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Strong financial structure...

Pension funds size TRY **898** million

Amount of total pension contribution in 2008 TRY **277** million

Number of pension participants **336,535**

Life insurance premium production in 2008 TRY **124** million

Number of life insurance policies/certificates **2,318,192**

Asset size TRY **1,205** million

Shareholders' equity TRY **154** million

Net profit after tax TRY **64** million



**We increased our
market share by**

points...



Having achieved a market share of **14.1%** in the Individual Pension sector with a **1.5**-point increase in 2008, Garanti Pension and Life has become the fastest growing company, with a fund size of **TRY 898 million**.



Our productivity
increased by

32

%...



Ensuring sustainability in productivity through its innovative, creative and specialized human resources, Garanti Pension and Life increased its net profit per employee by **32%** compared to the previous year to reach **TRY 114,000** in 2008.



**We accomplished
another**

1

st in insurance sector...



Garanti Pension and Life brought a powerful new addition to its customer-oriented product range and led the sector with the **three distinct unemployment insurance** products that it developed in 2008.

Our Vision

To become Europe's best "Private Pension and Life Insurance Company."

Our Mission

Based on our responsibility toward society and our shareholders as a whole; we protect the happy future of our customers and employees; we guide them, add value and make them feel under Garanti.

Our Core Values

- We work to attain customer satisfaction surpassing expectations
- We believe in open communication, we listen to everyone and consider all ideas and criticisms
- We adopt a candid approach, acting ethically and honestly
- We work in full and prudent compliance with the relevant laws
- We believe that happy customers can only be created through happy employees
- We employ those who excel in their fields and believe in continuous improvement
- We distinguish ourselves through our innovative and creative attributes

Our Competitive Advantages

Garanti Pension's most vital competitive advantage is its inimitable capability in the bancassurance business. Garanti Pension has been an exemplary model in that sector for years. This enviable position is due to its strong tie with Garanti Bank as its main distribution channel and the harmony that exists between its regional sales structure and the Bank's regional structuring.

The Company's major competitive advantages are as follows:

- The Garanti brand,
- Competent human resources,
- Its approach that is oriented toward customer satisfaction,
- Technological infrastructure,
- Reassurance capacity,
- Strong capital and financial structure,
- Efficient use of bancassurance,
- Its superiority in alternative distribution channels,
- Its capability to make and implement decisions so as to quickly implement innovations and to meet evolving expectations.

730 branch offices, approximately 2,600 ATMs, an award-winning Call Center...

Incorporated in Ankara in 1946, Garanti Bank is currently Turkey's second largest private bank in terms of asset size with a success rate that has increased continually throughout the years. Thanks to its customer-oriented approach and innovative culture, the Bank has reached a total asset size* of over US\$ 65 billion. In a year that was as challenging as 2008, the 22% growth it attained in ordinary banking revenues and the increase it ensured in the number of customers, which number over one million, highlight Garanti's flexible and sound business model. Operating in the fields of corporate banking, private banking, commercial banking, SME (Small and Medium Sized Entities) banking, individual banking and investment banking, Garanti offers multidimensional financial services with a customer-oriented approach.

With the purpose of continuing its history of fast growth, Garanti has reached a total of 730 branch offices, including five branch offices and four representative offices operating abroad, and about 2,600 ATMs. Garanti also boasts an award-winning Call Center and a multi-channel, strong distribution network consisting of mobile and internet branch offices with a superior technological infrastructure. The Bank acts as an integrated financial services group with foreign branches and representative offices in the Netherlands, Germany, Romania, the UK, Russia, Luxemburg, Malta, Cyprus, and China as well as its domestic organization. Following its vision of being a regional player in its sector, Garanti has close and consistent relations with the markets located in the surrounding geographical area.

In 2008, Garanti increased its (normalized) consolidated net profit by 15% to reach TRY 1.9 billion, excluding revenues from sales of shares in the insurance subsidiaries and custodian service sales in the same period of the previous year. As of the end of 2008, its consolidated asset size increased by 30% compared with late 2007, to reach TRY 99 billion, while the return on Garanti's assets accrued to 2.2%. In 2008, when one of the biggest financial crises in world history occurred abroad, bringing about domestic uncertainties, Garanti was the Turkey's most profitable private bank with its sound balance sheet performance and robust shareholders' equity.

Doğuş Holding and GE Capital act in the framework of equal partnership principals in managing Garanti, of which 49% is publicly held and whose shares are quoted on the Istanbul Stock Exchange (İMKB). Of Garanti Bank's shares, 26.66% are held by Doğuş Group; 20.85% are held by GE Capital.

Doğuş Group is one of the leading holding companies in Turkey with its brilliant history and forward-looking progress with the vision of becoming the regional leader in the service sector. The group operates in seven sectors: finance, automotive, construction, mass media, tourism, real property and energy. On the other hand, General Electric Corporation, one of the world's largest holding companies, operates globally in over 160 countries with 323,000 employees. As the only organization quoted in the Dow Jones index since 1896, GE earned a US\$ 18 billion profit in 2008.

Garanti Bank has developed many products and services that have been launched for the first time not only in Turkey, but globally as well. Garanti does not establish its competitive strategies based solely on pricing but also by putting the highest priority on service. For that reason, it attaches great importance to establishing consistent and close customer relationships, being innovative, making a difference and showing dynamism in all its actions.

* Consolidated asset size as of 2008.

Garanti Bank in 2008;

- Received The Euromoney Award for Excellence given by Euromoney, one of the world's prominent financial magazines, and was well as being chosen as the Best Bank in Turkey for the ninth time.
- Received the first Human Management Award from the Turkish Association of Personnel Management (PERYÖN) for its Star Human Resources Model study.
- Received The Bank of the Year 2008 award from The Banker magazine, one of the most influential and prestigious publications in the banking sector and published by Financial Times. Garanti Bank fulfilled the magazine's "strong management" and "prudent risk approaches" criteria and was chosen as the most successful bank of 2008 with its sound performance.
- Received two additional awards in the eighth annual "The World's Best Internet Banks" assessment, being selected by one of the most respected business and finance magazines of the world, Global Finance. Among all banks of the world, garanti.com.tr was named the first in "The Best Online Consumer Credit Site" and "The Best Integrated Consumer Bank Site" categories. Further, it received awards in a total of 10 categories, including Best Internet Private Bank in Europe, Best Internet Corporate Bank in Europe, and Best Website.
- The Call Center of Garanti Bank ranked first in "The Best Outbound Call Team & Campaign Management" category with its pension plan sales. Additionally, it was awarded "The Most Commendable Call Center" under "The Best Development Strategy" category, both in the "European Call Centre Awards 2008" contests arranged by the CCF.
- Awarded the Gold Panda for the second time for its long-standing support to the conservation and preservation efforts of WWF-Turkey (The World Wildlife Foundation).
- Deserved many other awards than those mentioned above and so reinforced its innovative structure and superior performance.

In 2008, Garanti increased its (normalized) consolidated net profit by 15% to reach TRY 1.9 billion, excluding revenues from sales of shares in the insurance subsidiaries and custodian service sales in the same period of the previous year. As of the end of 2008, its consolidated asset size increased by 30% compared with that of late 2007 to reach TRY 99 billion, while the return on Garanti's assets accrued to 2.2%.

Insurance premiums and investment products amounting to EUR 19.6 million...

Eureko is a financial services group whose primary field of operation is the insurance business. Incorporated by merging insurance and banking operations in 1992, and headquartered in the Netherlands, the group operates in 11 European countries.

Eureko's main goal is to be the best customer-oriented and most innovative financial service provider.

Eureko's main goal is to create value for its four stakeholders, whom it places on an equal footing: customers, distribution partners, shareholders and employees.

Eureko, whose shares are held mostly by Achmea (52.15%) and Rabobank (37.25%), produced EUR 19.6 billion in total from insurance premiums and investment products and holds EUR 7.5 billion shareholders' equity, as of 2008.

Eureko B.V. Board of Directors comprises Willem A.J. van Duin (1960), Chairman; Gerard van Olphen (1962), Vice Chairman; and Danny van der Eijk (1958), Jeroen L.L.M. van Breda Vriesman (1967), Thomas C.A.M. van Rijckevorsel (1954) as participants.

Garanti Pension in Brief

Dynamic, agile and determined...

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.

On November 14, 2002, the Company applied for a transition from life insurance company status to a pension company as per the second paragraph of the first provisional article in Law no. 4632 on Individual Pension Savings and Investment System. The application was accepted and approved by the Turkish Republic's Prime Ministry Undersecretariat of the Treasury on December 18, 2002.

The Company's name was changed to "Garanti Emeklilik Anonim Şirketi", as published in the Trade Registry Gazette on January 15, 2003. Thereafter, it was known as "Garanti Emeklilik ve Hayat Anonim Şirketi," as published in the Official Gazette on March 25, 2003. The Company founded pension mutual funds in accordance with the resolution of the Board of Directors dated June 28, 2003, based on the authorization received from the Capital Markets Board.

Today, Garanti Pension and Life stands as a pioneer company that provides products appealing to various customer groups in both pension and life insurance and that professionally implements bancassurance. Its accomplishments in the bancassurance sector set an example for other companies in the industry. The Company's dynamic, agile and determined structure ensures easy adaptation to both industrial and economic changes. Further, the Company, with its innovative structure, introduces new applications and products to both sectors that it is involved in.

Garanti Pension and Life stands as a company that provides products appealing to various customer groups in both the pension and life insurance lines of business and that professionally implements bancassurance.

Milestones

2002

- Transition of Garanti Pension and Life to a pension company was officially approved by the Undersecretariat of the Treasury.

2003

- Sales of pension products commenced.

2004

- The "Garanti'li Yarınlar" (Guaranteed Tomorrows) product, which offered a critical degree of security to pension customers in particular, through its life-threatening illnesses benefit, became available on the market.

2005

- Group funds were launched for corporate customers.

2006

- Garanti Pension and Life became the sector leader in Group Plans.

2007

- Garanti Pension and Life ranked second in both the pension and life insurance sectors in regard to the number of pension participants and number of insureds, respectively.
- In the Board of Directors meeting held on June 21, 2007, the decision was taken to approve the transfer of a 15% share of the Company's issued capital, held by Garanti Bank, with the par value of TRY 7,500,000, to Eureka, the main shareholder of the Company, which owned 99.91% of the Company shares. The sale price for 750 million shares, which represented 15% of the issued shares of the Company, was EUR 100 million.

Milestones of 2008

“The Most Favorite Individual Pension Company”...

January

- Garanti Pension and Life launched the “SMEs’ Special Pension” plan, which can be used by Garanti Bank’s SME customers as the main distribution channel.

February

- The Company put the Customer Relationship Platform into practice, which enables monitoring of services rendered to customers via a single channel and facilitates managing customer details to promote service quality.

March

- The simulation screens, which displayed the projected amount of accumulations for customers, were redesigned and implemented for the use of customers.

April

- The Company encouraged its customers to have a hobby and implemented the “Garanti Pension Hobby Clubs” project to enrich its customers’ lives and promote their standard of life.

May

- The Company simultaneously launched three life insurance products with additional unemployment benefits, which enable the holder to seek a job while preserving their standard of living in case they are involuntarily unemployed. Among these products, which are “unprecedented” in the life insurance sector, Payment Protection Insurance secures loan installments and Debt Cancellation secures credit card expenditures while Income Protection offers security for monthly remunerations.

June

- Believing that happy customers can only be created through happy employees, the Company initiated the “Reward for Success Program” a comprehensive rewards program aiming at reinforcing the motivation of its service-oriented team.

July

- The Garanti Pension and Life website received the golden award in “Excellence in Financial Services” and “Excellence in Insurance Services” categories in the 14th Annual Communicator Awards given by the world-famous International Academy of the Visual Arts.

August

- Upon the effective date of the Individual Pension Legislation amendments, new practices such as vesting, contract consolidation and right to withdrawal were introduced. With its dynamic structure, the Company harmonized all its systems in line with the amendments and adapted itself swiftly to the new legislation.

September

- Garanti Pension Hobby Clubs arranged their first event, the International Women’s Sailing Cup.

October

- Standing out among hundreds of national and international companies, hobimlemutluyum.com received the Outstanding Success Award in the “Life Style” category of the Interactive Media Awards, which took as its basis the highest standards in website design.

November

- The Company ranked the first in the “Services” category of the Microsoft Convergence 2008, which was organized at an international level, and was one of two Turkish companies receiving awards.

December

- As was the case in 2006 and 2007, Garanti Pension and Life was named “The Most Favorite Individual Pension Company” by Capital magazine in 2008.

Main Financial Indicators

A productive year: 2008...

Life Insurance Premium Production (in thousand TRY)

| | |
|------|---------|
| 2007 | 108,023 |
| 2008 | 123,535 |

Net Profit for the Period (in thousand TRY)

| | |
|------|--------|
| 2007 | 41,265 |
| 2008 | 63,829 |

Fund Size (in thousand TRY)

| | |
|------|---------|
| 2007 | 572,527 |
| 2008 | 897,774 |

Return on Assets Ratio (%)

| | |
|------|-----|
| 2007 | 6.7 |
| 2008 | 6.4 |

Number of Pension Participants (in thousand individuals)

| | |
|------|-----|
| 2007 | 275 |
| 2008 | 337 |

Size of Shareholders' Equity (in thousand TRY)

| | |
|------|---------|
| 2007 | 89,759 |
| 2008 | 154,034 |

Contribution (in thousand TRY)

| | |
|------|---------|
| 2007 | 485,847 |
| 2008 | 762,615 |

Return on Shareholders' Equity Ratio (%)

| | |
|------|-----|
| 2007 | 60% |
| 2008 | 52% |

Asset Size (in thousand TRY)

| | |
|------|-----------|
| 2007 | 776,077 |
| 2008 | 1,204,529 |

Company Structure and Number of Employees

Operating in the life insurance and pension lines of business, Garanti Pension and Life has 592 employees in total as of the end of 2008.

| Number of Garanti Pension and Life's Employees in 2008 | |
|--|------------|
| Number of employees as of January 2008 | 563 |
| General Office | 372 |
| Regional Offices | 191 |
| Number of employees as of December 2008 | 592 |
| General Office | 376 |
| Regional Offices | 216 |

Garanti Pension and Life has 13 regional offices. Regional offices are located in Istanbul (6), Ankara (3), Izmir, Adana, Bursa, and Antalya.

| Garanti Pension and Life Regional Offices | |
|--|----------|
| Regional Office | Province |
| The 1 st - 2 nd Regional Offices for Istanbul-Europe | Istanbul |
| The 3 rd Regional Office for Istanbul-Europe | Istanbul |
| The 4 th Regional Office for Istanbul-Europe | Istanbul |
| The 5 th - 6 th Regional Offices for Istanbul-Europe | Istanbul |
| The 1 st - 2 nd Regional Offices for Istanbul-Anatolia | Istanbul |
| The 3 rd Regional Office for Istanbul-Anatolia | Istanbul |
| Regional Office for the Southern Aegean and Izmir | Izmir |
| Regional Office for Ankara | Ankara |
| Regional Office for Central and Northern Anatolia | Ankara |
| Regional Office for Eastern Anatolia | Ankara |
| Regional Office for the Mediterranean | Antalya |
| Regional Office for Çukurova and Southeastern Anatolia | Adana |
| Regional Office for the Marmara and Western Anatolia | Bursa |

Amendments to the Articles of Association and the Reasons Thereof

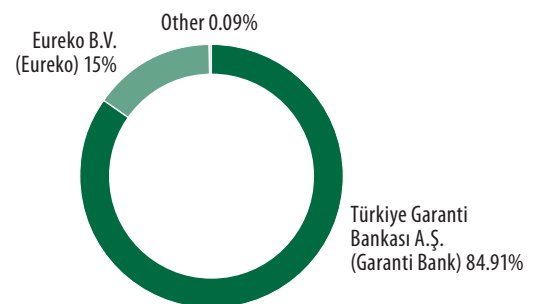
The Articles of Association were not amended in 2008.

Capital and Shareholder Structure

Eureko B.V. purchased 15% of shares in Garanti Pension and Life in 2007 for EUR 100 million. In 2008, the shareholder structure of the Company remained unchanged.

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

| | December 31, 2008 | |
|---|-------------------|-------------------|
| | Share Ratio (%) | Amount of Shares |
| Türkiye Garanti Bankası A.Ş. (Garanti Bank) | 84.91 | 42,456,190 |
| Eureko B.V. (Eureko) | 15.00 | 7,500,000 |
| Other | 0.09 | 43,810 |
| Total | 100.00 | 50,000,000 |



Chairman, Board Participants, Company CEO and Executive Vice President do not hold any company shares.

Chairman's Message



Garanti Pension and Life is taking firm steps towards reaching its zenith with its creative and innovative structure and customer-oriented perspective in a period that features challenging economic conditions. Our company not only gained the largest market share in the Individual Pension sector with a 1.5-point increase in its fund volume, but also retained its position as the runner-up in the sector with its market share of 19.3% in regard to membership.

In 2007, we heard the footsteps of the economic crisis coming closer, which would spread across the world to achieve global dimensions in 2008. Due to this recession, which we can call the greatest global crisis since the Great Depression of 1929, certain sectors have particularly been pushed into severe depression. Simultaneously, many companies, which had been regarded as world giants, reached a crisis point.

Among the sectors most severely impacted by the global crisis across the world, life insurance and Individual Pension sectors have succeeded in preserving their growth tendency, despite some deceleration. In such an environment with unfavorable conditions, Garanti Pension and Life sustained its success rate as usual for a "Garanti" entity.

The reasons why the global crisis causing extensive fluctuations in the global markets has deepened so far can be seen in the events before 2008. Abundant liquidity positively affected the global financial system and the national welfare levels until 2007. Adverse events in the second quarter of 2007 in the US economy, the heart of world trade, were followed by difficulties in repaying high-risk loans extended in the US housing sector. Subsequently, the negative experiences in derivative instruments and hedge funds suppressed the appetite for risk in the overall global financial system and caused investors to quit risky instruments. This flight from the risky instruments adversely

Our vigorous advancement is still on rise...

effected values of assets. Oil prices, which had surged up to US\$ 150 per barrel, sharply dropped down to US\$ 40-50 on one hand, while US equity stocks sharply returned back to their corresponding value in 1997, on the other. As occurs in the case of the domino effect, adverse events followed one another in all world markets, turning future expectations into negative territory.

To overcome such a liquidity crunch and boost stagnant demand, all Central Banks around the world, and particularly the US Federal Reserve, exploited the interest rate card they had to all lengths and dropped interest rates down to minimum levels. While the Fed lowered interest rates down to the 0-0.25% range, all Central banks around the world followed this decision. Nevertheless, the interest rate card unfortunately fell short and “economic stimulus package” announcements began to appear to balance the global capital flow, ensure recovery in consumption and regain the consumers’ confidence, which had been damaged severely. In addition to the public support felt across the entire globe, IMF programs and solutions were discussed in every country.

From a closer point of view, the world economy is seen to be moving towards a severe contraction in the last four months. Besides the signs indicating that economic contraction has just hit rock bottom, it is reported that the economic disruption is widening into a broad spectrum and is more worrying than expected.

I believe one should emphasize that the reconstruction process implemented in our banking system following the crisis of 2001 and the reinforcement process in the financial system are major advantages for Turkey during the global crisis that broke out in 2007. Although a structural problem is not expected to appear in the strong financial structure of the finance sector, we forecast that real sector companies, particularly those more concentrated on export, will inevitably receive a negative impact from the global economic slowdown.

Although the insurance sector is one of those most affected by the global crisis, such an impact has not been seen in our country. The Turkish life insurance sector produced more than TRY 1.57 billion in 2008, with a 12% growth compared with the previous year.

The world average for life insurance premiums per capita is US\$ 358. Its European equivalent is US\$ 1,285, while the average in Turkey is only US\$ 14.5. This level can be expected to increase by six or seven times within the life insurance sector in parallel with the economic development level of Turkey. This picture reveals the high potential of the Turkish life insurance sector.

As is the case of all other companies under the Garanti Financial Services Group, Garanti Pension and Life has the same sound balance sheet performance and competent human resources as the Group itself. In 2008, our Company further enhanced its power, increasing its size of assets by 55% and shareholders' equity by 72%.

Various pension systems have been impacted by the unfavorable climate prevailing in the global stock markets. Countries with an established pension system like the UK, Switzerland, and the US in particular, have suffered from significant losses. As of October 2008, the loss in total assets held by pension funds is about US\$ 5 trillion. This decline basically resulted from the fact that a major part of the funds rested mostly with stocks as an investment instrument and that sharp decreases in the capital markets were reflected in fund values.

The Turkish Individual Pension System, however, continued its growth in the same period despite a slowdown. As investments within our individual pension system are generally used via low-risk instruments, the total amount of available pension funds in 2008 grew by 40%, compared with the end of 2007, to reach TRY 6.4 billion.

Garanti Pension and Life is taking firm steps towards reaching its maximum with its creative and innovative structure and customer-oriented perspective in a period that features challenging economic conditions. Our company gained the biggest market share in the individual pension sector with a 1.5 point increase in its market share by fund volume. It also retained its position as runner-up of the sector with its market share of 19.3% regarding membership. The Company also accomplished the feat of being the top company in the life insurance sector for 2008 with 2,318,000 participants. Our Company succeeded in making headway in both fields of operation while striking a balance.

As is the case with all other companies under the Garanti Financial Services Group, Garanti Pension and Life has the same sound balance sheet performance and competent human resources as the Group itself. In 2008, our Company further enhanced its power, increasing the size of assets by 55% and shareholders' equity by 72%. Closing 2008 with TRY 64 million net profits, our Company attained a 52% return on shareholders' equity and a 6.4% return on assets. Return on shareholders' equity exceeded the sector average by more than three times while the return on assets exceeded the sector average by about three fold. Thanks to its young and competent personnel, Garanti Pension and Life always protects its dynamic and creative structure; believing in continuous development. The Company once again proved its innovative perspective with the new products it launched and the distinctive services it rendered to customers in 2008.

Unemployment insurance products launched by Garanti Pension and Life in 2008 met a long-standing necessity in the sector and invigorated and mobilized the sector. Our Company achieved a remarkable accomplishment with its three distinct unemployment insurance products that suit customer needs and respond to different requirements. The essence of this accomplishment lies in the fact that Garanti Pension and Life, with its swift and agile structure, entered the market earlier than its competitors. It has led the sector by offering the most comprehensive products from the very beginning.

Our Company also highlights its distinction in the sector through the unprecedented customer-oriented projects it undertook. With its balance sheet strength and valuable human resources, I believe that our Company will keep moving forward day by day.

I extend my most sincere appreciation to all our participants and insurees for their contribution on the way to attaining our vision of "becoming the best pension and life insurance company in Europe" and to our management team and employees for their dedicated efforts in taking the Company to where it stands today.

Ergun Özen
Chairman

CEO's Message



The sector grew by 6.5% in life insurance premium production in the last five years, during which Garanti Pension and Life grew by 37.6%.

A year dominated by tempests of the crisis blowing in the global economy and the economic balances being tossed about is how the year 2008 will be remembered in the history books. Breaking out in the US and unfurling worldwide, the crisis deeply wounded several sectors in the world. The insurance and pensions sectors have also been affected considerably by the global crisis.

In our country, the life insurance and individual pension sectors continued their growth tendency, despite some deceleration. In the five-year period following 2004, pension funds grew by an average of 115% per annum. Growth remained at 40% in 2008. Average revenues of individual pension funds regressed to 9.7%. Despite the fall in revenues and tough market conditions where the impact of the crisis showed itself, I still consider, as a remarkable achievement, that the sector promoted its fund volume by 40%.

We carry on the "Garanti" tradition with our strong financial structure.

In 2008, a year dominated by challenging financial conditions, our Company conserved its fundamental dynamics and ensured sustainability of its profitable and powerful structure. With the additional power derived from its strong tie with Garanti Bank (its main shareholder) and its cooperation with Eureka B.V., a leading insurance company; it continues moving forward to an advantageous position in this intensely competitive sector.

Garanti Pension and Life has a sound financial structure. Further, it is significantly distinguished from other companies in the sector with its profitable structure. As of the end of 2008, our Company reached a pension fund volume of TRY 898 million and an asset size of TRY 1,205 million. Return on the assets ratio of our Company was 6.4% as of the end of 2008. Garanti Pension and Life reached TRY 154 million in terms of shareholders' equity as of the end of 2008. And, our return on shareholders' equity was realized at 52%. Achieving

Our sound balance sheet performance is improving...

a significant improvement in the size of both assets and shareholders' equity in 2008, our Company realized a 55% growth rate in assets and 72% growth rate in shareholders' equity. In the same period, Company net profit soared by 55% to approximately TRY 64 million.

Established on sound financial foundations, our Company also raised its profitability ratios in 2008. Garanti Pension and Life raised its financial profits by 230% compared with the previous year and gained TRY 31 million financial profit as of the end of 2008.

We had the highest technical profit in the life insurance sector in 2008.

Garanti Pension and Life increased its technical profit by 29% to TRY 75 million in 2008, excluding operating costs. In the life insurance sector comprised of 23 companies, our Company earned TRY 50 million in technical profit.

We are the sector leader in terms of the number of life insurance policies/certificates.

Garanti Pension and Life continued its rise in the life insurance sector in 2008, too. Particularly during the last four years in the life insurance sector, our Company grew at a much higher rate than the rest of the sector and swiftly increased its market share. Furthermore, this year it attained the same success despite the unfavorable market conditions. The Company also became number one in the sector for 2008 with 2,318,000 policies. Out of a total of 10,667,000 policies currently in the sector, 22% are Garanti Pension and Life policies.

Constituting 2.82% of the sector with TRY 34 million premiums in 2004, Garanti Pension and Life added another five points to its market share with approximately TRY 124 million premiums to reach 7.84% in 2008. While the sector has annually grown by 6.5% on average in terms of premium production since 2004, Garanti Pension and Life grew by 37.6% in the same period.

Following this achievement, our Company, which ranked tenth in 2004 based on premium production, moved to fourth place in the sector in 2007, and succeeded in preserving its position even in 2008.

We also received the largest market share in fund size.

Our Company made further outstanding accomplishments in the individual pension sector in 2008. Despite all adversities encountered around the world, it continues walking the path to success with its stable sales figures and sound financial structure.

With respect to fund size, Garanti Pension and Life increased its market share by 1.5 points in 2008 and reached 14.1% market share by the end of year.

Further, our Company increased its contribution by 57% from TRY 486 million as recognized at the end of 2007 to TRY 763 million.

The total number of participants, which stood at 35,932 at the end of 2004, rose by 75% annually on average over the following four-year period until 2008 to touch 336,535. Backed by this strong growth performance, Garanti Pension and Life managed to gain a market share of 8 points over the four years with regard to membership, and rose to second place in the sector in 2006 and held the same position in 2008, as well.

26% of the sector, which hosts 12 pension companies, is made up by our Company alone on the basis of group contracts. As for group-dependent individual pension contracts, Garanti Pension and Life holds 30% of the sector. As the rising company of the sector, Garanti Pension and Life aims at further improvement by converting the emerging competitive circumstances into advantage.

We protect our customers against the impact of unemployment.

Through its products offered with an unemployment guarantee as launched in May 2008, Garanti Pension and Life protects its customers against the impact of unemployment when they involuntarily lose their job.

The unemployment insurance products concurrently sold by our Company to respond to long-standing customer needs of customers distinguished the year 2008. Our products, which help customers cope with financial difficulties in case they unexpectedly lose their job filled a gap in the sector.

Garanti Pension and Life concluded 135,274 sales with these products in the eight-month period of May through December 2008.

Enabling us to demonstrate once again our innovative and creative perspective in product provision, our unemployment insurance products package comprises three different products: Income Protection, Payment Protection Insurance and Debt Cancellation.

- With Income Protection Life Insurance, we provide unemployment benefits for the private sector employees, being subject to the package of their choice, when they lose their job.
- Through the Debt Cancellation, the last outstanding debt, including the installments as indicated in the last statement, will be repaid at once, in case of involuntary unemployment for the employed and hospitalization, death or disability for the self-employed.
- Our Payment Protection Insurance will repay loan installments and financially support the employed if they are involuntarily unemployed and the self-employed if they are hospitalized.

As a remedy to unemployment, always a nightmare for employees, our products have reached an increasingly wide group of customers.

From now on, our customers are happier because of their hobbies...

Garanti Pension and Life made a huge difference in the sector and began the Hobby Clubs project in 2008 in order to support its participants not only in the future, but even today. With the Hobby Clubs project, our Company aims to secure a happy future for its participants as well as helping them to live a happy life today, enriching their social life and promoting their standard of life. Consistent with this goal and to encourage participants to have a hobby of their own, it offers them very special advantages in the contacted organizations operating in their field of interest. It adds to these advantages each day. Throughout 2008, the Company arranged several events almost in every hobby within the frame of Hobby Clubs. Examples include Garanti Pension International Women's Sailing Cup, Garanti Pension & TED College Tennis Tournament. Garanti Pension and Life created the www.hobimlemutluyum.com website as a specific communication and information-sharing channel for the Hobby Clubs project.

We continue supporting social development projects through the voluntary participation of our employees.

As Garanti Pension and Life, we continued support for the education and personal development of children and youngsters and implemented a new project in 2008: International Summer Season Project. Consistent with our other social responsibility projects, we executed this project with the active and voluntary participation of our employees.

Executed in collaboration with the Community Volunteers Foundation (TOG) in three different cities, Edirne, Mardin and Van, the project basically aimed at contributing to the personal and social development of needy children and youngsters living in low income regions and raising the awareness of volunteerism. In the scope of this project, we implemented some environmentally and socially

beneficial activities such as cleaning Lake Van in Van city, school refurbishment in Mardin, street landscaping and festival square preparations in Edirne as well as the activities targeting children.

Moreover, upon completing the project, our employees undertook construction of a facility in the Yoldere Village Elementary School in Kızıltepe district of Mardin province, and supplied school materials to pupils including uniforms, bags, stationery etc., on their own initiative.

We plan to improve our support to social responsibility projects through the voluntary support and contributions of our employees year after year and continue to meet our responsibility to the community.

Our achievements were awarded in 2008, too.

The year 2008 was full of achievements and awards for our Company. As was the case in 2006 and 2007, Garanti Pension and Life was named "The Most Favorite Individual Pension Company" by Capital magazine in 2008, according to the results of a study conducted with 1,350 managers.

Garanti Pension and Life was chosen "The Best Service Company" in Europe, the Middle East and Africa regions by Microsoft for its capability to adapt CRM software into the business in the technologically most creative way to yield scalable benefits to the organization.

Our corporate website, www.garantiemeklilik.com.tr, received two awards in "Excellence in Financial Services" and "Excellence in Insurance Services" categories in the 14th Annual Communicator Awards given by the International Academy of the Visual Arts.

Standing out among hundreds of national and international companies, hobimlemutluyum.com, which is the most essential communication platform of the Hobby Clubs project we introduced in April 2008, received the Outstanding Success Award in the "Life Style" category of the Interactive Media Awards based on the highest standards in website design.

I extend my gratitude to my dear colleagues who enabled us to run after success without pause in both of our fields of operation, even in 2008 when economic conditions were so unfavorable, for their dedicated efforts.

With our innovative stance, our quickly functioning structure in making and implementing decisions, sound financial foundations and, last but not least, our customer-oriented perspective, we will continue offering the most different and comprehensive services for our customers in both sectors. I believe that the successful results of our efforts indicate that we are moving in the right direction. I owe our shareholders and customers a debt of heartfelt gratitude for their contribution and support in the success of our projects.

Yours sincerely,

Erhan Adalı
CEO

Wide range of products matching customer needs...

Individual Pension

Individual Pension System has over 1.74 million participants as of December 31, 2008. With 314,000 participants in 2004, the system has increased its participants by an annual average of 53.5%.

While the system had a fund size of TRY 300 million in 2004, its fund size rose by an annual average of 115% and reached TRY 6.4 billion as of December 31, 2008. The fund size increased by 39.7% compared with 2007.

As of December 31, 2008;

- The number of contracts in the system reached TRY 1,933,266;
- The number of participants reached TRY 1,745,354;
- The total amount of the contribution reached TRY 5,467,695,761.

In August 2008, a new Individual Pension Regulation was issued. The new regulation introduced some new arrangements concerning several new applications that could add great momentum to the system. These are mainly vesting, immunity from lien for certain parts of accumulations or pensions, right to withdrawal, and arrangement of exit and transfer processes in favor of the customer.

Life Insurance

The Insurance sector is one of those most affected by the global economic crisis. Yet, the Turkish Life Insurance Sector produced more than TRY 1,574,940,325 premiums in 2008, an 11.5% growth compared with the previous year.

Twenty-three companies operate in the Turkish Life Insurance sector. Additionally, three companies operating in the elementary line of business have relevant production, as well. The top five companies realize 64% of the sector's premium production. The common characteristic of those companies is their operations in bancassurance.

Garanti Pension and Life's individual pension plans in 2008

Garanti Pension and Life offers pension plans and 11 pension mutual funds to its customers, aimed at fulfilling a variety of expectations. Garanti Pension and Life's pension plans are as follows:

- Practical Pension Plan
- Mixed Pension Plan
- Premium Pension Plan
- SME Pension Plan
- Group Pension Plan

Practical Pension Plan

The Practical Pension Plan is a packaged pension plan carrying minimal risk and offering fixed investment strategies. This plan is also offered to customers seeking alternative distribution channels from the Alo Garanti/ Telemarketing team, and so on.

Mixed Pension Plan

The Mixed Pension Plan offers flexibility in investment choices and can be tailored according to individual preferences. In this plan, a variety of investment options are available according to the customer's risk return and currency preferences.

Premium Pension Plan

Developed for those customers who want to secure their accumulations for their retirement with lower deductions, the Premium Pension Plan has two options: one with initial capital, the other one, without initial capital.

SME Pension Plan

Starting out on the product design strategies specific to business lines and processes of Garanti Bank, SME Pension Plan was introduced in 2008 targeting the SME businesses.

Through the "SME Pension Plan," under which free financial and legal advisory service is provided, the Company designed packaged products that could be used by Garanti's SME customers. The goal is to expand the product range and develop specific service options for distinct target groups thanks to packages customized on the basis of customer segments.

Group Pension Plan

Corporations join the Group Pension Plans for their employees and participants. These plans can be underwritten in three different ways: employer contribution, employer mediated, and in-house.

Unemployment insurance products launched by Garanti Pension and Life in 2008

Garanti Pension concurrently introduced three life insurance products with additional guarantees against unemployment. These products provide supportive finance to the customers who involuntarily become unemployed during economic hard times. The Company's purpose in offering these products is to support the customers in the event that they are involuntarily unemployed and to help them until they find a new job and to eliminate the everlasting anxiety of unemployment.

Garanti Pension concurrently introduced three life insurance products with additional guarantees against unemployment. These products provide coverage for those who become involuntarily unemployed.

135,000 unemployment policies in eight months...

Income Protection Life Insurance ensures funding monthly fixed expenditures in case of unemployment. Within the scope of this insurance, individuals who want to buy the product may choose their salaries in a range of TRY 320 to 2,500. Unprecedented in Turkey, our Income Protection product can pay much higher salary amounts than its global counterparts and with much smaller premiums.

Payment Protection Insurance ensures repayment of loan installments up to 6 months maximum in one year for loans with a term shorter than one year. Examples include personal loans, mortgages and auto loans, and up to 12 months maximum for loans with a term over one year. In total, it is possible to repay 24 monthly loan installments depending on the type of loan.

Debt Cancellation Insurance secures repayment of credit card debts, in which case the guarantee is defined according to the outstanding debt as indicated in the monthly statements. If insureds lose their job, the complete credit card balance is paid off at once.

The number of unemployment insurance products sold reached 135,274 from May 2008, when the sales commenced, until the end of year. We work on different distribution channels to reach more customers. Debt Cancellation products are delivered to Garanti Bank customers through the call center, branch offices, Internet and finally, ATMs. Sold through the call center and branch offices of the Bank, the Income Protection product will soon be delivered to customers via Internet, as well.

Garanti Pension Hobby Clubs

Promising a happy future for its participants through the individual pension products it offers, Garanti Pension and Life implemented the Hobby Clubs project in 2008 for the purpose of helping its participants to live a happy life not only in the future but even today.

With the Hobby Clubs project, Garanti Pension and Life aims to stand by its participants not only in the future but even today. It offers them special advantages that they can access in their social life apart from securing their pensions. Further, as a corporation that attaches great importance to the happiness of its employees, the Company also encouraged and supported its employees to acquire a hobby through the Hobby Clubs project, all of which seek to create a happy team of employees.

Initially, Garanti Pension and Life created 10 Hobby Clubs in various fields ranging from sailing to tennis, bridge to dancing, cooking to photography. Responding to suggestions and recommendations from Hobby Club participants, hobby fields were further diversified. The number of Clubs was increased to 16 by the end of 2008. Additional Hobby Clubs are planned for 2009.

Within the scope of this project, Garanti Pension and Life contracts specialized organizations in every hobby field and offers participants discounts up to 50% to take courses, training and hobby materials from those organizations. The Company put into operation the initial Hobby Clubs only in Istanbul, but has disseminated the project across Turkey to operate in Ankara, Izmir and Bursa, as well, in line with the requests it has received. The number of cities where the project is being implemented is continuously increasing.

In the frame of the Hobby Clubs project, all questions are answered concerning Garanti Pension Hobby Clubs. Procedures for subscription of Garanti Pension and Life participants in Hobby Clubs can be fulfilled through the call center specifically created for the Hobby Clubs.

Garanti Pension and Life arranged several events in 2008 within the scope of the Hobby Clubs. Examples include Garanti Pension International Women's Sailing Cup, Art Academy Painting Contest, National Geographic International Photography Contest, Garanti Pension & TED College Tennis Tournament, and Bridge Tournaments.

The www.hobimlemutluyum.com website was created specifically for the Hobby Clubs project begun by Garanti Pension and Life in 2008. It is currently a very active communication platform.

Standing out from among hundreds of national and international companies, [hobimlemutluyum.com](http://www.hobimlemutluyum.com) received the Outstanding Success Award in the "Life Style" category of the Interactive Media Awards which took as its basis the highest standards in website design.

Initially, Garanti Pension and Life created 10 Hobby Clubs in various fields ranging from sailing to tennis, bridge to dancing, cooking to photography. Responding to the suggestions and recommendations of Hobby Club participants, hobby fields were further diversified and the number of Clubs was increased to 16 by the end of 2008. Additional Hobby Clubs are planned for 2009.

Garanti Pension and Life's website received two international awards in 2008: The website received golden awards in the "Excellence in Financial Services" and "Excellence in Insurance Services" categories in the 14th Annual Communicator Awards given by the International Academy of the Visual Arts.

Garanti Pension and Life Website

The website of Garanti Pension and Life at www.garantiemeklilik.com.tr serves as a functional distribution channel enabling quick and easy access with its content and design. Detailed information is available on the website concerning individual pension and life insurance products, individual pension funds and plans, pension plan yields, benchmark comparisons with other investment instruments and detailed campaign information.

Participants visiting the website can simultaneously view detailed information on their individual pension contracts as well as the performance of the funds they have chosen and their accumulations. Individual pension participants can access detailed information concerning contribution margin, contribution currency and contribution payment cycles and can access their payments easily online.

Garanti Pension and Life's website received two international awards in 2008: The website received golden awards in the "Excellence in Financial Services" and "Excellence in Insurance Services" categories in the 14th Annual Communicator Awards given by the International Academy of the Visual Arts.

Garanti Pension and Life Target Audience and Distribution Channels

Garanti Pension and Life's most essential competitive advantage is its inimitable capability in the bancassurance business. Its strong tie with Garanti Bank as the main distribution channel and the harmony between its regional structuring and the Bank's regional structuring has set an exemplary model in the sector for years. Garanti Pension and Life mainly offers products targeting the business lines and processes of Garanti Bank, its principal distribution channel. The Company plans to diversify its products and expand its product range in parallel with Garanti Bank's business

lines. Garanti Pension and Life has product designs that may appeal to everyone in both individual pension plans and life insurance. The Company's basic strategy is to offer a product range that covers all Garanti Bank's customers as its main distribution channel.

As one of the largest companies in the sector, Garanti Pension and Life is a company capable of implementing changes quickly and introducing innovations to the sector. With the goal to expand its products range and develop specific service notions for distinct target groups thanks to the packages customized on the basis of customer segments, the Company brought about many innovations in 2008. Through the "SME Pension Plan" which was designed for SME businesses in 2008 and under which free financial and legal advisory service is provided, the Company provided a packaged product that could be used by Garanti Bank's SME customers.

With the aim of assisting its customers who involuntarily lose their jobs during hard times, the Company also launched Payment Protection Insurance, Debt Cancellation and Income Protection products responding to varying needs, in 2008. By means of these products, it seeks to help working class individuals during economic hard times in case they are involuntarily unemployed due to events beyond their control.

Being one of the largest companies in the sector, Garanti Pension and Life is a company that is capable of implementing changes quickly and introducing innovations to the sector. With the goal of expanding the products range and developing specific service options for distinct target groups thanks to packages customized based on customer segments, the Company initiated many innovations in 2008.

The Company increased its net profit by 55%...

Garanti Pension and Life Financial Power and Market Share

Garanti Pension and Life continued enhancing its already existing sound financial structure even in 2008, despite all of the global economic problems. The Company boosted its asset size by 55% to reach TRY 1 billion 205 million. The size of shareholders' equity of the Company soared by 72% to TRY 154 million. In the same period, Company net profit surged by 55% to reach approximately TRY 64 million. This improvement originated from a fast and agile Company structure that is open to change.

"Garanti" in the Pension Sector

Garanti Pension and Life increased its market share of 10.8% in terms of fund volume being available in the pension sector at the end of 2004, by three points in four years to gain a market share of 14.1% by the end of 2008. In 2008, the Company acquired the highest market share, with a 1.5% increase in its market share of fund volume, which means a fund volume of TRY 898 million.

The total number of participants, which stood at 35,932 at the end of 2004, rose by 75% annually on average over the following four-year period until 2008 to reach 336,535. With its strong growth performance, Garanti Pension and Life managed to gain a market share of about eight points in four years in terms of membership.

Garanti Pension and Life has kept its position as sector leader with respect to the number of group contracts since 2006. As of the end of 2008, the Company alone holds 26% of the sector in terms of group contracts. It has reinforced its sector leadership in the number of group contracts as a result of its 2008 performance.

"Garanti" in the Life Insurance Sector

In the life insurance sector, the Company quickly added to its market share with a growth rate far above the sector average in the last four years.

The Company ranks first among 23 companies operating in the life insurance sector with its 2,318,000 policies/certificates as of the end of 2008. Out of the total 10,667,000 life insurance policies currently applicable in the sector, including the saving life insurances, 22% are included in Garanti Pension and Life's portfolio.

Constituting 2.82% of the sector with TRY 34 million premiums in 2004, the Company added another five points to its market share with about TRY 124 million premiums, to reach 7.84% in 2008. Upon this achievement, our Company, which ranked ninth in 2004 on the basis of premium production, won fourth place in the sector in a span of four years.

Bancassurance boosts productivity in both banking and insurance sectors and ensures the extension of various products to customers. It does so collectively thanks to the synergy between both sectors and plays the most crucial role in Garanti Pension and Life's accomplishments that have been achieved in a short amount of time. The synergy yielded by the technological infrastructure, system harmony and common culture with Garanti Bank as its main distribution channel enables the Company to practice bancassurance in the best and most productive fashion.

Garanti Pension and Life is still an exemplary company for the sector with its experience in bancassurance. The majority of the individual pension and life insurance product sales of the Company are done through Garanti Bank's branch offices. Garanti Bank has been operating in a total 730 branch offices both at home and abroad, with 15,285 employees as of the end of 2008. In addition, with 374 branch offices, Denizbank is another distribution channel for the Company's individual pension products.

Increased market share in both sectors...

| | Number of Garanti Pension Participants | Number of Pension Participants in the Overall Sector | Market Share (%) |
|------|--|--|------------------|
| 2004 | 35,932 | 314,257 | 11.4 |
| 2005 | 91,179 | 672,696 | 13.6 |
| 2006 | 187,437 | 1,073,650 | 17.5 |
| 2007 | 275,150 | 1,457,704 | 18.9 |
| 2008 | 336,535 | 1,745,354 | 19.3 |

19.3%

On the basis of membership, market share of Garanti Pension and Life rose to 19.3% by 40 basis points compared with 2007.

| | Fund Size of Garanti Pension | Fund Size of the Sector | Market Share (%) |
|------|------------------------------|-------------------------|------------------|
| 2004 | 32,452,681 | 300,020,297 | 10.8 |
| 2005 | 117,534,499 | 1,225,329,258 | 9.6 |
| 2006 | 299,803,746 | 2,820,105,257 | 10.6 |
| 2007 | 572,527,136 | 4,571,115,217 | 12.5 |
| 2008 | 897,774,043 | 6,384,479,755 | 14.1 |

14.1%

Market share of Garanti Pension and Life in terms of fund size rose to 14.1% by 150 basis points compared with 2007.

| | Contribution of Garanti Pension | Contribution of the Sector | Market Share (%) |
|------|---------------------------------|----------------------------|------------------|
| 2004 | 30,485,981 | 338,107,062 | 9.0 |
| 2005 | 104,483,822 | 1,117,233,826 | 9.4 |
| 2006 | 275,541,807 | 2,610,222,369 | 10.6 |
| 2007 | 485,847,128 | 3,917,061,211 | 12.4 |
| 2008 | 762,614,942 | 5,467,695,761 | 13.9 |

13.9%

Market share of Garanti Pension and Life with respect to the pension contribution payment rose to 13.9% by 150 basis points compared with 2007.

| | Garanti Pension Premium Production | Premium Production of the Sector | Market Share (%) |
|------|------------------------------------|----------------------------------|------------------|
| 2004 | 34,474,406 | 1,223,944,974 | 2.8 |
| 2005 | 54,657,479 | 1,242,065,425 | 4.4 |
| 2006 | 98,599,823 | 1,385,926,144 | 7.1 |
| 2007 | 108,023,480 | 1,412,198,649 | 7.7 |
| 2008 | 123,535,464 | 1,574,940,325 | 7.8 |

7.8%

Garanti Pension and Life sustained its development in premium production and increased its market share to 7.8% by 10 basis points compared with 2007.

Sustainable Growth and Social Responsibility

Multidimensional contribution to education...

Corporate Social Responsibility Activities

Having supported many social projects since its foundation, mainly in the areas of children's health and education, Garanti Pension and Life maintains its steadfast contribution to, and support for, corporate social responsibility projects. Apart from projects carried out by Garanti Pension and Life alone, the Company works in close cooperation with NGOs such as the Ayhan Şahenk Foundation and Community Volunteers Foundation (TOG).

Taking as a basis the active participation of employees in all social responsibility activities, Garanti Pension and Life carries out certain projects, some of which are described below.

The Itinerant Health Services project, carried out in cooperation with Ayhan Şahenk Foundation, has been continuing since 2005.

Garanti Pension and Life is a permanent supporter of the Itinerant Health Services Project undertaken by the Ayhan Şahenk Foundation. The project aims to provide free health care to those without social security and those of limited financial means throughout Turkey. This objective is accomplished through modern health vehicles specially designed to serve in the fields of "Visual Health," "General Health" and "Children's Health." This project, initially planned for children of elementary school age, is carried out in elementary schools, when they are open, and in low-income residential areas the rest of the year. Regularly continuing its support for the Itinerant Health Services project over the last four years, Garanti Pension and Life also supports several other short-term projects undertaken by the Ayhan Şahenk Foundation.

Garanti Pension and Life has been supporting education and personal development projects undertaken by the Community Volunteers Foundation since 2006.

Garanti Pension and Life supports several children's education and personal development projects carried out by the Community Volunteers Foundation. Granting the Foundation a specific percentage of its monthly sales, Garanti Pension and Life supports many projects carried out by the young Community Volunteers. These projects include school repairs in villages, helping street children, helping younger children whose parents have limited means in their preparation for high school and university entrance exams. Additional projects also include literacy, computer courses and other courses provided at Youth Service Centers. Garanti Pension and Life is determined to continue increasing its contribution in this field.

Garanti Pension and Life continues supporting the Cappadocia Vocational College.

Garanti Pension and Life supports training programs held by the banking and insurance department of the Cappadocia Vocational School. Cappadocia Vocational School is a foundational vocational college founded by those who dedicated themselves to benefitting Cappadocia. It prepares students for the Individual Pension Licensing Exam and contributes to the development of students on their way to business life.

Cappadocia Vocational College, which admitted its first students in the 2005-2006 academic year, added a "Banking and Insurance" department to its educational program in the 2007-2008 academic year with Garanti Pension and Life's support. In addition, an old madrasah (theological school) belonging to the college was renovated and transformed into an extensive library serving the college under the name "the Garanti Pension Library." Supporting students as they prepare for business life and offering them internships and business opportunities within the corporation, Garanti Pension and Life continued its support for the school in 2008. In the 2008-2009 academic year, managers from Garanti Pension and Life lectured in Life Insurance and Individual Pension System classes. In 2009, a one-semester class has been inserted in the curriculum to promote the knowledge and skills of graduates and enable them to receive a Individual Pension Broker's Certificate.

In 2008, Garanti Pension and Life realized a new social responsibility project together with the Community Volunteers Foundation, which was also contributed to by the employees.

Garanti Pension and Life implemented the International Summer Season Project with participation by 60 young Community Volunteers. Thirty were from Turkey and the other 30 from various countries, in three different cities, Edirne, Mardin and Van. The project's main objective was to bring together the young people in the 17-25 age group volunteering at both national and international platforms. The framework was a social goal and to contribute to

the personal and social development of needy children living in low-income regions and raise the awareness of volunteerism. In the scope of this project, we implemented certain activities targeting children including computer and foreign language training, dance and photography workshops, movie sessions. In addition, environmentally and socially beneficial activities such as cleaning Lake Van in Van city, school refurbishment in Mardin, street landscaping and festival square preparations in Edirne were performed.

As is the case in the other social responsibility projects, we executed this project with the active and voluntary participation of Garanti Pension and Life employees. In all events organized in the three cities our employees participated along with the young Community Volunteers. In all three projects, 30 Company employees in total participated in cleaning Lake Van in the city of Van; tree planting, landscaping the playground and wall painting activities together with the children in the Refugee Camp in Edirne; and wall painting, desk cleaning, preparing the school and the pupils for the new academic year together with the volunteers, children and the local people in the Yoldere Village Elementary School in Mardin/Kiziltepe.

Upon completion of the project, employees of Garanti Pension and Life constructed facilities in the Yoldere Village Primary School in Kiziltepe district of Mardin province, and supplied school materials for the pupils including uniforms, shoes, bags, stationery etc., on their own initiative.

Customer relationship management through a single channel...

Regarding customer satisfaction as one of its most important success criteria, Garanti Pension and Life creates such projects with a customer-oriented point of view that makes a difference and provides added value for both existing and potential customers.

Handling all product development, sales and after-sales processes through the "Customer Center," the Company ensured that all departments managing customer relations could monitor their customers through a single channel, thanks to the Customer Relationship Management Project implemented in 2008.

Giving a competitive advantage to the Company, the project has been an exemplary application for companies seeking to attain the same competence in various cities around the world.

With this successful project, the Company not only provided benefits to its customers, but also made quite a significant accomplishment at the international level. The project ranked first in the "Services" category of the Microsoft Convergence 2008. The Company was one of two Turkish companies awarded in this internationally convened organization. The project also sets a wonderful example for other applications in our country.

Another evolution taking place in 2008 was the optical character recognition (OCR) tool which began to be used to manage insurance applications. Transactions can be done quickly and in an error-free manner with this facility.

The Company configured a Group Operations Team under the Operations Team so it could provide more comprehensive and excellent services to its corporate customers. Operational requirements of corporate customers concerning the individual pension and life products started to be handled by this new specialized team.

Upon issuance of the Regulation on Individual Pension System, the most significant event of 2008, the Company adapted itself to the new legislation quickly and properly.

Hardcopy and softcopy archiving processes for the documentation accumulation, particularly in individual pension services, which had commenced in 2007, were completed in 2008. Documents are now archived on a daily basis.

To enhance the the Company's "Happy Customer" concept and to make its customers feel a part of this concept, the Company generates creative ideas focusing on needs. It implements these ideas on a timely basis and with the goal of providing superior quality.

Putting forward new and distinctive ideas about not only services but also product variety, the Company launched three different unemployment products concurrently in 2008. Of these three products, Income Protection Insurance is the "first" of its kind in Turkey. The Company expanded its product range by putting this product on in the market and provided benefits according to customers' needs.

The After-Sales Services Unit, which basically operates to inform existing customers and find solutions to their problems, was enlarged in 2008. It was split into different divisions depending on the type of service rendered in order to provide better customer service.

In parallel with the transparent structure of Individual Pension System, the Company began sending participants a table that shows the projected accumulation to be received when the participant retires. The “How Much Will I Receive When I Retire” table depicts the projected amount of accumulations participants are supposed to reach until retirement in the form of yearly estimates. Participants can use this to track how much their pension contracts will fulfill their expectations.

In the next three years, the most important advancement should be the development of the products that will be proposed to the customers who have fulfilled the retirement requirements within the Individual Pension System. The scheduled payout products to be designed for the pensioners-to-be will be available in the market in 2009. Garanti Pension and Life’s purpose is to stand by its customers throughout their retirement period, as well. Thus, it aims at finalizing, as soon as possible, the necessary infrastructure efforts required to present a pensioner’s benefits plan with the desired flexibility to customers who may choose the scheduled payout during their retirement period.

Besides these efforts, pension plans to be sold online for the first time in the sector will be launched with the e-pension brand in 2009.

Sales of Critical Illnesses Insurance product, which offers benefits against the three most prevalent illnesses of our time (that is, heart attack, cancer, disease-dependent stroke), will begin in 2009. Because this product will be presented in the form of package, and due to the lack of similar competitors in the sector, it is expected to attain high sales figures.

In the next three years, the most important advancement should be the development of products to be proposed to customers who have fulfilled the retirement requirements within the Individual Pension System. The programmed payout products to be designed for the pensioners-to-be will be available in the market in 2009. Garanti Pension and Life’s purpose is to stand by its customers throughout their retirement period, as well.

Board of Directors

Ergun Özen (1960)

Chairman

Ergun Özen holds a BA degree from New York State University, Faculty of Economics, and is a graduate of the Harvard Business School Executive Management Program. He joined Garanti Bank in 1992. He has held the position of Chairman and Board Member from April 1, 2000 on. He is a Board Member of GarantiBank Moscow, GarantiBank International NV, The Banks Association of Turkey, Institute of International Finance (IIF), Turkish Industrialists' and Businessmen's Association (TÜSİAD), and Istanbul Foundation for Culture & Arts (İKSV), and is member of the Board of Trustees of TED Istanbul College Foundation. He is the Chairman of Garanti Securities, Garanti Asset Management, Garanti Pension and Life and Eureka Insurance, Garanti Factoring and Garanti Leasing.

Gökhan Erün (1968)

Vice Chairman

Gökhan Erün holds a BS degree in Electronics and Communications from Istanbul Technical University and an MBA degree from Yeditepe University. He joined Garanti Bank in 1994 in the Treasury Department. He worked as Director of the Commercial Marketing and Sales Department between 1999 and 2004. He was appointed General Manager of Garanti Pension and Life in September 2004, followed by his current position in August 2005. He works as Vice Chairman of Garanti Pension and Life and is a Board Member of Eureka Insurance, Garanti Asset Management and Garanti Securities. Additionally, he is the Chairman of Garanti Retirement Foundation.

M. Cüneyt Sezgin (1961)

Board Member

M. Cüneyt Sezgin holds a BBA degree in Business Administration from Middle East Technical University, an MBA from Western Michigan University and a Ph.D. from Istanbul University Faculty of Economics. He worked as a manager for various banks in the private sector. He is the Country Director of Global Association of Risk Professionals. He is a Board Member of Garanti Pension and Life, Garanti Factoring, Garanti Leasing, Eureka Insurance, Retirement Foundation, and WWF-Turkey.

Ali Fuat Erbil (1968)

Board Member

Ali Fuat Erbil has a BS degree in Computer Engineering from Middle East Technical University, an MBA from Bilkent University and a Ph.D. in Banking and Finance from Istanbul Technical University. He joined Garanti Bank in 1997 as Department Director for Distribution Channels, having previously worked as a manager at various private sector companies and banks. In 1999, he was appointed as the Deputy Director General for Retail Banking and Distribution Channels. He is currently a Board Member of Garanti Pension and Life, Garanti Asset Management and Garanti Retirement Foundation.

Mehmet Sezgin (1962)**Board Member**

Mehmet Sezgin has a BBA in Business Administration from Middle East Technical University and an MBA from the University of Massachusetts. He worked in various private banks and MasterCard Europe. From 1999 onwards, he has worked as Director General for Garanti Payment Systems. He is also a Board Member of Garanti Pension and Life, a Board Member of MasterCard Europe, Chairman of Mastercard Turkey Coordination Committee, and Visa Turkey Executive Board Member.

Murat Aka (1962)**Board Member**

Murat Aka has a BBA degree in Business Administration from Middle East Technical University and an MBA in Business Administration from Boğaziçi University. He graduated from the Advanced Management Program at Harvard University in 2007. He joined Doğuş Group in 1987. Currently he is a Board Member of Doğuş Automotive Service, Doğuş Auto Marketing and Doğuş Automotive and its subsidiaries, and the Chairman of Auditing Committee of Doğuş Automotive Group.

F. Nafiz Karadere (1957)**Board Member**

F. Nafiz Karadere has a BA degree in International Relations from Ankara University Faculty of Social Sciences. He worked as executive manager in various private banks. In 1999, he was appointed Deputy Director General for SME Banking / Corporate Brand Management and Marketing Communication at Garanti Bank. He is a Board Member of Garanti Pension and Life, Garanti Payment Systems and The Teachers Academy Foundation.

Jan Nijssen (1953)**Board Member**

Mr. Nijssen is a graduate of Business Econometrics of Rotterdam Erasmus University. His professional experience with Nationale Nederlanden started in 1978. Having worked in Research, General Insurance, International (UK & Australia) Division and Life and Pensions, he became the General Manager of NN Life Company in 1992. After the merger of NMB with Postbank, NN was renamed ING and Nijssen was appointed as an Executive Board Member of ING Netherlands and ING Europe. After having served as the Global Head Pensions ING Group and the CEO of Central Europe Insurance, he is now a Fellow at Netspar (ThinkTank NETWORK Studies Pensions).

Erhan Adalı (1966)**CEO and Board Member**

For Mr. Adalı's CV, please see page 40.

Executive Management



Erhan Adalı (1966)

CEO

Erhan Adalı graduated from Istanbul University, Faculty of Political Sciences, Public Administration Department. Having started his career in 1989 in the position of Assistant Inspector at Garanti Bank, Mr. Adalı worked as Branch Director, Regional Director and SME Banking Marketing Coordinator. He is currently the CEO of Garanti Pension and Life since his appointment in October 2005.



Ömer Mert (1969)

Executive Vice President: Technical and Operational Units

Ömer Mert has a BS degree in Industrial Engineering from Istanbul Technical University, and a master's degree in Industrial Engineering from the Istanbul Technical University Institute of Science and Technology. Having started his career at Halk Insurance in 1993, he worked as a System Research and Development Manager at Inter Life Insurance, Technical and Reinsurance Manager at Güneş Life Insurance, Operations & Customer Relationship Manager at Axa Oyak Life Insurance, Individual Pension Project Manager at TEB Financial Investments and Executive Vice President at Doğan Pension. Since May 2005, he has been working as the Technical and Actuarial Executive Vice President, IT and Process Measurement, After-Sales Services and Call Center and Operations at Garanti Pension and Life.



E. Yasemen Köne (1972)

Executive Vice President: Sales and Marketing

Yasemen Köne has a BBA degree in Business Administration from Marmara University. Having started her career at Garanti Bank in the position of Assistant Specialist between 1994 and 1997, she was promoted to the position of Branch Targeting and Efficiency Overseeing Executive in 1997, Corporate Banking Portfolio Executive in 1998, Corporate Branch Marketing Executive in 2000, Corporate Banking Sales Coordinator in 2002, and lastly Commercial Branch Director in 2003. Appointed Executive Vice President in Garanti Pension and Life in November 2005, Ms. Köne is responsible for operations of the Retail Marketing, Corporate Marketing, Corporate Communication, Product Development and Strategic Planning, Brokers and Agencies departments.



Cemşit Türker (1966)

Executive Vice President: Management Support

Cemşit Türker has a BS degree in Industrial Engineering from Istanbul Technical University. Having started his career at Garanti Bank as Assistant Specialist in 1991, he was appointed Retail Banking Business Development Executive in 1996 and worked as Branch Director, Small Enterprises Targeting and Overseeing Executive, Retail Regional Marketing Director, Retail Regional Sales Director, respectively, until 2004. He was appointed Director of Corporate Business and Performance Development Department at Garanti Pension and Life in March 2004. In May 2006, he was promoted to the position of Executive Vice President for Financial Affairs and Management Reporting, Customer Relationship Management, and Marketing and Human Resources.

Auditors and Internal Auditing Board Directors

| Auditors | Date of Appointment |
|--|---------------------|
| (as per the provision in Article 4 Law no. 5684) | |
| Erdoğan Yılmaz | 12.04.2007 |
| Osman Bahri Turgut | 12.04.2007 |

Erdoğan Yılmaz (1969)

Erdoğan Yılmaz is a graduate of Ankara University International Relations Department. In 1994, he started working for Garanti Bank as Assistant Inspector, an assignment that was followed by the positions of Authorized Assistant Inspector, Inspector, and Auditing Board Vice Chair, respectively. In October 2006, he was appointed as the Internal Auditing Center Department Director. As of April 2009, he has been working as Retail Products Risk Monitoring Department Director.

Osman Bahri Turgut (1969)

Osman Bahri Turgut graduated from Marmara University Faculty of Economics. In 1990, he started working for Garanti Bank as Assistant Inspector, which was followed by the positions of Authorized Assistant Inspector, Inspector, Deputy Director and Director at certain departments, and lastly Auditing Board Chair in 2006.

Salih İleri (1974)

Auditing Board Chair

Salih İleri graduated from Galatasaray High School and Istanbul University Faculty of Business Administration. In 1999, he started working for Garanti Bank as Assistant Inspector and continued his career with the positions of Authorized Assistant Inspector and Inspector, respectively. He was appointed as the Audit Board Chair of Garanti Pension and Life in October 2007. Mr. İleri is also an Independent Certified Public Accountant.

Participation in Executive Board Meetings

In 2008, Garanti Pension and Life Board of Directors held 14 board meetings. Four of these were attended by all nine members, while nine were attended by eight members. The remaining meeting was attended by seven members.

| Board Meeting Dates | Meeting Number | Number of Members Present |
|---------------------|----------------|---------------------------|
| 22.04.2008 | 222 | 9 |
| 22.04.2008 | 223 | 9 |
| 22.04.2008 | 224 | 9 |
| 13.05.2008 | 225 | 7 |
| 27.06.2008 | 226 | 8 |
| 25.09.2008 | 227 | 8 |
| 25.09.2008 | 228 | 8 |
| 25.09.2008 | 229 | 8 |
| 25.09.2008 | 230 | 8 |
| 25.09.2008 | 231 | 8 |
| 25.09.2008 | 232 | 8 |
| 25.09.2008 | 233 | 8 |
| 25.09.2008 | 234 | 8 |
| 18.12.2008 | 235 | 9 |

Organization Chart



A young, dynamic and specialized team...

Garanti Pension and Life Human Resources

Garanti Pension and Life has a young, dynamic and specialized team, in line with its ambitions and position in the sector. It also has a vision to assign the right person to the right position through recruitment, establish its corporate culture through orientation programs for newcomers, support advancing personnel skills by technical and personal development programs, and promote loyalty to the corporation through motivational practices.

Garanti Pension and Life Demographic Information

| | | |
|--------------------------|------------------------------|----|
| Educational Level | License Degree or Higher (%) | 96 |
| | High School (%) | 4 |
| Female/Male Ratio | Female (%) | 64 |
| | Male (%) | 36 |
| Average Age | Female | 28 |
| | Male | 30 |
| | Company | 29 |

To support continuous employee development, the Company organized training programs in 2008. A total of 5,603 days of training were provided with an average of 9.72 days training per employee as of the end of year. Employees were offered the chance to receive training in the UK in 2008 within the scope of training abroad.

Recruitment Practices

In 2008, a new practice was adopted to improve our recruitment process. Based on a study conducted with 105 employees from sales teams, the currently available inventory was combined with a profile analysis to define an "ideal salesperson profile." In the new practice, which will be considered within the framework of "assigning the right person to the right position" objective, participants' development will be monitored by providing both personal

development reports to the participants and management coaching reports to their managers.

Career Opportunities

The KARIYERİM (My Career) center was created to provide guidance to employees in their careers within the scope of career planning and development. The Career Maps made available at this center serve as a roadmap for all employees, indicating their goals. Through this map, employees can view the objective transfer criteria and practices applicable for transfers among the Company and the Group companies. In 2008, a Career Map was collated for the Office General personnel as well as the sales teams. Within the scope of Career Maps, 79 employees were promoted and nine employees were transferred to Garanti Bank in 2008. After the test and interview for Specialist Portfolio Managers, 23 new Specialist Portfolio Managers were appointed. Further, three Company employees were promoted as Department/Regional Directors in 2008.

Six Company employees involved in the evaluation process at the Assessment and Development Center in 2008 joined the identification practices and received reports, including feedback. Following the appraisal, the candidates will be accepted to a one-year training program in the Development Center.

Within the scope of the Guidance Program for Executives, the guidance program continued for recently appointed Regional Directors in 2008. Moreover, executive coaches who will guide new managers were appointed among more experienced Regional Directors.

IK.Net (HR.Net) is Improving...

In 2008, the IK-net (HR.Net) system, which offers all employees access to HR systems for fast and effective use of HR functions, underwent a series of improvements.

With the help of GE-IK.net, employees are informed of their applications for career opportunities, processes of performance appraisal system and their personal rights. In addition, they can update all their personal and functional details, monitor all their expenses on their sales trips or trips with other purposes over IK-net and receive advance payments.

Events

Social events in the Company are organized by CLUB-E, which was created by the employees. In the CLUB-E body, there are five fields of activity: photography, music, sports, social activities and cooking. A musical band whose members are Company employees was established. Also, employees are entitled to take part in the events organized under the umbrella of the Hobby Clubs with additional advantages. In addition, The Company’s Basketball Team has been practicing regularly since August 2008 in order to participate in the Business League.

Reward for Success Program

Within the context of the Reward for Success Program, which was structured in 2008, all awards and certificates delivered within the Company were united under one umbrella. As a result, 96 Company employees were appraised and rewarded in a total of five categories throughout the year.

Training

In 2008, training programs totaling 5,603 days were organized in the Company, with participation by 576 employees. The length of training per employee was 9.72 days.

| Garanti Pension and Life Employees/Days Data for 2008 | | |
|--|---------|------|
| Number of Personnel as of January 1, 2008 | 561 | |
| Number of Personnel as of December 31 | 592 | |
| Average Number of Personnel in 2008 | 576.5 | |
| Total Training Data, Duration/Employee Days | 5,603.5 | 9.72 |

As a standard practice, orientation programs are implemented in Garanti Pension and Life each month, covering such topics as the Group, the Company, Targets, Vision, HR Policies and Practices, Quality Policy, Corporate Values and Ethical Rules, Product Information, Legislation and Company Practices.

Orientation Program

Seven orientation groups were each given a 10-day Preparation Training Program concerning the Individual Pension Brokers Licensing Test in 2008. Within the scope of this program, Company employees prepared for the test in terms of theory and practice on the legislative topics to be covered in the test. Following the test, they prepared for their new positions in line with their orientation with products, sales skills and on-the-job training practices.

Web-Based Training

In 2008, a project study was initiated to deliver web-based training courses on the Individual Pension System and Life Insurance products as well as the use of displays and technical subjects, which the Company employees should know. This training will enable employees to get the new applications and updated data more quickly via remote access.

Garanti Pension and Life Ethical Rules

Garanti Pension and Life teaches the Company’s ethical rules to its employees so that from their first day, they will quickly adapt to and follow Company values and rules regarding corporate culture, attitude, behavior and working styles.

Extra Benefits for the Employees

Garanti Pension and Life offers some common extra benefits to all of its employees, which include tickets, service/travel expenditure reimbursements, private health insurance, life insurance, marriage assistance and maternal assistance.

Summarized Board of Directors' Report Submitted to the General Assembly

2008 ANNUAL REPORT

Dear Shareholders,

We sincerely thank you for your attendance at the General Assembly to review and conclude the operational and financial results of Garanti Emeklilik ve Hayat Anonim Şirketi in its 17th term of operation.

For 2008, our capital was TRY 50 million nominally and it has been completely paid. The shareholders' equity as of the end of year 2008 has been realized at TRY 154,034,455.

Our net premium production in the life insurance business for 2008 increased by 14% compared with the previous year and has reached TRY 123,535,464. As for the size of our pension fund, we have grown by 57% to reach TRY 897,774,043 in 2008. We rank number two in the sector in number of participants and number four in terms of fund size.

Bringing in various innovations in 2008, our Company increased its gross profit by 61% and has gained sector leadership in this field.

Dear Shareholders,

The Company, whose operations have been summarized above, has generated a gross accounting profit of TRY 80,279,092 in 2008, which accrued to TRY 63,829,221 net after the reserves allocated for corporate tax.

We appreciate the interest you have shown for the General Assembly and wish the best for our country and Company for 2009.

Kind regards,

Board of Directors

Auditors' Report

To the General Assembly Presidency of Garanti Emeklilik ve Hayat A.Ş.

Please kindly find below the results of our inspections regarding the 2008 accounting year of the Company.

1. It is shown that the books and files to be compulsorily kept according to the nature and prominence of the enterprise are kept. Further, bookkeeping complies with the accounting style and procedures of the incorporation as well as the provisions of the Articles of Association and the Turkish Commercial Code. The values entered in the inventory, balance sheet and income statements are consistent with the book records. They are arranged as per the provisions of the Articles of Association and the Turkish Commercial Code. It is observed that the balance sheet and income statement of the Company as submitted by the Board of Directors to the General Assembly are issued in line with the clarity and accuracy principles provided in Article 75 of the Turkish Commercial Code and are the same as the balance sheet existing in the official book records.
2. It is witnessed that the resolutions concerning Company management are entered in the resolution book, which is duly kept.

In conclusion, we kindly submit the Company operations as summarized in the report drawn up by the Board of Directors and the balance sheet and income statements, which have been submitted along with the foregoing, to the General Assembly for approval.

Erdoğan Yılmaz
Auditor

Osman Bahri Turgut
Auditor

COMPLIANCE OF THE ANNUAL REPORT

To the Board of Directors of Garanti Emeklilik ve Hayat Anonim Şirketi

We stand as the authorized entity to audit the financial information provided in the annual report of Garanti Emeklilik ve Hayat Anonim Şirketi (the Company), which is issued as of December 31, 2008. The annual report, being the subject of the report, falls under the responsibility of the Company management. As the entity authorized with the independent audit, our responsibility is to convey our opinion on the consistency of the financial data included in the annual report with the financial statements having undergone independent audit.

The audit has been conducted in accordance with the requirements for auditing of the financial data covered by the annual report, which took effect under the "Regulation on Financial Structure of Insurers and Reinsurers and Pension Companies" (the Regulation) published in the Official Gazette no. 26606 on August 7, 2007. The said requirements entail a well-planned and executed audit to ensure a reasonable assurance as to whether there is a substantive misstatement concerning the consistency between the financial data covered by the annual report and the financial statements, which have undergone the independent audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

As far as we are concerned, the financial data contained in the annual report, which was drawn up pursuant to the Regulation and is attached hereto, are consistent with the information depicted in the financial statements of Garanti Emeklilik ve Hayat Anonim Şirketi dated December 31, 2008, in all its substance.

Istanbul,
March 20, 2009

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.,

Ruşen Fikret Selamet
Responsible Partner, Chief Auditor

Internal Auditing Activities

The Auditing Board undertakes the internal auditing activities carried out neutrally and independently with the necessary professional care to provide an assurance for the Executive Management of the Company regarding compliance of the activities conducted in the agencies of Garanti Pension and Life with the legislation, internal regulations, corporate strategies, policies, principles, objectives and rules of insurance business as well as efficiency and adequacy of the internal control and risk management systems. Constituted by a Chair, two Inspectors and two Assistant Inspectors, the Auditing Board directly reports to the Board of Directors within the Company organization. Eligibility requirements, working principles and the powers and responsibilities of members of the Auditing Board are governed by the Auditing Board Regulation approved by the Company's Board of Directors.

To be able to attain the objective expected from internal auditing activities, in all audits carried out in all agencies and Office General of the Company either based on periods or risks:

- Practices of the internal control and risk management units are evaluated as well as their competence and efficiency.
- Accuracy and reliability of the accounting records and financial reports are examined.
- Operational activities are tested for compliance with the predefined procedures and for functioning of the internal control practices regarding these operations.

- Safety of the electronic information system is reviewed.
- Transactions are checked for compliance with the laws and other related pieces of legislation as well as corporate strategies, policies and application procedures and other in-house regulations.
- Reports made to the Board of Directors, in the framework of in-house regulations and the reports submitted to the Undersecretariat are checked for accuracy, reliability and timeliness.
- Any deficiencies, errors and abuses will be revealed, and opinions and recommendations will be presented to avoid recurrence of the same and to ensure efficient and effective use of the Company resources.

Internal auditing activities are executed consistent with an internal auditing plan drawn up based on the risk assessments and enforced upon receiving the opinion of the Company's Executive Management and approval of the Company's Board of Directors.

Reports to be written after the internal auditing activities are submitted to the Board of Directors by the Risk and Auditing Committee so that necessary actions will be taken. In addition to ordinary auditing activity, inspections and investigations, if necessary, are included within the scope of internal auditing activities.

Information on the Financial Structure

In 2008, Garanti Pension and Life continued its fast growth in both assets and profitability as had been the case in the past.

Income before tax soared by 61% in 2008 compared with the previous year to reach TRY 80,279,092. In 2008, tax payments amounted to TRY 16,449,871, which yielded TRY 63,829,221 of net income after tax.

In the same period, life insurance and pension operations yielded TRY 49,762,404 of technical profit. In 2008, the shareholders' equity reached TRY 154,034,455, a 72% increase. Total assets of the Company soared by 55% compared with the previous year to touch TRY 1.2 billion as of December 31, 2008.

The surge in assets mostly derives from Individual Pension operations. As for the total amount of participants' funds, as of December 31, 2008 the Company grew by 56.81% compared to the previous year. The size of total pension funds reached TRY 897,774,043.

Cash assets had a 16% share within the total assets as of December 31, 2008. On the other hand, financial assets had a 5.36% share. The share of receivables pertaining to the Individual Pension System within the total assets rose to 74.91% as of December 31, 2008.

Out of the total liabilities, the share of Company's technical reserves in insurance business is 10.25% as of the same date.

The Company's source of premiums is the life insurance business. The total premium earnings in this line of business were recognized as TRY 108,669,688 for the accounting year, which ended on December 31, 2008. This figure had accrued to TRY 96,737,387 as of December 31, 2007, which shows a 12.33% increase in the year ending December 31, 2008.

Assessment of the Financial Status, Profitability and Solvency for Claims

In 2008, the amount of life insurance claims accrued to TRY 24,381,908, a 20% increase compared with the previous year. The rising trend in the technical profitability ratio in the life insurance business continued unabated in 2008. Thus, technical profitability increased by 22.03% to reach TRY 49,762,404.

Technical reserves of the Company comprise a reserve for unearned premiums, a reserve for outstanding claims and life insurance reserves.

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 the commissions pertaining to production and after the share of expenses in life insurance as well as the portion allocated to savings, if any.

By the end of year and period, 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 examination. The reserve for outstanding claims is set according to the expert reports or comments of the insuree and the expert. In this framework, the Company apportioned the amount of TRY 2,532,707 as the reserve for outstanding claims in its income statement, regarding the cost of claims, which have accrued but not been reported as of December 31, 2008.

The mathematical reserve for life insurance comprises the actuarial mathematical reserves and the dividend reserves and represents the Company's liabilities toward the insurees covered by this line of business. The dividend reserve is allocated for the proceeds from the investments made with the premiums underwritten on a collection basis, for saving life insurance.

Risk Management Policies

Management of Insurance Risk

Pricing Policies

Pricing principles and policies of Garanti Pension and Life are as follows:

- When setting risk premiums, the expected claim amount is taken into consideration and premium limits are defined accordingly.
- With customer needs and competitive conditions always taken into account, efforts are made to ensure that the Company's related departments work to coordinate pricing, which is a part of the product development process.
- The goal is to ensure product profitability and viability.
- The final pricing is compared against both the domestic competitors and foreign counterparts.

From the perspective of the Company's product distribution in premium production, it is seen that in the last year the weight of saving life insurance and long-term life insurance in premium production has decreased. At the same time, the share of annual risk-based life insurance has increased. Company management thinks that the situation has positively affected profitability ratios. As a matter of consideration in product pricing, high profitability provides a protective influence for the Company's future.

CSO-58, SM-53 and CSO-80 mortality tables are used in pricing the life insurance products of the Company.

Risk Assessment Policies

In risk assessment process, the medical risk assessment tool utilized by the leader reinsurer is used. In this context, the Company realizes new gains from the risk assessment scope of treaty reinsurers every year. These gains not only facilitate operational transactions but also contribute to the Company positively in terms of costs. Every year, check-up limits are reviewed and revised on the basis of past statistics. Apart

from this assessment, a "Medical" assessment is carried out by the Company doctor in addition to a "Moral" assessment made by the risk assessment personnel and sales teams.

Also, a "Financial" risk assessment is conducted for both the loan life insurance entailed by bank loans and the individual applications, even though they are received in small numbers.

Medical Risk Assessment

As the first step in risk assessment, medical risk assessment requires that customers undergo check-ups under such conditions that are defined based on the amount of life insurance benefits. In this way, information on customers' health status is collected. In this context, the first assessment is made by the Company doctor via medical assessment. Procedures that follow are according to the results mutually agreed upon with the reinsurers; medical risky applications are rejected.

Moral Risk Assessment

In the second step, information is collected from the customers concerning gender, living conditions, residence and occupation, and so on. In this process, support from sales teams is requested on doubtful issues. Doubtful cases are referred for review.

Financial Risk Assessment

Thirdly, an examination follows to fulfill the requirement of compatibility between the amount of life insurance benefit demanded by the customer and their annual income and/or loan amount. Amounts of benefits are offset against bank risks because 90% of the Company's portfolio comprises risks originating from the bank products. Performing the initial financial analysis by the bank in loan insurance and credit availability facilitates finalization of an analysis essential for the Company.

Operational Risk Management

An IT system relation has been implemented with Garanti Bank. Thus, the primary distribution channel of the Company, and all application procedures and policy correspondence are carried out through this IT system. Likewise, originals of all documents tracked with the electronic archiving system within the claims payment process in 2008 are kept. Follow-up tracking is done through the IT systems.

Reassurance Policy

Garanti Pension and Life's life insurance, reinsurance works are only done on risk benefits (death and additional benefits). Due to the high technical profitability of risk-based life insurance plans, every year an amount equivalent to the maximum retention level as set 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 benefit, and so on) which are more uncertain for the Company. For life-threatening illnesses and unemployment benefits, 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 excess of loss reinsurance agreements are signed to secure catastrophic claims in a way most suitable for the portfolio.

Reinsurers

The major service providers in the Company's supply chain are the reinsurers who offer reinsurance for the Company in life insurance and additional benefits. The following criteria are decisive in the Company's business relations with the reinsurers:

- Financial power
- A long-term approach

- Competitive premium prices
- Capacity provided in the facultative works and non-proportional (catastrophic) reinsurance agreements
- Facilities offered to the Company on risk assessment, information on the new developments in the sector, product development, training, and so on.

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 paid completely and on time. Additionally, the capacity extended to the Company in facultative works, speed in operational reinsurance transactions, and technical knowledge and market information conveyed to the Company are also evaluated. In cases of poor performance, a decision is made to procure services from alternative reinsurers.

As a result of the stable and consistent pricing and risk acceptance policies implemented, the terms and procedures risk assessment agreed upon with treaty reinsurance companies enables insurance benefits with a far higher amount than market averages can automatically be insured.

The leading reinsurer in reinsurance agreements is Münchener Rückversicherungs AG (RE Munich) company. Its head office is located in Munich. According to the share size in reinsurance agreements, the second-ranking reinsurer is Milli Reasürans TAŞ (Milli Re). The third leading company is Mapfre RE, with its head office located in Madrid. The fourth-ranking company is a French reinsurer, SCOR GLOBAL LIFE and the fifth is Cardif Hayat Sigorta A.Ş., which is a BNP Paribas company with its head office located in Istanbul.

Management of Financial Risk

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

- Credit risk
- Liquidity risk
- Market risk.

The entire responsibility to establish and supervise the risk management structure rests with the Board of Directors. The Board executes the risk management system operations through the Company's internal auditing 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 within set limits. Risk management policies and systems are periodically reviewed in a way that reflects variations in market conditions as well as how products and services are provided. The Company aims to develop a disciplined and constructive supervision framework with the related training and management standards and procedures so all employees understand their own roles and responsibilities.

Credit Risk

Credit risk may be simply defined as the possibility that a counterpart might not fulfill their obligations in accordance with the terms of contract that have been agreed upon. Major balance sheet items where the Company is exposed to credit risk are as follows:

- Banks
- Other cash assets and cash equivalents (cash account being excluded)
- Financial assets held for trading
- Financial investments owned by risk-based life insurance policy holders
- Premium receivables from insureds

- Receivables from agencies
- Mutual funds concerning Individual Pension operations, and receivables from the participants
- Receivables from reinsurers concerning commissions and the paid-up claims
- Reassurance shares from insurance liabilities
- Receivables from the parties concerned
- Other receivables
- Prepaid taxes and funds
- Subsidiaries and affiliates.

The most common method in insurance risk management is to conclude 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 responsibility to the policy holder continues. The Company considers the reinsurer's credibility by examining the relevant company's financial status before concluding the annual agreement.

The Company cancels insurance premiums when they become overdue or are outstanding for a certain 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 the liquidity risk, term compliance is observed between the assets and liabilities. Liquid assets are preserved for complete fulfillment of the potential liquidity requirements if the need arises.

Market Risk

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

Currency Risk

The Company is exposed to the currency risk due to the insurance operations carried out on a foreign exchange basis.

Exchange gains and losses from foreign currency transactions were entered in records for the corresponding periods. By the end of these periods, balances of foreign currency asset and liability accounts were appraised and converted into TRY over the exchange rates applicable by the end of that period. The resulting exchange differences were reflected in the records as gains or losses from foreign exchange transactions.

Transactions based on foreign currencies were accounted on the basis of applicable exchange rates on the date of transaction. As of the balance sheet date, asset and liability items in foreign currencies were appraised over the foreign exchange buying rate of the RoT Central Bank (TCMB), applicable on December 31, 2008. Only the life insurance mathematical reserves and loans were appraised over the effective sales rates of TCMB as stated in the policies.

Interest Rate Risk Exposure

Risk exposure of the trading securities portfolio is based on the fluctuations in market rates of relevant securities resulting from varying interest rates. The major risk for the non-trading securities portfolio is the loss from fluctuations in future cash flows and the decrease in market rates 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 the preset limits for re-pricing ranges.

Interest Sensitivity of Financial Instruments

Interest sensitivity of the income statement is the effect of change in interest rates, under the presupposed criteria below, on the market rates of the financial assets. The difference in fair value as of December 31, 2008 is reflected in the profits or losses, and the effect on the net interest yield from non-trading financial assets and liabilities with a variable interest rate. Interest sensitivity of the shareholders' equity is calculated with reference to the variation, which results from the presumed variation in interest rates and in market rates of the financial assets existing in the portfolio, which are available for sale as of December 31, 2008. During this analysis, other variables, particularly foreign exchange rates, are presumed to be fixed.

Market Rate Representation

Estimated market rate of financial instruments are identified by using available market information and suitable appraisal methods, if applicable. The Company has categorized its securities into trading financial assets or financial assets available for sale, and represented the related financial assets with their stock exchange prices applicable at the end of the term.

Company management estimates that fair value of the other financial assets and liabilities does not significantly differ from their recorded value.

Capital Management

Principal capital management policies of the Company are as follows:

- Comply with the capital adequacy requirements set by the Undersecretariat of the Treasury
- Ensure the Company's sustainability and secure continuous gains for the shareholders and stakeholders
- Secure a sufficient level of gains for shareholders by setting the insurance policy prices in proportion to the risk percentage of the insurance bought.

Garanti Emeklilik ve Hayat Anonim Şirketi

Financial Report As at and for the Year Ended 31 December 2008 With Independent Auditors' Report Thereon

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

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik Anonim Şirketi
6 March 2009

*This report contains "Independent Auditors' Report"
comprising 2 pages and; "Financial Statements and
Related Disclosures and Footnotes" comprising 70
pages.*



**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**

Yapı Kredi Plaza C Blok Kat 17
Büyükdere Caddesi
Levent 34330 İstanbul

Telephone +90 (212) 317 74 00
Fax +90 (212) 317 73 00
internet www.kpmg.com.tr

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Garanti Emeklilik ve Hayat AŞ:

We have audited the accompanying balance sheet of Garanti Emeklilik ve Hayat Anonim Şirketi ("the Company") as at 31 December 2008 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles and standards, in force as per the insurance legislation. This responsibility includes: designing, implementing and maintaining internal systems relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with audit standards in force as per the insurance legislation. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 our 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, we consider internal systems 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 system. An audit also includes evaluating the appropriateness of accounting principles 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 opinion.

Independent Auditors' Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Garanti Emeklilik ve Hayat Anonim Şirketi as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with the accounting principles and standards (see Note 2), in force as per the insurance legislation.

Emphasis of Matter

As per the Temporary Article 1 of the "Circular Related to the Presentation of the Financial Statements" which has been issued in the 18 April 2008 dated and 26851 numbered Official Gazette, it is stated that it will not be compulsory to present comparative financial information in the financial reports issued during 2008. Accordingly, the accompanying financial statements and related disclosures and footnotes do not include comparative financial information.

İstanbul,
6 March 2009

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi

Ruşen Fikret Selamet
Partner
Certified Public Accountant

Additional paragraph for convenience translation to English:

As explained in Note 2.1.1, the accompanying financial statements are not intended to present the financial position and results of operations of the Company in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey and IFRS.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ
UNCONSOLIDATED FINANCIAL REPORT
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2008

We confirm that the unconsolidated financial statements and related disclosures and footnotes which were prepared in accordance with the accounting principles and standards, in force as per the regulations of T.C. Başbakanlık Hazine Müsteşarlığı are in comply with the "Code Related to the Financial Reporting of Insurance, Reinsurance and Private Pension Companies" and the financial records of our Company.

İstanbul, 6 March 2009

Erhan ADALI
Board Member,
General Manager

Cemşit TÜRKER
Executive Vice
President

Ahmet KARAMAN
Financial Affairs and Management
Reporting Unit Manager

Osman TURGUT
Legal Auditor

Erdoğan YILMAZ
Legal Auditor

EROL ÖZTÜRKOĞLU
Actuary

Garanti Emeklilik ve Hayat Anonim Şirketi

Balance Sheet At 31 December 2008

(Currency: New Turkish Lira [YTL])

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

ASSETS

| | Note | Audited Current Period 31 December 2008 |
|--|---------|---|
| I- Current Assets | | |
| A- Cash and Cash Equivalents | 14 | 189,788,421 |
| 1- Cash | 14 | 2,947 |
| 2- Cheques Received | | - |
| 3- Banks | 14 | 186,148,495 |
| 4- Cheques Given and Payment Orders (-) | | - |
| 5- Other Cash and Cash Equivalents | 14 | 3,636,979 |
| B- Financial Assets and Financial Investments with Risks on Policyholders | 11 | 64,529,492 |
| 1- Available-for-Sale Financial Assets | | - |
| 2- Held to Maturity Investments | | - |
| 3- Financial Assets Held for Trading | 11 | 22,474,006 |
| 4- Loans and Receivables | | - |
| 5- Provision for Loans and Receivables (-) | | - |
| 6- Financial Investments with Risks on Life Insurance Policyholders | 11 | 42,055,486 |
| 7- Company's Own Equity Shares | | - |
| 8- Diminution in Value of Financial Investments (-) | | - |
| C- Receivables from Main Operations | 12 | 922,512,830 |
| 1- Receivables from Insurance Operations | 12 | 19,787,114 |
| 2- Provision for Receivables from Insurance Operations (-) | 12 | (69,618) |
| 3- Receivables from Reinsurance Operations | | - |
| 4- Provision for Receivables from Reinsurance Operations (-) | | - |
| 5- Cash Deposited to Insurance & Reinsurance Companies | | - |
| 6- Loans to the Policyholders | 2.8, 12 | 445,154 |
| 7- Provision for Loans to the Policyholders (-) | | - |
| 8- Receivables from Private Pension Operations | 12, 17 | 902,350,180 |
| 9- Doubtful Receivables from Main Operations | | - |
| 10- Provision for Doubtful Receivables from Main Operations (-) | | - |
| D- Due from Related Parties | 12 | 1,241,806 |
| 1- Due from Shareholders | 45 | 143 |
| 2- Due from Associates | | - |
| 3- Due from Subsidiaries | | - |
| 4- Due from Joint Ventures | | - |
| 5- Due from Personnel | | - |
| 6- Due from Other Related Parties | 45 | 1,241,663 |
| 7- Rediscount on Receivables from Related Parties (-) | | - |
| 8- Doubtful Receivables from Related Parties | | - |
| 9- Provision for Doubtful Receivables from Related Parties (-) | | - |
| E- Other Receivables | 12 | 19,418 |
| 1- Finance Lease Receivables | | - |
| 2- Unearned Finance Lease Interest Income (-) | | - |
| 3- Deposits and Guarantees Given | | - |
| 4- Other Miscellaneous Receivables | 12 | 19,418 |
| 5- Rediscount on Other Miscellaneous Receivables(-) | | - |
| 6- Other Doubtful Receivables | | - |
| 7- Provision for Other Doubtful Receivables (-) | | - |
| F- Prepaid Expenses and Income Accruals | | 16,550,114 |
| 1- Prepaid Expenses | 17 | 16,550,114 |
| 2- Accrued Interest and Rent Income | | - |
| 3- Income Accruals | | - |
| 4- Other Prepaid Expenses and Income Accruals | | - |
| G- Other Current Assets | | 490,750 |
| 1- Stocks to be Used in the Following Months | | 15,968 |
| 2- Prepaid Taxes and Funds | 12 | 474,782 |
| 3- Deferred Tax Assets | | - |
| 4- Job Advances | | - |
| 5- Advances Given to Personnel | | - |
| 6- Inventory Count Differences | | - |
| 7- Other Miscellaneous Current Assets | | - |
| 8- Provision for Other Current Assets (-) | | - |
| I- Total Current Assets | | 1,195,132,831 |

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

Garanti Emeklilik ve Hayat Anonim Şirketi

Balance Sheet At 31 December 2008

(Currency: New Turkish Lira [YTL])

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

| ASSETS | Note | Audited Current Period 31 December 2008 |
|--|------|---|
| II- Non-Current Assets | | |
| A- Receivables from Main Operations | | |
| 1- Receivables from Insurance Operations | | - |
| 2- Provision for Receivables from Insurance Operations (-) | | - |
| 3- Receivables from Reinsurance Operations | | - |
| 4- Provision for Receivables from Reinsurance Operations (-) | | - |
| 5- Cash Deposited for Insurance & Reinsurance Companies | | - |
| 6- Loans to the Policyholders | | - |
| 7- Provision for Loans to the Policyholders (-) | | - |
| 8- Receivables from Private Pension Business | | - |
| 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 Associates | | - |
| 3- Due from Subsidiaries | | - |
| 4- Due from Joint Ventures | | - |
| 5- Due from Personnel | | - |
| 6- Due from Other Related Parties | | - |
| 7- Rediscount on Receivables from Related Parties (-) | | - |
| 8- Doubtful Receivables from Related Parties | | - |
| 9- Provision for Doubtful Receivables from Related Parties (-) | | - |
| C- Other Receivables | | |
| 1- Finance Lease Receivables | 12 | 4,961 |
| 2- Unearned Finance Lease Interest Income (-) | | - |
| 3- Deposits and Guarantees Given | | - |
| 4- Other Miscellaneous Receivables | 12 | 4,961 |
| 5- Rediscount on Other Miscellaneous Receivables(-) | | - |
| 6- Other Doubtful Receivables | | - |
| 7- Provision for Other Doubtful Receivables (-) | | - |
| D- Financial Assets | | |
| 1- Investments in Equity Shares | 9 | 263,221 |
| 2- Investments in Associates | 9 | 263,221 |
| 3- Capital Commitments to Associates (-) | | - |
| 4- Investments in Subsidiaries | | - |
| 5- Capital Commitments to Subsidiaries (-) | | - |
| 6- Investments in Joint Ventures | | - |
| 7- Capital Commitments to Joint Ventures (-) | | - |
| 8- Financial Assets and Financial Investments with Risks on Policyholders | | - |
| 9- Other Financial Assets | | - |
| 10- Impairment in Value of Financial Assets (-) | | - |
| E- Tangible Assets | | |
| 1- Investment Properties | 6 | 2,432,878 |
| 2- Impairment for Investment Properties (-) | | - |
| 3- Immovables for Own Use | | - |
| 4- Machinery and Equipments | | - |
| 5- Furniture and Fixtures | 6 | 5,058,814 |
| 6- Motor Vehicles | | - |
| 7- Other Tangible Assets (Including Leasehold Improvements) | 6 | 1,730,583 |
| 8- Tangible Assets Acquired Through Finance Leases | 6 | 168,464 |
| 9- Accumulated Depreciation (-) | 6 | (4,524,983) |
| 10- Advances Paid for Tangible Assets (Including Construction in Progress) | | - |
| F- Intangible Assets | | |
| 1- Rights | 8 | 6,534,255 |
| 2- Goodwill | | - |
| 3- Pre-operating Expenses | | - |
| 4- Research and Development Costs | | - |
| 6- Other Intangible Assets | 8 | 16,827,344 |
| 7- Accumulated Amortization (-) | 8 | (10,293,089) |
| 8- Advances Paid for Intangible Assets | | - |
| G- Prepaid Expenses and Income Accruals | | |
| 1- Prepaid Expenses | | - |
| 2- Income Accruals | | - |
| 3- Other Prepaid Expenses and Income Accruals | | - |
| H- Other Non-Current Assets | | |
| 1- Effective Foreign Currency Accounts | | 160,867 |
| 2- Foreign Currency Accounts | | - |
| 3- Stocks to be Used in the Following Years | | - |
| 4- Prepaid Taxes and Funds | | - |
| 5- Deferred Tax Assets | 21 | 160,867 |
| 6- Other Miscellaneous Non-Current Assets | | - |
| 7- Amortization on Other Non-Current Assets (-) | | - |
| 8- Provision for Other Non-Current Assets (-) | | - |
| II- Total Non-Current Assets | | 9,396,182 |
| TOTAL ASSETS | | 1,204,529,013 |

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

Garanti Emeklilik ve Hayat Anonim Şirketi

Balance Sheet At 31 December 2008

(Currency: New Turkish Lira [YTL])

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

| LIABILITIES | | |
|---|--------|---|
| | Note | Audited Current Period 31 December 2008 |
| III- Short-Term Liabilities | | |
| A- Financial Liabilities | 19,20 | 450,483 |
| 1- Borrowings from Financial Institutions | | - |
| 2- Finance Lease Payables | | - |
| 3- Deferred Leasing Costs (-) | | - |
| 4- Current Portion of Long Term Debts | | - |
| 5- Principal Installments and Interests on Bonds Issued | | - |
| 6- Other Financial Assets Issued | | - |
| 7- Valuation Differences of Other Financial Assets Issued (-) | | - |
| 8- Other Financial Liabilities | 19, 20 | 450,483 |
| B- Payables Arising from Main Operations | 19 | 907,737,655 |
| 1- Payables Arising from Insurance Operations | 19 | 8,523,162 |
| 2- Payables Arising from Reinsurance Operations | | - |
| 3- Cash Deposited by Insurance & Reinsurance Companies | | - |
| 4- Payables Arising from Private Pension Business | 17, 19 | 899,214,493 |
| 5- Payables Arising from Other Main Operations | | - |
| 6- Discount on Payables from Other Main Operations (-) | | - |
| C-Due to Related Parties | 19 | 1,286,341 |
| 1- Due to Shareholders | 45 | 135,134 |
| 2- Due to Associates | | - |
| 3- Due to Subsidiaries | | - |
| 4- Due to Joint Ventures | | - |
| 5- Due to Personnel | | 10,193 |
| 6- Due to Other Related Parties | 45 | 1,141,014 |
| D- Other Payables | 19 | 1,938,196 |
| 1- Deposits and Guarantees Received | | - |
| 2- Other Miscellaneous Payables | 19 | 1,958,451 |
| 3- Discount on Other Miscellaneous Payables (-) | 19 | (20,255) |
| E-Insurance Technical Provisions | 17 | 50,944,122 |
| 1- Reserve for Unearned Premiums-Net | 17 | 43,523,409 |
| 2- Reserve for Unexpired Risks- Net | | - |
| 3- Life Mathematical Provisions-Net | | - |
| 4- Provision for Outstanding Claims-Net | 17 | 7,417,473 |
| 5- Provision for Bonus and Discounts-Net | 17 | 3,240 |
| 6- Provisions for Policies Investment Risks of Which Belong to Life Insurance Policyholders-Net | | - |
| 7- Other Technical Provisions-Net | | - |
| F- Provisions for Taxes and Other Similar Obligations | 19 | 8,396,053 |
| 1- Taxes and Funds Payable | | 3,029,568 |
| 2- Social Security Premiums Payable | | 446,535 |
| 3- Overdue, Deferred or By Installment Taxes and Other Liabilities | | - |
| 4- Other Taxes and Similar Payables | | - |
| 5- Corporate Tax Payable | 19, 35 | 16,449,871 |
| 6- Prepaid Taxes and Other Liabilities Regarding Current Period Profit (-) | 19 | (11,529,921) |
| 7- Provisions for Other Taxes and Similar Liabilities | | - |
| G- Provisions for Other Risks | 23 | 3,107,228 |
| 1- Provision for Employee Termination Benefits | | - |
| 2- Provision for Pension Fund Deficits | | - |
| 3- Provisions for Costs | 23 | 3,107,228 |
| H- Deferred Income and Expense Accruals | 19 | 3,950,168 |
| 1- Deferred Income | 10, 19 | 3,739,685 |
| 2- Expense Accruals | 19 | 210,483 |
| 3- Other Deferred Income and Expense Accruals | | - |
| I- Other Short Term Liabilities | | - |
| 1- Deferred Tax Liabilities | | - |
| 2- Inventory Count Differences | | - |
| 3- Other Various Short Term Liabilities | | - |
| III-Total Short Term Liabilities | | 977,810,246 |

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

Garanti Emeklilik ve Hayat Anonim Şirketi

Balance Sheet At 31 December 2008

(Currency: New Turkish Lira [YTL])

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

| LIABILITIES | | Audited Current Period 31 December 2008 |
|--|--------|---|
| IV- Long-Term Liabilities | Note | |
| A- Financial Liabilities | | - |
| 1- Borrowings from Financial Institutions | | - |
| 2- Finance Lease Payables | | - |
| 3- Deferred Leasing Costs (-) | | - |
| 4- Bonds Issued | | - |
| 5- Other Financial Assets Issued | | - |
| 6- Valuation Differences of Other Financial Assets Issued (-) | | - |
| 7- Other Financial Liabilities | | - |
| B- Payables Arising from Main Operations | | - |
| 1- Payables Arising from Insurance Operations | | - |
| 2- Payables Arising from Reinsurance Operations | | - |
| 3- Cash Deposited by Insurance and Reinsurance Companies | | - |
| 4- Payables Arising from Private Pension Business | | - |
| 5- Payables Arising from Other Operations | | - |
| 6- Discount on Payables from Other Operations (-) | | - |
| C- Due to Related Parties | | - |
| 1- Due to Shareholders | | - |
| 2- Due to Associates | | - |
| 3- Due to Subsidiaries | | - |
| 4- Due to Joint Ventures | | - |
| 5- Due to Personnel | | - |
| 6- Due to Other Related Parties | | - |
| D- Other Payables | | - |
| 1- Deposits and Guarantees Received | | - |
| 2- Other Miscellaneous Payables | | - |
| 3- Discount on Other Miscellaneous Payables (-) | | - |
| E-Insurance Technical Provisions | 17, 18 | 72,566,193 |
| 1- Reserve for Unearned Premiums-Net | | - |
| 2- Reserve for Unexpired Risks-Net | | - |
| 3- Life Mathematical Provisions-Net | 17, 18 | 72,566,193 |
| 4- Provision for Outstanding Claims-Net | | - |
| 5- Provision for Bonus and Discounts-Net | | - |
| 6- Provisions for Policies Investment Risks of Which Belongs to Life Insurance Policyholders-Net | | - |
| 7- Other Technical Provisions-Net | | - |
| F-Other Liabilities and Relevant Accruals | | - |
| 1- Other Liabilities | | - |
| 2- Overdue, Deferred or By Installment Taxes and Other Liabilities | | - |
| 3- Other Liabilities and Expense Accruals | | - |
| G- Provisions for Other Risks | 23 | 118,119 |
| 1- Provisions for Employment Termination Benefits | 23 | 118,119 |
| 2- Provisions for Employee Pension Funds Deficits | | - |
| H-Deferred Income and Expense Accruals | | - |
| 1- Deferred Income | | - |
| 2- Expense Accruals | | - |
| 3- Other Deferred Income and Expense Accruals | | - |
| I- Other Long Term Liabilities | | - |
| 1- Deferred Tax Liabilities | | - |
| 2- Other Long Term Liabilities | | - |
| IV- Total Long Term Liabilities | | 72,684,312 |

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

Garanti Emeklilik ve Hayat Anonim Şirketi

Balance Sheet At 31 December 2008

(Currency: New Turkish Lira [YTL])

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

| EQUITY | | Audited |
|--|----------|------------------|
| | | Current Period |
| | | 31 December 2008 |
| V- Equity | Note | |
| A- Paid in Capital | | 53,084,445 |
| 1- (Nominal) Capital | 2.13, 15 | 50,000,000 |
| 2- Unpaid Capital (-) | | - |
| 3- Positive Capital Restatement Differences | | 3,084,445 |
| 4- Negative Capital Restatement Differences (-) | | - |
| B- Capital Reserves | | - |
| 1- Share Premiums | | - |
| 2- Cancellation Profits of Equity Shares | | - |
| 3- Profit on Sale Assets That Will Be Transferred to Capital | | - |
| 4- Currency Translation Adjustments | | - |
| 5- Other Capital Reserves | | - |
| C- Profit Reserves | | 36,548,171 |
| 1- Legal Reserves | 15 | 1,827,274 |
| 2- Statutory Reserves | | - |
| 3- Extraordinary Reserves | 15 | 34,718,222 |
| 4- Special Funds | | - |
| 5- Revaluation of Financial Assets | 15 | 2,675 |
| 6- Other Profit Reserves | | - |
| D- Retained Earnings | | 572,618 |
| 1- Retained Earnings | | 572,618 |
| E- Accumulated Losses (-) | | - |
| 1- Accumulated Losses | | - |
| F-Net Profit/(Loss) for the Period | | 63,829,221 |
| 1- Net Profit for the Year | | 63,829,221 |
| 2- Net Loss for the Year (-) | | - |
| V- Total Equity | | 154,034,455 |
| TOTAL EQUITY AND LIABILITIES | | 1,204,529,013 |

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

Garanti Emeklilik ve Hayat Anonim Şirketi

Statement of Income

For the Year Ended 31 December 2008

(Currency: New Turkish Lira [YTL])

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

| TECHNICAL SECTION | Note | Audited Current Period 31 December 2008 |
|--|-----------|---|
| A- Non-Life Technical Income | | 5,339 |
| 1- Earned Premiums (Net of Reinsurer Share) | 17 | 5,336 |
| 1.1- Written Premiums (Net of Reinsurer Share) | 17 | 8,307 |
| 1.1.1- Written Premiums, gross | 5, 17 | 8,307 |
| 1.1.2- Written Premiums, ceded | | - |
| 1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward) | 5, 17, 29 | (2,971) |
| 1.2.1- Reserve for Unearned Premiums, gross | 5, 17, 29 | (2,971) |
| 1.2.2- Reserve for Unearned Premiums, ceded | | - |
| 1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward) | | - |
| 1.3.1- Reserve for Unexpired Risks, gross | | - |
| 1.3.2- Reserve for Unexpired Risks, ceded | | - |
| 2- Investment Income-Transferred from Non-Technical Section | | - |
| 3- Other Technical Income (Net of Reinsurer Share) | | 3 |
| 3.1- Other Technical Income, gross | | 3 |
| 3.2- Other Technical Income, ceded | | - |
| B- Non-Life Technical Expense | | (19,957) |
| 1- Incurred Losses (Net of Reinsurer Share) | | - |
| 1.1- Claims Paid (Net of Reinsurer Share) | | - |
| 1.1.1- Claims Paid, gross | | - |
| 1.1.2- Claims Paid, ceded | | - |
| 1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward) | 5, 17, 29 | (2,742) |
| 1.2.1- Change in Provisions for Outstanding Claims, gross | 5, 17, 29 | (2,742) |
| 1.2.2- Change in Provisions for Outstanding Claims, ceded | | - |
| 2- Change in Provision for Bonus and Discounts (Net of Reinsurer and Less the Amounts Carried Forward) | | - |
| 2.1- Provision for Bonus and Discounts, gross | | - |
| 2.2- Provision for Bonus and Discounts, ceded | | - |
| 3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward) | | - |
| 4- Operating Expenses | 32 | (17,215) |
| C- Net Technical Income-Non-Life (A-B) | | (14,618) |
| D- Life Technical Income | | 111,714,680 |
| 1- Earned Premiums (Net of Reinsurer Share) | | 90,493,791 |
| 1.1- Written Premiums (Net of Reinsurer Share) | | 108,669,688 |
| 1.1.1- Written Premiums, gross | 5, 17 | 123,535,464 |
| 1.1.2- Written Premiums, ceded | 5, 10, 17 | (14,865,776) |
| 1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward) | 5, 17, 29 | (18,175,897) |
| 1.2.1- Reserve for Unearned Premiums, gross | 17 | (26,757,597) |
| 1.2.2- Reserve for Unearned Premiums, ceded | 10, 17 | 8,581,700 |
| 1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward) | | - |
| 1.3.1- Reserve for Unexpired Risks, gross | | - |
| 1.3.2- Reserve for Unexpired Risks, ceded | | - |
| 2- Investment Income | 5 | 21,166,904 |
| 3- Unrealized Gains on Investments | | - |
| 4- Other Technical Income (Net of Reinsurer Share) | | 53,985 |

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

Garanti Emeklilik ve Hayat Anonim Şirketi

Statement of Income

For the Year Ended 31 December 2008

(Currency: New Turkish Lira [YTL])

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

| I-TECHNICAL SECTION | Note | Audited Current Period 31 December 2008 |
|--|-----------|---|
| E- Life Technical Expense | | (72,668,061) |
| 1- Incurred Losses (Net of Reinsurer Share) | 17 | (24,381,908) |
| 1.1- Claims Paid (Net of Reinsurer Share) | 17, 29 | (21,849,201) |
| 1.1.1- Claims Paid, gross | 5, 17 | (22,403,572) |
| 1.1.2- Claims Paid, ceded | 5, 10, 17 | 554,371 |
| 1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward) | 17, 29 | (2,532,707) |
| 1.2.1- Change in Provisions for Outstanding Claims, gross | 17 | (2,729,410) |
| 1.2.2- Change in Provisions for Outstanding Claims, ceded | 5, 10, 17 | 196,703 |
| 2- Change in Provision for Bonus and Discounts (Net of Reinsurer and Less the Amounts Carried Forward) | | (3,240) |
| 2.1- Provision for Bonus and Discounts, gross | | (3,240) |
| 2.2- Provision for Bonus and Discounts, ceded | | - |
| 3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward) | 29, 30 | (2,703,180) |
| 3.1- Change in Life Mathematical Provisions, gross | 29, 30 | (2,703,180) |
| 3.2- Change in Life Mathematical Provisions, ceded | | - |
| 4- Change in Provisions for Policies Investment Risks of Which Belongs to Life Insurance Policyholders (Net of Reinsurer Share and Less the Amounts Carried Forward) | | - |
| 4.1- Change in Provisions for Policies Investment Risks of Which Belongs to Life Insurance Policyholders, gross | | - |
| 4.2- Change in Provisions for Policies Investment Risks of Which Belongs to Life Insurance Policyholders, ceded | | - |
| 5- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward) | | - |
| 6- Operating Expenses | 32 | (34,568,117) |
| 7- Investment Expenses | | - |
| 8- Unrealized Losses on Investments | | - |
| 9- Investment Income Transferred to the Non-Life Technical Section | 5 | (11,011,616) |
| F- Net Technical Income- Life (D-E) | | 39,046,619 |
| G- Pension Business Technical Income | | 41,064,972 |
| 1- Fund Management Income | 25 | 13,416,775 |
| 2- Management Fee | 25 | 11,612,941 |
| 3- Entrance Fee Income | 25 | 16,030,760 |
| 4- Management Expense Charge in case of Suspension | | - |
| 5- Income from Private Service Charges | | - |
| 6- Increase in Value of Capital Allowances Given as Advance | | - |
| 7- Other Technical Expense | | 4,496 |
| H- Pension Business Technical Expense | | (30,334,569) |
| 1- Fund Management Expense | | (2,889,918) |
| 2- Decrease in Value of Capital Allowances Given as Advance | | - |
| 3- Operating Expenses | 32 | (23,672,622) |
| 4- Other Technical Expenses | | (3,772,029) |
| I- Net Technical Income-Pension Business (G-H) | | 10,730,403 |

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

Garanti Emeklilik ve Hayat Anonim Şirketi

Statement of Income

For the Year Ended 31 December 2008

(Currency: New Turkish Lira [YTL])

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

| | Note | Audited Current Period 31 December 2008 |
|--|------|---|
| I-NON-TECHNICAL SECTION | | |
| C- Net Technical Income-Non-Life (A-B) | | (14,618) |
| F- Net Technical Income-Life (D-E) | | 39,046,619 |
| I-Net Technical Income-Pension Business (G-H) | | 10,730,403 |
| J- Total Net Technical Income (C+F+I) | | 49,762,404 |
| K- Investment Income | | 34,856,923 |
| 1- Income from Financial Assets | | 19,334,516 |
| 2- Income from Disposal of Financial Assets | | 1,510,862 |
| 3- Valuation of Financial Assets | | 2,470,457 |
| 4- Foreign Exchange Gains | | 529,472 |
| 5- Income from Associates | | - |
| 6- Income from Subsidiaries and Joint Ventures | | - |
| 7- Income from Property, Plant and Equipment | | - |
| 8- Income from Derivative Transactions | | - |
| 9- Other Investments | | - |
| 10- Income Transferred from Life Section | | 11,011,616 |
| L- Investment Expense (-) | | (3,857,980) |
| 1- Investment Management Expenses (inc. interest) | | (46,813) |
| 2- Diminution in Value of Investments | | - |
| 3- Loss from Disposal of Financial Assets | | (37,969) |
| 4- Investment Income Transferred to Non-Life Technical Section | | - |
| 5- Loss from Derivative Transactions | | - |
| 6- Foreign Exchange Losses | | - |
| 7- Depreciation and Amortization Expenses | 6, 8 | (3,773,198) |
| 8- Other Investment Expenses | | - |
| M- Income and Expenses From Other and Extraordinary Operations (+/-) | | (482,255) |
| 1- Provisions | 47 | 100,607 |
| 2- Rediscounts | 47 | (9,509) |
| 3- Specified Insurance Accounts | | - |
| 4- Monetary Gains and Losses | | - |
| 5- Deferred Taxation (Deferred Tax Assets) | 35 | 406,722 |
| 6- Deferred Taxation (Deferred Tax Liabilities) | 35 | (93,168) |
| 7- Other Income | | 110,726 |
| 8- Other Expenses and Losses | | (997,633) |
| 9- Prior Year's Income | | - |
| 10- Prior Year's Expenses and Losses | | - |
| N- Net Profit for the Year | | 63,829,221 |
| 1- Profit for the Year | | 80,279,092 |
| 2- Corporate Tax Provision and Other Fiscal Liabilities | 35 | (16,449,871) |
| 3- Net Profit for the Year | | 63,829,221 |
| 4- Monetary Gains and Losses | | - |

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

Garanti Emeklilik ve Hayat Anonim Şirketi

Statement of Cash Flows

For the Year Ended 31 December 2008

(Currency: New Turkish Lira [YTL])

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

| | Note | Audited Current Period 31 December 2008 |
|---|------|---|
| A. Cash flows from operating activities | | |
| 1. Cash provided from insurance activities | | 132,376,815 |
| 2. Cash provided from reinsurance activities | | - |
| 3. Cash provided from private pension business | | 367,193,688 |
| 4. Cash used in insurance activities | | (110,194,718) |
| 5. Cash used in reinsurance activities | | - |
| 6. Cash used in private pension business | | (355,972,320) |
| 7. Cash used in operating activities | | 33,403,465 |
| 8. Interest paid | | - |
| 9. Income taxes paid | | (13,418,102) |
| 10. Other cash inflows | | 2,420,854 |
| 11. Other cash outflows | | (2,587,638) |
| 12. Cash provided in operating activities | | 19,818,579 |
| B. Cash flows from investing activities | | |
| 1. Proceeds from disposal of tangible assets | | 14,583 |
| 2. Acquisition of tangible assets | 6, 8 | (6,214,655) |
| 3. Acquisition of financial assets | 11 | (21,070,728) |
| 4. Proceeds from disposal of financial assets | 11 | 10,556,087 |
| 5. Interests received | | 30,386,580 |
| 6. Dividends received | | - |
| 7. Other cash inflows | | 10,556,652 |
| 8. Other cash outflows | | (2,693,155) |
| 9. Cash provided by investing activities | | 21,535,364 |
| C. Cash flows from financing activities | | |
| 1. Equity shares issued | | - |
| 2. Cash provided from loans and borrowings | | - |
| 3. Finance lease payments | 6 | (716) |
| 4. Dividends paid | | - |
| 5. Other cash inflows | | - |
| 6. Other cash outflows | | (18,098) |
| 7. Cash provided by financing activities | | (18,814) |
| D. Effect of currency differences on cash and cash equivalents | | |
| | | - |
| E. Net increase in cash and cash equivalents | | |
| | | 41,335,129 |
| F. Cash and cash equivalents at the beginning of the year | | |
| | 14 | 95,655,125 |
| G. Cash and cash equivalents at the end of the year | | |
| | 14 | 136,990,254 |

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

Garanti Emeklilik ve Hayat Anonim Şirketi

Statement of Changes in Shareholders' Equity

For the Year Ended 31 December 2008

(Currency: New Turkish Lira [YTL])

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

| Shareholder's Equity-31 December 2008 | Note | Paid-in Capital | Own Shares of the Company | Revaluation of Financial Assets | Inflation Adjustments | Currency Translation Adjustments | Legal Reserves | Statutory Reserves | Other Reserves and Retained Earnings | Net Profit for the Year | Accumulated Losses | Total |
|--|-------|-----------------|---------------------------|---------------------------------|-----------------------|----------------------------------|----------------|--------------------|--------------------------------------|-------------------------|--------------------|-------------|
| | | | | | | | | | | | | |
| CURRENT YEAR | | | | | | | | | | | | |
| I-Balance at the beginning of the year-31 December 2007 | | 50,000,000 | - | 129,512 | 3,084,445 | - | - | - | 36,545,496 | - | - | 89,759,453 |
| II-Effect of first time adoption of the Turkish Accounting Standards | 2.1.6 | - | - | 129,512 | 3,084,445 | - | - | - | 36,545,496 | - | 572,618 | 572,618 |
| III-Restated balances-31 December 2007 | | 50,000,000 | - | 129,512 | 3,084,445 | - | - | - | 36,545,496 | - | 572,618 | 90,332,071 |
| A- Capital increase | | - | - | - | - | - | - | - | - | - | - | - |
| 1- In cash | | - | - | - | - | - | - | - | - | - | - | - |
| 2- From reserves | | - | - | - | - | - | - | - | - | - | - | - |
| B- Purchase of own shares | | - | - | - | - | - | - | - | - | - | - | - |
| C- Gains or losses that are not included in the statement of income | | - | - | - | - | - | - | - | - | - | - | - |
| D- Change in the value of financial assets | 15 | - | - | (126,837) | - | - | - | - | - | - | - | (126,837) |
| E- Currency translation adjustments | | - | - | - | - | - | - | - | - | - | - | - |
| F- Other gains or losses | | - | - | - | - | - | - | - | - | - | - | - |
| G- Inflation adjustment differences | | - | - | - | - | - | - | - | - | - | - | - |
| H-Net income/(loss) for the year | | - | - | - | - | - | - | - | - | 63,829,221 | - | 63,829,221 |
| I-Other Reserves and Transfers from Retained Earnings | 38 | - | - | - | - | - | 1,827,274 | - | (1,827,274) | - | - | - |
| J-Dividends paid | | - | - | - | - | - | - | - | - | - | - | - |
| II- Balance at the end of the year-31 December 2008 | | 50,000,000 | - | 2,675 | 3,084,445 | - | 1,827,274 | - | 34,718,222 | 63,829,221 | 572,618 | 154,034,455 |

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

Garanti Emeklilik ve Hayat Anonim Şirketi

Profit Distribution Table

For the Year Ended 31 December 2008

(Currency: New Turkish Lira [YTL])

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

| | Note | Current Period 31 December 2008 |
|---|------|------------------------------------|
| I. DISTRIBUTION OF CURRENT YEAR PROFIT | | |
| 1.1. CURRENT PERIOD PROFIT/(LOSS) | | 80,279,092 |
| 1.2. TAXES AND DUTIES PAYABLE | | 16,763,425 |
| 1.2.1. Corporate Tax (Income Tax) | | 16,449,871 |
| 1.2.2. Income Tax Deductions | | - |
| 1.2.3. Other Taxes and Legal Duties | | 313,554 |
| A CURRENT PERIOD YEAR/(LOSS) (1.1-1.2) | | 63,515,667 |
| 1.3. ACCUMULATED LOSSES (-) | | - |
| 1.4. FIRST LEGAL RESERVES (-) | | 3,175,783 |
| 1.5. OTHER STATUTORY RESERVES (-) | | - |
| B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3 + 1.4 + 1.5)] | | 60,339,884 |
| 1.6. FIRST DIVIDEND TO SHAREHOLDERS (-) | | - |
| 1.6.1. To owners of ordinary shares | | - |
| 1.6.2. To owners of privileged shares | | - |
| 1.6.3. To owners of redeemed shares | | - |
| 1.6.4. To holders profit sharing bonds | | - |
| 1.6.5. To holders of profit and loss sharing certificates | | - |
| 1.7. DIVIDENDS TO PERSONNEL (-) | | - |
| 1.8. DIVIDENDS TO BOARD OF DIRECTORS (-) | | - |
| 1.9. SECOND DIVIDEND TO SHAREHOLDERS (-) | | - |
| 1.9.1. To owners of ordinary shares | | - |
| 1.9.2. To owners of privileged shares | | - |
| 1.9.3. To owners of redeemed shares | | - |
| 1.9.4. To holders profit sharing bonds | | - |
| 1.9.5. To holders of profit and loss sharing certificates | | - |
| 1.10. LEGAL RESERVES (-) | | - |
| 1.11. STATUTORY RESERVES(-) | | - |
| 1.12. EXTRAORDINARY RESERVES | | - |
| 1.13. OTHER RESERVES | | - |
| 1.14. SPECIAL FUNDS | | - |
| II. DISTRIBUTION OF RESERVES | | - |
| 2.1. APPROPRIATED RESERVES | | - |
| 2.2. SECOND LEGAL RESERVES (-) | | - |
| 2.3. DIVIDENDS TO SHAREHOLDERS (-) | | - |
| 2.3.1. To owners of ordinary shares | | - |
| 2.3.2. To owners of privileged shares | | - |
| 2.3.3. To owners of redeemed shares | | - |
| 2.3.4. To holders of profit sharing bonds | | - |
| 2.3.5. To owners of Profit and Loss Participation Certificates | | - |
| 2.4. DIVIDENDS TO PERSONNEL (-) | | - |
| 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 PRIVILEGED SHARES | | - |
| 3.4. TO THE PRIVILEGED SHAREHOLDERS (%) | | - |
| IV. DIVIDEND PER SHARE | | - |
| 4.1. TO OWNERS OF ORDINARY SHARES | | - |
| 4.2. TO OWNERS OF ORDINARY SHARES (%) | | - |
| 4.3. TO OWNERS OF PRIVILEGED SHARES | | - |
| 4.4. TO THE PRIVILEGED SHAREHOLDERS (%) | | - |

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

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2008

(Currency: New Turkish Lira [YTL])

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

1 General information

1.1 Name of the Company and the latest owner of the group

As at 31 December 2008, 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") which has %84.91 of the outstanding shares of the Company. Other shareholder having direct or indirect control over the shares of the Company is Eureka BV having %15.00 shares of the outstanding shares.

1.2 Domicile and the legal structure of the Company, country and the address of the registered office (address of the operating center if it is different from the registered office)

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 Business of the Company

The Company was established on 24 July 1992 with an initial share capital of YTL 10,000. The initial name of the Company was "AGF Garanti Hayat Sigorta Anonim Şirketi", first changed on 18 May 1999 as "Garanti Hayat Sigorta Anonim Şirketi".

On 14 November 2002, the Company applied for conversion from life insurance company to private pension company in accordance with the 2nd clause of 1st Temporary Article of Law No.4632 on Individual 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") 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 2009.

As per the resolution of the Board of Directors, the Company has established 6 pension investment funds on 28 June 2003 after taking the approval of Capital Markets Board of Turkey. The investment portfolios of these funds are managed by Garanti Portföy Yönetimi AŞ in accordance with the agreement signed between parties. The Company provided share capital advance to these funds amounted to YTL 2,150,000 during their establishment.

As per the resolution of the Board of Directors, the Company has established 1 pension investment fund on 25 January 2004 after taking the approval of Capital Markets Board of Turkey. The investment portfolio of the fund is managed by Garanti Portföy Yönetimi AŞ in accordance with the agreement signed between parties. The Company provided share capital advance to the fund amounted to YTL 10,000 during its establishment.

As per the resolution of the Board of Directors, the Company has established 3 pension investment funds for groups on 26 January 2005 after taking the approval of Capital Markets Board of Turkey. The investment portfolio of these funds are managed by Garanti Portföy Yönetimi AŞ in accordance with the agreement signed between parties. The Company provided share capital advance to these funds amounted to YTL 150,000 during their establishment.

As per the resolution of the Board of Directors, the Company has established 1 pension investment fund on 27 April 2005 after taking the approval of Capital Markets Board of Turkey. The investment portfolio of the fund is managed by Deniz Portföy Yönetimi AŞ in accordance with the agreement signed between parties. The Company provided share capital advance to the fund amounted to YTL 10,000 during its establishment.

As at 31 December 2008, the Company has 11 pension investment funds in total.

1.4 Description of the main operations of the Company

As at 31 December 2008, the Company issues policies in life and personal accident insurance branches and contracts in private pension business by conducting its operations in accordance with the Insurance Law No.5684 (the "Insurance Law") issued in 14 June 2007 dated and 26552 numbered Official Gazette and Individual Pension Savings and Investment System Law No.4632 (the "Private Pension Law") issued in 7 April 2001 dated 4632 numbered Official Gazette and other communiqués and regulations in force issued by the Turkish Treasury based on the Insurance Law and the Private Pension Law.

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2008

(Currency: New Turkish Lira [YTL])

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

1.5 The Average number of the personnel during the year in consideration of their categories

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

| | 31 December 2008 |
|-----------------|------------------|
| Senior managers | 16 |
| Other personnel | 569 |
| Total | 585 |

1.6 Wages and similar benefits provided to the senior management

As at and for year ended 31 December 2008, wages and similar benefits provided to the senior management including chairman, members of the board of the directors, general manager, general coordinator, and deputy general managers is amounting to YTL 2,421,364.

1.7 Explanation about the distribution of the investment income and operating expenses (personnel expenses, administrative expenses, research and development expenses, marketing and selling expenses, and expenses for the services bought from third parties) in the financial statements

Procedures and principles related to keys used in the distribution of investment income and operating expenses in the financial statements of the companies are determined in accordance with the 4 January 2008 dated and 2008/1 numbered "Communiqué Related to the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Accounting Plan" issued by the Turkish Treasury. In accordance with the related communiqué;

Income from the assets invested against non-life technical provisions is transferred to technical section from non-technical section.

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

Known and exactly distinguishable operating expenses are directly recorded under life, non-life or private pension segments, 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 policies and contracts issued within last 3 years. The portion of insurance segments calculated as described above 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.

1.8 Information on the financial statements as to whether they comprise an individual company or a group of companies

The accompanying financial statements comprise only the financial information of the Company. As further detailed in Note 2.2, the Company did not prepare consolidated financial statements as at and for the year ended 31 December 2008.

1.9 Name or other identity information about the reporting entity and the changes in this information after previous 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 previous balance sheet date.

1.10 Subsequent events

In accordance with the "Principles Regarding Usage of Turkish Lira and Kuruş by the Entities Related to the Private Sector Accounting System" mentioned in the "15th Sequence Numbered General Circular Related to the Application of Accounting System" issued by the Republic of Turkey Ministry of Finance in 27092 numbered and 26 December 2008 dated Official Gazette it is stated that the accounting records and transactions until 31 December 2008 would be recorded in New Turkish Lira and New Kuruş. On the other hand, the accounting entries will be in Turkish Lira and Kuruş starting from 1 January 2009.

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2008

(Currency: New Turkish Lira [YTL])

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

2 Significant accounting policies

2.1 Basis of preparation

2.1.1 Information about the principles and the special accounting policies used in the preparation of the financial statements

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") as promulgated by the Turkish Treasury based on the Insurance Law.

As per the Temporary Article 1 of the "Circular Related to the Presentation of the Financial Statements" which has been issued in the 18 April 2008 dated and 26851 numbered Official Gazette, it is stated that it will not be compulsory to present comparative financial information of 2007 in the financial reports issued during 2008. Accordingly, the accompanying financial statements and related disclosures and footnotes do not include comparative financial information.

Additional paragraph for convenience translation to English

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

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

Accounting in hyperinflationary countries

Financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the New Turkish Lira based on TAS 29-Financial Reporting in Hyperinflationary Economies as at 31 December 2004. TAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous years be restated in the same terms. One characteristic that necessitates the application of TAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%.

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. Accordingly, as at 31 December 2008, non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded before 1 January 2005 are measured as restated to 31 December 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded after 1 January 2005 are measured at their nominal costs or values.

2.1.3 Functional and presentation currency

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

2.1.4 Rounding level of the amounts presented in the financial statements

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

2.1.5 Basis of measurement used in the preparation of the financial statements

The accompanying financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2004, except for the financial assets at fair value through profit or loss and financial investments with risks on life insurance 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

These are the Company's first annual financial statements prepared in accordance with the Reporting Standards. Previously, the Company had prepared its financial statements in accordance with the principles related to the accounting and financial reporting standards promulgated by the Turkish Treasury.

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2008

(Currency: New Turkish Lira [YTL])

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

As per the Temporary Article 1 of the "Circular Related to the Presentation of the Financial Statements" issued in the 18 April 2008 dated and 26851 numbered Official Gazette, it is stated that it will not be compulsory to present comparative financial information of 2007 in the financial reports issued during 2008. Accordingly, the accompanying financial statements and related disclosures and footnotes do not include comparative financial information.

The details of restatement adjustments with respect to first time adoption of Reporting Standards are given below:

| | Balance sheet prepared in accordance with previous accounting framework | Impact of the first-time application of the Reporting Standards | Restated balance sheet prepared in accordance with the Reporting Standards |
|---|--|---|---|
| | 1 January 2008 | 1 January 2008 | 1 January 2008 |
| ASSEST | | | |
| Cash and cash equivalents | 136,537,515 | - | 136,537,515 |
| Financial assets and financial investments with risks on policyholders | 46,284,662 | - | 46,284,662 |
| Receivables from main operations | 585,025,637 | (492,557) | 584,533,080 |
| Receivables from related parties | 771,646 | (527) | 771,119 |
| Other receivables | 14,832 | - | 14,832 |
| Prepaid expenses and income accruals | 585,980 | (15,358) | 570,622 |
| Financial assets | 263,221 | - | 263,221 |
| Tangible and intangible assets | 6,539,862 | - | 6,539,862 |
| Other current and non-current assets | 53,359 | - | 53,359 |
| Total assets | 776,076,714 | (508,442) | 775,568,272 |
| LIABILITIES AND EQUITIES | | | |
| Financial liabilities | 469,297 | - | 469,297 |
| Payables from main operations | 573,876,661 | (845) | 573,875,816 |
| Due to related parties | 1,692,378 | - | 1,692,378 |
| Other payables | 1,492,644 | (15,447) | 1,477,197 |
| Insurance technical provisions | 68,917,889 | 156,451 | 69,074,340 |
| Investment contracts | 32,232,209 | - | 32,232,209 |
| Other liabilities and provisions | 7,636,183 | (1,221,219) | 6,414,964 |
| Total liabilities | 686,317,261 | (1,081,060) | 685,236,201 |
| Liability | | | |
| Paid in capital | 53,084,445 | - | 53,084,445 |
| Revaluation of financial assets | 129,512 | - | 129,512 |
| Retained earnings and other reserves | 36,545,496 | - | 36,545,496 |
| Retained earnings | - | 572,618 | 572,618 |
| Total equity | 89,759,453 | 572,618 | 90,332,071 |
| Total liabilities and equity | 776,076,714 | (508,442) | 775,568,272 |

The equity impact of the adjustments resulted from first-time application of the Reporting Standards are set out in the following table:

| | 1 January 2008 |
|---|----------------|
| TAS 19- Correction of the employee termination benefits | 1,373,237 |
| TAS 39- Discount of receivables and payables | (381,498) |
| Deferred commission income correction | (156,451) |
| TAS 12- Booking of deferred taxes | (152,018) |
| TAS 39- Diminution in value of receivables | (110,652) |
| Total equity effect | 572,618 |

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2.2 Consolidation

“Circular Related to the Preparation of Consolidated Financial Statements of Insurance, Reinsurance, and Private Pension Companies” issued by the Turkish Treasury in the 31 December 2008 dated and 21097 numbered Official Gazette, will be in force at 31 March 2009. Insurance, reinsurance and private pension companies are not required to prepare consolidated financial statements before this date.

In the 12 August 2008 dated and 2008/37 numbered “Sector Announcement Related to the Accounting of Subsidiaries, Associates and Joint Ventures in the Stand Alone Financial Statements of Insurance, Reinsurance and Private Pension Companies” of the Turkish Treasury, it is stated that although, insurance, reinsurance and private pension companies are exempted from TAS 27-Consolidated and Separate Financial Statements, subsidiaries, associates and joint-ventures could be accounted in accordance with TAS 39-Financial Instruments: Recognition and Measurement or at cost in accordance with the 37th paragraph of TAS 27-Consolidated and Separate Financial Statements.

As at balance sheet date, the Company does not have any affiliates or subsidiaries subject to consolidation.

2.3 Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Geographical segment is not presented since the main economic environment of the Company is Turkey.

2.4 Foreign currency transactions

Transactions are recorded in YTL, which is the Company’s functional currency. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date and all exchange differences are recognized in the statement of income.

2.5 Tangible assets

Tangible assets are recorded at their historical costs that have been adjusted according to the inflation rates until the end of 31 December 2004. There have been no other inflationary adjustments for these tangible assets for the following years and therefore they have been recorded at their costs indexed to the inflation rates for 31 December 2004. Tangible assets that have been purchased after 1 January 2005 have been recorded at their costs excluding their exchange rate differences and finance expenses.

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 cost.

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Depreciation rates and estimated useful lives are as follows:

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

2.6 Investment properties

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

2.7 Intangible assets

The Company's intangible assets consist of software. Intangible assets are recorded at cost in compliance with the TAS 38-Intangible Assets. The cost of the intangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs.

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

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.

Financial assets held for trading purpose are measured at their fair values and gain/loss 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.

The Company has no financial assets that are not allowed to be classified as held to maturity financial assets for two years due to the tainting rules applied for the breach of classification rules.

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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Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. However, assets that are not traded in an active market are measured by valuation techniques, including recent market transactions in similar financial instruments, adjusted for factors unique to the instrument being valued; or discounted cash flow techniques for the assets which do not have a fixed maturity. Unrecognized gains or losses arising from the difference between their fair value and the discounted values calculated per effective interest rate method are recorded in "Revaluation of financial assets" under equity. In case of sales, the realized gain or losses are recognized directly in the statement of income.

Trading of securities are recognized at the date of settlement.

Associates, classified as available-for-sale financial assets in unconsolidated financial statements, which are traded in an active market or whose fair value can be reliably measured, are recorded at fair value. Associates which are not traded in an active market and whose fair value cannot be reliably set are reflected in financial statements with their costs after deducting impairment losses, if any.

Special instruments

Loans to the policyholders are the securitized loans that are used by the policyholders with the security of their life insurance policy that have made premium payments throughout the period that is determined by the technical bases related to certified tariffs of life insurance (this period is 3 years according to general conditions of life insurance). As at 31 December 2008, total amount of loans to the policyholders amounts to YTL 445,154.

Financial investments with risks on life insurance policyholders are the financial assets invested against the savings of the life insurance policyholders. Financial investments with risks on life insurance 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 2008, 95% of the difference between fair values and amortized costs of those assets backing liabilities amounted to YTL 1,243,749 (Note 18) is recorded in life mathematical provisions.

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

Derecognition

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

2.9 Impairment on assets

Impairment on financial assets

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

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

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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 TAS 36-*Impairment of Assets* and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

Rediscount and provision expenses of the period are disclosed in Note 47.

2.10 Derivative financial instruments

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

2.11 Offsetting of financial assets

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

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

2.12 Cash and cash equivalents

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

2.13 Share capital

As at 31 December 2008, the shareholder having direct or indirect control over the Company is Garantibank which has %84.91 of the outstanding shares of the Company. Other shareholder having direct or indirect control over the Company is Eureko having %15.00 shares of the outstanding shares.

As at 31 December 2008, the share capital and ownership structure of the Company are as follows:

| Name | 31 December 2008 | |
|----------------------------|-----------------------------------|----------------|
| | Nominal Value of the Shares (YTL) | Percentage (%) |
| Türkiye Garanti Bankası AŞ | 42,456,190 | 84.91 |
| Eureko BV | 7,500,000 | 15.00 |
| Others | 43,810 | 0.09 |
| Paid-in Capital | 50,000,000 | 100.00 |

Garantibank, previously having %99.91 of the outstanding shares of the Company, sold %15.00 of the Company shares with nominal value of YTL 7,500,000 to Eureko B.V. on 21 June 2007. Selling price for the 750,000,000 shares, representing %15.00 of the Company shares, amounted to EUR 100,000,000.

Sources of the capital increases during the period

None.

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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.

Solely saving life products of the Company are classified as investments contracts.

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 insurees 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.

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Payables from private pension business consist of payables to participants for the funds sold against their collections, participants temporary accounts, and payables to private pension agencies. 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 individual pension companies or participants' own accounts.

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. As per the decision no.2006/10731 of the Council of Ministers published in the Official Gazette no.26237 dated 23 July 2006, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. Accordingly, 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, increased to 15% from 10%. 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 31 December 2008, the Company does not have any deductible tax losses.

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

Deferred taxes

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

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

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

Transfer pricing

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

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

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2.19 Employee benefits

Employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2008 is YTL 2,173.

The Company reserved for employee severance indemnities using actuarial method in compliance with the TAS 19-*Employee Benefits*. The major actuarial assumptions used in the calculation of the total liability as at 31 December 2008 are as follows:

| | 31 December 2008 % |
|--|--------------------|
| Discount Rate | 6.26 |
| Expected Rate of Salary/Limit Increase | 5.40 |
| Estimated Employee Turnover Rate | 31 |

Other benefits

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

2.20 Provisions

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

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

2.21 Revenue recognition

Written premiums

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

Commission income and expense

As further disclosed in Note 2.24, 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 deferring commission income and expenses within the calculation of reserve for unearned premiums for the policies produced before 1 January 2008 and recognizing deferred commission income and deferred commission expense in the financial statements for the policies produced after 1 January 2008.

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.

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

Trading income/expense

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

Dividends

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

Income from pension business

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 manager 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 individual pension account. Entrance fees charged to the participants could not be higher than minimum wage that is valid on the date of the contract.

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".

2.22 Leasing transactions

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

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

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

2.23 Dividend distribution

As at balance sheet date, there is not any resolution related to the distribution of the dividend.

2.24 Reserve for unearned premiums

In accordance with the "Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") which was issued in 26606 numbered and 7 August 2007 dated Official Gazette and put into effect starting from 1 January 2008, 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.

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Reserve for unearned premiums is calculated for all insurance contracts except for the contracts for which the Company provides mathematical reserve. Reserve for unearned premiums is also calculated for the annual premiums of the annually renewed long term insurance contracts.

In previous years, the reserve for unearned premiums had been calculated after deducting commissions given and commissions received. In order to prevent possible problems during the transfer of the reserves calculated before 1 January 2008, on 28 December 2007 the Turkish Treasury issued "2007/25 Numbered Circular Related to the Calculation of the Reserve for Unearned Premiums and Accounts That Should Be Used for Deferred Commission Income and Expenses". In accordance with the related circular, the reserve for unearned premiums should be calculated by deducting commissions for the policies produced before 1 January 2008, but it should be calculated on gross basis for the policies produced after 1 January 2008.

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 (provision for outstanding claims, net at the end of the period + claims paid, net-provision for outstanding claims, net at the beginning of the period) to earned premiums (written premiums, net + reserve for unearned premiums, net at the beginning of the period-reserve for unearned premiums, net at the end of the period).

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. The test is performed on branch basis and in case where the expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the reserve for unearned premiums of that specific branch is added to the reserves of that branch. In accordance with the Communiqué on Technical Reserves, while calculating reserve for unexpired risk during 2008, the expected claim/premium ratio is considered as 100%. As at 31 December 2008, related test have not resulted any deficiency in the premiums of the Company.

2.25 Provision for outstanding claims

Claims are recorded in the year in which they occur, based on reported claims or on the basis of estimates when not reported. Provision for outstanding claims represents the estimate of the total reported costs of notified claims on an individual case basis at the balance sheet date as well as the corresponding handling costs. Incurred but not reported claims ("IBNR") are also provided.

Claims incurred before the accounting periods but reported subsequent to those dates are accepted as incurred but not reported ("IBNR") claims. Last five or more than five years' weighted average calculated by dividing total amount of incurred but not reported claims after deducting salvage and subrogation related to these files to premium production of the related years is considered in the calculation of IBNR. As of the current balance sheet date, IBNR is calculated by multiplying weighted average IBNR ratio by the premium production of last 12 months before balance sheet date. Accordingly, as at the balance sheet date, the Company has provided for IBNR, net off ceded amounting to YTL 1,658,597.

In accordance with the Communiqué on Technical Reserves, insurance, reinsurance and private pension companies are required to perform adequacy test to assess the adequacy of provision for outstanding claims at the end of the each fiscal year. In case where the adequacy ratio of provision of outstanding claims, measured by considering the preceding five years' weighted average (excluding current year) as computed under the principles promulgated by the Turkish Treasury, is less than 95%, the amount calculated by multiplying current provision for outstanding claims with the difference between adequacy ratio of provision of outstanding claims and 95% is added to provision for outstanding claims. This test is performed on a branch basis. In the preparation of adequacy tables and the calculation of provision for outstanding claims, all provisions for reported but not settled claims, IBNR claims and claim handling costs are taken into consideration. As at the balance sheet date, this adequacy test have not resulted any additional provision for outstanding claims.

In accordance with the Communiqué on Technical Reserves, the amount of provision for outstanding claims should not be less than the ultimate claim loss calculated by actuarial chain ladder method as promulgated by the Turkish Treasury. As per the 2nd Temporary Article of the Communiqué on Technical Reserves, 80% of the amount calculated by actuarial chain ladder method should be considered in 2008. As at the balance sheet date, actuarial chain ladder method does not result in additional provision for the Company.

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2.26 Mathematical provisions

In accordance with the Communiqué on Technical Reserves, companies performing in life and nonlife insurance branches are obliged to allocate adequate mathematical reserves based on actuarial basis to meet liabilities against policyholders and beneficiaries for life, health and personal accident insurance whose coverage are over one year. Mathematical provisions are composed of actuarial mathematical provisions and profit share provisions.

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

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

The valuation method used in dividend calculation of dividend option life insurance 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 Related parties

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

2.28 Earnings per share

Earnings per share are determined by dividing the net income by the weighted average number of shares outstanding during the year attributable to the shareholders of the Company. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such Bonus Shares issued are regarded as issued shares.

2.29 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.

2.30 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations which will be effective on or after 1 January 2009 within the framework of International Financial Reporting Standards ("IFRS") but some of which are still reviewed within the framework of TFRS and have not been applied in preparing these financial statements are as follows:

- TFRS 8 - *Operating Segments* supersedes TAS 14 - *Segment Reporting*. TFRS 8 sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. TFRS 8, effective for annual financial statements for periods beginning on or after 1 January 2009, is not expected to have impact on the disclosures of the Company.
- TFRIC 15 - *Agreements for the Construction of Real Estate* provides guidance on how to determine whether an agreement for the construction of real estate within the scope of TAS 11 - *Construction Contracts* or TAS 18 - *Revenue* and, accordingly, when revenue from the construction should be recognized. TFRIC 15, effective for annual periods beginning on or after 1 January 2009, is not expected to have any impact on the financial statements of the Company.

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- TFRIC 17 – *Distributions of Non-Cash Assets to Owners* clarifies that:
 - a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity.
 - an entity should measure the dividend payable at the fair value of the net assets to be distributed.
 - an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation.

Recognising the difficulty that entities would face in recognising past distributions at their fair values the TFRIC requires prospective application of the guidance. The amendment is effective for annual periods beginning on or after 1 January 2009, although entities are permitted to adopt them earlier, is not expected to have any impact on the financial statements of the Company.

- TAS 32 – *Financial Instruments; Presentation*; the Turkish Accounting Standards Board (“TASB”) amended TAS 32 and TAS 1 – *Presentation of Financial Statements* with respect to the balance sheet classification of puttable financial instruments and obligations arising only on liquidation. As a result of the amendments, some financial instruments that currently meet the definition of a financial liability will be classified as equity because they represent the residual interest in the net assets of the entity. Amendments for puttable financial instruments and obligations arising only on liquidation, effective for annual periods beginning on or after 1 January 2009, is not expected to have any impact on the financial statements of the Company.

- Revised TAS 1 – *Presentation of Financial Statements*. Main changes from the previous version are to require that an entity must:
 - Present all non-owner changes in equity either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income may not be presented in the statement of changes in equity.
 - Present a statement of financial position (balance sheet) as at the beginning of the earliest comparative period in a complete set of financial statements when the entity applies an accounting policy retrospectively or makes a retrospective restatement.
 - Disclose income tax relating to each component of other comprehensive income.
 - Disclose reclassification adjustments relating to components of other comprehensive income.

TAS 1 changes the titles of financial statements as they will be used in TFRSs:

- ‘balance sheet’ will become ‘statement of financial position’
- ‘income statement’ will become ‘statement of comprehensive income’
- ‘cash flow statement’ will become ‘statement of cash flows’

The revised TAS 1 will be applicable starting from 1 January 2009.

- The amendments to TAS 39 – *Financial Instruments: Recognition and Measurement*:
 - clarify that derivatives can be reclassified into or out of the fair value through profit or loss category, when they are designated as hedging instruments or when they are de-designated as hedging instruments respectively.

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- amends the definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition.

- remove references to the need to designate hedging instruments at the segment level, in order to eliminate a conflict with TFRS 8 – *Operating Segments*.

- clarify that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used, when re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting.

The amendment is effective for annual periods beginning on or after 1 January 2009, although entities are permitted to adopt them earlier, is not expected to have any impact on the financial statements of the Company.

- Amendments to TFRS 2 – *Share based payments* to clarify the terms “vesting conditions” and “cancellations” as follows:

- Vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. Under TFRS 2, features of a share-based payment that are not vesting conditions should be included in the grant date fair value of the share-based payment. The fair value also includes market-related vesting conditions.

- All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Under TFRS 2, a cancellation of equity instruments is accounted for as an acceleration of the vesting period. Therefore any amount unrecognized that would otherwise have been charged is recognized immediately. Any payment made with the cancellation is accounted for as the repurchase of an equity interest. Any payment in excess of the fair value of the equity instruments granted is recognized as an expense.

The amendment, effective for annual periods beginning on or after 1 January 2009, is not expected to have any impact on the financial statements of the Company.

- Revised TAS 23 – *Borrowing Costs*. The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalize borrowing costs as part of the cost of such assets. The revised TAS 23 does not require the capitalization of borrowing costs relating to assets measured at fair value, and inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for use or sale. The revised standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009, is not expected to have any impact on the financial statements of the Company.
- The amendments to TAS 23 – *Borrowing Costs* amended the definition of borrowing costs so that interest expense is calculated using the effective interest method defined in TAS 39 – *Financial Instruments: Recognition and Measurement*. This eliminates the inconsistency of terms between TAS 39 and TAS 23. The amendment, effective for annual periods beginning on or after 1 January 2009, is not expected to have any impact on the financial statements of the Company.
- The amendments to TFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations* requires an entity which is committed to a sale plan involving loss of control of a subsidiary to classify all the assets and liabilities of that subsidiary as held for sale when the criteria for classification as held for sale in TFRS 5 are met, regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to TFRS 1 – *First-time Adoption of Turkish Financial Reporting Standards* states that these amendments are applied prospectively from the date of transition to TFRSs. The amendment is effective for annual periods beginning on or after 1 July 2009, although entities are permitted to adopt them earlier if the amendments to TAS 27 – *Consolidated and Separate Financial Statements* also are applied, is not expected to have any impact on the financial statements of the Company.
- TASB has completed the second phase of its business combinations project by issuing a revised version of TFRS 3 – *Business Combinations* and an amended version of TAS 27 – *Consolidated and Separate Financial Statements* which also brings revisions to TAS 28 – *Investments in Associates* and TAS 31 – *Interest in Joint Ventures*.

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Accordingly, the acquirer can elect to measure any non-controlling (minority) interest at:

- fair value at the date of acquisition, which means that goodwill includes a portion attributable to the non-controlling interests; or
- its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, which means that goodwill relates only to the controlling interest acquired by the parent.

This election is made on a transaction-by-transaction basis.

The new requirements take effect on 1 July 2009, although entities are permitted to adopt them earlier, is not expected to have any impact on the financial statements of the Company.

- The amendments to TFRS 1 – *First-time Adoption of Turkish Financial Reporting Standards* and TAS 27 – *Consolidated and Separate Financial Statements* respond to constituents' concerns that retrospectively determining cost and applying the cost method in accordance with TAS 27 on first-time adoption of TFRSs cannot, in some circumstances, be achieved without undue cost or effort. The amendments address that issue:

- by allowing first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements; and
- by removing the definition of the cost method from TAS 27 and replacing it with a requirement to present dividends as income in the separate financial statements of the investor.

The amendments to TAS 27 also respond to queries regarding the initial measurement of cost in the separate financial statements of a new parent formed as the result of a specific type of reorganisation. The amendments require the new parent to measure the cost of its investment in the previous parent at the carrying amount of its share of the equity items of the previous parent at the date of the reorganisation.

The amendment, effective for annual periods beginning on or after 1 January 2009, is not expected to have any impact on the financial statements of the Company.

- The amendments to TAS 27 – *Consolidated and Separate Financial Statements* requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendment is effective for annual periods beginning on or after 1 January 2009, is not expected to have any impact on the financial statements of the Company.
- The amendments to TAS 28 – *Investments in Associates* (and consequential amendments to TAS 32 – *Financial Instruments: Presentation*, and TFRS 7 – *Financial Instruments: Disclosures*) clarify that after applying the equity method, any additional impairment recognized by the investor with respect to its investment in an associate should not be allocated to any assets, including goodwill, that constitute the carrying amount of the investment. The amendments also clarify that reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The amendment is effective for annual periods beginning on or after 1 January 2009, although entities are permitted to adopt them earlier, is not expected to have any impact on the financial statements of the Company.
- In accordance with the amendments to TAS 27 – *Consolidated and Separate Financial Statements*, TAS 39 – *Financial Instruments: Recognition and Measurement* would continue to be applied where an investment in a subsidiary that is accounted for under TAS 39, is classified as held for sale under TFRS 5 – *Non-Current Assets Held-for-Sale and Discontinued Operations*. The amendment, effective for annual periods beginning on or after 1 January 2009, is not expected to have any impact on the financial statements of the Company.

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- The amendments to TAS 28 – *Investments in Associates* (and consequential amendments to TAS 32 – *Financial Instruments: Presentation* and TFRS 7 – *Financial Instruments: Disclosures*) requires that only certain rather than all disclosure requirements in TAS 28 need to be made in addition to disclosures required by TAS 32 and TFRS 7, where an investment in associate is accounted for in accordance with TAS 39 – *Financial Instruments: Recognition and Measurement*. The amendment, effective for annual periods beginning on or after 1 January 2009, is not expected to have any impact on the financial statements of the Company.
- The amendments to TAS 31 – *Interests in Joint Ventures* (and consequential amendments to TAS 32 – *Financial Instruments: Presentation* and TFRS 7 – *Financial Instruments: Disclosures*) requires that only certain rather than all disclosure requirements in TAS 31 need to be made in addition to disclosures required by TAS 32 and TFRS 7, where an investment in associate is accounted for in accordance with TAS 39 – *Financial Instruments: Recognition and Measurement*. The amendment, effective for annual periods beginning on or after 1 January 2009, is not expected to have any impact on the financial statements of the Company.
- The amendments to TAS 36 - *Impairment of Assets* require that disclosures equivalent to those for value-in-use calculation should be made, where fair value less costs to sell is calculated on the basis of discounted cash flows. The amendment is effective for annual periods beginning on or after 1 January 2009, is not expected to have any impact on the disclosures of the Company.
- The amendments to TAS 16 – *Property, Plant and Equipment* bring changes for presentation issues that arise from assets that are rented and then subsequently sold on a routine basis. The amendment results in such assets being transferred to inventories at their carrying amount when they cease to be rented and become held for sale and the proceeds from the sale of such assets would be recognised as revenue in accordance with TAS 18 – Revenue. The amendment, effective for annual periods beginning on or after 1 January 2009, although entities are permitted to adopt them earlier, is not expected to have any impact on the financial statements of the Company.
- The amendments to TAS 38 – *Intangible Assets* clarify that:
 - expenditure in respect of advertising and promotional activities should be recognised as an expense when the benefit of those goods or services is available to the entity; for example, in respect of the acquisition of goods, an expense should be recognised when the entity has the right to access those goods;
 - a prepayment should be recognised only for payments made in advance of the receipt of the corresponding goods or services; and
 - catalogues are considered to be a form of advertising and promotional material rather than inventory.

The amendments, effective for annual periods beginning on or after 1 January 2009, although entities are permitted to adopt them earlier, is not expected to have any impact on the financial statements of the Company.

- The amendments to TAS 38 – *Intangible Assets* remove the observation that there is rarely, if ever, persuasive evidence to support an amortisation method for intangible assets with finite useful lives that results in a lower amount of accumulated amortisation than under the straight-line method. The TASB has deleted this observation in order to avoid giving the impression that the units-of-production amortisation method is not allowed if it results in a lower amount of accumulated amortisation than under the straight-line method. The amendments, effective for annual periods beginning on or after 1 January 2009, although entities are permitted to adopt them earlier, is not expected to have any impact on the financial statements of the Company.
- The amendments to TAS 19 – *Employee Benefits*:
 - specify that the distinction between short-term and long-term employee benefits is that short-term employee benefits are those that are due to be settled within 12 months of the end of the period in which the employee renders the related service. As a result, the amendment replaces in TAS 19 the term “fall due” in the definition of short-term employee benefits with the term “due to be settled” and replaces the term “do not fall due” in the definition of other long-term employee benefits with the term “are not due to be settled”.

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- clarify that the deduction of plan administration costs is appropriate only to the extent that they are not reflected in the measurement of the defined benefit obligation. In other words, costs of administering the plan may be either recognised in the return on plan assets or included in the actuarial assumptions used to measure the defined benefit obligation.

- clarify that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

The amendments, effective for annual periods beginning on or after 1 January 2009, although entities are permitted to adopt them earlier, is not expected to have any impact on the financial statements of the Company.

- The amendments to TAS 29 – *Financial Reporting* in Hyperinflationary Economies require to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost. The amendment is effective for annual periods beginning on or after 1 January 2009, is not expected to have any impact on the financial statements of the Company.
- The amendments to TAS 40 – *Investment Property* bring that the property that is under construction or development for future use as investment property is within the scope of TAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment is effective for annual periods beginning on or after 1 January 2009, although entities are permitted to adopt them earlier, is not expected to have any impact on the financial statements of the Company.

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) and management of financial risk (Note 4.2).

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-Management of financial risk
- Note 6-Tangible assets
- Note 8-Intangible assets
- Note 9-Investments in associates
- 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 17-Private pension business
- Note 18-Investment contract liabilities
- 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:

- While determining risk premiums, the amount of expected losses are considered and premium limits are determined accordingly.
- 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.
- It is aimed to achieve profitability in product basis and providing continuity.
- 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 seen 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, and CSO-80 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 numbers 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 2008 | | 31 December 2007 | |
|-------------------------------------|----------------------|-----------|----------------------|-----------|
| | Insurance risk (YTL) | Number | Insurance risk (YTL) | Number |
| Death | 17,770,322,671 | 2,063,797 | 14,151,439,122 | 1,474,523 |
| Disability due to accident | 11,379,453,160 | 1,724,684 | 7,932,882,824 | 1,047,277 |
| Disability due to illness | 932,581,897 | 31,829 | 1,234,181,370 | 49,398 |
| Treatment costs due to accident | 502,328,535 | 256,617 | 239,547,815 | 93,239 |
| Critical illness | 223,967,292 | 14,107 | 295,533,656 | 17,639 |
| Death due to accident | 215,594,989 | 6,824 | 151,942,768 | 5,167 |
| Involuntary unemployment | 4,335,672 | 2,393 | - | - |
| Daily hospital benefit | 2,469,947 | 917 | 88,257 | 1,607 |
| Unemployment/Daily hospital benefit | 1,579,395 | 4,811 | - | - |

The Company gives importance to the diversification the risk.

Risk evaluation policies

The Company uses leader reinsurer's medical risk evaluation tools in its risk assessment processes. Each year, the Company observe the scope of the treaty reinsurers' risk evaluation processes which provides the Company to decrease its costs and operational risks. 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 doctor, 'Moral' risk evaluation through its risk evaluation and selling staff, and 'Financial' risk assessment for individual 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 doctor through medical assessment. Applicants carrying medical risk factors are rejected in accordance with the terms of agreement with reinsurers.

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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. Since 90% 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 Garantibank'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 maintained in 2008 by keeping the original ones.

Reinsurance policies

The Company cedes only 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). 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

Reinsurance companies, providing reinsurance protection against life insurance and other additional risks are the most important service providers for the Company. The decisive criteria for the relationship with reinsurers are as follows:

- Financial strength,
- Long-term business relationship approach,
- Competitive prices
- Capacity provided for facultative and un-proportional (catastrophic) reinsurance contracts.
- 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. Milli Reasürans TAŞ ("Milli Re") is the second reinsurance firm in terms of its reinsurance share. The third big reinsurance firm is Mapfre RE, located in Madrid. And, fourth reinsurance firm is SCOR VIE. Recent ratings of these companies given by international institutions are as follows:

| Reinsurer | Standard & Poors | | | AM Best | | |
|-----------|------------------|----------|------------------|---------------|----------|------------------|
| | Rating | Outlook | Date | Rating | Outlook | Date |
| Munich Re | AA-(Very strong) | Stable | 22 December 2006 | A+ (Superior) | Stable | 7 September 2007 |
| Milli Re | trA | - | 18 November 2008 | B++ | Good | 6 August 2008 |
| Scor Vie | A- | Positive | 3 August 2008 | A- | Stable | 14 November 2008 |
| Mapfre Re | AA | Stable | 28 July 2006 | A+ (Superior) | Positive | 3 August 2006 |

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Catastrophic risk management

Approximately 50% of policyholders live in İstanbul. Since the probability of earthquake in İstanbul and probable damage due to earthquake is high, the Company has \$60 million excess treaty.

4.2 Management of financial risk

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.

- Cash at banks
- Other cash and cash equivalents (except for cash on hand)
- Financial assets held for trading
- Financial investments with risks on life insurance policyholders
- Premium receivables from policyholders
- Receivables from intermediaries (agencies)
- Receivables from private pension operations
- Receivables from reinsurance companies related to claims paid and commissions accrued
- Reinsurance shares of insurance liabilities
- Due from related parties
- Other receivables
- Prepaid taxes and funds
- Associates and subsidiaries

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

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

| | 31 December 2008 |
|--|----------------------|
| Receivables from main operations (Note 12) | 922,512,830 |
| Cash and cash equivalents (Note 14) | 189,785,474 |
| Financial assets and financial investments with risks on policyholders (Note 11) | 64,529,492 |
| Due from related parties (Note 12) | 1,241,806 |
| Prepaid taxes and funds (Note 12) | 474,782 |
| Reinsurer share in provision for outstanding claims (Note 17) | 336,796 |
| Non-current financial assets (Note 9) | 263,221 |
| Other receivables (Note 12) | 24,379 |
| Total | 1,179,168,780 |

As at 31 December 2008, the aging of the receivables from main operations is as follows:

| | 31 December 2008 | |
|------------------------|--------------------|------------------|
| | Gross Amount | Provision |
| Not past due | 920,535,494 | - |
| Past due 0-30 days | 1,138,115 | - |
| Past due 31-60 days | 521,571 | - |
| Past due 61-180 days | 309,611 | (122,694) |
| Past due 180-365 days | 150,995 | (46,074) |
| More than one year (*) | 49,356 | (23,544) |
| Total | 922,705,142 | (192,312) |

(*) Provision for the impairment of entrance fees which could not be collected yet and other receivables related to the pension operations amounted to YTL 122,694, 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 movement of the provision for receivables from private pension operations and insurance operations are is as follows:

| | 31 December 2008 |
|---|------------------|
| Provision for receivables from insurance and private pension operations at the beginning of the year | (592,381) |
| Collections during the period (Note 47) | 432,367 |
| Provision for impairment during the period (Note 47) | (32,298) |
| Provision for receivables from insurance and private pension operations at the end of the year | (192,312) |

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 monetary assets and monetary liabilities of the Company into relevant maturity groupings based on the remaining periods to repayments:

| 31 December 2008 | Carrying Value | Up to 1 month | 1 to 3 months | 3 to 6 months | 6 to 12 months | Over 1 year |
|--|----------------------|--------------------|-------------------|-------------------|-------------------|--------------------|
| Assets | | | | | | |
| Cash and cash equivalents | 189,788,421 | 158,841,120 | 30,947,301 | - | - | - |
| Financial assets and financial investments with risks on policyholders | 64,529,492 | 13,067,154 | 1,034 | 4,807,815 | 6,355,455 | 40,298,034 |
| Receivables from main operations | 922,512,830 | 6,253,484 | 7,694,817 | 6,005,559 | 4,784,927 | 897,774,043 |
| Due from related parties | 1,241,806 | 1,241,806 | - | - | - | - |
| Prepaid taxes and funds | 474,782 | - | 474,782 | - | - | - |
| Other receivables | 24,379 | 19,418 | - | - | - | 4,961 |
| Total monetary assets | 1,178,571,710 | 179,422,982 | 39,117,934 | 10,813,374 | 11,140,382 | 938,077,038 |
| Liabilities | | | | | | |
| Financial liabilities | 450,483 | 450,483 | - | - | - | - |
| Payables arising from main operations | 907,737,655 | 2,127,849 | 2,361,181 | 2,139,882 | 3,334,700 | 897,774,043 |
| Due to related parties | 1,286,341 | 1,286,341 | - | - | - | - |
| Other liabilities | 1,938,196 | 1,938,196 | - | - | - | - |
| Insurance technical provisions | 7,417,473 | 1,536,021 | 3,072,039 | 1,254,247 | 883,100 | 672,066 |
| Investment contract liabilities | 38,037,440 | - | - | - | - | 38,037,440 |
| Provisions for taxes and other similar obligations | 8,396,053 | 3,476,103 | 4,919,950 | - | - | - |
| Provisions for other risks | 3,435,830 | 2,166,732 | 226,262 | - | 924,717 | 118,119 |
| Total monetary liabilities | 968,699,471 | 12,981,725 | 10,579,432 | 3,394,129 | 5,142,517 | 936,601,668 |

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 insurance and reinsurance transactions denominated in foreign currencies.

Foreign exchange gains and losses due to foreign currency denominated transactions are recognized in the statement of income. 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 2008 | US Dollar | Euro | Other currencies | Total |
|--|-------------------|------------------|------------------|-------------------|
| Assets | | | | |
| Cash and cash equivalents | 4,152,733 | 2,510 | 4,333 | 4,159,576 |
| Financial assets and financial investments with risks on policyholders | 33,791,465 | 8,260,473 | - | 42,051,938 |
| Receivables from main operations | 2,757,208 | 262,408 | 10,783 | 3,030,399 |
| Total assets | 40,701,406 | 8,525,391 | 15,116 | 49,241,913 |
| Liabilities | | | | |
| Payables arising from main operations | 81,279 | 56,663 | 2,090 | 140,032 |
| Insurance technical provisions | 3,024,645 | 876,208 | 17,274 | 3,918,127 |
| Investment contract liabilities | 30,694,725 | 6,098,966 | - | 36,793,691 |
| Total liabilities | 33,800,649 | 7,031,837 | 19,364 | 40,851,850 |
| Net on-balance sheet position | 6,900,757 | 1,493,554 | (4,248) | 8,390,063 |

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

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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 YTL at the purchasing exchange rates announced by the Central Bank of Turkey ruling at balance sheet date. 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 2008 | USD Dollar | Euro |
|--|------------|--------|
| Foreign currency rate used in translation of balance sheet items | 1.5123 | 2.1408 |
| Foreign currency rates used in calculation of life mathematical provision and loans to the policyholders | 1.5219 | 2.1543 |

Exposure to currency risk

A 10 percent devaluation of the YTL against the following currencies as at 31 December 2008 would have increased or decreased 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 appreciation of the YTL against the following currencies, the effect will be in opposite direction.

| | 31 December 2008 | |
|-------------------|------------------|----------------|
| | Profit or loss | Equity (*) |
| US Dollar | 681,528 | 690,076 |
| Euro | 151,668 | 149,355 |
| Other currencies | (425) | (425) |
| Total, net | 832,771 | 839,006 |

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

Exposure to interest rate risk

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.

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 2008 |
|--|------------------|
| Fixed income financial assets: | |
| Financial assets with fixed interest rates: | |
| Cash at banks (Note 14) | 185,463,409 |
| Financial investments with risks on life insurance policyholders-Available for sale financial assets- Eurobonds (Note 11) | 38,631,459 |
| Financial assets held for trading purpose-Government bonds (Note 11) | 9,410,399 |
| Financial assets held for trading purpose-Treasury bills (Note 11) | 25,319 |
| Loans to the policyholders (Note 12) | 445,154 |
| Financial assets with variable interest rates: | |
| Financial investments with risks on life insurance policyholders-Available for sale financial assets- Foreign currency indexed domestically issued debt securities (Note 11) | 3,420,479 |
| Non-fixed income financial assets: | |
| Financial investments with risks on life insurance policyholders-Available for sale financial assets- Investment funds (Note 11) | 3,548 |
| Financial assets held for trading purpose-Investment funds (Note 11) | 13,038,288 |
| Financial liabilities: | None |

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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 2008 of the floating rate non-trading financial assets and financial liabilities held at 31 December 2008. Interest rate sensitivity of equity is calculated by revaluing available-for-sale financial assets at 31 December 2008 for the effects of the assumed changes in interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| 31 December 2008 | Income statement | | Equity (*) | |
|--|------------------|-----------------|------------------|-----------------|
| | 100 bp increase | 100 bp decrease | 100 bp increase | 100 bp decrease |
| Financial assets held for trading purpose | (35,193) | 35,637 | (35,193) | 35,637 |
| Financial investments with risks on life insurance policyholders | - | - | (70,406) | 75,801 |
| Total, net | (35,193) | 35,637 | (105,599) | 111,438 |

(*) Equity effect, includes the effect of changes in interest rates on income statement.

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.

Capital management

The Company's capital management policies include the following:

- To comply with the insurance capital requirements required by the Turkish 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 commensurately with the level of risk assumed.

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Gains and losses from financial instruments

| Financial gains and losses recognized in the statement of income | 31 December 2008 |
|---|--------------------|
| Interest income from bank deposits | 29,042,008 |
| Foreign exchange gains | 10,691,048 |
| Interest income from debt securities | 2,109,883 |
| Interest income from reverse-repurchase transactions | 1,510,862 |
| Changes in fair values of financial assets held for trading purpose (Note 11) | 1,362,449 |
| Income from investment funds | 265,314 |
| Unrealized gains and losses transferred from equity to statement of income due to disposal of available for sale financial assets backing long term investment contracts (Note 15) | 30,661 |
| Interest income from loans to the policyholders | 23,489 |
| Financial gains | 45,035,714 |
| Losses due to disposal of financial assets held for trading purpose | (84,600) |
| Changes in fair values of financial assets held for trading purpose (Note 11) | (12) |
| Financial losses | (84,612) |
| Financial gains and losses recognized in the statement of income, net | 44,951,102 |
| Financial gains and losses recognized in equity | 31 December 2008 |
| Change in unrealized gains and losses due to changes in the fair values of available for sale financial assets backing long term investment contracts (Note 11), (Note 15) | (1,710,982) |
| Unrealized gains and losses transferred from equity to statement of income due to disposal of available for sale financial assets backing long term investment contracts (Note 15) | (30,661) |
| The effect of changes in foreign exchange rates on unrealized gains and losses, recognized due to change in the fair values of available for sale financial assets backing long term investment contracts (Note 15) | 19,925 |
| Financial gains and losses recognized in equity, net | (1,721,718) |

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5 Segment reporting

Segment information is presented in respect of the Company's geographical and business segments. Company's primary segment reporting format is based on business segments.

Measurement of segment assets and liabilities and segment results is based on the accounting policies set out in the significant accounting policy notes.

Geographical segments

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

Business segments

| 31 December 2008 | Life | Non-Life | Private Pension | Undistributed | Total |
|---|--------------|----------|-----------------|---------------|--------------|
| Written premiums, gross | 123,535,464 | 8,307 | - | - | 123,543,771 |
| Written premiums, ceded | (14,865,776) | - | - | - | (14,865,776) |
| Fees and commissions (Note 32) | 3,091,867 | - | 41,060,476 | - | 44,152,343 |
| Change in reserve for unearned premiums, net | (18,175,897) | (2,971) | - | - | (18,178,868) |
| Claims paid, gross | (22,403,572) | - | - | - | (22,403,572) |
| Claims paid, ceded | 554,371 | - | - | - | 554,371 |
| Change in insurance contract liabilities, gross | 1,968,191 | (2,742) | - | - | 1,965,449 |
| Change in insurance contract liabilities, ceded | 196,703 | - | - | - | 196,703 |
| Change in investment contract liabilities (Note 30) | (7,400,781) | - | - | - | (7,400,781) |
| Fund management fees | - | - | (2,889,918) | - | (2,889,918) |
| Commission expenses (Note 32) | (10,838,796) | - | (9,507,203) | - | (20,345,999) |
| Investment income | 10,155,288 | - | - | 34,856,923 | 45,012,211 |
| Investment expenses | - | - | - | (3,857,980) | (3,857,980) |
| Other income/expense | (26,770,443) | (17,212) | (17,932,952) | (482,255) | (45,202,862) |
| Profit before taxes | 39,046,619 | (14,618) | 10,730,403 | 30,516,688 | 80,279,092 |
| Corporate tax provision | - | - | - | (16,449,871) | (16,449,871) |
| Net profit/loss for the period | 39,046,619 | (14,618) | 10,730,403 | 14,066,817 | 63,829,221 |
| Other segment information: | | | | | |
| Depreciation expenses (Note 6) | - | - | - | (1,153,160) | (1,153,160) |
| Amortization expenses (Note 8) | - | - | - | (2,620,038) | (2,620,038) |
| Provision expenses for doubtful receivables (Note 47) | 412,111 | - | (12,042) | - | 400,069 |

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The Company's segment assets and liabilities and capital expenditures as at 31 December 2008 are as follows:

| 31 December 2008 | Life | Non-Life | Private Pension | Undistributed | Total |
|-------------------------------------|--------------------|--------------|--------------------|--------------------|----------------------|
| Associates | - | - | 263,221 | - | 263,221 |
| Receivables from main operations | 20,162,569 | 81 | 902,350,180 | - | 922,512,830 |
| Tangible and intangible assets | - | - | - | 8,967,133 | 8,967,133 |
| Deferred acquisition costs | 16,458,475 | - | - | - | 16,458,475 |
| Other assets | 42,055,486 | - | - | 214,271,868 | 256,327,354 |
| Total assets | 78,676,530 | 81 | 902,613,401 | 223,239,001 | 1,204,529,013 |
| Insurance contract liabilities | 85,466,475 | 6,400 | - | - | 85,472,875 |
| Investment contract liabilities | 38,037,440 | - | - | - | 38,037,440 |
| Other liabilities | 8,523,162 | - | 899,214,493 | 19,246,588 | 926,984,243 |
| Shareholders' equity | - | - | - | 154,034,455 | 154,034,455 |
| Total liabilities and equity | 132,027,077 | 6,400 | 899,214,493 | 173,281,043 | 1,204,529,013 |
| Capital expenditures (Note 6, 8) | - | - | - | 6,214,655 | 6,214,655 |

6 Tangible assets

Movement in tangible assets in the period from 1 January to 31 December 2008 is presented below:

| | 1 January 2008 | Additions | Disposal | 31 December 2008 |
|---|------------------|------------------|----------------|------------------|
| Cost: | | | | |
| Furniture and fixtures | 4,683,252 | 936,284 | 560,722 | 5,058,814 |
| Other tangible assets (inc. leasehold improvements) | 1,436,169 | 295,614 | 1,200 | 1,730,583 |
| Tangible assets acquired through finance leasing | 168,464 | - | - | 168,464 |
| | 6,287,885 | 1,231,898 | 561,922 | 6,957,861 |
| Accumulated depreciation: | | | | |
| Furniture and fixtures | 2,841,321 | 814,419 | 547,336 | 3,108,404 |
| Other tangible assets (inc. leasehold improvements) | 1,029,198 | 296,529 | 400 | 1,325,327 |
| Tangible assets acquired through finance leasing | 49,040 | 42,212 | - | 91,252 |
| | 3,919,559 | 1,153,160 | 547,736 | 4,524,983 |
| Net book value | 2,368,326 | | | 2,432,878 |

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

Finance lease re-payments during the period amounted to YTL 716.

7 Investment properties

None.

8 Intangible assets

Movement in intangible assets in the period from 1 January to 31 December 2008 is presented below:

| | 1 January 2008 | Additions | Disposals | 31 December 2008 |
|----------------------------------|-------------------|------------------|-----------|-------------------|
| Cost: | | | | |
| Other intangible assets | 11,844,587 | 4,982,757 | - | 16,827,344 |
| | 11,844,587 | 4,982,757 | - | 16,827,344 |
| Accumulated amortization: | | | | |
| Other intangible asset | 7,673,051 | 2,620,038 | - | 10,293,089 |
| | 7,673,051 | 2,620,038 | - | 10,293,089 |
| Net book value | 4,171,536 | | | 6,534,255 |

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9 Investments in associates

| | 31 December 2008 | |
|--------------------------------|------------------|----------------------|
| | Carrying value | Participation rate % |
| Emeklilik Gözetim Merkezi | 263,221 | 9.09 |
| Investments in associates, net | 263,221 | |

| Name | Total Asset | Total Equity | Retained earnings | Loss for the period | Audited | Period |
|---------------------------|-------------|--------------|-------------------|---------------------|---------|-----------------|
| Emeklilik Gözetim Merkezi | 5,544,713 | 3,479,132 | - | (215) | No | 31December 2008 |

There is no bonus shares acquired through capital increases in associates from profit or capital reserves.

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 2008 |
|---|-------------------|
| Reserve for unearned premiums, ceded (Note 17) | 10,095,172 |
| Receivables from reinsurers (Note 12) | 1,312,386 |
| Provision for outstanding claims, ceded (Note 17) | 336,796 |
| Total | 11,744,354 |

There is not any impairment losses recognized for reinsurance assets.

| Reinsurance liabilities | 31 December 2008 |
|--|------------------|
| Payables to the reinsurers related to premiums written (Note 19) | 4,838,582 |
| Deferred commission income (Note 19) | 3,739,685 |
| Total | 8,578,267 |

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

| | 31 December 2008 |
|--|--------------------|
| Premiums ceded during the period (Note 17) | (14,865,776) |
| Reserve for unearned premiums, ceded at the beginning of the period (Note 17) | (1,513,472) |
| Reserve for unearned premiums, ceded at the end of the period (Note 17) | 10,095,172 |
| Premiums earned, ceded (Note 17) | (6,284,077) |
| Claims paid, ceded during the period (Note 17) | 554,371 |
| Provision for outstanding claims, ceded at the beginning of the period (Note 17) | (140,093) |
| Provision for outstanding claims, ceded at the end of the period (Note 17) | 336,796 |
| Claims incurred, ceded (Note 17) | 751,073 |
| Commission income accrued from reinsurers during period (Note 32) | 6,831,552 |
| Deferred commission income at the beginning of the period (*) | - |
| Deferred commission income at the end of the period (Note 19), (Note 32) | (3,739,685) |
| Commission income earned from reinsurers (Note 32) | 3,091,867 |
| Total, net | (2,441,137) |

(*) As further explained in Note 2.24, deferred commission income at the beginning of the period amounting to YTL 156,451 is presented as netted off from reserve for unearned premiums.

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11 Financial assets

As at 31 December 2008, the Company's financial assets held for trading are detailed as follows:

| | 31 December 2008 | | | |
|--|------------------|------------|------------|----------------|
| | Face value | Cost | Fair value | Carrying value |
| Debt instruments: | | | | |
| Government bonds-YTL | 10,072,000 | 8,293,657 | 9,410,399 | 9,410,399 |
| Treasury bills-YTL | 25,470 | 23,339 | 25,319 | 25,319 |
| | 10,097,470 | 8,316,996 | 9,435,718 | 9,435,718 |
| Equity shares and other non-fixed income financial assets | | | | |
| Investment funds | | 12,793,570 | 13,038,288 | 13,038,288 |
| | | 12,793,570 | 13,038,288 | 13,038,288 |
| Total financial assets held for trading | | 21,110,566 | 22,474,006 | 22,474,006 |

Financial investments with risks on life insurance policyholders ("FIRLIP") as at 31 December 2008 are detailed as follows:

| | 31 December 2008 | | | |
|---|------------------|------------|------------|----------------|
| | Face value | Cost | Fair value | Carrying value |
| Debt instruments: | | | | |
| Eurobonds issued by the Turkish Government | 34,939,691 | 33,352,124 | 38,631,459 | 38,631,459 |
| Government bonds-FC | 3,311,637 | 2,878,945 | 3,420,479 | 3,420,479 |
| Total available for sale financial assets | 38,251,328 | 36,231,069 | 42,051,938 | 42,051,938 |
| Equity shares and other non-fixed income financial assets | | | | |
| Investment funds | | 2,917 | 3,548 | 3,548 |
| | | 2,917 | 3,548 | 3,548 |
| Financial investments with risks on life insurance policyholders | | 36,233,986 | 42,055,486 | 42,055,486 |

All debt instruments presented above are traded in the active markets.

The Company does not hold any financial assets issued by the related parties.

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

There is no financial asset that is overdue but not impaired among the Company's financial investments portfolio.

Value increases in financial assets for the last 3 years

| Year | Change in value increase/(decrease) | Total increase/ (decrease) in value |
|------|--|--|
| 2008 | (126,837) | 2,675 |
| 2007 | (321,424) | 129,512 |
| 2006 | 268,909 | 450,936 |

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Movements of the financial assets portfolios during the period are as follows:

| | 31 December 2008 | | |
|---|-----------------------------------|-------------------|-------------------|
| | Financial assets held for trading | FIRLIP | Total |
| Balance at the beginning of the period | 10,596,928 | 35,687,734 | 46,284,662 |
| Unrealized exchange differences on financial assets | - | 8,384,338 | 8,384,338 |
| Acquisitions during the period | 21,070,728 | 4,306,144 | 25,376,872 |
| Disposals (either sold or settled) | (10,556,087) | (5,330,954) | (15,887,041) |
| Change in the fair value of financial assets (Note 4.2) | 1,362,437 | (1,710,982) | (348,545) |
| Change in amortised costs of the financial assets | - | 719,206 | 719,206 |
| Balance at the end of the period | 22,474,006 | 42,055,486 | 64,529,492 |

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

| | 31 December 2008 | | | |
|---|------------------|-------------------|-------------------|-------------------|
| | Face value | Cost | Fair value | Carrying value |
| Financial investments with risks on life insurance policyholders -Debt securities (Note 17) | 38,251,328 | 36,231,069 | 42,051,938 | 42,051,938 |
| Financial investments with risks on life insurance policyholders-Investment funds (Note 17) | | 2,917 | 3,548 | 3,548 |
| Total | | 36,233,986 | 42,055,486 | 42,055,486 |

12 Loans and receivables

| | 31 December 2008 | |
|------------------------------------|--------------------|--------------------|
| | Face value | Carrying value |
| Receivables from main operations | 922,512,830 | 922,512,830 |
| Due from related parties (Note 45) | 1,241,806 | 1,241,806 |
| Other receivables | 24,379 | 24,379 |
| Prepaid taxes and funds | 474,782 | 474,782 |
| Total | 924,253,797 | 924,253,797 |
| Short-term receivables | 924,248,836 | 924,248,836 |
| Long-term receivables | 4,961 | 4,961 |
| Total | 924,253,797 | 924,253,797 |

As at 31 December 2008, receivables from main operations are detailed as follows:

| | 31 December 2008 | |
|--|--------------------|--------------------|
| | Face value | Carrying value |
| Receivables from policyholders | 18,474,728 | 18,474,728 |
| Receivables from reinsurance companies (Note 10) | 1,312,386 | 1,312,386 |
| Provisions for doubtful receivables from policyholders (Note 4.2) | (69,618) | (69,618) |
| Total receivables from main operations, net | 19,717,496 | 19,717,496 |
| Loans to the policyholders (Note 4.2) | 445,154 | 445,154 |
| Receivables from private pension operations (Note 17) | 902,472,874 | 902,472,874 |
| Provision for receivables from private pension operations (Note 4.2) | (122,694) | (122,694) |
| Receivables from main operations, net | 922,512,830 | 922,512,830 |

Mortgages and collaterals obtained for receivables are disclosed as follows:

| | 31 December 2008 | |
|-----------------------|------------------|----------------|
| | Face value | Carrying value |
| Letters of guarantees | 29,320 | 29,320 |
| Total | 29,320 | 29,320 |

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Provision for both overdue receivables and receivables not due yet

- Receivables under legal or administrative follow up (due): None.
- Provision for premium receivables (due): YTL 69,618.
- Provision for receivables from entrance fees: YTL 110,652.
- Provision for receivables from private pension operations: YTL 12,042.

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

None.

14 Cash and cash equivalents

As at 31 December 2008, cash and cash equivalents are as follows:

| | 31 December 2008 | |
|--|--------------------------|--------------------------------|
| | At the end of the period | At the beginning of the period |
| Cash on hand | 2,947 | 1,511 |
| Bank deposits | 186,148,495 | 134,958,081 |
| Other cash and cash equivalents | 3,636,979 | 1,577,923 |
| Cash and cash equivalents in the balance sheet | 189,788,421 | 136,537,515 |
| Interest accruals on bank deposits | (1,108,020) | (465,048) |
| Bank deposits-blocked | (51,690,147) | (40,417,342) |
| Cash and cash equivalents presented in the statement of cash flows | 136,990,254 | 95,655,125 |

As at 31 December 2008, bank deposits are further analyzed as follows:

| | 31 December 2008 |
|--|------------------|
| Foreign currency denominated bank deposits | |
| - time deposits | 4,141,041 |
| - demand deposits | 18,535 |
| Bank deposits in New Turkish Lira | |
| - time deposits | 181,322,368 |
| - demand deposits | 666,551 |
| Cash at banks | 186,148,495 |

As at 31 December 2008, cash collateral kept at banks in favour of the Turkish Treasury against insurance operations amounted to YTL 51,368,145 (Note 17).

As at 31 December 2008, other cash and cash equivalents are further analyzed as follows:

| | 31 December 2008 |
|--|------------------|
| Receivables from credit card collections | 3,636,979 |
| Other cash and cash equivalents | 3,636,979 |

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15 Equity

Paid in Capital

As at 31 December 2008, the authorized nominal share capital of the Company is YTL 50,000,000 and the share capital of the Company consists of 5.000.000.000 issued shares with YTL 0.01 nominal value each.

There are not any privileged shares of the Company.

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

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

As at 31 December 2008, the shareholder having direct or indirect control over the shares of the Company is Garantibank, having 84.91% of the outstanding shares. Another party which have significant influence over the operations of the Company is Eureko having 15% of outstanding shares.

In 2007, the main shareholder of the Company, Garantibank sold its 15% shares in the Company representing YTL 7,500,000 of nominal shares for EUR 100,000,000 to Eureko. A call option and a put option agreements were also signed between Garantibank and Eureko respecting the Company's outstanding shares on 21 June 2007.

Call option: Eureko has the right to purchase 35% plus one shares of the Company's outstanding shares by a price determined in the agreement, if put option is not exercised. Call option can be exercised by Eureko starting from 21 June 2010 till the end of 21 June 2012.

Put option: Eureko has the right to sell all the shares which Eureko has at the exercise date by a price determined between parties in the agreement, if call option is not exercised. Put option can be exercised by Eureko starting from 21 June 2010 till the end of 21 June 2012.

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.

As at 31 December 2008, legal reserves presented in the accompanying financial statements, amounts to YTL 1,827,274.

Extraordinary reserves

As at 31 December 2008, extraordinary reserves presented in the accompanying financial statements, amounts to YTL 34,718,222.

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Revaluation of financial assets

Movement of fair value reserves of available for sale financial assets is presented below:

| | 31 December 2008 |
|--|------------------|
| Fair value reserves at the beginning of the period | 129,512 |
| Change during the period | |
| The effect of changes in foreign exchange rates on unrealized gains and losses, recognized due to change in the fair values of available for sale financial assets backing long term investment contracts (Note 4.2) | 19,925 |
| Change in unrealized gains and losses due to changes in the fair values of available for sale financial assets backing long term investment contracts (Note 4.2) | (1,710,982) |
| Change in unrealized gains and losses due to changes in the fair values of available for sale financial assets backing long term investment contracts, policyholders' portion (Note 18) | 1,566,422 |
| Deferred and corporate tax effect | (669) |
| Selling or disposal during the period: | |
| Unrealized gains and losses transferred from equity to statement of income due to disposal of available for sale financial assets backing long term investment contracts (Note 4.2) | (30,661) |
| Unrealized gains and losses transferred from equity to statement of income due to disposal of available for sale financial assets backing long term investment contracts, policyholders' portion (Note 18) | 29,128 |
| Deferred and corporate tax effect | - |
| Fair value reserves at the end of the period | 2,675 |

16 Other reserves and equity component of DPF

As at 31 December 2008, 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'. The movement of the Company's portion for the unrealized gains and losses on such assets are also presented in Note 15.

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17 Insurance liabilities and reinsurance assets

As at 31 December 2008, technical reserves of the Company are disclosed as follows:

| | 31 December 2008 |
|---|-------------------|
| Reserve for unearned premiums, gross | 53,618,581 |
| Reserve for unearned premiums, ceded (Note 10) | (10,095,172) |
| Reserves for unearned premiums, net | 43,523,409 |
| Provision for outstanding claims, gross | 7,754,269 |
| Provision for outstanding claims, ceded (Note 10) | (336,796) |
| Provision for outstanding claims, net | 7,417,473 |
| Provision for bonus and discounts-Net | 3,240 |
| Life mathematical provisions | 34,528,753 |
| Total insurance technical provisions, net | 85,472,875 |
| Short-term | 50,944,122 |
| Medium and long-term | 34,528,753 |
| Total insurance technical provisions, net | 85,472,875 |

As at 31 December 2008, movements of the insurance liabilities and related reinsurance assets are presented below:

| Reserve for unearned premiums | 31 December 2008 | | |
|--|-------------------|---------------------|-------------------|
| | Gross | Ceded | Net |
| Reserve for unearned premiums at the beginning of the period (*) | 26,858,013 | (1,513,472) | 25,344,541 |
| Premiums written during the period | 123,541,029 | (14,865,776) | 108,675,253 |
| Premiums earned during the period | (96,780,461) | 6,284,076 | (90,496,385) |
| Reserve for unearned premiums at the end of the period | 53,618,581 | (10,095,172) | 43,523,409 |

(*) As further explained in Note 2.24, deferred commission income at the beginning of the period amounting to YTL 156,451 and deferred commission expenses amounting to YTL 8,989,993 are presented as netted of from reserve for unearned premiums. As at 31 December 2008, there is not any deferred commission income and deferred commission expense for the policies produced before 1 January 2008.

| Provision for outstanding claims | 31 December 2008 | | |
|---|------------------|------------------|------------------|
| | Gross | Ceded | Net |
| Provision for outstanding claims at the beginning of the period | 5,022,117 | (140,093) | 4,882,024 |
| Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period | 25,135,724 | (751,074) | 24,384,650 |
| Claims paid during the period | (22,403,572) | 554,371 | (21,849,201) |
| Provision for outstanding claims at the end of the period | 7,754,269 | (336,796) | 7,417,473 |

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Claim development tables

The basic assumption used in the estimation of provisions for outstanding claims is the Company's past experience on claim developments. Judgment is used 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 claim provisions are 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 financial statements.

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

| 31 December 2008 | | | | | | | |
|---|-------------|-------------|-------------|--------------|--------------|--------------|--------------|
| Accident year | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Total |
| Accident year | 1,298,971 | 2,321,202 | 4,323,665 | 11,544,198 | 14,477,124 | 16,846,172 | 50,811,332 |
| 1 year later | 1,690,675 | 2,556,612 | 4,293,833 | 11,424,830 | 14,908,660 | - | 34,874,610 |
| 2 years later | 1,708,487 | 2,583,196 | 4,319,655 | 11,509,051 | - | - | 20,120,389 |
| 3 years later | 1,691,572 | 2,554,846 | 4,315,405 | - | - | - | 8,561,823 |
| 4 years later | 1,689,736 | 2,558,846 | - | - | - | - | 4,248,582 |
| 5 years later | 1,723,701 | - | - | - | - | - | 1,723,701 |
| Current estimate of cumulative claims | 1,723,701 | 2,558,846 | 4,315,405 | 11,509,051 | 14,908,660 | 16,846,172 | 51,861,835 |
| Cumulative payments up to date | (1,537,224) | (2,509,641) | (4,286,241) | (11,218,240) | (13,863,055) | (10,693,165) | (44,107,566) |
| Liability recognized in balance sheet | 186,477 | 49,205 | 29,164 | 290,811 | 1,045,605 | 6,153,007 | 7,754,269 |
| Total provision for outstanding claims, gross in the financial statements | | | | | | | 7,754,269 |

| 31 December 2008 | | | | | | | |
|---|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
| Accident year | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Total |
| Accident year | 1,128,888 | 2,215,156 | 4,211,522 | 9,994,808 | 13,933,763 | 16,209,890 | 47,694,027 |
| 1 year later | 1,230,533 | 2,392,102 | 4,172,785 | 9,906,691 | 14,285,669 | - | 31,987,780 |
| 2 years later | 1,247,635 | 2,437,997 | 4,200,411 | 9,973,187 | - | - | 17,859,230 |
| 3 years later | 1,228,448 | 2,410,742 | 4,196,161 | - | - | - | 7,835,351 |
| 4 years later | 1,237,968 | 2,414,742 | - | - | - | - | 3,652,710 |
| 5 years later | 1,254,494 | - | - | - | - | - | 1,254,494 |
| Current estimate of cumulative claims | 1,254,494 | 2,414,742 | 4,196,161 | 9,973,187 | 14,285,669 | 16,209,890 | 48,334,143 |
| Cumulative payments up to date | (1,145,029) | (2,367,437) | (4,166,997) | (9,687,653) | (13,256,232) | (10,293,322) | (40,916,670) |
| Liability recognized in balance sheet | 109,465 | 47,305 | 29,164 | 285,534 | 1,029,437 | 5,916,568 | 7,417,473 |
| Total provision for outstanding claims, net in the financial statements | | | | | | | 7,417,473 |

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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 2008 | |
|-------------------------------|-----------------------|-------------------|
| | Should be placed (**) | Placed (*) |
| Life: | | |
| Bank deposits (Not 14) | | 51,160,855 |
| Financial assets (*) (Not 11) | | 41,124,152 |
| Total | 74,105,936 | 92,285,007 |
| Non-life: | | |
| Bank deposits (Not 14) | | 207,290 |
| Financial assets (*) (Not 11) | | 3,548 |
| Total | 165,396 | 210,838 |
| Total | 74,271,332 | 92,495,845 |

(*) As at 31 December 2008, government bonds and treasury bills are measured at daily official prices announced by the Central Bank of Turkey; 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. As at 31 December 2008, minimum guarantee amount of June is shown as necessary guarantee amount of December; since the capital adequacy table of the Company has not prepared as at 31 December 2008.

Total amount of insurance risk on branch basis

| | 31 December 2008 |
|-------------------|-----------------------|
| Life | 18,137,177,885 |
| Personal accident | 11,765,805 |
| Total | 18,148,943,690 |

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

| | 31 December 2008 | |
|-----------------------------|-------------------------|------------------------------|
| | Number of policyholders | Life mathematical provisions |
| Additions during the period | 2,357,079 | 25,180,620 |
| Disposals during the period | 1,724,072 | (21,233,684) |
| Current | 2,318,192 | 72,566,193 |

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

| | 31 December 2008 | | |
|------------|---------------------|---------------|-------------|
| | Number of contracts | Gross premium | Net premium |
| Individual | 38,063 | 8,462,951 | 8,462,951 |
| Group | 2,319,016 | 115,072,513 | 115,072,513 |
| Total | 2,357,079 | 123,535,464 | 123,535,464 |

Distribution of mathematical reserves for life insurance policyholders who left the Company's portfolio as individual or group during the period

| | 31 December 2008 | | | |
|------------|---------------------|---------------|-------------|------------------------|
| | Number of contracts | Gross premium | Net premium | Mathematical provision |
| Individual | 78,763 | 733,390 | 733,390 | (970,045) |
| Group | 1,645,309 | 15,320,053 | 15,320,053 | (20,263,639) |
| Total | 1,724,072 | 16,053,443 | 16,053,443 | (21,233,684) |

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 2008, deferred commission and other expenses amount to YTL 7,738,059 and YTL 8,720,416 YTL, respectively. Prepaid expenses amounting to YTL 16,550,114 consist of deferred commission expenses amounting to 16,458,475 and other prepaid expenses amounting to YTL 91,639.

As at 31 December 2008, the movement of deferred commission expenses is presented below:

| | 31 December 2008 |
|--|------------------|
| Deferred commission expenses at the beginning of the period (*) | - |
| Commissions accrued during the period (Note 32) | 18,576,855 |
| Commissions expensed during the period (Note 32) | (10,838,796) |
| Deferred commission expenses at the end of the period (Note 32) | 7,738,059 |

(*) As further explained in Note 2.24, deferred commission expenses amounting to YTL 8,989,993 are presented as netted off from reserve for unearned premiums.

Private pension business

The details of receivables from/payables to private pension business and liabilities as at 31 December 2008 presented below:

| | 31 December 2008 |
|---|--------------------|
| Receivables from clearing house on behalf of the participants | 897,774,043 |
| Receivables from participants (entrance fee) | 4,698,831 |
| Provision for receivables from participants (Note 4.2) | (122,694) |
| Receivables from private pension operations | 902,350,180 |
| | |
| | 31 December 2008 |
| Payables to participants | 897,774,043 |
| Participants temporary account | 796,839 |
| Payables to clearing house | 157,900 |
| Payables to Emeklilik Gözetim Merkezi | 173,862 |
| Other liabilities | 311,849 |
| Private pension business liabilities (Note 19) | 899,214,493 |

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As at 31 December 2008, private pension investment funds founded by the Company and their unit prices are as follows:

| | 31 December 2008 Unit price |
|--|-----------------------------|
| Likit Kamu Emeklilik Yat. Fonu | 0.023453 |
| Gelir Amaçlı Kamu Borç. Araç. Em. Yat. Fonu | 0.028897 |
| Gelir Amaçlı Kamu Dış Borç. Araç. (Eurobond) Em. Yat. Fonu | 0.017616 |
| Büyüme Amaçlı Hisse Senedi Em. Yat. Fonu | 0.021773 |
| Esnek Emeklilik Yat. Fonu | 0.022912 |
| Gelir Amaçlı Uluslararası Borç. Araç. Em. Yat. Fonu | 0.014763 |
| Kamu Borçlanma Araçları Emeklilik Yat. Fonu | 0.014392 |
| Gelir Amaçlı Kamu Borç. Araç. (Döviz) Em. Yat. Fonu | 0.013507 |
| Gruplara Yönelik Esnek Emeklilik Yat. Fonu | 0.015627 |
| Gruplara Yönelik Gelir Amaçlı Kar. Borç. Araç. Em. Yat. Fonu | 0.012594 |
| Gruplara Yönelik Gelir Amaçlı Kamu Borç. Araç. Em. Yat. Fonu | 0.016655 |

Number of participation documents in the portfolio and in circulation is such as follows as of 31 December 2008 :

| | 31 December 2008 | | | |
|--|---------------------------|--------------------|----------------------------------|----------------------|
| | Participation shares sold | | Participation shares outstanding | |
| | Number | Amount | Number | Amount |
| Likit Kamu Emeklilik Yat. Fonu | 10,698,445,503 | 250,910,642 | 14,301,554,492 | 335,414,358 |
| Gelir Amaçlı Kamu Borç. Araç. Em. Yat. Fonu | 16,490,427,973 | 476,523,897 | 8,509,572,027 | 245,901,103 |
| Gelir Amaçlı Kamu Dış Borç. Araç. (Eurobond) Em. Yat. Fonu | 503,851,281 | 8,875,844 | 9,496,148,719 | 167,284,156 |
| Büyüme Amaçlı Hisse Senedi Em. Yat. Fonu | 648,635,075 | 14,122,731 | 9,351,364,925 | 203,607,269 |
| Esnek Emeklilik Yat. Fonu | 4,438,406,945 | 101,692,780 | 5,561,593,055 | 127,427,220 |
| Gelir Amaçlı Uluslararası Borç. Araç. Em. Yat. Fonu | 210,625,678 | 3,109,467 | 9,789,374,322 | 144,520,533 |
| Kamu Borçlanma Araçları Emeklilik Yat. Fonu | 1,328,341,040 | 19,117,484 | 8,671,658,960 | 124,802,516 |
| Gelir Amaçlı Kamu Borç. Araç. (Döviz) Em. Yat. Fonu | 566,498,648 | 7,651,697 | 9,433,501,352 | 127,418,303 |
| Gruplara Yönelik Esnek Emeklilik Yat. Fonu | 129,296,626 | 2,020,518 | 9,870,703,374 | 154,249,482 |
| Gruplara Yönelik Gelir Amaçlı Kar. Borç. Araç. Em. Yat. Fonu | 93,912,489 | 1,182,734 | 9,906,087,511 | 124,757,266 |
| Gruplara Yönelik Gelir Amaçlı Kamu Borç. Araç. Em. Yat. Fonu | 754,503,001 | 12,566,249 | 9,245,496,999 | 153,983,753 |
| Total | | 897,774,043 | | 1,909,365,959 |

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

| | 31 December 2008 (*) | | | |
|--------------|-----------------------------|--------------------------------------|----------------|--------------------|
| | Additions during the period | Left/cancellations during the period | Existing | Total amount |
| Individuals | 80,690 | 37,603 | 236,157 | 514,318,726 |
| Groups | 52,096 | 26,816 | 120,784 | 243,942,386 |
| Total | 132,786 | 64,419 | 356,941 | 758,261,112 |

(*) Number of the participants and amounts of participants are presented as at 26 December 2008

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

| | 31 December 2008 (*) | | |
|--------------|----------------------|---------------------|--------------------|
| | Number of contracts | Gross contributions | Net contributions |
| Individuals | 80,690 | 90,226,625 | 87,672,855 |
| Groups | 52,096 | 45,457,126 | 44,814,815 |
| Total | 132,786 | 135,683,751 | 132,487,671 |

(*) Number of the participants and amounts of participants are presented as at 26 December 2008

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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 2008 | | |
|-------------|---------------------|---------------------|-------------------|
| | Number of contracts | Gross contributions | Net contributions |
| Individuals | 1,549 | 20,129,696 | 20,046,806 |
| Groups | 3,042 | 18,818,013 | 18,774,425 |
| Total | 4,591 | 38,947,709 | 38,821,231 |

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 2008 | | |
|-------------|---------------------|---------------------|-------------------|
| | Number of contracts | Gross contributions | Net contributions |
| Individuals | 38,500 | 87,605,484 | 86,767,393 |
| Groups | 27,465 | 34,963,086 | 34,754,604 |
| Total | 65,965 | 122,568,570 | 121,521,997 |

18 Investment contract liabilities

The movements of investment contract liabilities as at 31 December 2008 are as follows:

| | 31 December 2008 |
|---|------------------|
| Life mathematical provision for saving life policies | |
| Investment contract liabilities at the beginning of the period (Life-mathematical provisions) | 32,232,209 |
| Foreign currency differences | 8,289,686 |
| Written premiums during the period (saving life policies) | 2,826,485 |
| Disposals during the period (leaving policyholders) | (6,826,923) |
| Profit shares | 3,111,533 |
| Unrealized gains and losses due to changes in the fair values of available for sale financial assets backing long term investment contracts, policyholders' portion (95%) (Note 15) | (1,595,550) |
| Life mathematical provision at the end of the period | 38,037,440 |

Profit share distribution rates to life policyholders during the period:

| | |
|------------|-------|
| US Dollar: | 8.74% |
| Euro: | 5.65% |

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19 Trade and other payables and deferred income

| | 31 December 2008 |
|--|--------------------|
| Payables arising from main operations | 907,737,655 |
| Provisions for taxes and other similar obligations | 8,396,053 |
| Short/long term deferred income and expense accruals | 3,950,168 |
| Due to related parties (Note 45) | 1,286,341 |
| Financial liabilities (Note 20) | 450,483 |
| Other various payables | 1,938,196 |
| Total | 923,758,896 |
| Short-term liabilities | 923,758,896 |
| Medium and long term liabilities | - |
| Total | 923,758,896 |

As at 31 December 2008, other payables are comprised of payables to third party service providers.

Deferred income and expense accruals consist of deferred commission income amounting to YTL 3,739,685 (Note 10) and expense accruals amounting to YTL 210,483.

Payables arising from main operations of the Company as at 31 December 2008 are detailed below:

| | 31 December 2008 |
|--|------------------|
| Payables to agencies | 3,651,062 |
| Payables to reinsurers (Note 10) | 4,838,582 |
| Payables to policyholders | 33,518 |
| Total payables arising from insurance operations | 8,523,162 |
| Payables arising from private pension business (Note 17) | 899,214,493 |
| Payables arising from main operations | 907,737,655 |

Corporate tax provision and prepaid taxes are disclosed below:

| | 31 December 2008 |
|-----------------------------------|------------------|
| Corporate tax provision | 16,449,871 |
| Prepaid taxes during the period | (11,529,921) |
| Corporate tax payable, net | 4,919,950 |

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

None.

20 Financial liabilities

As at 31 December 2008, the Company's financial liabilities consist of short term tax loans amounting to YTL 450,483.

Garanti Emeklilik ve Hayat Anonim Şirketi

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21 Deferred taxes

As at 31 December 2008, the detailed analysis of the items resulting deferred tax assets and liabilities are as follows:

| | 31 December 2008 |
|---|---------------------------------------|
| | Deferred Tax Assets /(Liabilities) |
| Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards | (563,217) |
| Provision for personnel bonus | 336,502 |
| Provision for unused vacation pay liability | 159,463 |
| Provision for commissions to sales personnel | 100,000 |
| Insurance technical provisions | 65,725 |
| Discount on receivables and payables | (50,181) |
| Provisions for lawsuits | 25,480 |
| Provision for impairment in receivables from participants | 24,538 |
| Financial assets valuation differences | 24,362 |
| Provision for employee termination benefits | 23,624 |
| Provision for impairment in receivables from insurance activities | 13,924 |
| Provision for bonus and discounts | 647 |
| Deferred tax assets, net | 160,867 |

22 Retirement benefit obligations

None.

23 Provisions for other liabilities and charges

As at 31 December 2008; the details of the provisions for other risks are as follows:

| | 31 December 2008 |
|--|------------------|
| Provision for personnel bonus | 1,682,511 |
| Provision for unused vacation pay liability | 797,317 |
| Provision for commissions to sales personnel | 500,000 |
| Provisions for lawsuits against the Company | 127,400 |
| Provisions for costs | 3,107,228 |
| Provision for employee termination benefits | 118,119 |
| Total provisions for other risks | 3,225,347 |

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

| | 31 December 2008 |
|---|------------------|
| Provision for employee termination benefits at the beginning of the period | 95,798 |
| Payments during the period (Note 47) | (270,516) |
| Provision for the period (Note 47) | 292,837 |
| Provision for employee termination benefits at the end of the period | 118,119 |

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As at 31 December 2008

(Currency: New Turkish Lira [YTL])

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24 Net insurance premium revenue

Net insurance premium revenue is presented in detailed in the accompanying statement of income.

25 Fee revenues

Fee revenues consist of fees received from private pension investment funds, private pension participants and expenses charged to the life insurance policyholders.

The details of fees from private pension investment funds and private pension participants are presented in the accompanying statement of income. As at and for the year ended 31 December 2008, fees charged to life insurance policyholders amounts to YTL 162,367.

26 Investment income

Investment income is presented in the note "Financial Risk Management" (Note 4.2).

27 Net realized gains on financial assets

Net realized gains on financial assets are presented in the note "Financial Risk Management" (Note 4.2).

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

Net fair value gains on assets at fair value through profit or loss are presented in the note "Financial Risk Management" (Note 4.2).

29 Insurance rights and claims

| | 31 December 2008 | |
|---|------------------|----------|
| | Life | Non-life |
| Claims paid, net off ceded | (21,849,201) | - |
| Change in provision for outstanding claims, net off ceded | (2,532,707) | (2,742) |
| Change in reserve for unearned premium, net off ceded | (18,175,897) | (2,971) |
| Change in life mathematical provisions for insurance contracts, net off ceded | 4,697,601 | - |
| Total | (37,860,204) | (5,713) |

30 Investment contract benefits

As at and for the year ended 31 December 2008, the details of changes in life mathematical provisions recognized in the statement of income and equity from investment contracts are as follows:

| | 31 December 2008 |
|---|------------------|
| Change in life mathematical provisions for investment contracts recognized in the statement of income (Note 18) | (7,400,781) |
| Change in life mathematical provisions for investment contracts recognized under equity (Note 18) | 1,595,550 |
| Change in life mathematical provisions for investment contracts (Note 18) | (5,805,231) |

31 Other expenses by destination

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

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2008

(Currency: New Turkish Lira [YTL])

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

32 Expenses by nature

For the year ended 31 December 2008, the details of operating expenses are as follows:

| | 31 December 2008 | | | Total |
|--|---------------------|-----------------|---------------------|---------------------|
| | Life | Non-Life | Private Pension | |
| Employee benefit expenses (Note 33) | (26,106,588) | (13,560) | (4,282,911) | (30,403,059) |
| Commission expenses (Note 17) | (10,838,796) | - | (9,507,203) | (20,345,999) |
| Commissions to intermediaries accrued during period (Note 17) | (18,576,855) | - | (9,507,203) | (28,084,058) |
| Change in deferred production commissions (*) (Note 17) | 7,738,059 | - | - | 7,738,059 |
| Deferred commission expenses (Note 17) | 8,720,416 | - | - | 8,720,416 |
| Promotion and public relations expenses | (31,994) | (17) | (6,256,813) | (6,288,824) |
| Office expenses | (3,333,544) | (1,731) | (1,527,190) | (4,862,465) |
| Commission income from reinsurers (Note 10) | 3,091,867 | - | - | 3,091,867 |
| Commission income from reinsurers accrued during period (Not 10) | 6,831,552 | - | - | 6,831,552 |
| Change in deferred commission income (*) (Not 10) | (3,739,685) | - | - | (3,739,685) |
| Taxes and duties paid other than on income | (1,463,863) | - | (670,839) | (2,134,702) |
| Information technology (IT) expenses | (1,367,386) | (710) | (249,313) | (1,617,409) |
| Transportation expenses | (1,361,592) | (707) | (223,376) | (1,585,675) |
| Representation expenses | (977,138) | (67) | (160,304) | (1,137,509) |
| Administrative expenses | (443,778) | (231) | (92,286) | (536,295) |
| Distribution channel expenses | (190,090) | (99) | (260,887) | (451,076) |
| Research and development expenses | - | - | (412,802) | (412,802) |
| Consulting expenses | (2,972) | (2) | (488) | (3,462) |
| Other expenses | (262,659) | (91) | (28,210) | (290,960) |
| Total | (34,568,117) | (17,215) | (23,672,622) | (58,257,954) |

(*) As further explained in Note 2.24, deferred commission expenses amounting to YTL 8,989,993 (Note 17) and deferred commission income amounting to YTL 156,451 (Not 10) at the beginning of the period are presented as netted off from reserve for unearned premiums. Hence, changes in deferred commission income and changes in deferred commission expenses are same with deferred commission income and deferred commission expenses, respectively calculated at the end of the period.

33 Employee benefit expenses

For the year ended 31 December 2008, the details of employee benefit expense are as follows:

| | 31 December 2008 | | | Total |
|--|---------------------|-----------------|--------------------|---------------------|
| | Life | Non-Life | Private Pension | |
| Wages and salaries | (12,913,223) | (6,706) | (2,118,476) | (15,038,405) |
| Employer's share in social security premiums | (3,106,799) | (1,614) | (509,685) | (3,618,098) |
| Employee termination benefits and unused vacation expenses | (342,301) | (178) | (56,156) | (398,635) |
| Bonus and commissions | (6,206,503) | (3,225) | (1,018,207) | (7,227,935) |
| Other benefits | (3,537,762) | (1,837) | (580,387) | (4,119,986) |
| Total (Note 32) | (26,106,588) | (13,560) | (4,282,911) | (30,403,059) |

34 Financial costs

Finance costs for the year ended 31 December 2008 are presented in "Note 4.2-Financial Risk Management". There are no any finance costs classified neither on production costs or tangible assets. All financial costs are recognized in the statement of income.

Garanti Emeklilik ve Hayat Anonim Şirketi

Notes to the Financial Statements

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35 Income tax expense

Income tax expense in the accompanying financial statements is as follows:

| | 31 December 2008 |
|--|---------------------|
| Provision for corporate tax expense: | (16,449,871) |
| Provision for corporate taxes | (16,449,871) |
| Deferred taxes: | 313,554 |
| Arising from origination (+)/ reversal (-) of deductible temporary differences | 406,722 |
| Arising from origination (+)/ reversal (-) of taxable temporary differences | (93,168) |
| Total income tax expense presented in the statement of income | (16,136,317) |

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 2008 is as follows:

| | | Tax Rate (%) |
|--|---------------------|----------------|
| Profit before taxes | 79,965,538 | |
| Taxes on income per statutory tax rate | (15,993,108) | (20.00) |
| Disallowable expenses | (199,527) | (0.25) |
| Others | 56,318 | 0.07 |
| Total income tax expense presented in the statement of income | (16,136,317) | (20.18) |

36 Net foreign exchange gains

Net foreign exchange gains are presented in "Note 4.2-Financial Risk Management".

37 Earnings per share

Profit per share is calculated by dividing net profit of the period to the weighted average number of shares.

| | 31 December 2008 |
|--|------------------|
| Net profit as at and for the year ended 31 December 2008 | 63,829,221 |
| Weighted average number of shares | 5,000,000,000 |
| Earnings per share-YTL | 0.0128 |

38 Dividends per share

Net profit of the Company as at and for the year ended 31 December 2007 amounted to YTL 36,545,496 calculated in accordance with the prevailing accounting policies applicable as at 31 December 2007.

As per the 13 May 2008 dated resolution of the Board of the Directors, it is decided to propose shareholders to be decided at General Shareholders Meeting to retain the profit of the year 2008 within the Company as profit reserve.

| | 2007 Profit distribution table |
|--|--------------------------------|
| Net income for the period | 36,545,496 |
| Legal reserves | (1,827,274) |
| Legal reserves as required by the Turkish Commercial Code | (1,827,274) |
| Legal reserves due to company laws and articles of association | - |
| Extra-ordinary reserves | (34,718,222) |

There is no resolution for dividend payment for 2008 net profit as of reporting date.

39 Cash generated from operations

The cash flow from operating activities is presented in the accompanying statement of cash flows.

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40 Convertible bond

None.

41 Redeemable preference shares

None.

42 Contingencies

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

As at 31 December 2008, the probable liability amount that will arise in the situation that all the cases that Company is defendant results against the Company is YTL 280,366 in gross. The Company has recorded provision of YTL 280,366 for such law suits and execution proceedings including interests and other expenses.

43 Commitments and contingencies

The details of the guarantees that are given by the Company for the operations in the 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 for sales and marketing departments are as follows:

| | 31 December 2008 |
|---------------------------------------|------------------|
| Less than 1 year | 1,000,927 |
| More than 1 year less than 5 years | 2,147,992 |
| More than 5 years | - |
| Total of minimum rent payments | 3,148,919 |

44 Business mergers

None.

Garanti Emeklilik ve Hayat Anonim Şirketi

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(Currency: New Turkish Lira [YTL])

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45 Related party transactions

Garantibank and Eureko which have 99.91% in total of outstanding shares of the Company and the groups having direct control over those companies and the affiliates and associates of those groups are defined as related party to the Company.

The related party balances as of 31 December 2008 are as follows:

| | 31 December 2008 |
|---|------------------|
| Garantibank-receivables from credit card collections | 3,636,979 |
| Other cash and cash equivalents | 3,636,979 |
| Garantibank-bank deposits | 133,340,360 |
| Cash at banks | 133,340,360 |
| Garantibank-premium receivables | 19,153,576 |
| Eureko Sigorta AŞ-premium receivables | 304 |
| Doğuş Holding AŞ-premium receivables | 92 |
| Receivables from main operations | 19,153,972 |
| Garanti Hizmet Yönetimi AŞ-Fund management | 1,197,363 |
| BES Fonları-Fund management | 29,500 |
| VDF Otomotiv AŞ-Other receivables | 14,800 |
| Eureko Sigorta AŞ-Other receivables | 143 |
| Other receivables from related parties | 1,241,806 |
| Garantibank-tax loans | 450,483 |
| Other financial liabilities | 450,483 |
| Garantibank-commission payables | 3,803,810 |
| Payable from main operations | 3,803,810 |
| Garantibank-payables due to local usage | 84,723 |
| Eureko Sigorta AŞ-payables due to local usage and insurance policy premiums | 48,512 |
| Eureko Division Europe-other liabilities | 1,899 |
| Payables to shareholders | 135,134 |
| Garantibank-Provision for outstanding claims | 152,190 |
| Provision for outstanding claims | 152,190 |
| Garanti Portföy Yönetimi AŞ-About BES fund management | 787,771 |
| Emeklilik Gözetim Merkezi-BES funds | 173,862 |
| Garanti Filo Yönetim Hizmetleri AŞ-automobile rent expense | 64,395 |
| Garanti Hizmet Yönetimi AŞ-portfolio management | 50,000 |
| Antur Turizm AŞ-traveling and vision expenses | 36,706 |
| Garanti Bilişim Teknolojisi ve Ticaret TAŞ-software and service expenses | 27,899 |
| Yön İnsan Kaynakları Ltd. Şti.-office support service expense | 215 |
| Garanti Finansal Kiralama AŞ-other expenses | 166 |
| Payables to other related parties | 1,141,014 |

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

There are no doubtful receivables from shareholders, subsidiaries and joint ventures.

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(Currency: New Turkish Lira [YTL])

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The transactions with related parties during the year ended 31 December 2008 are as follows:

| | 31 December 2008 |
|---|-------------------|
| Garantibank | 1,563,162 |
| Doğuş Otomotiv Servis AŞ | 136,726 |
| Doğuş Oto Pazarlama ve Tic AŞ | 127,337 |
| Doğuş Holding AŞ | 50,685 |
| Garanti Portföy Yönetimi AŞ | 38,666 |
| Eureko Sigorta AŞ | 37,283 |
| Garanti Yatırım Menkul Kıymetler AŞ | 26,625 |
| Garanti Bilişim Teknolojisi ve Ticaret TAŞ | 23,036 |
| Garanti Finansal Kiralama AŞ | 22,343 |
| Garanti Factoring Hizmetleri AŞ | 21,583 |
| Volkswagen Doğuş Tüketici Finansmanı AŞ | 20,097 |
| Data Sistem Veri İşleme ve Bilgi AŞ | 15,610 |
| Garanti Ödeme Sistemleri AŞ | 12,254 |
| Vdf Otomotiv Servis ve Ticaret AŞ | 9,149 |
| Garanti Turizm AŞ | 7,292 |
| Doğuş Gayrimenkul Yat. ve İşletme AŞ | 6,747 |
| Sititur Turizm AŞ | 5,776 |
| Garanti Filo Yön. Hizm. AŞ | 3,616 |
| Garanti Gayri Menkul Yat. Ort. AŞ | 2,933 |
| Vdf Sig. Aracılık Hizm. AŞ | 2,186 |
| Yön İn. Ka. De. Hi. Tic. Ltd. | 1,381 |
| İş ve İnsan Kaynakları Hizmetleri AŞ | 677 |
| Written premiums | 2,135,164 |
| Garantibank | 30,608 |
| Claims paid | 30,608 |
| Garantibank-deposit interest income | 23,846,270 |
| Investment income | 23,846,270 |
| Garanti Portföy Yönetimi AŞ | 46,630 |
| Garantibank | 37,970 |
| Garanti Finansal Kiralama AŞ | 183 |
| Investment expense | 84,783 |
| Garantibank-comission paid | 26,958,305 |
| Garantibank-rent,tax,other expense | 2,783,747 |
| Garanti Bilişim Teknolojisi ve Ticaret TAŞ-IT expense | 1,468,081 |
| Antur Turizm AŞ-tourism expense | 1,095,391 |
| Doğuş Yayın Grubu AŞ-advertising expense | 773,345 |
| Euroko Sigorta AŞ-life, non-life premiums | 738,104 |
| VDF Otomotiv Servis ve Ticaret AŞ-car rent expense | 507,956 |
| Garanti Filo Yönetim Hizm. AŞ-car rent expense | 242,697 |
| Ayhan Şahenk Vakfi-sponsorship expense | 171,243 |
| Doğuş Grubu İletişim Yay. AŞ-communication service expense | 109,678 |
| Garanti Yatırım Menkul Kıymetler AŞ-rent expense | 89,729 |
| Doğuş Holding AŞ-other expense | 55,283 |
| Garanti Teknolojinet İletişim Hizm. Ve Tic. AŞ-line installation costs | 42,690 |
| Doğuş Eğlence Pazarlama ve Kültür Hizmetleri AŞ-public relations and promotion expenses | 9,342 |
| Yön İn. Ka. De. Hi. Tic. Ltd.-Office support service expense | 2,682 |
| Operating expenses | 35,048,273 |

There are no guarantees, commitments, collaterals, advances or endorsements given in favor of shareholders, subsidiaries and joint ventures.

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46 Subsequent events

In accordance with the "Principles Regarding Usage of Turkish Lira and Kuruş by the Entities Related to the Private Sector Accounting System" mentioned in the "15th Sequence Numbered General Circular Related to the Application of Accounting System" issued by the Republic of Turkey Ministry of Finance in 27092 numbered and 26 December 2008 dated Official Gazette it is stated that the accounting records and transactions until 31 December 2008 would be recorded in New Turkish Lira and New Kuruş. On the other hand, the accounting entries will be in Turkish Lira and Kuruş starting from 1 January 2009.

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

None.

Subrogation recorded in "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.

As at and for the year ended 31 December 2008, details of discount and provision expenses are as follows:

| | 31 December 2008 |
|---|------------------|
| Provision for impairment in receivables from agencies | 412,111 |
| Provision for impairment in receivables from private pension operations | (12,042) |
| Provision expense for impairment in receivables from main operations (Note 4.2) | 400,069 |
| Other provision expenses | (277,141) |
| Provision for employee termination benefit (Not 23) | (22,321) |
| Provision expenses in the statement of income | 100,607 |
| | 31 December 2008 |
| Rediscount of receivables from insurance receivables | (538,807) |
| Rediscount of payables to reinsurers | 350,768 |
| Rediscounts of payables to intermediaries | 140,797 |
| Rediscount of receivables from for entrance fee | 34,688 |
| Other rediscounts | 3,045 |
| Rediscount expense in the statement of income | (9,509) |

Five-year Summary Financial Information

| Financial Indicators | 2004 | | 2005 | | 2006 | | 2007 | | 2008 | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | (YTL thousand) | (USD thousand) | (YTL thousand) | (USD thousand) | (YTL thousand) | (USD thousand) | (YTL thousand) | (USD thousand) | (YTL thousand) | (USD thousand) |
| Individual Pension System Fund Size | 32,453 | 24,181 | 117,534 | 87,594 | 299,804 | 213,292 | 572,527 | 491,566 | 897,774 | 593,648 |
| Technical Reserves | 43,862 | 32,682 | 64,337 | 47,948 | 89,645 | 63,777 | 101,150 | 86,846 | 123,510 | 81,670 |
| Paid-in Capital | 20,000 | 14,902 | 38,000 | 28,320 | 50,000 | 35,572 | 50,000 | 42,930 | 50,000 | 33,062 |
| Shareholders' Equity | 5,422 | 4,040 | 16,749 | 12,482 | 48,816 | 34,730 | 89,759 | 77,066 | 154,034 | 101,854 |
| Total Assets | 86,601 | 64,526 | 205,569 | 153,204 | 449,997 | 320,146 | 776,077 | 666,332 | 1,204,529 | 796,488 |
| Life Insurance Premium Production (net) | 32,899 | 24,513 | 52,335 | 39,004 | 95,475 | 67,925 | 104,091 | 89,372 | 108,670 | 71,857 |
| Technical Income and Expense Balance | 3,955 | 2,947 | (10,940) | (8,153) | 7,420 | 5,279 | 40,778 | 35,012 | 49,762 | 32,905 |
| Non-operating Income and Expense Balance | (17,763) | (13,235) | 3,896 | 2,904 | 12,378 | 8,806 | 9,065 | 7,783 | 30,517 | 20,179 |
| Before Tax Profit/Loss | (13,808) | (10,288) | (7,044) | (5,250) | 19,798 | 14,085 | 50,012 | 42,940 | 80,279 | 53,084 |

Foreign Exchange Rates (MBDA)

31.12.2004 1 USD 1.3421 YTL

31.12.2005 1 USD 1.3418 YTL

31.12.2006 1 USD 1.4056 YTL

31.12.2007 1 USD 1.1647 YTL

31.12.2008 1 USD 1.5123 YTL

| | | |
|-------------------------------------|--------------------------|----------------------------|
| Total Number of Participants | 336,500 | EGM data as of 26.12.2008. |
| Total Premium Production | YTL 124 million | |
| Total Fund Size | YTL 898 million | |
| Total Assets | YTL 1,205 million | |
| Total Technical Profit | YTL 50 million | |
| Before Tax Profit | YTL 80 million | |

Directory

Garanti Emeklilik Head Office

Mete Cad. No: 30 34437
Taksim / Istanbul
Tel : +90 (212) 334 70 00
Fax : +90 (212) 292 37 00

Garanti Emeklilik Regional Offices

Istanbul European 1-2 Regional Office

Rumeli Cad. No: 48 Kat: 4-5
Nişantaşı / Istanbul
Tel : +90 (212) 219 40 91
: +90 (212) 296 62 43
Fax : +90 (212) 241 59 17

Istanbul European 3 Regional Office

Rumeli Cad. No: 48 Kat: 4
Nişantaşı / Istanbul
Tel : +90 (212) 243 83 00
Fax : +90 (212) 243 82 96

Istanbul European 4 Regional Office

Yalçın Koreş Cad. No: 38 Kat: 3
Güneşli / Istanbul
Tel : +90 (212) 410 10 60 (30 Hat)
Fax : +90 (212) 410 10 67

Istanbul European 5 -6 Regional Office

Yalçın Koreş Cad. No: 38 Kat: 3
Güneşli / Istanbul
Tel : +90 (212) 410 10 60 (30 Hat)
Fax : +90 (212) 410 10 67

Istanbul Anatolian 1-2 Regional Office

Şehit Mehmet Fatih Öngül Sok. Odak Plaza No: 5 Kat: 7
Kozyatağı / Istanbul
Tel : +90 (216) 445 77 55
Fax : +90 (216) 445 51 49

Istanbul Anatolian 3 Regional Office

E-5 Karayolu Üzeri PTT Hastanesi Karşısı G-6 Sok. No: 3
Kozyatağı / Istanbul
Tel : +90 (216) 410 39 62
: +90 (216) 410 40 18
Fax : +90 (216) 410 39 89

Southern Aegean and Izmir Regional Office

Fevzi Paşa Bulvarı No: 1 Kat: 2
35210 Konak / Izmir
Tel : +90 (232) 441 50 22
: +90 (232) 441 50 23
: +90 (232) 441 23 88
: +90 (232) 441 30 88
Fax : +90 (232) 441 58 30

Ankara Regional Office

Atatürk Bulvarı No: 86 Kat: 8
06640 Kızılay / Ankara
Tel : +90 (312) 419 37 10
: +90 (312) 419 84 03
: +90 (312) 419 72 59
: +90 (312) 419 85 03
: +90 (312) 419 85 32
: +90 (312) 425 99 09
Fax : +90 (312) 425 97 96

Central and Northern Anatolian Regional Office

Ceyhun Atıf Karsu Caddesi Bayraktar
İş Merkezi A Blok No: 114 Daire: 36
Balgat / Ankara
Tel : +90 (312) 473 05 70
: +90 (312) 473 05 71
Fax : +90 (312) 473 07 49

Eastern Anatolian Regional Office

Ceyhun Atıf Karsu Caddesi Bayraktar
İş Merkezi A Blok No: 114 Daire: 36
Balgat / Ankara
Tel : +90 (312) 473 17 31
: +90 (312) 473 16 54
Fax : +90 (312) 473 07 49

Mediterranean Regional Office

Antalya İş Merkezi Sinan Mahallesi
1257 Sok. No: 71 Kat: 10
Antalya
Tel : +90 (242) 249 75 32
: +90 (242) 249 75 36
Fax : +90 (242) 312 56 07

Çukurova and Southeastern Anatolian Regional Office

Abidinpaşa Caddesi No: 17
Seyhan / Adana
Tel : +90 (322) 355 10 90
Fax : +90 (322) 352 66 26

Marmara and Western Anatolian Regional Office

Fevzi Çakmak Caddesi No: 60 Kat: 5
Osungazi / Bursa
Tel : +90 (224) 280 38 36
Fax : +90 (224) 225 20 12

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