of the contract. In Practice and SME plans, a portion of entrance fees are collected in advance or by 12 installments and a portion of it is deferred on the condition that it does not exceed 5 years. In Prestige, Select and Garanti e-pension plans, entry fee is not taken during the entry but deferred to exit. In case where the participants leave the Company before 5 years, staying period, the deferred portion of the entry fee is charged as penalty. Hence, deferred portions of entry fees are accepted as contingent assets and are not recognized in the financial statements.

The difference in value of the pension investment fund shares, obtained due to capital advance on the date of establishment, to the date of selling of those shares to the participants is recorded in the income statement as "increase in value of capital allowances given as advances".

As of 1 January 2013, Citizens of the Turkish Republic and "Blue Card" owners (except participants whose payments done by employer) which pay a contribution to individual or group private pension contracts can benefit from the state contribution within the limits defined according to the Legislation of State Contribution issued as of 29 December 2012. State contribution is calculated as 25%, which is limited to sum of the gross minimum wage of contributions paid on behalf of the participants of the related.

2.21 Leasing transactions

The maximum period of the lease contracts is 4 years. Tangible assets acquired by way of finance leasing are recognized in tangible assets and the obligations under finance leases arising from the lease contracts are presented under finance lease payables account in the financial statements. In the determination of the related assets and liabilities, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs of leasing agreements are expanded in lease periods at a fixed interest rate.

If there is impairment in the value of the assets obtained through financial lease and in the expected future benefits, the leased assets are valued with net realizable value. Depreciation for assets obtained through financial lease is calculated in the same manner as tangible assets.

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

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

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2.20 Dividend distribution

In the Ordinary General Meeting held on 25 March 2013, it has been resolved to transfer the net profit for the year 2012 to reserves instead of distributing as dividend.

2.21 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.

2.22 Reserve for unexpired risks

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

If the estimated claim premium ratio exceeds 95% in future periods for the estimated claim premium ratio of insurance branches, the amount calculated multiplying ratio exceeding 95% by net unearned premiums reserve is called net provision for unexpired risk reserve, and the amount calculated multiplying ratio exceeding 95% by gross unearned premiums reserve is called gross provision for unexpired risk reserve. As at 31 December 2013 and 31 December 2012, related test have not resulted any deficiency in the premiums of the Company.

2.23 Outstanding claims reserve

Outstanding claims reserve is provided for outstanding claims incurred and calculated but not actually paid in prior or current period, or outstanding claims for which the related amount is not calculated, carried at estimated value incurred but not reported.

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

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

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

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

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

Accordingly, as of 31 December 2013, the Company has provided TL 9.083.694 of net outstanding claims provision in relation to incurred but not reported claims in its financial statements (31 December 2012: TL 9.083.694).

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

Also, the Company's actuary can eliminate significant claims for branches having a total number of insurance files related to the main branch, excluding life branch, not exceeding 1/1000 or below, as well as for branches having less than 300 claims files under the Circular No: 2010-12. Therefore, companies are required to prepare their gross outstanding claims adequacy tables in terms of branches at each period-end based on the format determined by the Undersecretariat. For these branches, outstanding claims adequacy table is prepared for the following period. As of 31 December 2013, the Company is not required to provide any additional provisions in relation to outstanding adequacy testing performed at each period-end (31 December 2012: None).

2.26 Mathematical provisions

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

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

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

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

2.27 Equalization reserves

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

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:2012/1, "The Circular on the Use of Equalization Reserve and Additional Information about some other Circulars", it is possible to use the equalization reserve provided for catastrophic claims on the reimbursement of catastrophic claims. Additionally, it is possible to net off the outstanding claims provided, based on expertise report or the documents provided from legal authorities in case of catastrophe, from the equalization reserve. However, the related net off should not be done from current year equalization reserve. Besides, incurred catastrophic claims should be recorded to related technical accounts that incurred catastrophic claims covered from the equalization reserve should be debited from balance sheet account of equalization reserve and credited to the changes in other technical reserves account. On the other hand, it is possible to not to include paid catastrophic claims provided from the equalization reserve to the calculation of IBNR.

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

2.28 Related parties

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

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2.29 Earnings per share

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

2.30 Subsequent events

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

2.31 Comparative Information and Restatement of Prior Period Financial Statements

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

3 Critical accounting estimates and judgments in applying accounting policies

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

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

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

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

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

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4 Management of insurance and financial risk

4.1 Management of insurance risk

Pricing policies

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

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

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

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

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

	31 December 2013		31 December 2012	
	Insurance risk (TL)	Unit	Insurance risk (TL)	Unit
Death	31.367.900.217	2.655.382	27.795.918.976	2.570.902
Disability due to accident	21.069.021.652	2.385.193	18.727.271.598	2.315.842
Disability due to illness	1.794.971.360	227.782	1.404.797.268	313.069
Critical illness	2.115.325.392	85.002	1.862.949.792	80.831
Treatment costs due to accident	2.560.568.934	1.394.482	2.301.460.518	1.218.093
Involuntary unemployment	271.262.864	201.410	296.523.944	284.600
Death due to accident	367.174.515	7.769	222.889.741	5.570
Unemployment/Daily hospital benefit	173.528.109	877.314	99.325.755	377.506
Permanent disability benefit	459.750	1.643	2.875.250	10.633
Unemployment/ Temporary disability benefit	16.855.493	832	23.813.973	1.538

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

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Risk evaluation policies

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

Medical risk assessment

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

Moral risk assessment

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

Financial risk assessment

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

Operational risk management

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

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

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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
iv) Capacity provided for facultative and un-proportional (catastrophic) reinsurance contracts.
v) Opportunities and information provided in risk assessment process, product development, trainings, information about new developments in the sector and etc.

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

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

Münchener Rückversicherungs AG ("Munich Re"), located in Munich, is the leader reinsurance firm of the Company for life insurance policies. Milli Reasürans TAŞ ("Milli Re") is the second reinsurance firm in terms of its reinsurance share. The third big reinsurance firm is Scor Global Company. Fourth reinsurance firm is RGA and fifth reinsurance firm is Genworth.

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

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

	Standard & Poors			AM Best		
Reinsurer	Rating	Outlook	Date	Rating	Outlook	Date
Munich Re	AA-	Stable	22 December 2006	A+	Stable	7 September 2007
Milli Re	trAA+	12 July 2013	B+	Negative	5 April 2013	
Scor Global Re	A +	Stable	21 November 2013	A	Stable	15 March 2012
RGA	AA-	Stable	2004-	A+	Positive	2004-
BNP Paribas Cardif	AA	Negative	25 January 2010	A+	Positive	22 March 2011-
Genworth	A-	17 October 2013	A	-	17 September 2013	

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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.

Credit risk

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

- cash at banks
- other cash and cash equivalents
- available for sale financial assets
- financial assets held for trading
- investments with risks on policyholders
- premium receivables from policyholders
- receivables from intermediaries (agencies)
- receivables from private pension operations; receivables from pension investment funds and participants
- receivables from reinsurance companies related to claims paid and commissions accrued
- reinsurance shares of insurance liabilities
- due from related parties
- other receivables

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

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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 2013	31 December 2012
Receivables from main operations (Note 12)	4.342.294.297	3.410.867.880
Cash and cash equivalents (Note 14)	786.835.656	672.137.008
Financial assets and financial investments with risks on policyholders (Note 11)	123.056.814	82.938.137
Reinsurer share in outstanding claims reserve (Note 10), (Note 17)	13.541.924	14.157.149
Due from related parties (Note 12)	-	5.182.582
Other receivables	10.986	49.572
Total	**5.265.739.677**	**4.185.332.328**

As at 31 December 2013 and 2012, the aging of the receivables from main operations is as follows:

	31 December 2013		31 December 2012	
	Gross amount	Provision	Gross amount	Provision
Not past due	4.319.959.836	-	3.388.801.151	-
Past due 0-30 days	13.792.516	-	13.718.056	-
Past due 31-60 days	952.117	-	638.598	-
Past due 61-180 days (*)	1.430.720	(3.258.649)	1.528.582	(217.361)
Past due 181-365 days	1.815.109	(143.057)	1.305.417	(86.479)
More than one year	7.745.705	-	5.179.916	-
Total	**4.345.696.003**	**(3.401.706)**	**3.411.171.720**	**(303.840)**

(*) Provision for the impairment of entrance fees which could not be collected yet and other receivables related to the pension operations amounted to TL 3.258.649 (31 December 2012: TL 217.361) , presented as netted off from receivables from private pension operations in the accompanying financial statements.

The Company cancels any life premiums that are accrued but not collected within a certain period of time, and deducts them from the premium income and from the receivables from insurance activities.

The Company books provision for the portion of entry fee receivables which is accrued during the entry and will be collected in maximum 12 installments. This portion consists of accumulated participant amount of the participants and amount that can not be offset.

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

	1 January – 31 December 2013	1 January– 31 December 2012
Provision for receivables from insurance and private pension operations at the beginning of the year	(303.840)	(238.902)
Provision (provided) / released during the year	(3.097.866)	(64.938)
Provision for receivables from insurance and private pension operations at the end of the year	**(3.401.706)**	**(303.840)**

Liquidity risk

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

Management of the Liquidity Risk

The Company considers the maturity match between asset and liabilities for the purpose of avoiding liquidity risk and ensure that it will always have sufficient liquidity to meet its liabilities when due.

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

31 December 2013	Carrying value	Unallocated	No Maturity	Up to1 month	1 to 3 Month	3 to 6 month	6 to 12 month	More thanyear
Cash and cash equivalents	786.835.656	-	4.315.209	193.700.166	136.101.658	225.022.432	227.696.191	-
Financial assets and financial investments with risks on policyholders	123.056.814	263.221	-	21.378.407	5.886.482	29.496.259	11.943.085	54.089.360
Receivables from main operations	4.342.294.295	4.251.616.620	-	28.939.179	32.601.034	17.766.783	11.370.639	40
Due from related parties	-	-	-	-	-	-	-	-
Other receivables	6.817	-	-	6.817	-	-	-	-
Prepaid expenses and income accruals	41.099.897	-	-	6.566.164	11.091.991	12.953.918	10.487.824	-
Other current assets	4	-	-	--	4	-	-	-
Deferred tax asset	2.855.019	2.855.019	-	-	-	-	-	-
Deposits and guarantees given	4.169	-	-	-	-	-	-	4.169-
Tangible assets	4.496.233	4.496.233	-	- -	-	-	-	-
Intangible assets	17.952.118	17.952.118	-	- -	-	-	-	-
Total assets	**5.318.601.023**	**4.277.183.211**	**4.315.209**	**250.590.733**	**185.681.169**	**285.239.392**	**261.497.739**	**54.093.570**
Financial liabilities	-	-	-	-	-	-	-	-
Payables arising from main operations	4.336.230.338	4.249.572.896	-	72.217.895	6.750.074	5.641.604	2.047.869	-
Due to related parties	2.342.638	-	-	2.342.638	-	-	-	-
Other liabilities	5.010.329	-	-	5.010.329	-	-	-	-
Insurance technical provisions (*)	217.941.098	108.884.885	-	17.250.494	29.734.636	34.627.593	27.443.490	-
Investment contract liabilities (**)	28.834.448	-	-	-	-	-	-	28.834.448
Provisions for taxes and other similar obligations	8.882.225	-	-	8.882.225	-	-	-	-
Provisions for other risks	6.129.466	-	-	-	-	-	1.141.093	4.988.373
Other Liabilities and Provisions	6.341.716	-	-	2.887.269	1.109.297	1.292.847	1.052.303	-
Equity	706.888.767	706.888.767	-	-	-	-	-	-
Total liabilities	**5.318.601.025**	**5.065.346.548**	**-**	**108.590.850**	**37.594.007**	**41.562.044**	**31.684.755**	**33.822.821**

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

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31 December 2012	Carrying Value	Unallocated	No Maturity	Up to1 month	1 to 3 Month	3 to 6 month	6 to 12 month	More than 1 year
Cash and cash equivalents	672.137.008	-	2.912.499	323.956.625	284.072.720	61.195.164	-	-
Financial assets and financial investments with risks on policyholders	82.938.137	263.221	-	26.006.517	-	17.185.089	67.068	39.416.242
Receivables from main operations	3.410.867.880	3.325.079.657	-	38.360.928	17.264.264	17.759.801	12.403.180	50
Due from related parties	5.182.582	-	-	5.182.582	-	-	-	-
Other receivables	45.403	-	-	45.403	-	-	-	-
Prepaid expenses and income accruals	35.944.595	-	-	5.634.273	9.594.531	11.335.603	9.380.188	-
Other current assets	478	-	-	-	478	-	-	-
Deferred tax asset	1.112.001	1.112.001	-	-	-	-	-	-
Deposits and guarantees given	4.169	-	-	-	-	-	-	4.169
Tangible assets	2.981.301	2.981.301	-	-	-	-	-	-
Intangible assets	12.644.442	12.644.442	-	-	-	-	-	-
Total assets	**4.223.857.996**	**3.342.080.622**	**2.912.499**	**399.186.328**	**310.931.993**	**107.475.657**	**21.850.436**	**39.420.461**
Financial liabilities	812.407	-	-	812.407	-	-	-	-
Payables arising from main operations	3.398.421.509	3.324.117.749	-	60.433.367	4.966.185	5.162.789	3.741.419	-
Due to related parties	5.888.688	-	-	5.888.688	-	-	-	-
Other liabilities	1.104.554	-	-	1.104.554	-	-	-	-
Insurance technical provisions (*)	188.647.020	95.120.278	-	14.618.889	25.090.306	29.696.739	24.120.808	-
Investment contract liabilities (**)	37.679.291	-	-	-	-	-	-	37.679.291
Provisions for taxes and other similar obligations	12.226.305	-	-	12.226.305	-	-	-	-
Provisions for other risks	2.379.476	-	-	-	-	-	1.048.284	1.331.192
Other Liabilities and Provisions	5.385.796	-	-	2.320.011	944.675	1.144.662	976.448	-
Equity	571.312.950	571.312.950	-	-	-	-	-	-
Total liabilities	**4.223.857.996**	**3.990.550.977**	**-**	**97.404.221**	**31.001.166**	**36.004.190**	**29.886.959**	**39.010.483**

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

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Market risk

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

Currency risk

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

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

31 December 2013	US Dollar	Euro	Other Currencies	Total
Cash and cash equivalents	9.078.908	3.431	-	9.082.338
Financial assets and financial investments with risks on policyholders	18.685.944	4.901.877	-	23.587.821
Receivables from main operations	2.787.570	118.795	1.066	2.907.431
Total foreign currency denominated assets	**30.552.422**	**5.024.103**	**1.066**	**35.577.590**
Payables arising from main operations	(90.863)	(14.026)	(306)	(105.195)
Insurance technical provisions	(2.571.383)	(855.214)	(4.282)	(3.430.879)
Investment contract liabilities	(24.717.609)	(4.116.840)	-	(28.834.449)
Total foreign currency denominated liabilities	**(27.379.855)**	**(4.986.081)**	**(4.588)**	**(32.370.523)**
Balance sheet position	**3.172.567**	**38.022**	**(3.522)**	**3.207.067**

31 December 2012	US Dollar	Euro	Other Currencies	Total
Cash and cash equivalents	15.950.721	5.591	341	15.956.653
Financial assets and financial investments with risks on policyholders	17.798.575	6.425.124	-	24.223.699
Receivables from main operations	2.357.871	194.346	558	2.552.775
Total foreign currency denominated assets	**36.107.167**	**6.625.061**	**899**	**42.733.127**
Payables arising from main operations	(94.684)	(32.920)	(285)	(127.889)
Insurance technical provisions	(1.884.089)	(625.706)	(6.216)	(2.516.011)
Investment contract liabilities	(32.408.877)	(5.270.414)	-	(37.679.291)
Total foreign currency denominated liabilities	**(34.387.650)**	**(5.929.040)**	**(6.501)**	**(40.323.191)**
Balance sheet position	**1.719.517**	**696.021**	**(5.602)**	**2.409.936**

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

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Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are measured as TL at the purchasing exchange rates announced by the Central Bank of Turkey ruling at 31 December 2013. 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 2013	US Dollar	Euro
Foreign currency rate used in translation of balance sheet items	2,1343	2,9365
Foreign currency rates used in calculation of life mathematical provision and loans to the policyholders	2,1413	2,9462

31 December 2012	US Dollar	Euro
Foreign currency rate used in translation of balance sheet items	1,7826	2,3517
Foreign currency rates used in calculation of life mathematical provision and loans to the policyholders	1,7939	2,3665

Exposure to currency risk

A 10 percent devaluation of the TL against the following currencies as at 31 December 2013 and 31 December 2012 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 2013		31 December 2012	
	Profit or loss	Equity(*)	Profit or loss	Equity (*)
US Dollar	290.055	317.257	140.834	171.952
Euro	(3.843)	3.802	54.249	69.602
Others	(352)	(352)	(560)	(560)
Total, net	**285.860**	**320.707**	**194.523**	**240.994**

(*)Equity effect also includes profit or loss effect of 10% devaluation of TL against related currencies.

Exposure to interest rate risk

The principle risk to trading portfolios are exposed is the risk of fluctuations in the fair values of financial instruments because of a change in market interest rate. The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for reprising bands.

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

	31 December 2013	31 December 2012
Fixed income financial assets		
Financial assets with fixed interest rates:		
Banks (time deposit) (Not 14)	715.572.191	617.538.181
Financial investments with risks on policyholders – Available for sale financial assets – Eurobonds (Note 11) 23.587.821	24.223.699	
Financial assets held for trading purpose – government bonds (Note 11)	-	140.064
Financial assets held for trading purpose – private sector bills (Note 11)	4.318.692	36.204.549
Loans to the policyholders (Note 12)	-	584.299
Financial assets with variable interest rates:	203.647	
Financial assets held for trading purpose – private sector bills (Note 11)	59.194	4.225.479
Financial assets held for trading purpose – government bonds (Note 11)	-	5.815.768
Non-fixed income financial assets:	**21.608.060**	
Financial assets held for trading purpose – private sector bills (Note 11)	-	8.009.780
Financial assets held for trading purpose – investment funds (Note 11)	5.824.672	4.055.577
Financial liabilities:	**None**	**None**

Interest rate sensitivity of financial instruments

Interest rate sensitivity of the statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the net interest income as at and for the year ended 31 December 2013 and 31 December 2012 of the floating rate non-trading financial assets and financial liabilities held at 31 December 2013 and 31 December 2012. Interest rate sensitivity of equity is calculated by revaluing available-for-sale financial assets at 31 December 2013 and 31 December 2012 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 2013	Statement of income		Equity(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets held for trading purpose	(459.233)	480.373	(459.233)	480.373
Available for sale financial assets	-	-	(342.881)	348.617
Financial investments with risks on policyholders (Available for sale financial assets)	-	-	(33.117)	36.299
Total, net	**(459.233)**	**480.373**	**(835.231)**	**865.288**

31 December 2012	Income statement		Equity(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets held for trading purpose	(102.054)	103.648	(102.054)	103.648
Available for sale financial assets	-	-	(122.445)	124.887
Financial investments with risks on policyholders (Available for sale financial assets)	-	-	(45.537)	50.162
Total, net	**(102.054)**	**103.648**	**(270.036)**	**278.697**

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

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Fair value information

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

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

Classification relevant to fair value information

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

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

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

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

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

	31 December 2013			
	Level 1	Level 2	Level 3	Total
Financial assets				
Available for sale financial assets (Note 11) (*)	69.328.563	-	-	69.328.563
Financial assets held for trading (Note 11)	29.877.209	-	-	29.877.209
Financial investments with risks on policyholders classified as available for sale (Note 11)	23.587.821-	-	-	23.587.821
Total financial assets	**122.793.593**	**-**	**-**	**122.793.593**

(*)The Company has equity instruments amounting to TL 263.221 that are classified as available-for-sale investments that do not have quoted prices in an active market and whose fair values cannot be reliably measured are stated at cost (31 December 2012: TL 263.221).

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	31 December 2012			
	Level 1	Level 2	Level 3	Total
Financial assets				
Available for sale financial assets (Note 11) (*)	13.825.548	-	-	13.825.548
Financial assets held for trading (Note 11)	44.625.669	-	-	44.625.669
Financial investments with risks on policyholders classified as available for sale (Note 11)	24.223.699	-	-	24.223.699
Total financial assets	**82.674.916**	**-**	**-**	**82.674.916**

(*)The Company has equity instruments amounting to TL 263.221 that are classified as available-for-sale investments that do not have quoted prices in an active market and whose fair values cannot be reliably measured are stated at cost.

Capital management

The Company's capital management policies include the following:

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

In accordance with the "Circular Regarding the Measurement and Assessment of Capital Adequacy of Insurance, Reinsurance and Private Pension Companies" issued by the Undersecretariat of Treasury on 19 January 2008 dated and 26761 numbered Official Gazette, the Company measured its minimum capital requirement as at 31 December 2013 as TL 83.467.887. As at 31 December 2013, the Company's total equity in its statutory financial statements amounted to TL 714.237.259 which is above the minimum capital requirement amount.

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Gains and losses from financial instruments

Financial gains and losses recognized in the statement of income	**1 January- 31 December 2013**	**1 January - 31 December 2012**
Interest income from bank deposits	50.476.374	55.108.080
Interest income/(expense) from financial assets	5.093.508	6.688.637
Income from investment funds	158.663	42.217
Gains from trading of debt securities	1.802.813	457.838
Income from Turkish Derivatives Exchange transactions	986.474	9.842
Foreign exchange gains (***) (****)	26.542.787	19.091.558
Dividend Income	21.990	
Financial gains (*)	**85.082.609**	**81.398.172**
Foreign exchange losses (****)	**(19.705.500)**	**(21.432.691)**
Losses from trading of debt securities	(2.842.908)	(249.289)
Losses from Turkish Derivatives Exchange transactions	(399.305)	(266)
Others	(110.630)	(114.084)
Financial losses (**)	**(23.058.343)**	**(21.796.330)**
Financial gains and losses recognized in the statement of income. net	**62.024.266**	**59.601.842**

(*) Total financial gains also include life investment income.
(**) Total financial losses do not include depreciation and amortisation expenses.
(***) Includes the foreign exchange income and losses shown under life branch investment income.

Financial gains and losses recognized in equity	**31 December 2013**	**31 December 2012**
Interest income from financial assets	267.469	514.230
Deferred tax effect	(53.494)	(102.847)
Financial gains and losses recognized in equity, net	**213.975**	**411.383**

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.

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Operating segments

1 January - 31 December 2013	Life	Non-Life	Private Pension	Other/ Unallocated	Total
Continuing operations					
Technical income	258.104.417	1.441	110.240.462	-	368.346.320
Technical expense	(147.054.374)	(21.854)	(84.333.105)	-	(231.409.333)
Other gains and losses, total	-	-	-	37.378.626	37.378.626
Technical net profit from ongoing operations	**111.050.043**	**(20.413)**	**25.907.357**	**37.378.626**	**174.315.613**
Profit before taxes	**111.050.043**	**(20.413)**	**25.907.357**	**37.378.626**	**174.315.613**
Income tax expense	-	-	-	(36.334.916)	(36.334.916)
Profit for the period (loss)	**111.050.043**	**(20.413)**	**25.907.357**	**1.043.710**	**137.980.697**
Other segment information					
Depreciation expense (Note 6)	-	-	-	-	1.285.863
Amortisation expense (Note 8)	-	-	-	-	8.960.674
31 December 2013					
Segment assets	139.365.118	-	4.267.440.032	911.795.874	5.318.601.024
Total segment assets	**139.365.118**	**-**	**4.267.440.032**	**911.795.874**	**5.318.601.024**
Segment liabilities	274.664.902	400	4.312.463.853	731.471.869	5.318.601.024
Total segment liabilities	**274.664.902**	**400**	**4.312.463.853**	**731.471.869**	**5.318.601.024**

1 January - 31 December 2012	Life	Non-Life	Private Pension	Other/ Unallocated	Total
Continuing operations					
Technical income	207.567.462	3.664	109.666.848	-	317.237.974
Technical expense	(127.633.276)	(24.161)	(68.806.579)	-	(196.494.016)
Other gains and losses, total	-	-	-	41.795.239	41.795.239
Technical net profit from ongoing operations	**79.904.186**	**(20.497)**	**40.860.269**	**41.795.239**	**162.539.197**
Profit before taxes	**79.904.186**	**(20.497)**	**40.860.269**	**41.795.239**	**162.539.197**
Income tax expense	-	-	-	(33.492.771)	(33.492.771)
Profit for the period	**79.904.186**	**(20.497)**	**40.860.269**	**8.302.468**	**129.046.426**
Other segment information					
Depreciation expense (Note 6)					1.359.672
Amortisation expense (Note 8)					7.588.990
31 December 2012					
Segment assets	132.029.265	-	3.338.851.594	752.977.136	4.223.857.995
Total segment assets	**132.029.265**	**-**	**3.338.851.594**	**752.977.136**	**4.223.857.995**
Segment liabilities	253.138.312	608	3.375.219.923	595.499.153	4.223.857.995
Total segment liabilities	**253.138.312**	**608**	**3.375.219.923**	**595.499.153**	**4.223.857.995**

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6 Tangible assets

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

	1 January 2013	Additions	Disposals	31 December 2013
Cost:				
Furniture and fixtures	9.214.680	2.800.796	(1.895.454)	10.120.022
Other tangible assets (including leasehold improvements)	1.898.379	-	(57.186)	1.841.193
Tangible assets acquired through finance leasing	168.464	-	-	168.464
	11.281.523	**2.800.796**	**(1.952.640)**	**12.129.679**
Accumulated depreciation:				
Furniture and fixtures	(6.358.802)	(1.215.399)	1.895.454	(5.678.747)
Other tangible assets (including leasehold improvements)	(1.772.956)	(70.464)	57.186	(1.786.234)
Tangible assets acquired through finance leasing	(168.464)	-	-	(168.464)
	(8.300.222)	**(1.285.863)**	**1.952.640**	**(7.633.445)**
Net book value	**2.981.301**			**4.496.234**

Movement in tangible assets in the period from 1 January to 31 December 2012 is presented below:

	1 January 2012	Additions	Disposals	31 December 2012
Cost:				
Furniture and fixtures	8.034.334	1.180.346	-	9.214.680
Other tangible assets (including leasehold improvements)	1.898.379	-	-	1.898.379
Tangible assets acquired through finance leasing	168.464	-	-	168.464
	10.101.177	**1.180.346**	**-**	**11.281.523**
Accumulated depreciation:				
Furniture and fixtures	(5.100.799)	(1.258.003)	-	(6.358.802)
Other tangible assets (including leasehold improvements)	(1.671.287)	(101.669)		(1.772.956)
Tangible assets acquired through finance leasing	(168.464)			(168.464)
	(6.940.550)	**(1.359.672)**	**-**	**(8.300.222)**
Net book value	**3.160.627**			**2.981.301**

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

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

7 Investment properties

None.

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8 Intangible assets

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

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

Movement in intangible assets in the period from 1 January to 31 December 2012 is presented below:

	1 January 2012	Additions	Disposals	31 December 2012
Cost:				
Rights	334.371	-	-	334.371
Other intangible assets(*)	37.855.462	8.750.236	-	46.605.698
	38.189.833	**8.750.236**	**-**	**46.940.069**
Accumulated amortisation:				
Rights	(192.263)	(142.108)	-	(334.371)
Other intangible assets(*)	(26.514.374)	(7.446.882)	-	(33.961.256)
	(26.706.637)	**(7.588.990)**	**-**	**(34.295.627)**
Net book value	**11.483.196**			**12.644.442**

(*) Other intangible assets consist of computer softwares

9 Investments in associates

None.

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10 Reinsurance assets/(liabilities)

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

Reinsurance assets	31 December 2013	31 December 2012
Reinsurance share of unearned premiums reserve (Note 17)	20.589.658	19.841.398
Reinsurance share of outstanding claims reserve (Note 17)	13.541.924	14.157.149
Receivables from reinsurers (Note 12)	2.287.825	1.082.634
Total	**36.419.407**	**35.081.181**
There is not any impairment losses recognized for reinsurance assets.		

Reinsurance liabilities	31 December 2013	31 December 2012
Deferred commission income (Deferred income) (Note 19)	4.123.272	3.611.023
Payables to the reinsurers related to premiums ceded (Note 19)	7.883.753	7.115.539
Total	**12.007.025**	**10.726.562**

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

	1 January– 31 December 2013	1 January – 31 December 2012
Ceded premiumsb to reinsurers during the period (Note 17)	(41.033.470)	(29.797.678)
Reinsurance share of unearned premiums reserve, at the beginning of the period (Note 17)	(19.841.398)	(48.389.681)
Reinsurance share of unearned premiums reserve, at the end of the period (Note 17)	20.589.658	19.841.398
Ceded premiums to reinsurers (Note 17)	**(40.285.210)**	**(58.345.961)**
Reinsurance share of claims paid, during the period (Note 17)	25.647.606	21.711.151
Reinsurance share of outstanding claims reserve, at the beginning of the period (Note 17)	(14.157.149)	(8.408.950)
Reinsurance share of outstanding claims reserve, at the end of the period (Note 17)	13.541.924	14.157.149
Reinsurance share of claims incurred (Note 17)	**25.032.381**	**27.459.350**
Commission income accrued from reinsurers during period	11.241.843	10.623.155
Deferred commission income, at the beginning of the period (Note 19)	3.611.023	24.044.819
Deferred commission income, at the end of the period (Note 19)	(4.123.272)	(3.611.023)
Commission income earned from reinsurers	**10.729.594**	**31.056.951**
Profit Sharing commissions calculated at the end of the period	-	-
Total, net	**(4.523.235)**	**(821.157)**

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11 Financial assets

As at 31 December 2013 and 2012, the Company's financial asset portfolio are detailed as follows:

Financial assets and financial investments with risk on policyholders	31 December 2013	31 December 2012
Financial assets held for trading	29.877.209	44.625.669
Financial investments with risks on saving life policyholders classified as available for sale	23.587.821	24.223.699
Available for sale financial assets	69.591.784	14.088.769
Total	**123.056.814**	**82.938.137**

As at 31 December 2013 and 31 December 2012, the Company's financial assets held for trading are detailed as follows:

	31 December 2013		
	Cost	Fair value	Carrying value
Debt instruments:			
Government Bonds – TL	4.676.518	4.318.692	4.318.692
	4.676.518	**4.318.692**	**4.318.692**
Other non-fixed income financial assets:			
Equity shares	228.748	203.647	203.647
Private sector bills (*)	22.046.443	21.608.060	21.608.060
Investment funds	3.667.924	3.746.810	3.746.810
	25.943.115	**25.558.517**	**25.558.517**
Total financial assets held for trading purpose	**30.619.633**	**29.877.209**	**29.877.209**

(*) Private sector bills is composed of T. Garanti Bankası A.Ş., Akfen Holding A.Ş., Aktif Yatırım A.Ş., Global Yatırım A.Ş.,Akbank T.A.Ş, Akfen Holding A.Ş and Otokoç Otomotiv Sanayi ve Ticaret A.Ş private sector bills.

	31 December 2012		
	Cost	Fair value	Carrying value
Debt instruments:			
Government bonds – TL	138.493	140.064	140.064
	138.493	**140.064**	**140.064**
Other non-fixed income financial assets:			
Private sector bills (*)	39.011.891	40.430.028	40.430.028
Investment funds	4.050.097	4.055.577	4.055.577
	43.061.988	**44.485.605**	**44.485.605**
Total financial assets held for trading purpose	**43.200.481**	**43.200.481**	**44.625.669**

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

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As at 31 December 2013 and 31 December 2012, the Company's available for sale financial assets in its own portfolio are detailed as follows:

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

	31 December 2012		
	Cost	**Fair value**	**Carrying value**
Debt instruments:			
Private sector bills (*)	7.861.700	8.009.780	8.009.780
Government Bond - TL	5.638.920	5.815.768	5.815.768
Equity shares and other non-fixed income financial assets:			
Equity shares (**)	263.221	263.221	263.221
Total financial assets available for sale	**13.763.841**	**14.088.769**	**14.088.769**

(*) Private sector bills is composed of T. Garanti Bankası A.Ş. private sector bills.
(**) The financial assets available for sale whose fair values could not be reliably measured are presented at their cost value.

As at 31 December 2013 and 31 December 2012, the Company's financial investments with risks on saving life policyholders ("FIRSLP") are detailed as follows:

	31 December 2013		
	Cost	**Fair value**	**Carrying value**
Debt instruments:			
Eurobonds issued by The Republic of Turkey Government	21.890.396	23.587.821	23.587.821
Total available for sale financial assets	**21.890.396**	**23.587.821**	**23.587.821**
Total financial investments with risks on saving life policyholders	**21.890.396**	**23.587.821**	**23.587.821**

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	31 December 2012		
	Cost	**Fair value**	**Carrying value**
Debt instruments:			
Eurobonds issued by The Republic of Turkey Government	20.219.980	24.223.699	24.223.699
Total available for sale financial assets	**20.219.980**	**24.223.699**	**24.223.699**
Total financial investments with risks on saving life policyholders	**20.219.980**	**24.223.699**	**24.223.699**

All debt instruments presented above are traded in active markets.

There is no debt security issued during the period or issued before and paid during the period by the Company.

Value increases in financial assets for the last 3 years:

Year	**Change in value increase/(decrease)**	**Total increase/ (decrease) in value**
2013	(197.408)	213.975
2012	136.997	411.383
2011	(74.495)	274.386

Value increases represent the differences between the financial assets' carrying value and the cost value at the end of the period.

Financial assets issued by related parties of the Company:

As at 31 December 2013, the Company has TL 3.746.811 of investment funds, classified as financial assets held for trading purpose and TL 21.608.060 TL of private sector bills (31 December 2012: TL 4.055.577 of investment funds and TL 21.950.940 of private sector bills)

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

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

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	31 December 2012		
	Cost	Fair value	Carrying value
Financial investments with risks on saving life policyholders – Eurobonds	20.219.980	24.223.699	24.223.699
Total	**20.219.980**	**24.223.699**	**24.223.699**

12 Loan and receivables

	31 December 2013	31 December 2012
Receivables from main operations (Note 4.2)	4.342.294.297	3.410.867.880
Due from related parties (Note 4.2), (Note 45)	-	5.182.582
Other receivables (Note 4.2)	6.817	45.403
Non-current receivables	4.169	4.169
Total	**4.342.305.283**	**3.416.100.034**
Short-term receivables	4.342.301.114	3.416.095.865
Mid-term and long-term receivables	4.169	4.169
Total	**4.342.305.283**	**3.416.100.034**

As at 31 December 2013 and 31 December 2012, receivables from main operations are detailed as follows:

	31 December 2013	31 December 2012
Receivables from policyholders	72.650.303	70.435.832
Receivables from reinsurance companies (Note 10)	2.287.825	1.082.634
Provisions for doubtful receivables from policyholders (Note 4.2)	(143.057)	(86.479)
Total receivables from insurance operations, net	**74.795.071**	**71.431.987**
Loans to the policyholders (Note 4.2)	59.194	584.299
Receivables from private pension operations (Note 18)	4.270.698.681	3.339.068.955
Provision for receivables from private pension operations (Note 4.2), (Note 18)	(3.258.649)	(217.361)
Receivables from main operations	**4.342.294.297**	**3.410.867.880**

Provision for both overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): None (31 December 2012: None).
b) Provision for premium receivables (due): TL 143.057 (31 December 2012: TL 86.479).
c) Provision for impairment of receivables from entrance fees: TL 3.258.649 (31 December 2012: TL 217.361)

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The related party transactions of the Company are presented in Note 45 in detail.

The receivables and payables denominated in foreign currencies and detailed analyses of foreign currency balances are presented in Note 4.2.

13 Derivative financial instruments

The Company does not have any derivative financial instruments as of 31 December 2013 and 31 December 2012.

14 Cash and cash equivalents

As at 31 December 2013 and 31 December 2012, cash and cash equivalents are as follows:

	31 December 2013		31 December 2012	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	48	48	48	48
Bank deposits	718.310.731	620.450.633	620.450.633	493.220.364
Receivables from credit card collections (less than 3 months) (*)	66.948.255	51.686.327	51.686.327	6.967.045
Other cash and cash equivalents (**)	1.576.622	-	-	-
Cash and cash equivalents in the balance sheet	**786.835.656**	**672.137.008**	**672.137.008**	**500.187.457**
Interest accruals on bank deposits	(7.667.946)	(6.027.247)	(6.027.247)	(3.043.902)
Total	**779.167.710**	**666.109.761**	**666.109.761**	**497.143.555**
Blocked amount	(91.739.720)	(110.734.995)	(110.734.995)	(94.090.996)

(*) Other cash and cash equivalents consist ofderivative exchange colletrals.

As at 31 December 2013 and 31 December 2012, the details of bank deposits are as follows:

	31 December 2013	31 December 2012
Foreign currency denominated bank deposits		
- time deposits	9.077.575	15.949.979
- demand deposits	4.763	6.674
Bank deposits in Turkish Lira		
- time deposits	706.494.616	601.588.202
- demand deposits	2.733.777	2.905.778
Cash at banks	**718.310.731**	**620.450.633**

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As at 31 December 2013, cash collateral kept at banks in favour of the Undersecretariat of Treasury against insurance operations amounted to TL 91.739.720 (31 December 2012: TL 110.734.995).

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

As at 31 December 2013 and 2012, the interest rate interval as follows:

	31 December 2013	31 December 2012
	Interest rate(%)	Interest rate(%)
TL	8%-10%	5%-11%
Foreign Currency	0.35%-3.30%	0,25%-3%

15 Equity

Paid in capital

As at 31 December 2013 and 2012, the authorized nominal share capital of the Company is TL 50.000.000 and the share capital of the Company consists of 5.000.000.000 issued shares with TL 0.01 nominal value each.

There are not any treasury shares held by the Company itself or by its subsidiaries or associates.

There are not any equity shares issued which will be subject to sale in accordance with forward transactions and contracts.

The shareholder having direct or indirect control over the shares of the Company is Garanti Bankası Group, having 84,91% of the outstanding shares. Another party which have significant influence over the operations of the Company is Netherland based company Achmea BV having 15,00% of outstanding shares.

Legal reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5%, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

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	1 January - 31 December 2013	1 January - 31 December 2012
Legal reserves at the beginning of the period	**10.000.000**	**10.000.000**
Distribution of profit for the year	-	-
Legal reserves at the end of the period	**10.000.000**	**10.000.000**

Extraordinary Reserves

	1 January - 31 December 2013	1 January - 31 December 2012
Extraordinary reserves at the beginning of the period	**378.770.696**	**266.164.169**
Distribution of profit for the year	126.838.944	112.606.527
Extraordinary reserves at the end of the period	**505.609.640**	**378.770.696**

Revaluation of financial assets

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

	31 December 2013	31 December 2012
Interest income from financial assets	267.469	514.230
Deferred tax effect	(53.494)	(102.847)
Fair value reserves at the end of the period	**213.975**	**411.383**

16 Other reserves and equity component of DPF

As at 31 December 2013, 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'.

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17 Insurance contract liabilities and reinsurance assets

As at 31 December 2013 and 31 December 2012, provisions for technical reserves of the Company are disclosed as follows:

	31 December 2013	31 December 2012
Unearned premiums reserve, gross	129.645.871	113.368.140
Unearned premiums reserve, ceded (Note 10)	(20.589.658)	(19.841.398)
Unearned premiums reserve, net	**109.056.214**	**93.526.742**
Outstanding claims reserve, gross	60.445.255	56.359.131
Outstanding claims reserve, ceded (Note 10)	(13.541.924)	(14.157.149)
Outstanding claims reserve, net	**46.903.331**	**42.201.982**
Provision for bonus and discounts to the policyholders, net	**-**	**-**
Life mathematical reserve (shot term and long term)	**83.467.499**	**85.280.056**
Equalization reserve, net	**7.348.502**	**5.317.531**
Total insurance technical reserves, net	**246.775.546**	**226.326.311**
Short-term	168.890.121	163.209.776
Medium and long-term	77.885.424	63.116.535
Total insurance technical provisions, net	**246.775.545**	**226.326.311**

As at 31 December 2013 and 2012, movements of the insurance liabilities and related reinsurance assets are presented below:

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

Unearned premiums reserve	1 January - 31 December 2012		
	Gross	Reinsurer share	Net
Unearned premiums reserve at the beginning of the period	105.990.107	(48.389.681)	57.600.426
Premiums written during the period	262.855.070	(29.797.678)	233.057.392
Premiums earned during the period	(255.477.037)	58.345.961	(197.131.076)
Unearned premiums reserve at the end of the period	**113.368.140**	**(19.841.398)**	**93.526.742**

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	1 January – 31 December 2013	1 January – 31 December 2012
Equalization reserve at the beginning of the period	5.317.531	3.534.043
Increases during the period	2.030.971	1.783.488
Equalization reserve at the end of the period	**7.348.502**	**5.317.531**

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

Outstanding claims reserve	1 January – 31 December 2012		
	Gross	Reinsurer share	Net
Outstanding claims reserve at the beginning of the period	25.178.700	(8.408.950)	16.769.750
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	86.643.673	(27.459.350)	59.184.323
Claims paid during the period	(55.463.242)	21.711.151	(33.752.091)
Outstanding claims reserve at the end of the period	**56.359.131**	**(14.157.149)**	**42.201.982**

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.

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Development of insurance liabilities enables to measure the performance of the Company in estimation of its ultimate claim losses. The numbers presented on the top of the below tables show the changes in estimations of the Company for the claims in subsequent years after accident years. The numbers presented on the below of the below tables give the reconciliation of total liabilities with outstanding claims reserve presented in the accompanying financial statements.

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

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

	31 December 2012						
Accident year	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**Total**
Accident year	14.149.409	16.473.990	29.867.197	33.985.735	44.370.132	79.958.497	218.804.960
1 year later	14.908.660	17.804.120	31.642.019	33.288.475	41.964.897	-	139.608.171
2 years later	14.518.055	16.010.648	31.022.327	35.559.821	-	-	97.110.851
3 years later	14.405.006	16.548.849	33.494.803	-	-	-	64.448.658
4 years later	14.891.936	18.360.861	-	-	-	-	33.252.797
5 years later	18.471.409	-	-	-	-	-	18.471.409
Current estimate of cumulative claims	18.471.409	18.360.861	33.494.803	35.559.821	41.964.897	79.958.497	227.810.288
Cumulative payments up to date	(14.482.899)	(16.546.938)	(29.834.936)	(30.861.710)	(34.894.201)	(44.830.473)	(171.451.157)
Liability recognized in balance sheet	3.988.510	1.813.923	3.659.867	4.698.111	7.070.696	35.128.024	56.359.131
Total outstanding claims reserve, gross in the financial statements							**56.359.131**

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	31 December 2012						
Accident year	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**Total**
Accident year	10.538.513	11.816.177	19.750.410	17.205.786	32.899.049	47.665.463	139.875.398
1 year later	13.272.399	14.576.267	17.137.663	19.543.791	35.850.760	-	100.380.880
2 years later	13.421.414	14.805.872	16.387.884	21.943.357	-	-	66.558.527
3 years later	13.793.058	16.081.938	19.319.250	-	-	-	49.194.246
4 years later	14.255.576	17.561.127	-	-	-	-	31.816.703
5 years later	17.733.266	-	-	-	-	-	17.733.266
Current estimate of cumulative claims	17.733.266	17.561.127	19.319.250	21.943.357	35.850.760	47.665.463	160.073.223
Cumulative payments up to date	(13.878.175)	(15.777.920)	(16.109.381)	(17.601.547)	(29.726.603)	(24.777.615)	(117.871.241)
Liability recognized in balance sheet	3.855.091	1.783.207	3.209.869	4.341.810	6.124.157	22.887.848	42.201.982
Total outstanding claims reserve, net in the financial statements							**42.201.982**

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 2013		31 December 2012	
	Should be placed (**)	Placed (*)	Should be placed (**)	Placed (*)
Life:				
Bank deposits		91.413.352		110.430.795
Financial assets (*)		25.604.025		23.596.273
Total	**109.797.536**	**117.017.377**	**103.865.292**	**134.027.0678**
Non-life:				
Bank deposits	166.674	326.368	166.674	304.202
Total	**109.964.210**	**326.368**	**104.031.966**	**134.331.270**

(*) As at 31 December 2013 and 31 December 2012, government bonds and treasury bills are measured at daily official prices announced by the Central Bank of Turkey; if these prices are not available, they are measured with stock exchange values; investment fund participation certificates are measured using the daily prices in accordance with the 6th Article of “Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies”.

(**) According to 7th article of “Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies” which regulates necessary guarantee amount, minimum guarantee fund for capital adequacy calculation period will be established as a guarantee in two months following the calculation period. According to “Regulations Regarding to Capital Adequacy Measurement and Assessment of Insurance, Reinsurance, and Private Pension Companies”, companies must prepare their capital adequacy tables twice in a financial year at June and December periods and must sent capital adequacy tables to the Turkish Treasury Department within two months.

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

	1 January - 31 December 2013		1 January - 31 December 2012	
	Number of policyholders	Life mathematical reserve	Number of policyholders	Life mathematical reserve
Beginning of the year	2.570.902	85.436.347	3.013.098	81.501.792
Additions during the year	3.194.133	26.155.517	3.364.968	22.578.782
Disposals during the year	(3.109.653)	(25.167.146)	(3.807.164)	(12.179.722)
Movements during the year(*)	-	(2.957.221)	-	(6.620.796)
Current	**2.655.382**	**83.467.498**	**2.570.902**	**85.280.056**

(*) 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 2013			31 December 2012		
	Number of contracts	Gross premium	Net premium	Number of contracts	Gross premium	Net premium
Individual	2.450	2.230.438	2.230.438	5.828	2.681.952	2.681.952
Group	3.191.683	295.877.763	295.877.763	3.359.140	260.171.894	260.171.894
Total	**3.194.133**	**298.108.200**	**298.108.200**	**3.364.968**	**262.853.846**	**262.853.846**

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 2013				31 December 2012			
	Number of contracts	Gross premium	Net premium	Mathematical reserve	Number of contracts	Gross premium	Net premium	Mathematical reserve
Individual	3.487	831.279	831.279	(14.743.632)	6.838	724.173	724.173	(6.034.394)
Group	3.106.166	84.632.850	84.632.850	(10.423.514)	3.800.326	75.308.414	75.308.414	(6.145.328)
Total	**3.109.653**	**85.464.129**	**85.464.129**	**(25.167.146)**	**3.807.164**	**76.032.587**	**76.032.587**	**(12.179.722)**

Deferred commission expenses

The Company defers commissions paid to the intermediaries for the production of the policies and other expenses for the one year term life products and for annually renewed long term life products under prepaid expenses. As at 31 December 2013, deferred commission and other expenses amount to TL 23.469.387 TL and TL 17.453.645 (31 December 2012: TL 21.302.988 and TL 14.486.292)

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The movement of deferred commission expenses as of 31 December 2013 and 31 December 2012 is as follows.

	1 January- 31 December 2013	1 January - 31 December 2012
Deferred commission expenses at the beginning of the period	21.302.988	12.723.064
Commissions accrued during the period	52.917.657	48.402.042
Paid commissions during the period	(50.751.258)	(39.822.118)
Deferred commission expenses at the end of the period	**23.469.387**	**21.302.988**

18 Investment contract liabilities

The movements of life mathematical reserve for saving life policies as at 31 December 2013 and 31 December 2012 are as follows:

Life mathematical provision for saving life policies	1 January- 31 December 2013	1 January - 31 December 2012
Investment contract liabilities at the beginning of the period (Life-mathematical reserve)	37.679.829	41.995.869
Effect of foreign exchange differences	4.910.379	(2.089.263)
Written premiums during the period (saving life policies)	816.927	1.272.719
Disposals during the period (leaving policyholders)	(14.167.333)	(6.876.713)
Profit shares	1.464.397	2.436.553
Policyholders' portion of unrealized gains and losses due to changes in the fair values of investments with risks on policy holders, classified as available for sale financial assets (%95) (Note 30)	(1.869.751)	940.126
Investment contract liabilities at the end of the period	**28.834.448**	**37.679.291**

Profit share distribution rates to life policyholders during the period 31 December 2013 and 31 December 2012:

	31 December 2013	31 December 2012
USD:	5,71%	7,22%
EUR:	6,71%	6,28%

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Pension operations

The details of receivables and liabilities from pension operations as at 31 December 2013 and 31 December 2012 are presented below:

	31 December 2013	31 December 2012
Receivables from clearing house on behalf of the participants	4.254.875.269	3.325.297.020
Receivables from participants (entrance fee)	15.823.412	13.771.935
Receivables from pension operations (Note 12)	**4.270.698.681**	**3.339.068.955**
Provision for the impairment of receivables from participants (Note 4.2), (Note 12)	(3.258.649)	(217.361)
Receivables from pension operations. Net	**4.267.440.032**	**3.338.851.594**

	31 December 2013	31 December 2012
Payables to participants	4.249.324.274	3.324.797.020
Participants temporary account	61.829.903	48.633.995
Payables to clearing house	168.204	226.134
Payables to Emeklilik Gözetim Merkezi	4.234	35.000
Other liabilities	1.137.238	1.527.774
Payables due to pension operations (Note 19)	**4.312.463.853**	**3.375.219.923**

As at 31 December 2013 and 31 December 2012 pension investment funds founded by the Company and their unit prices are as follows:

	31 December 2013 Unit prices	31 December 2012 Unit prices
Esnek Alternatif EYF	0,013502	0,013395
Gelir Amaçlı Esnek EYF	0,019169	0,018342
Gruplara Yönelik Esnek EYF	0,028431	0,028641
Gruplara Yönelik Hisse Senedi EYF	0,011787	0,012741
Büyüme Amaçlı Hisse Senedi EYF	0,054878	0,0616
Gelir Amaçlı Kamu Borçlanma Araçları EYF	0,042000	0,042639
Likit Karma EYF	0,032846	0,030994
Alternatif Standart EYF	0,010146	-
Gelir Amaçlı Uluslararası Borçlanma Araçları EYF	0,021941	0,019255
Altın EYF	0,010387	-
Gelir Amaçlı Devlet İç Borçlanma Araçları Standart EYF	0,011157	0,011427
Esnek EYF	0,037881	0,038328
Gruplara Yönelik Gelir Amaçlı Kamu Borçlanma Araçları EYF	0,025382	0,025456
Gelir Amaçlı Kamu Dış Borçlanma Araçları (Eurobond) EYF	0,031069	0,030072
Hisse Senedi EYF	0,010793	0,011701
Katkı EYF	0,009632	-
Gruplara Yönelik Gelir Amaçlı Kamu Dış Borçlanma Araçları (Eurobond) EYF	0,020989	0,020104
Alternatif Katkı EYF	0,009913	-
Kamu Ve Özel Sektör Borçlanma Araçları EYF	0,010857	-
Esnek (Tl) EYF	0,011122	0,011369
Kamu Borçlanma Araçları EYF	0,021909	0,022304
Esnek Alternatif EYF		

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Number and amount of participation certificate in the portfolio and in circulation is such as follows as of 31 December 2013 and 31 December 2012:

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

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	31 December 2012			
	Participation certificate in the circulation		Participation certificate in the portfolio	
	Number	Amount	Number	Amount
Esnek Alternatif EYF	3.047.301.231	40.819.388	6.952.698.769	93.131.400
Gelir Amaçlı Esnek EYF	1.162.384.739	21.320.511	8.837.615.261	162.099.539
Gruplara Yönelik Esnek EYF	3.453.886.640	98.923.728	6.546.113.360	187.487.233
Gruplara Yönelik Hisse Senedi EYF	1.148.457.341	14.632.997	8.851.542.659	112.777.505
Büyüme Amaçlı Hisse Senedi EYF	2.074.395.758	127.783.624	7.925.604.242	488.217.221
Gelir Amaçlı Kamu Borçlanma Araçları EYF	35.205.821.698	1.501.139.108	164.794.178.302	7.026.658.969
Likit Karma EYF	9.423.399.348	292.064.926	15.576.600.652	482.781.161
Gelir Amaçlı Uluslararası Borçlanma Araçları EYF	1.156.259.432	22.263.328	8.843.740.568	170.286.225
Gelir Amaçlı Devlet İç Borçlanma Araçları Standart EYF	10.025.512.833	114.565.435	14.974.487.167	171.113.465
Esnek EYF	10.527.351.785	403.491.325	14.472.648.215	554.707.661
Gruplara Yönelik Gelir Amaçlı Kamu Borçlanma Araçları EYF	16.165.274.826	411.508.885	83.834.725.174	2.134.096.764
Gelir Amaçlı Kamu Dış Borçlanma Araçları (Eurobond) EYF	1.630.328.842	49.026.795	8.369.671.158	251.692.751
Hisse Senedi EYF	3.750.899.003	43.889.253	6.249.100.997	73.120.731
Gruplara Yönelik Gelir Amaçlı Kamu Dış Borçlanma Araçları (Eurobond) EYF	629.617.897	12.657.731	9.370.382.103	188.382.162
Esnek (Tl) EYF	12.685.636.425	144.217.725	12.314.363.575	140.001.999
Kamu Borçlanma Araçları EYF	1.187.775.434	26.492.263	8.812.224.566	196.547.857
Toplam	**113.274.303.232**	**3.324.797.020**	**386.725.696.766**	**12.433.102.642**

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

	1 January – 27 December 2013			
	Additions during the period	Left/cancellations during the period	Outstanding	Total amount
Individual	191.872	56.452	612.631	2.674.863.240
Group	29.319	22.564	201.989	875.213.002
Total	**221.191**	**79.016**	**814.620**	**3.550.076.242**

	1 January – 28 December 2012			
	Additions during the period	Left/cancellations during the period	Outstanding	Total amount
Individual	133.925	56.716	476.579	1.957.456.639
Group	37.396	30.319	175.659	710.184.781
Total	**171.321**	**87.035**	**652.238**	**2.667.641.420**

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

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	27 December 2013			28 December 2012		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	191.872	352.813.159	349.713.669	133.925	175.581.399	171.361.723
Group	29.319	55.618.658	55.347.213	37.396	33.190.008	32.808.220
Total	**221.191**	**408.431.817**	**405.060.882**	**171.321**	**208.771.407**	**204.169.943**

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 2013			31 December 2012		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	1.974	35.804.276	35.798.600	1.115	27.595.621	27.562.615
Group	539	25.665.131	25.664.589	423	5.567.314	5.561.745
Total	**2.513**	**61.469.407**	**61.463.189**	**1.538**	**33.162.935**	**33.124.360**

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 2013			31 December 2012		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	56.452	311.674.209	311.528.041	56.716	286.946.690	285.347.277
Group	22.564	112.297.909	112.255.891	30.319	113.037.181	112.752.570
Total	**79.016**	**423.972.118**	**423.783.932**	**87.035**	**399.983.871**	**398.099.847**

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19 Trade and other payables and deferred income

	31 December 2013	31 December 2012
Payables due to main operations	4.336.230.338	3.398.421.509
Deferred commission income	8.882.229	12.226.305
Expense accruals	2.342.638	5.888.687
Taxes and other liabilities and provisions	4.123.272	3.611.023
Due to related parties	2.218.444	1.774.773
Financial liabilities (Note 20), (Note 45)	-	812.407
Other various payables (Note 47) (*)	5.010.329	1.104.554
Total	**4.358.807.250**	**3.423.839.258**
Short term liabilities	4.358.807.250	3.423.839.258
Mid term and long term liabilities	-	-
Total	**4.358.807.250**	**3.423.839.258**

(*) Other payables are comprised of payables to third party service providers as at 31 December 2013.

Payables from main operations of the Company as at 31 December 2013 and 31 December 2012 are detailed below:

	31 December 2013	31 December 2012
Payables to reinsurers (Note 10)	7.883.753	7.115.539
Payables to agencies	15.594.062	15.806.626
Payables to policyholders	288.669	279.421
Total payables due to insurance operations	**23.766.484**	**23.201.586**
Payables s due to pension operations (Note 18)	4.312.463.853	3.375.219.923
Payables from main operations	**4.336.230.337**	**3.398.421.509**

Corporate tax provision and prepaid taxes are disclosed below:

	31 December 2013	31 December 2012
Corporate tax provision	36.334.916	33.492.771
Prepaid taxes during the period	(31.197.032)	(24.726.925)
Corporate tax payable, net	**5.137.884**	**8.765.846**

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

None.

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20 Financial liabilities

None. (31 December 2012:859.826).

21 Deferred taxes

As at 31 December 2013 and 31 December 2012, the detailed analysis of the items resulting deferred tax assets and liabilities are as follows:

	31 December 2013 Deferred Tax Assets / (Liabilities)	31 December 2012 Deferred Tax Assets / (Liabilities)
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(1.314.252)	(976.166)
Equalization provision	1.469.700	1.063.506
Provision for employment termination benefits and unused vacation pay liability	1.137.754	390.411
Provision for personnel bonus	270.000	259.000
Discount on receivables and payables	(73.407)	(172.318)
Provisions for lawsuits	88.140	85.484
Provision for impairment in receivables from insurance operations	5.400	5.027
Provision for impairment in receivables from participants	28.611	17.296
Other expense accruals	651.729	43.472
Provision for bonus and discounts to policyholders	106.876	-
Other insurance technical provisions	484.467	396.289
Deferred tax asset/(liability), net	**2.855.018**	**1.112.001**

Movement of the deferred tax assets / (liabilities) during the periods ending 31 December 2013 and 31 December 2012 is presented below:

	1 January- 31 December 2013	1 January- 31 December 2012
Beginning balance, January 1	1.112.001	573.446
Recognized in the income statement	1.766.281	572.804
Recognized in the equity	(23.263)	(34.249)
Closing balance as of end of the period	**2.855.019**	**1.112.001**

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22 Retirement benefit obligations

None.

23 Provisions for other liabilities and charges

As at 31 December 2013 and 2012; the details of the provisions for other risks are as follows:

	31 December 2013	31 December 2012
Provision for unused vacation pay liability(long term)	1.396.601	1.189.883
Provision for unused vacation pay liability(short term)	700.393	620.862
Provisions for lawsuits	440.700	427.422
Provisions for costs	**2.537.694**	**2.238.167**
Provision for employment termination benefits	**3.591.774**	**141.309**
Total provisions for other risks	**6.129.468**	**2.379.476**

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

	1 January– 31 December 2013	1 January– 31 December 2012
Provision for employment termination benefits at the beginning of the period	141.309	150.621
Interest cost	2.699	2.214
Service cost	1.427.992	848.309
Payments during the period	(739.581)	(870.456)
Actuarial loss (*)	2.759.355	10.621
Provision for employment termination benefits at the end of the period	**3.591.774**	**141.309**

(*) The assumptions used in the calculation of provision for employment termination benefits were revised in the current year and actuarial loss amounting to TL 2.207.484 net-of-tax was accounted under shareholders' equity.

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24 Net insurance premium revenue

Net insurance premium revenue for life and non-life branches. is presented in detailed in the accompanying statement of income.

25 Fee revenues

Fee revenues consist of fees received from pension investment funds, pension participants and expenses charged to the life policyholders.

	1 January – 31 December 2013	1 January – 31 December 2012
Fund management fee	62.680.304	53.523.594
Management fee deduction	14.345.311	24.297.142
Entrance fee	30.280.404	31.841.631
Management fee deduction in case of interruption	2.895.694	-
Increase in market value of capital commitment advances	38.212	-
Other technical income	537	4.481
Total pension technical income	**110.240.462**	**109.666.848**

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 2013, fees charged to saving life policyholders amounts to TL 48.251 (31 December 2012: TL 74.332)

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.

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

Presented in Note 4.2 – Financial risk management.

29 Insurance rights and claims

The Company has no branch based subrogation income or expense for the period between 1 January – 31 December 2013 (1 January – 31 December 2012: None)

30 Investment contract benefits

As at and for the year ended 31 December 2013 and 31 December 2012, 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 2013	1 January– 31 December 2012
Change in life mathematical provisions for investment contracts recognized in the statement of income	(6.975.092)	(5.256.704)
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)	(1.869.751)	940.126
Change in life mathematical provisions for investment contracts	**(8.844.843)**	**(4.316.578)**

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31 Other mandatory expenses

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

32 Expenses by nature

For the year ended 31 December 2013 and 31 December 2012, the details of operating expenses are as follows:

	1 January - 31 December 2013	1 January – 31 December 2012
Commission expenses	*(75.986.461)*	*(65.676.835)*
Commissions to intermediaries accrued during period	*(81.120.213)*	*(68.057.054)*
Change in deferred commission expenses	*2.166.399*	*422.511*
Deferred commission expenses	*2.967.353*	*1.957.708*
Employee benefit expenses (Note 33)	(55.949.541)	(51.429.300)
Commission income from reinsurers	*10.729.475*	*31.056.951*
Commission income from reinsurers accrued during period	*11.241.723*	*10.623.155*
Change in deferred commission income	*(512.248)*	*20.433.796*
Advertisement and public related expenses	(12.186.281)	(5.443.613)
Office expenses	(10.838.434)	(10.032.743)
Information technology expenses	(5.270.564)	(5.084.594)
Taxes and duties expenses	(3.180.598)	(2.836.413)
Other expenses	(5.701.179)	(9.206.758)
Total	**(158.383.583)**	**(118.653.305)**

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33 Employee benefit expenses

For the year ended 31 December 2013 and 31 December 2012, the details of employee benefit expense are as follows:

	1 January – 31 December 2013	1 January– 31 December 2012
Wages and salaries	(29.156.074)	(26.006.115)
Employer's share in social security premiums	(5.732.205)	(5.059.403)
Employment termination benefits and unused vacation expenses	(1.131.177)	(1.681.053)
Bonus, premium and commissions	(10.778.002)	(9.882.266)
Other benefits	(9.152.089)	(8.800.463)
Total (Note 32)	**(55.949.546)**	**(51.429.300)**

34 Financial costs

There are not any finance costs classified either on production costs or tangible assets.

35 Income tax expense

Income tax expense in the accompanying financial statements is as follows:

	1 January – 31 December 2013	1 January – 31 December 2012
Provision for corporate tax expense:	**(36.334.916)**	**(33.492.771)**
Provision for corporate tax expense:	(36.334.916)	(33.492.771)
Deferred taxes:	1.141.795	572.804
Total income tax expense presented in the statement of income	**(35.193.121)**	**(32.919.967)**

A reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the year ended 31 December 2013 and 31 December 2012 is as follows:

	1 January – 31 December 2013	1 January – 31 December 2012
Profit before taxes	173.173.818	161.966.393
Taxes on income per statutory tax rate: 20%	(34.634.764)	(32.393.279)
Non-deductible expenses	(365.979)	(478.558)
Others	**(192.378)**	**(48.130)**
Total income tax expense presented in the statement of income	**(35.193.121)**	**(32.919.967)**

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36 Net foreign exchange gains / losses

Net foreign exchange gains/losses are presented in Note 4.2 – Financial Risk Management.

37 Earnings per share

According to IAS 33 "Earnings per Share", earnings per share of unquoted Companies do not disclose earnings per share. As for the Company is not listed, earnings per share is not calculated in the accompanying financial statements.

38 Dividends per share

Net profit of the Company for the year ended 31 December 2013 amount to TL 137.980.697. In the General Meeting held on 25 March 2013, it has been resolved to transfer the net profit for the year 2012 to reserves instead of distributing as dividend.

39 Cash generated from operations

The cash flows from operating activities is presented in the accompanying statement of cash flows.

40 Convertible bond

None.

41 Redeemable preference shares

None.

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42 Contingencies

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

As at 31 December 2013, the probable liability amount that will arise in the situation that all the cases that Company is defendant results against the Company is TL 3.304.630 (31 December 2012: TL 2.732.335) in gross. The Company has recorded provision of TL 5.150.349 (31 December 2012: TL 4.111.176) 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 2013	31 December 2012
Less than 1 year	2.494.517	2.028.476
More than 1 year less than 5 years	4.426.669	5.450.675
More than 5 years	-	-
Total of minimum rent payments	**6.921.185**	**7.479.152**

44 Business mergers

None.

45 Related party transactions

T. Garanti Bankası A.Ş. and Achmea which have 99.91% in total of outstanding shares of the Company and the groups having direct control over those companies and the affiliates and associates of those groups are defined as related party to the Company.

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The related party balances as of 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013	31 December 2012
Garanti Bankası T.A.Ş. – receivables from credit card collections	66.948.255	51.686.327
Turkdex Collateral	1.576.622	-
Other cash and cash equivalents (Note 14)	**68.524.877**	**51.686.327**
Garanti Bankası T.A.Ş. – bank deposits	587.444.538	461.647.237
Cash at banks	**587.444.538**	**461.647.237**
Garanti Bankası T.A.Ş. – investment funds	13.258.013	-
T. Garanti Bankası A.Ş.– private sector bonds	54.401.601	21.950.940
Financial assets held for trading (Note 11)	**67.659.613**	**21.950.940**
T. Garanti Bankası A.Ş.	184.712	128.023
Doğuş Holding A.Ş	204	2.024
Garanti Portföy Yönetimi A.Ş	173	11.216
Doğuş Otomotiv Servis A.Ş	3.761	3.530
Eureko Sigorta A.Ş	87	870
Garanti Faktoring A.Ş	-	14.108
Doğuş Oto Pazarlama ve Tic. A.Ş	4.383	105
Garanti Ödeme Sistemleri A.Ş	(64)	197
Garanti Finansal Kiralama A.Ş.	419	-
Others	32.491	3.329
Receivables from main operations	**226.165**	**163.402**
T. Garanti Bankası A.Ş – Local usage	-	33.679
Due from Shareholders(Note 12)	**-**	**33.679**
Garanti Hizmet Yönetimi A.Ş. – fund management	5.510.560	5.148.903
Other receivables from related parties (Note 12)	**5.510.560**	**5.148.903**
Garanti Bankası T.A.Ş. – tax loans	-	812.407
Other financial liabilities (Note 19), (Note 20)	**-**	**812.407**
Garanti Bankası T.A.Ş. – commission payables	15.835.645	15.967.962
Payable from main operations	**15.835.645**	**15.967.962**
Garanti Bankası T.A.Ş.– payables due to local usage	256.297	1.783
Eureko Sigorta A.Ş. – payables due to local usage and insurance policy premiums	7.019	48.381
Garanti Hizmeti Yönetimi A.Ş. – portfolio management	77.910	71.650
Payables to shareholders	**341.226**	**121.814**
Garanti Bankası T.A.Ş. – provision for outstanding claims	53.533	134.543
Doğuş Holding A.Ş.	71.375	59.795
Provision for outstanding claims	**124.907**	**194.338**
Garanti Portföy Yönetimi A.Ş. – management of private pension funds	1.752.094	5.504.860
Garanti Filo Yönetim Hizmetleri A.Ş. – automobile rent expense	102.151	187.020
Antur Turizm A.Ş. – travel expenses	71.186	40.092
Others	1.041	-
Payables to other related parties	**1.926.472**	**5.731.972**

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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. The transactions with related parties during the year ended 31 December 2013 and 31 December 2012 are as follows:

	1 January– 31 December 2013	1 January– 31 December 2012
Garanti Bankası T.A.Ş.	2.424.094	2.257.234
Garanti Ödeme Sistemleri A.Ş.	76.947	-
Doğuş Holding A.Ş.	48.429	55.197
Doğuş Oto Pazarlama ve Tic A.Ş.	102.459	104.162
Doğuş Otomotiv Servis A.Ş.	91.878	95.063
Eureko Sigorta A.Ş.	41.738	45.500
Garanti Yatırım Menkul Kıymetler A.Ş.	59.091	56.984
Garanti Finansal Kiralama A.Ş.	35.002	-
Others	150.797	308.567
Written premiums	**3.030.435**	**2.922.707**
T. Garanti Bankası A.Ş.– bank deposits	45.222.594	45.201.488
Investment income	**45.222.594**	**45.201.488**
T. Garanti Bankası A.Ş.	54.971	65
Garanti Portföy Yönetim A.Ş.	66.854	109.185
Investment expense	**121.826**	**109.250**
Garanti Bankası T.A.Ş.– commissions paid (*)	78.398.727	68.056.174
Garanti Bankası T.A.Ş.– rent, tax and other expenses	7.070.393	3.522.524
Garanti Portföy Yönetimi A.Ş.	4.318.897	7.521.523
Garanti Bilişim Teknoloji ve Tic. T.A.Ş. – information technology expenses	8.159.908	11.567.475
Antur Turizm A.Ş. – tourism expenses	2.564.288	2.302.612
Garanti Yatırım Menkul Kıymetler A.Ş. – rent expenses	-	63.440
Garanti Filo Yönetim Hizmetleri A.Ş.– car rental expenses	1.214.483	1.132.034
Eureko Sigorta AŞ – health and automobile insurance premiums	1.580.383	1.343.429
Doğuş Yayın Grubu A.Ş. – advertisement expenses	104.901	299.559
Others	97.480	114.383
Operating expenses	**103.509.460**	**95.923.153**

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

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46 Subsequent events

None.

47 Others

Description and amounts of the items which are higher than 5% of the total assets in the balance sheet or higher than 20% of the total amount of the group including the items phrased with “other” in the accompanying financial statements

They are presented in the related notes above.

Payables to employees and receivables from employees presented under accounts, “other receivables” and “other short or long term payables”, and which have balance more than 1% of the total assets

	31 December 2013	31 December 2012
Telecommunication services received	1.407.108	18.827
Consulting services received	1.033.545	176.525
Advertising expenses	512.072	
Takasbank –customer care commission payables	213.301	143.423
Policy and contract consignment payables	136.727	96.058
Personnel life insurance payables	33.907	45.197
Personnel life insurance payables	8.878	73.943
Capital Market Board-Additional registration fee payables	-	105.637
Payables to market survey companies	-	53.241
Other payables	1.664.791	391.703
Total		
	5.010.329	**1.104.554**

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.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ
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As at and for the year ended 31 December 2013 and 2012, details of discount and provision expenses are as follows:

	1 January – 31 December 2013	1 January – 31 December 2012
Provision for unused vacation pay liability (Note 23)	(286.249)	(120.175)
Provision (expense) / release for receivables from main operations (Note 4.2)	(56.578)	(64.938)
Provision for lawsuits (Note 23)	(13.278)	(176.804)
Provision for employment termination benefits (Note 23)	(691.110)	9.311
Provision for entrance fee receivables (Note 4.2)	(3.041.288)	-
Total provision expenses	**(4.088.503)**	**(352.606)**

	1 January– 31 December 2013	1 January– 31 December 2012
Non deductible expenses related to life insurance policy holders	(360.781)	(2.071.673)
Non deductible expenses related to pension fund receivable early severance	211.196	(127.468)
Special communication taxes	(105.422)	(115.838)
Donations and grants	(15.780)	(23.480)
Other	(888.092)	(54.332)
Total other expenses	**(1.581.271)**	**(2.392.791)**

Summary of Five-year Financial Information

Financial Information	2009		2010		2011		2012		2013	
	TL thousand	USD thousand	TL thousand	USD thousand	TL thousand	USD thousand	TL thousand	USD thousand	TL thousand	USD thousand
Individual Pension System										
Fund Size	1.326.196	880.784	1.834.480	1.186.598	2.345.410	1.241.680	3.324.797	1.865.139	4.249.324	1.990.968
Technical Reserves	128.357	85.247	140.772	91.056	159.487	84.434	226.326	126.964	246.776	115.624
Paid-in Capital	53.084	35.255	53.084	34.336	53.084	28.103	53.084	29.779	53.084	24.872
Shareholders' Equity	229.610	152.494	329.597	213.193	442.130	234.067	571.313	320.494	706.889	331.204
Total Assets	1.741.036	1.156.297	2.375.643	1.536.638	3.023.728	1.600.788	4.223.858	2.369.493	5.318.601	2.491.965
Life Insurance Premium Production (net)	116.682	77.494	140.632	90.965	152.628	80.803	233.056	130.739	257.075	120.449
Technical Income and Expense Balance	74.063	49.188	109.122	70.583	109.467	57.953	120.049	67.345	136.937	64.160
Non-operating Income and Expense Balance	19.836	13.174	16.644	10.766	32.278	17.088	42.489	23.835	37.379	17.513
Profit/Loss Before Tax	93.899	62.362	125.766	81.349	141.744	75.040	162.539	91.181	174.316	81.674
Net Profit	75.176	49.928	100.040	64.709	112.606	59.615	129.046	72.392	137.981	64.649
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Return on Assets	5,39	5,39	5,29	5,29	4,69	4,69	3,85	3,85	3,28	3,28
Return on Equity	41	41	38	38	32	32	28	28	25	25

Foreign Exchange Rates	(MBDA)	
31.12.2009	USD 1	TL 1.5057
31.12.2010	USD 1	TL 1.5460
31.12.2011	USD 1	TL 1.8889
31.12.2012	USD 1	TL 1.7826
31.12.2013	USD 1	TL 2.1343

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