



## **Contents**

---

### **SECTION I - Introduction**

- 8** Our Vision, Mission, Core Values and Competitive Advantages
- 10** Garanti Bank in Brief
- 11** Eureka B.V. in Brief
- 12** Garanti Pension and Life in Brief
- 13** Milestones
- 14** Garanti Pension and Life in 2009
- 16** Key Financial Indicators
- 18** Number of Employees
- 18** Amendments to the Articles of Association and the Reasons Thereof
- 19** Capital and Shareholding Structure
- 20** Chairman's Message
- 22** CEO's Message
- 26** Operations in 2009
  - 26** The Individual Pension Sector
  - 26** "Garanti" in the Pension Sector
  - 28** The Life Insurance Sector
  - 28** "Garanti" in the Life Insurance Sector
  - 29** Customized Products for Pension and Life Insurance
  - 31** Research and Development Practices
  - 31** Customer Services Activities
  - 31** Garanti Pension and Life Target Segments and Distribution Channels
  - 32** Garanti Pension and Life Website
  - 33** Corporate Communication Activities
  - 34** Social Responsibility
  - 35** Financial Strength of Garanti Pension and Life

### **SECTION II - Management and Corporate Governance Practices**

- 36** Board of Directors
- 38** Executive Management, Auditors and Internal Auditing Board Directors
- 40** Participation in Executive Board Meetings
- 41** Organizational Chart
- 42** Human Resources
- 43** Summary of the Board of Directors' Report Submitted to the General Assembly

### **SECTION III - Financial Information and Risk Management Assessment**

- 44** Auditors' Report
- 45** Compliance of the Annual Report
- 46** Internal Auditing Activities
- 47** Information on Financial Structure
- 48** Assessment of Financial Status, Profitability and Solvency for Claims
- 49** Risk Management Policies
- 55** Financial Statements and Independent Auditors' Report
- 131** Summary of Five-year Financial Information
- 132** Contact Information

# A strong financial structure...

---

Pension funds size

TL 1,326,196,491

---

Total pension contribution

TL 1,045,243,495\*

---

Number of pension participants

400,196\*

---

Life insurance premium production

TL 181,094,232

---

Number of life insurance policies/certificates

2,908,543

---

Asset size

TL 1,741,035,985

---

Shareholders' equity

TL 229,610,315

---

Net income

TL 75,176,155

---

Average asset profitability

5.1%

---

Average shareholders' equity profitability

39.2%

\*As of December 25, 2009



The number of our unemployment insurance policies **rose to 627,000** as of the end of 2009.







Our life insurance production has **increased by 47%**. Our market share increased by 2.2 points.





In 2009, we became **the most preferred** private pension company. With our 26% market share and a net increase of 64,000\* participants, we attracted the greatest number of participants in the sector.

\* As of December 25, 2009





## 8 Our Vision, Mission, Core Values and Competitive Advantages

### Our Vision

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

### Our Mission

Based on our responsibility towards society as a whole as well as our shareholders, we are obliged to protect the bright future of our customers and employees; we guide them, add value and make them feel "under guarantee".

### Our Core Values

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

## **Our Competitive Advantages**

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

The Company's major competitive advantages are as follows:

- o The Garanti brand,
- o Its strong capital and financial structure,
- o Efficient use of bancassurance,
- o Its superiority in alternative distribution channels,
- o Its focus on customer satisfaction,
- o Technological infrastructure,
- o Reassurance capacity,
- o Profitable risk acceptance practices,
- o The capability to make and implement decisions quickly
- o Competent human resources.

## 10 Garanti Bank in Brief

# An innovative and dynamic regional player...

Targeting the continuation of its rapid growth, Garanti reaches its customers through a strong, multi-channel distribution network. This distribution network consists of a total of 792 branches, including five branches and four representative offices abroad, almost 3,000 ATMs, an award-winning Call Center and mobile and Internet Branch offices operating within its superior technical infrastructure.

Established in Ankara in 1946, Garanti Bank has maintained a continually growing course of success. As a "universal bank" that is a leader in corporate, commercial and private banking as well as in SME (Small- and Medium-Sized Entities) banking, Garanti answers the financial needs of its nine million customers with its payment systems, individual pension plans, financial leasing, factoring, securities and portfolio management. As of December 31, 2009, Garanti now reaches its customers through a strong, multi-channel distribution network consisting of a total of 792 branches, including five branches and four representative offices abroad, almost 3,000 ATMs, an award-winning Call Center and mobile and Internet Branch offices operating within its superior technical infrastructure. The Bank supports its widespread branch network with central operational management, a superior database, managerial reporting systems and effective alternative distribution channels.

Doğuş Holding and GE Capital act within the framework of equal partnership principles in managing Garanti Bank, of which, 49% is publicly held and whose shares are quoted on the Istanbul Stock Exchange (İMKB). Having adopted the best practices of corporate management, Garanti aims to uninterruptedly provide all its stakeholders with the highest added value possible.

In 2009, the Bank's net profit reached the level of TL 3,099,601,000 and the size of its assets attained TL 116,334,466,000. Garanti's return on equity was 27% and its return on assets 2.9%.

Garanti Bank's outstanding success has been continually certified with various awards. The Bank had previously received Euromoney's award for Best Bank in Turkey in the Field of Cash Management and the Best Managed Company in the Middle East and Eastern Europe and had gained recognition from the magazine World Finance, which chose Garanti Bank as Turkey's Best Bank Group; it was the recipient of many other awards in 2009, as well.



## 11 Eureka B.V. in Brief

# Common goals, local solutions...

Eureka B.V.'s mission is  
to create value for all its  
four equivalent stakeholders,  
including customers,  
distribution partners,  
shareholders and employees.

Eureka B.V. is a financial services group whose main field of business is insurance. With its headquarters in the Netherlands and operating in 11 European countries in addition to the Benelux, the Eureka Group provides its customers a portfolio of life, health and non-life insurance products as well as pension plans.

Eureka B.V.'s mission is to create value for all its four equivalent stakeholders, including customers, distribution partners, shareholders and employees.

The Eureka Group is aware that expanding its operations over Europe is necessary in order to achieve long-term growth and determines its goals accordingly. The Group plans to reinforce its position in the developed markets of Europe to achieve a wider presence, especially in emerging markets in the Central and Eastern Europe.

Eureka's two largest shareholders are Achmea and Rabobank. The Group announced in March 2007 that they had signed a partnership agreement with Garanti Bank. With this agreement, the Group subsequently acquired 15% of the shares of Garanti Pension and Life.

## 12 Garanti Pension and Life in Brief

# Leader in the Pension and Life Insurance sector...

Garanti Pension and Life has  
an exemplary position in the  
sector with its dynamic and  
innovative structure.

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 the 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 then 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 providing products appealing to various customer groups in both pension and life insurance, successfully implementing 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. Furthermore, the Company, with its innovative structure, introduces new applications and products to both sectors in which it is operating.

## 13 Milestones

---

# Innovative approaches through the history of Garanti Pension and Life...

---

**2002** Transition of Garanti Pension and Life to a pension company officially approved by the Undersecretariat of the Treasury.

---

**2003** Pension products were launched.

---

**2004** Renewal-guaranteed and long-term policies for long-term loans were added to the portfolio of products.

---

**2005** Group funds launched for corporate customers.

---

**2006** Sector leadership achieved in Group Plans.

---

**2007** With a decision made during the Board of Directors meeting on June 21, 2007, a 15% share of the Company's issued capital was transferred to Eureka B.V. for EUR 100 million.

---

**2008** Garanti Pension and Life launched the "Garanti Pension Hobby Clubs" project to encourage customers to take up a hobby to enrich their lives and promote their standard of life.

Garanti Pension and Life Company simultaneously launched three life insurance products with additional unemployment benefits, which enable policy holders to look for work while preserving their standard of living in the event of their involuntary unemployment. Among these products, Payment Protection Insurance secures loan installments and Debt Cancellation secures credit card expenditures while Income Protection offers security for monthly payments.

## 14 Garanti Pension and Life in 2009

# For the fourth time- “The Most Admired Individual Pension Company”...

### January

#### **Higher quality was achieved in customized services.**

In line with the increasing business volume as well as the new segmentation and customer care plan, the Company restructured the organization of the After-sales Services and Call Center to provide customers with higher quality and customized services.

### February

#### **Communications with reference to Hobby Clubs was enhanced with the revamping of the Hobby Club website: [hobimlemutluyum.com](http://hobimlemutluyum.com).**

In its new form, augmented to become Turkey's most comprehensive hobby website, with its rich content, video and photograph galleries, forums and blogs, the site was converted into a more extensive and colorful portal.

### March

#### **The Guaranteed Tomorrows product, providing security against today's three most frequently encountered illnesses, was made available to the market.**

This product was launched to provide compensation for permanent disabilities and coverage in the event of death, as well as to offer financial support to clients should they suffer a heart attack, stroke or develop cancer.

### April

#### **Faster and unlimited information-sharing was made possible with the e-learning portal.**

The Company developed e-learning programs for employees to make needed information more easily accessible, while fostering continuous and uninterrupted learning across the board.

### May

#### **An unemployment protection product, offering customers payment security on their Overdraft Account expenditures was launched.**

This Overdraft Account Payment Protection product was introduced to enhance the range of unemployment products first offered by the Company in 2008 as well as to provide customers with solutions customized to their individual needs. The new product provides security within the limits specified in Garanti Bank Overdraft Accounts policies in the event policy-holders should become involuntarily unemployed.

### June

#### **Prestige Pension Plan was launched.**

With its customer-focused approach and effective practices in product development, the Company designed some new individual plans for Garanti Bank customers in the upscale retail line of business. The Prestige Pension Plan was introduced for those with an interest in experiencing a more prestigious retirement.



## July

**Achieving another first in the sector, the Flexible Alternative Fund, that invests in income-indexed securities and other non-interest bearing instruments, was offered to participants.**

By placing importance on customer investment preferences and with the fundamental goal of presenting clients with a variety of investment options, the Company realized another first in the sector through the implementation of its Flexible Alternative Pension Investment Fund, a product that is designed for interest-sensitive investors, capable of absorbing small risks and one that is appealing to customers who wish to bring in income over the inflation rate for the long term. The Company offers this fund as a long-term investment strategy for investors desiring to bring in real earnings through the acquisition of non-interest bearing securities.

## August

**A new software to facilitate life insurance production was introduced.**

The Company launched this new software to make life insurance product sales procedures easier for end-users and sales personnel.

## September

**Garanti Pension and Life became the first company to introduce Pension Income Plans.**

Garanti Pension and Life designed a series of products enabling participants, who are entitled to a pension, to remain in the system and enjoy not only the retirement fund returns but also collecting a regular retirement salary. After completing the infrastructure for the plans, the Company became the first corporation to launch Pension Income Plans and pay retirees a salary through the income withdrawal program custom-designed for them.

## October

**The implementation of the Quick Payment Slip was launched as an incentive for using tax advantages.**

The Company introduced the Quick Payment Slip practice to encourage participants to benefit from the tax advantages provided to them within the individual pension system.

## November

**Garanti Pension and Life was named the "Most Admired Individual Pension Company" for the fourth consecutive year.**

For the fourth consecutive year, the Company has topped the Most Admired Companies list of Capital magazine. The list was based on a poll of approximately 1,500 executives.

## December

**The implementation of the Mobile Branch was launched to allow participants to follow up on their pension funds via cell phones.**

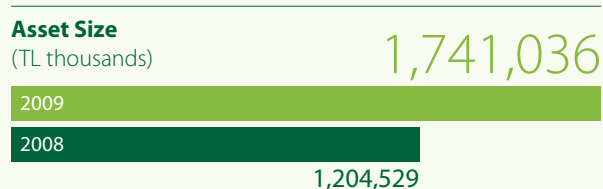
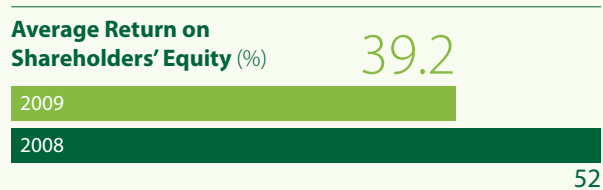
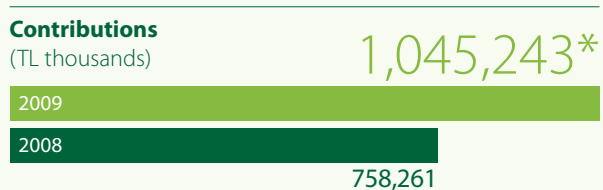
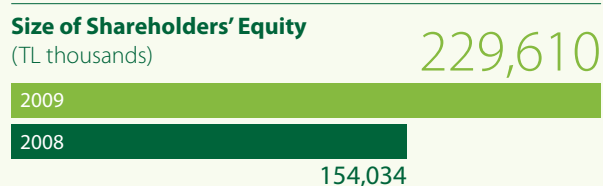
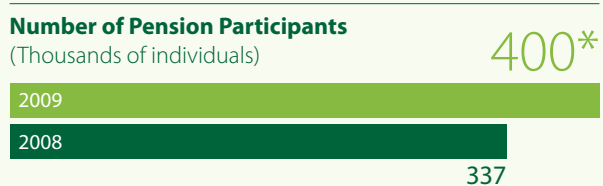
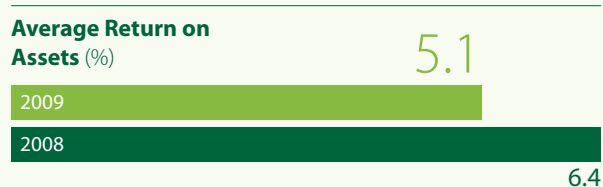
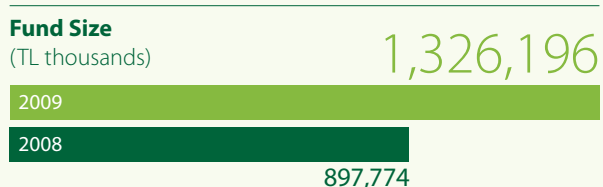
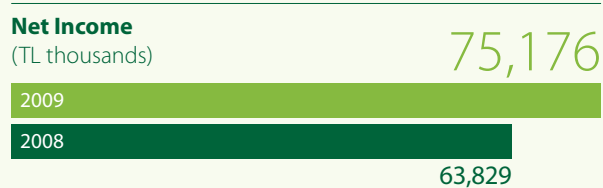
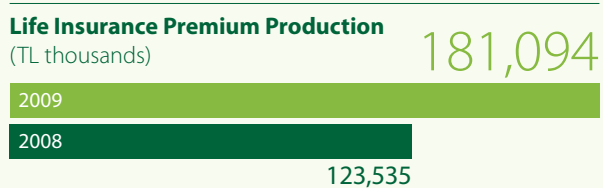
The Garanti Pension and Life Mobile Branch offers individual pension customers the opportunity to visit the [wap.garantiemeklilik.com.tr](http://wap.garantiemeklilik.com.tr) website so that they can follow up on their accounts on a 24/7 basis.

## 16 Key Financial Indicators

### 2009: A productive year

Key Financial Indicators	2008	2009
Life Insurance Premium Production (TL thousands)	123,535	181,094
Fund Size (TL thousands)	897,774	1,326,196
Number of Pension Participants (Thousands of individuals)	337	400*
Contribution (TL thousands)	758,261	1,045,243*
Net Income (TL thousands)	63,829	75,176
Average Return on Assets (%)	6.4	5.1
Size of Shareholders' Equity (TL thousands)	154,034	229,610
Average Return on Shareholders' Equity (%)	52	39.2
Asset Size (TL thousands)	1,204,529	1,741,036

\*As of December 25, 2009



\* As of December 25, 2009

## 18 Number of Employees

At the end of 2009, Garanti Pension and Life had a total of 606 employees and 13 regional offices located in Istanbul (6), Ankara (3), Izmir, Adana, Bursa and Antalya.

### Number of Garanti Pension and Life Employees in 2009

<b>Number of employees as of January 1, 2009</b>	<b>585</b>
Head Office	151
Sales	434
<b>Number of employees as of December 31, 2009</b>	<b>606</b>
Head Office	161
Sales	445

## Amendments to the Articles of Association and the Reasons Thereof

No amendments were made to the Articles of Association in 2009.



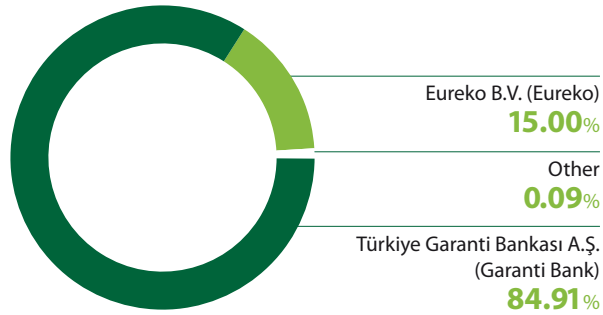
## 19 Capital and Shareholding Structure

Eureko B.V. purchased 15% of Garanti Pension and Life shares in 2007 for EUR 100 million. In 2009, the shareholding structure of the Company remained unchanged.

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

December 31, 2009		
	Share Ratio (%)	Amount of Shares (TL)
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
<b>Total</b>	<b>100.00</b>	<b>50,000,000</b>

The Chairman and members of the Board of Directors, the CEO and Executive Vice Presidents of the Company do not hold any company shares.



## 20 Chairman's Message

# We continue to shape the sector...

With its major economic events now behind us, 2009 will be a year long remembered as the most serious global crisis of its kind since 1929. It took its toll on the world in general, Turkey's economy, too, showed noticeable contraction.

Despite adverse trends in the global economy and the melt down of corporate profit, there were still some positive signals in 2009 to indicate that recovery from the crisis was at hand. The first such signals that pointed to an economic upturn were seen in share prices. While share values on a global scale appreciated by 59% between March and December, in the same period, the ISE National 100 Index expanded by 123%. The most important reason for this rise could be traced to the encouragement provided by market analysts who accepted and reported accordingly that "the worst is over and recovery has begun at rock bottom and is working its way up."

The economies of the US and the Euro region resumed their growth in the second half of the year. Japan and the rest of Asia had already taken initial steps in the direction of growth during the first months of 2009. Thanks to the efforts that went into controlling the growth of these economies and restricting private sector spending, corporate profit began to rise again after a decline of two years.

Parallel to the events leading to economic recovery, the IMF announced its 2010 estimate for global growth as 3.1%. Growth for Turkey was foreseen as 3.7%. Although the halt in the decline is heartening, it is still too early to expect Turkey to attain the level of growth that would create more employment opportunities.

Among developing countries in 2009, Turkey began to exhibit positive signals that were finally acknowledged throughout the world, as a result of the enduring measures taken in the country's financial system during the 2001 crisis that helped the banking sector remain exceedingly robust. In the last year, while the capital adequacy ratio in the world banking sector was 8%, Turkey achieved a rate of 19%. The Turkish banking sector is also at a satisfactory point in terms of returns on shareholders' equity.

Upgrading Turkey's credit rating in 2009 to a stable BB+ by the international credit rating companies increased

expectations for possible investments in the country. At the same time, the trust instilled by the Central Bank pulling back its interest rates from a 15% level in December 2008 to 6.5% in December 2009 as well as the receding of inflation rates to single-digit figures had a significant positive impact on the economy. Despite this optimistic turn of events, it is my belief that caution must still be followed with regard to the current crisis.

### **The pension and life insurance sectors have been able to turn the crisis into an opportunity to register growth during the year.**

While the economic climate around the world continued to reflect the impact of the crisis, Turkey's pension and life insurance sectors showed steady improvement. Individual pension fund assets grew by a record total of 41% over other sectors in 2009. The factors with the greatest influence on this increase were the steadily increasing trust in the system, the relative rise in the trend of individual savings due to the crisis and the earnings that could be obtained from pension funds, even under the most trying conditions. The last year resulted in the growth of the life insurance sector as well. The crisis has served to better emphasize to individuals the importance of being secure for the future. It was for this reason that interest for risk products in particular increased and premium production in the sector swelled by 14%, reaching a level of TL 1.78 billion; Garanti Pension and Life Insurance unemployment products were responsible for a large portion of the increase.

A look into the performance of Garanti Pension and Life Insurance reveals that 2009 was a considerably successful year for both sectors. With its excellent teamwork and its differentiated customer-focused applications, Garanti Pension and Life Insurance continued to lead the sector.

Our Company exhibited increased growth in the area of individual pension systems, sustaining its steady upward course this year as well. There was a net increase of 64,000 pension participants in 2009. With a 26% market share, the corporation earned the distinction of becoming the most preferred pension company in the sector. In contributions, too, the 1% increase over the last year distinguished the Company as the pension company that achieved the highest increase in contributions.

With regard to life insurance, the Company's expansion of direct premiums production was three times that of the sector, signifying a 2.2 point increase in market share. The largest role in this expansion was played by unemployment protection products that Garanti Pension and Life Insurance introduced to the sector in 2008. The Company increased the production of unemployment premiums six-fold in 2009, reaching a level of TL 72.4 million.

While on one hand a growth rate beyond that of the sector was seen coupled with the innovations implemented in its fields of operation, the Company also sustained productivity. The net profit of Garanti Pension and Life Insurance for 2009 was TL 75.2 million. Out of the total gross profit of TL 93.9 million, TL 74 million represented technical profit. As these figures clearly show, we have every right to take great pride in our position as a rapidly and steadily growing, profitable company.

With a robust capital structure, unprecedented bancassurance applications and competent teams of human resources, Garanti Pension and Life Insurance reinforced its stature in both sectors in which it operates during 2009, proving the strength of its steady growth. I am entirely confident that our Company will continue along on its path of success in 2010 with accelerating growth with its valuable human resources and the rising quality of the services it provides.

As we leave behind a difficult year, I extend my most sincere appreciation to all participants and insurees for their trust in our ability to become the individual pension company that provides the best services. I would also like to thank our management team and our employees, whose dedicated efforts have led us to continually raise the bar of achievement, bringing the Company to where it stands today.

**Ergun Özen**  
Chairman



While on the one hand displaying a growth rate beyond that of the sector with innovations it implemented in its fields of operation, Garanti Pension and Life Insurance also continued to sustain productivity in 2009; net profit for the year was TL 75.2 million.

## 22 CEO's Message

# Our new products offer a "happy retirement"...

Dear Stakeholders,

The economic crisis that took hold of the entire world in 2008 continued to manifest itself in 2009 with an economic recession in financial markets as well as the real sector. Among the sectors that felt the brunt of the crisis were the individual pension and life insurance sectors. Although these sectors did manage to bandage the wounds they sustained to a certain degree, they were unable to capture the performance they had exhibited prior to the crisis.

In a period in which world economies were in search of stability, Turkey's individual pension and life insurance sectors continued on their accustomed course of growth. The individual pension sector broke world growth records in 2009 with a 41% expansion in fund assets and also successfully performed in comparison with other sectors in Turkey. Reaching almost two million pension participants with funds amounting to TL 9 billion, the sector continued to exhibit a level of performance that clearly reflected the strong potential that had been foreseen from the very beginning.

The life insurance sector also expanded in 2009 despite the impact of the crisis on financial markets and the real sector, with direct premium production growing by 14% and reaching a level of TL 1.78 billion.

### **We further reinforced our already strong financial structure.**

Thanks to the synergy and cooperation Garanti Pension and Life enjoys with Garanti Bank, its main shareholder under the Dođuş Group umbrella and with Eureko B.V., one of Europe's leading insurance companies, the Company is successfully continuing its activities to deliver customers the best services. The power of the "Garanti" brand brings our Company a marked competitive edge in a sector filled with fierce competition.

As a pension and life insurance company that has attained high levels of profitability, we exhibited outstandingly successful financial and operational performance in 2009 as well. Keeping operational expenditure at a minimum with effective cost control, our profitability continues to increase. The Company's technical profit is also on the rise. In 2009, this figure increased by 49% over the last year, reaching TL 74 million, while our net profit for 2009 increased by 18%, attaining a level of TL 75.2 million.

Garanti Pension and Life also continued to register asset and shareholder equity growth in 2009. With assets expanding by 45% to a level of TL 1.74 billion and shareholders' equity growing by 49% to TL 230 million, the Company's financial position was further reinforced. During this period, our average return on asset ratio was realized as 5.1% and our average return on shareholders' equity was 39.2%.

**We grew by 32 points over the sector in life insurance premium production.**

Despite the impact of the crisis on financial markets and the real sector, the life insurance sector exhibited an expansion of 14% in direct premium production during 2009, reaching TL 1.78 billion. The largest share of the expansion in the life insurance sector belonged to risk products; the success in this sector is due in great part to unemployment products introduced by Garanti Pension and Life. Thanks to these products, our Company's direct life insurance premiums production in 2009 was greater than the sector average, reaching a level of TL 181 million. The Company completed 2009 with a 47% growth which ranked it as the sector's third company for premium production.

**The production of premiums for unemployment products increased six-fold compared to the year before.**

As one of Turkey's largest life insurance companies, our proactive product development processes closely monitor and answer customer needs. In this context, the products we have designed are based on the premise that unemployment is not only a phenomenon of the crisis but also a significant risk during times of growth. At the end of 2009, a total of 627,000 policies were drawn up in this category. Premium production income from unemployment products in 2009 increased six-fold over 2008, to reach TL 72.4 million.

**We became the most preferred individual pension company in 2009.**

Thanks to the long-established and trustworthy identity of the "Garanti" brand as well as the innovative, customer-focused approach and accomplished bancassurance practices adopted by our Company, the individual pension sector was able to record significant growth in 2009. Capturing the largest market share both in the number of pension participants as well as in the production of contributions, we left behind a year in which we became the most preferred individual pension company in the market.



**Garanti Pension and Life exhibited a significantly impressive financial and operational performance in 2009. As of the end of the year, the size of our Company's assets grew by 45%, to reach TL 1.74 billion. The size of our shareholders' equity expanded by 49%, to TL 230 million.**

## 24 CEO's Message

(continued)

The figures speak clearly  
of our accomplishment,  
certified for the fourth  
consecutive time with the  
"Most Admired Individual  
Pension Company" award  
granted by Capital Magazine  
as part of its Most Admired  
Companies Survey published  
annually.

With a net increase of 64,000 pension participants in 2009, we achieved a 26.2% market share, becoming the most preferred individual pension company in the sector. The 0.85-point increase in our market share gave us the leading status in the sector. This advantage allowed us to reach a total of 400,000 pension participants by the end of the year.

Since 2004, the size of the Company's funds has recorded an average annual expansion of 109%. In 2009, we achieved a 46% increase in funds volume, five points over the sector rate. With revenue of TL 283 million in contributions, amounting to a 37% increase, we became the sector's fastest-growing company and achieved an increase of 0.88 points in our market share as a result.

Maintaining the lead for Group contracts that we have continually displayed since 2006, our Company enacted 146,000 contracts in 2009, reaching a market share of 30%.

### **Utilizing our pension income plans, we paid out the sector's first pension salary.**

We continue to preserve our leadership with regard to the products and services we have specially designed for today's changing needs. As of September 1, 2009, the Company launched a plan whereby participants, eligible for retirement could remain in the system, benefiting not only from the income provided through pension funds but also drawing a pension salary on the basis of a pension income plan. Thus, we became the first pension company to provide a salaried pension within



the framework of a programmed repayment system. With flexible, comprehensive pension income plans the Company formulated, clients are able to choose the repayment option of their choice to receive their salaries after retirement. By introducing the option of receiving a salary, the pension income plans completed the link in the individual pension system, a significant step along the road that Garanti Pension and Life has chosen to take to provide insurees with a "happy retirement".

#### **Another "first": Garanti Pension Mobile Branch**

A sector leader in technology, our Company has accomplished another "first" with its Mobile Branch application. This new service enables customers to visit the [wap.garantiemeklilik.com.tr](http://wap.garantiemeklilik.com.tr) website on their cell phones to obtain information about individual pension and life insurance products at any time, from any location, enjoying the convenience of taking care of pension-related procedures faster and easier.

#### **We were selected the "Most Admired Individual Pension Company" for the fourth time.**

Despite the recession that encompassed the entire world in 2009, the Company was able to end the year with a significantly upward graph. The figures speak clearly of our accomplishment, which was certified for the fourth consecutive time with the "Most Admired Individual Pension Company" award granted by Capital Magazine as part of its Most Admired Companies Survey published annually.

#### **Garanti Pension Hobby Clubs were acknowledged and received a generous share of awards in 2009.**

Our Hobby Clubs, initiated in April 2008, offer Garanti Pension and Life members a colorful journey into the world of hobbies. Enhanced more and more daily by the advantages provided and the events organized in 22 different hobby areas, a unique project in the sector, our Hobby Clubs have produced positive feedback from customers as members steadily increase. The Clubs also proved how successful they were by bringing in nine international awards, each more prestigious than the other, during 2009.

We continue to be a leader in both the individual pension and life insurance sectors, gaining from the strength of our financial structure, effective bancassurance operations, widespread distribution channels, strong body of shareholders, technological infrastructure, customer-oriented, innovative approach and our quality human resources. Thanks to all of these, we are taking firm steps into the future, bolstered by the figures reflecting our impressive profitability and sustainability. Combining these features with our uncompromising business outlook will surely lead us to forge further achievements in the coming periods.

I want to sincerely thank all of my colleagues who have stood beside us on the road to growth and extend my gratitude as well to our shareholders and all of our customers who have greatly contributed to the achievements we enjoy today.

Sincerely,

**Erhan Adalı**  
CEO

## 26 Operations in 2009

# The sector's fastest growing company...

With a net increase of 64,000 participants in 2009, Garanti Pension and Life achieved a 26% market share in terms of the number of participants in the pension system.

Garanti Pension and Life increased its market share by 0.85 points with its total of 400,000 participants in the system during 2009. The Company also increased its market share in terms of contribution revenue in 2009 by 0.88 over 2008, giving it the greatest market share in the sector.

### THE INDIVIDUAL PENSION SECTOR

Since September 2008, the individual pension sector in Turkey has continued to show solid growth despite the global economic crisis. In 2009, the total growth rate of pension fund assets was 41% whereas the number of participants in the system increased to two million. Thus, the individual pension system, which broke world records with this growth rate, stands out from other sectors in the country with its achievement.

The number of pension participants in the sector increased by 243,000 in 2009. In 2004, the number of participants was 314,000 and the figure rose by a compounded annual growth rate of 45% in just five years.

While the funds in the system amounted to TL 300 million in 2004, a compounded annual growth rate of 97% in the volume of funds resulted in a level of TL 9 billion as of December 31, 2009. Fund volume increased by 41% over 2008.

The total contribution to the pension sector was TL 1.58 billion in 2009. By year's end, there were 2,204,218 contracts in the system and the number of participants reached 1,988,322. The amount collected from participants was TL 7,048,923,640.

### "GARANTİ" IN THE PENSION SECTOR

Garanti Pension and Life increased its fund volume by 109% in the five-year period between 2004-2009, an annual compounded growth rate that reflected a business performance noticeably above the sector averages. The Company's fund volume swelled by 48% over its 2008 level of TL 898 million and five points over the volume of the sector, reaching TL 1.3 billion finishing off 2009 fourth in the sector in terms of fund size.

Garanti Pension and Life exhibited a compounded annual average growth of 29% in the number of its participants during the years 2006-2009. At the end of 2008, the total number of participants was 337,000; this figure increased by 19% to reach 400,000 at the end of 2009, making the Company second in the sector in this category. The Company raised its market share in terms of participants by 0.85 points, achieving the highest increase in the sector. In addition, with a net increase of 64,000 pension participants, Garanti Pension

and Life gained a 26.2% share in the market as the most preferred pension company.

Garanti Pension and Life also achieved a 37% increase in its contributions, which stood at TL 283 million, winning the distinction of being the sector's fastest growing company in 2009. As a result, the Company achieved a 0.9-point increase in its market share, the highest increase in this category in the sector.

	Number of Garanti Pension and Life Participants	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
2009*	400,196	1,988,322	20.1

# 20.1%

On the basis of participants, the market share of Garanti Pension and Life rose to 20.1% by 80 base points compared with 2008.

	Fund Size of Garanti Pension (TL)	Fund Size of the Sector (TL)	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
2009*	1,309,516,849	9,000,212,294	14.5

# 14.5%

Market Share of Garanti Pension and Life in terms of fund size rose to 14.5% by 40 base points compared with 2008.

	Contribution of Garanti Pension and Life (TL)	Contribution of the Sector (TL)	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
2009*	1,045,243,495	7,048,923,640	14.8

# 14.8%

Market share of Garanti Pension and Life with respect to pension contribution payments rose to 14.8% by 90 base points compared with 2008.

## 28 Operations

### in 2009 (continued)

In 2008, the number of insurees in the life insurance sector was 10.7 million; the following year this figure rose by 24% to reach 13.3 million.

#### THE LIFE INSURANCE SECTOR

One of the sectors to suffer the greatest impact of the global crisis was the insurance sector. In spite of this, the Turkish life insurance sector displayed growth of 14% in 2009 over the previous year, realizing TL 1.78 billion in direct premium production. While the number of insurees in the life insurance sector was 10.7 million in 2008, this figure increased to 13.3 million, with a rise of 24% in 2009.

There are 22 active insurance corporations in the Turkish life insurance sector; three companies that operate in the general insurance branch are also producing life insurance premium. The leading three companies account for 58% of total premium production.

#### “GARANTI” IN THE LIFE INSURANCE SECTOR

Garanti Pension and Life has rapidly increased its market share in the life insurance sector with a growth rate much above that of the sector, especially over the last five years.

The Company's level of premium production by the end of 2009 showed an expansion of 47% over the same period in the previous year, amounting to an increase from the 2008 level of TL 124 million to TL 181 million in 2009. Achieving a rapid growth of approximately three times that of the sector, Garanti Pension and Life distinguished itself by ranking third in the sector for this accomplishment.

The number of the Company's policies/certificates rose in 2009, standing at 2.9 million at the end of the year. The Garanti Pension and Life portfolio accounts for 21.9% of the total of 13.3 million life insurance policies in the sector, including pension savings plans.

The most important factor behind Garanti Pension and Life's ability to attain so much in such a short time is its competence in the implementation of bancassurance operations. In its bancassurance practices, the Company makes use of the synergy between the banking and insurance sectors, providing customers in both sectors with a variety of products that ensure productivity. The synergy produced 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 manner.

	Garanti Pension and Life Direct Premium Production (TL)	Direct Premium Production in the Sector (TL)	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	1,379,293,498	7.1
2007	108,023,480	1,412,188,259	7.6
2008	123,535,464	1,553,024,415	8.0
2009	181,094,232	1,776,221,324	10.2

# 10.2%

Market share of Garanti Pension and Life on the basis of premium production increased by 10.2% by 220 base points compared with 2008.

# Leader in the sector with its “firsts”...

Garanti Pension and Life is still a role model for the sector with its experience in bancassurance. The majority of the Company's individual pension and life insurance product sales are carried out through Garanti Bank's branch offices.

## CUSTOMIZED PRODUCTS FOR PENSION AND LIFE INSURANCE

### The Prestige Pension Plan for a prestigious retirement

Garanti Pension and Life updated and improved its pension plans during 2009 and through its main distribution channel, Garanti Bank, provides simple and straightforward customized products that meet the needs of all customers from different business segments.

In the revamped pension plans, participants are offered various advantages and a variety of different payment options. It was in this context that the Prestige Pension Plan was launched. This plan is geared exclusively for use in the individual pension branch and offers customers different advantages in return for higher contributions. Participants signing in for this type of plan can benefit, according to the amount of their contribution, from lower administrative expenditure deductions and can also be exempted from entry fees. Parallel to the innovative approach exhibited in Garanti Pension and Life's Prestige Pension Plan, the Company has also made adjustments in its Practical and Select Pension Plans.

Apart from its review of individual plans, the Company has also made an effort to simplify corporate plans. In this context, a Salary Plan, targeted to be launched in 2010, will offer advantages to customers who receive salaries through Garanti.

### Garanti Pension and Life was a leader with its “firsts” in 2009, as well.

Standing out as a leader in many areas of the sector, Garanti Pension and Life published a new set of by-laws in April 2008 in which provision was made for participants eligible for retirement to allow them to remain in the system and not only benefit from pension funds but receive a retirement salary on the basis of various repayment options. The infrastructure for this plan was completed in 2009. By launching the Pension Income Plan in 2009, the Company became the first pension company to offer retirees a salaried retirement based on a program of phased income withdrawal. Thus the Individual Pension system, which had only constituted provision for savings since its first implementation, now includes a retirement dimension.

Thanks to Garanti Pension and Life's flexible and comprehensive pension income plans, customers can now enjoy receiving a salary after retirement based on different repayment options.

- In the “Defined Salary” income withdrawal program, participants may determine their own pension salaries. This program also gives participants the option to index their salaries to the Consumer Price Index or to ask for an annual fixed rate of increase/decrease. In addition, participants may request payment amounts to be changed according to one or both of the index increase choices.
- In the “Defined Term” phased income withdrawal program, participants may determine the length of time they are to receive salaries. The amount of the salary is kept fixed over one year and at each renewal, the salary may be changed according to the balance of the account or the return of the pension funds. Participants may additionally ask to have a fixed rate of increase/decrease applied to their salaries.

## 30 Operations

### in 2009 (continued)

Since the launching in May 2008, Garanti Pension and Life's unemployment products reached a level of 627,000 by the end of 2009. These products offer financial security to support customers when faced with involuntary unemployment.

- The "Expected Life" income withdrawal program is similar to the prior program but, instead of a fixed period of time such as 20 years, a payment plan is drawn up to cover the lifetime payment of the accumulation. Participants may also request a fixed rate of increase/decrease in their salaries.

In all income withdrawal programs, participants may also ask to have regular interim payments.

The Pension Income Plans now complete the Individual Pension System and represent an important step toward the achievement of the "happy retirement" that Garanti Pension and Life promised its pension participants.

#### **Unemployment products that successfully reached their target audience in 2009**

Garanti Pension and Life achieved a "first" in 2008 by simultaneously introducing three life insurance products including involuntary unemployment coverage. The object of offering such products is to support customers at a time when they unexpectedly find themselves out of work, to assist them financially until they find a new job, helping them to cope with their circumstances and alleviate their anxiety about a potential job loss.

Garanti Pension and Life's unemployment protection products achieved positive results with different distribution channels that have been employed over time as well as with the effective advertising that has been implemented. At the end of 2009, Garanti Pension and Life produced a total of 627,000 policies. The Company exhibited a six-fold increase in premium production compared to 2008, reaching a level of TL 72.4 million.

- **Income Protection Insurance** is a plan offered to customers who receive their salaries through Garanti Bank, whereby a monthly salary is paid out in the event of involuntary unemployment. A "first" in Turkey, the Income Protection product differs from similar examples in the rest of the world in that it allows the payment of lower premiums on higher levels of salary payments.



# A six-fold increase in the production of unemployment insurance premiums...

- **Payment Protection Insurance** secures loans extended for personal needs, mortgage or car purchase purposes. It allows for loan installments to be paid back at a maximum of six months within one year for short-term loans of less than a year or, in the case of long-term loans of more than one year, in a maximum 12 months. Total loan installments can be paid in up to 24 months, depending on the duration of the loan.

- **Debt Cancellation Insurance** is set up according to the amount on the monthly credit card statement and allows for the payment of credit card debts. This product also provides for credit card debts to be paid out in one lump sum in the event the insured becomes involuntarily unemployed.

## **Unemployment insurance products suitable to customer needs**

To diversify the various unemployment products introduced in 2008, the Company added a new product to the portfolio in 2009, Overdraft Account Payment Insurance. This product secures Overdraft Accounts up to the limit specified in the policy in the event of the customer's involuntary unemployment with a Garanti Bank Overdraft Account. In addition, customers considering their children's future can also sign up for the newly launched "Tuition Payments Insurance Plan" to ensure that payment is made for educational expenditures in the event of their sudden unemployment.

## **Other unemployment insurance products are planned to be launched in the coming years.**

In 2010, the Company plans to introduce "Bill Payment Insurance" that will ensure payment of bills in the event that a client with automatic bill payments at Garanti Bank should be unexpectedly without work.

## **RESEARCH AND DEVELOPMENT PRACTICES**

In the belief that customer satisfaction is the most important criterion for success, Garanti Pension and Life, with its customer-oriented outlook, creates projects that make a difference and add value for both current and potential customers.

One of the new applications inaugurated in 2009 was the integration of payrolls. Designed to facilitate the work of

the Human Resources Department, the application reduced operational costs and eliminated the necessity for the Department to produce debit slips for participants.

Also in 2009, the Company adopted simpler, faster and more user-friendly policy entry screens specially designed for life insurance policies.

## **CUSTOMER SERVICES ACTIVITIES**

Garanti Pension and Life updated its customer segmentation model in 2009 in line with its customer-focused approach and carried the model of customized service to an even higher level. Geared to differentiate customer services and ensure that customers access the right service from the right channel, the implementation of this model included the formation of special teams of customer representatives who would be serving the different customer segments.

## **GARANTI PENSION AND LIFE TARGET SEGMENTS AND DISTRIBUTION CHANNELS**

The most important factor that gives Garanti Pension and Life a competitive edge is its inimitable skills in bancassurance. Thanks to its strong ties with Garanti Bank and the compatibility of the Company's regional offices with the operations of the Bank's regional offices, Garanti Pension and Life has for years maintained its position as an exemplary model in the sector. Garanti Pension and Life's products are in large part coordinated with the branches and processes of business with which Garanti Bank deals. The Company seeks to align itself with Garanti Bank's areas of business in its effort to provide diversity and develop its range of products. Garanti Pension and Life's individual pension plans and life insurance plans include product designs meant to appeal to all business segments. The basis of the Company's strategy is to adopt a range of products that will encompass all of the customers of Garanti Bank, its main distribution channel.

As one of the largest companies in the sector, Garanti Pension and Life can quickly adapt to change and bring innovation into the sector. Aiming to expand its range of product packages intended for the various customer segments and to develop a unique concept of service for different target audiences, the Company introduced many other innovations in 2009.

## 32 Operations in 2009 (continued)

Garanti Pension and Life members can visit the [wap.garantiemeklilik.com.tr](http://wap.garantiemeklilik.com.tr) website via their mobile phones on a 24/7 basis, access the Mobile Branch and not only receive information about individual pension and life insurance products but also achieve faster and easier handling of their pension contract procedures.

### GARANTI PENSION AND LIFE WEBSITE

#### Obtaining password for the Internet Branch by SMS

Garanti Pension and Life started a new application in 2009 to make access to its Internet Branch through the website ([www.garantiemeklilik.com.tr](http://www.garantiemeklilik.com.tr)) easier and more secure. Now all non-corporate customers can enter their ID and cell phone numbers to receive a password on their cell phones to access the Garanti Pension Internet Branch, thus enjoying the benefits of faster and more practical service. Because a different password is sent to cell phones each time the Internet Branch is accessed, members are also guaranteed security. Garanti Pension and Life is the first pension company to adopt this practical code system.

#### Quick Payment Slip

Another application added to the [garantiemeklilik.com.tr](http://garantiemeklilik.com.tr) website in 2009 was the addition of the Quick Payment Slip. This practice has made it possible for Garanti Pension and Life members to benefit more practically and easily from tax advantages. The Quick Payment Slip application allows customers to obtain an immediate print-out of the payment documents they need to file for tax advantages by just entering their ID and contract numbers.

#### Mobile Branch

Garanti Pension and Life achieved another "first" when it launched its Mobile Branch. This application allows Garanti Pension and Life members to visit the [wap.garantiemeklilik.com.tr](http://wap.garantiemeklilik.com.tr) website using their mobile phones on a 24/7 basis to obtain information about individual and life insurance products as well as run through their contract procedures faster and easier.

# The colorful world that comes to life with Garanti Pension and Life Hobby Clubs

## CORPORATE COMMUNICATION ACTIVITIES

### Promotional Activities

Garanti Pension and Life was selected once again, just as in 2006, 2007 and 2008, the "Most Admired Individual Pension Company" by 1,500 executives in "Turkey's Most Admired Companies" survey organized by Capital Magazine, Turkey's most prestigious magazine for business and economics. This achievement was promoted in the national press and media.

Garanti Pension and Life continued its promotional and sales activities for its new products in 2009 as well. Campaigns to promote the Unemployment Insurance, Prestige Pension Plans and the Quick Payment Slip application were some of the promotional activities that were carried out mainly through the print media and radio stations.

In 2009, Garanti Pension and Life continued advertising activities for the promotion of its Hobby Club project including long-term advertisements in Hürriyet newspaper and Mediacat magazine. Additionally, many events were scheduled, among them the Garanti Pension Horse Riding Cup, the Tennis Tournament and the Short Film Competition, organized to get members together and provide incentives for their different hobbies.

### Sponsorships

As in 2007 and 2008, Garanti Pension and Life was the main sponsor at the 2009 Human Resources Summit. Organized by Management Center Turkey to bring together human resources executives, this year's summit was the fourteenth assembly where well-known human resources specialists spoke. Garanti Pension promoted its Hobby Clubs to a corporate audience at the meeting, providing information on the colorful sphere of hobbies and their advantages.

As part of its projects in corporate communication, the Company also sponsored the 2nd Annual Retail Leaders Platform in 2009. Organized by the CEO Club under the leadership of the magazines Capital and Ekonomist, the Platform brought together the top representatives of the retail sector.

### Hobby Clubs

Promising a happy retirement with the individual pension products offered to its members, Garanti Pension and Life also supports members and employees pursuing a happy life through its Hobby Clubs. The objective of the Hobby Clubs is to encourage the adoption of a hobby and in so doing, enrich the social life and living standards of the members.

The Hobby Clubs, which started off in 2008 in ten different hobby fields from sailing to tennis, from music to theater originally only in Istanbul, expanded to seven other cities in 2009, reaching a total of 22.

Constantly moving in the direction of the demands and suggestions of their members, the Hobby Clubs have provided about 2,000 members with the opportunity to actively train for a hobby and then participate in related events. There are now 8,000 members subscribed to the hobby website; [www.hobimlemutluyum.com](http://www.hobimlemutluyum.com).

Garanti Pension and Life members participating in Hobby Clubs benefit from discounts up to 50% on the courses, training and hobby equipment they use in their different hobby fields. The Hobby Clubs website, [hobimlemutluyum.com](http://hobimlemutluyum.com), gives members the opportunity to discover the different aspects of their hobbies and share their thoughts and accomplishments with other members. New events are organized every month to allow members the chance to develop their social lives and communities concurrently.

Garanti Pension and Life organized many events in hobbies as part of its Hobby Clubs project in 2009. The Garanti Pension Horse Riding Cup, the Garanti Pension Windsurf Slalom Cup, the Garanti Pension Bridge Tournament and the Short Film Competition were the events that gathered the most interest.

The Garanti Pension Hobby Clubs proved their success when they won some prestigious international awards in a relatively short time. In 2009, Hobby Clubs were awarded a Platinum Prize in the categories of "Public Relations" and "Customer Loyalty" at the Hermes Creative Awards. The Clubs also won a bronze prize in the category of "Public Relations" at the Summit International Creative Awards and "Best Communications Campaign of the Year," "Best Marketing Campaign of the Year" and "Best Service" prizes at the Stevie Awards.

## 34 Operations

### in 2009 (continued)

Garanti Pension and Life will be introducing a new long-term project in 2010 in cooperation with the Ministry of Education that will address the problems of elementary school children working or being forced to work on the streets.

#### [www.hobimlemutluyum.com](http://www.hobimlemutluyum.com)

The lively communications platform [hobimlemutluyum.com](http://www.hobimlemutluyum.com), specially designed for the Hobby Clubs project, was revamped in 2009. With its new format, the website is on the way to achieve its target of becoming Turkey's most comprehensive hobby portal. The website content contains weekly updated news on all hobbies, offers photograph and video galleries as well as an interactive forum and blog sections for users. In 2009, the site had 8,000 members. With its continually changing new features, it has become the most sought-after communications platform for hobby enthusiasts as well as for those who would like to learn a new hobby.

The [hobimlemutluyum.com](http://www.hobimlemutluyum.com) website was the recipient of two international awards in 2009. The Web Marketing Association's Web Award Competition, an annual event organized since 1997 and that stands out as the world's first and most prestigious web event, presented the Hobby website awards in two different categories - "Best Website Offering Professional Services" in the category of Professional Services and the "Online Group Standard of Excellence" in the Online Group category. By winning the "Best Website Offering Professional Services" award, the site proved to be Turkey's first website to receive a category first prize.

#### **SOCIAL RESPONSIBILITY**

As it has always since its incorporation, Garanti Pension and Life continued to support projects in the areas of children's health and education in 2009. Garanti Pension and Life expects active participation from its employees in all of its social responsibility activities. With regard to the projects that it pursues independently, Garanti Pension and Life also works in close cooperation with NGOs such as the Ayhan Şahenk Foundation and the Community Volunteers Foundation.

*The Mobile Health Services project undertaken with the Ayhan Şahenk Foundation has been ongoing since 2005.*

Garanti Pension and Life is a continuous supporter of the Mobile Health Services project. The project operates a specially designed healthcare vehicle that travels to the community and brings ophthalmological, pediatric and general health services to those in need. Since 2005, the project has offered free health services, particularly to elementary school children whose families have limited funds or those with no insurance.

# A powerful financial structure standing on a firm foundation...

Garanti Pension and Life's support for the educational and personal development projects of the Community Volunteers Foundation has been ongoing since 2006.

Garanti Pension and Life supports many educational and personal development projects undertaken by the Community Volunteers Foundation. Donating a specific percentage of its monthly sales to the Foundation, the Company provides financial assistance for the repair of village schools, mentors street children, prepares students with limited means for high school and university entrance exams, teaches reading and writing at Youth Service Centers, provides computer lessons and other community projects. Garanti Pension and Life is determined to continue increasing its contribution in this way.

Garanti Pension and Life continues supporting the Cappadocia Vocational College.

Garanti Pension and Life has been supporting the training programs of the banking and insurance department of the Cappadocia Vocational School since 2008 as well as the preparation of students for the Individual Pension Licensing Exam, thus contributing to the development of students on their path into a future career.

Cappadocia Vocational College, which admitted its first students in the 2005-2006 academic year, added a "Banking and Insurance" department to its curriculum 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 of the "Garanti Pension Library." Helping students as they prepare for their future careers and offering them internships and business opportunities within the corporation, Garanti Pension and Life continued its support for the school in 2009. In the 2008-2009 academic year, managers from Garanti Pension and Life conducted lectures on Life Insurance and the Individual Pension System to increase the knowledge and skills of graduates and assist them in obtaining an Individual Pension Broker's Certificate.

The Company plans a new long-term project in 2010 in cooperation with the National Education Ministry to assist elementary school children working or forced to work on the streets.

## FINANCIAL STRENGTH OF GARANTİ PENSION AND LIFE

Garanti Pension and Life continued to reinforce its already powerful financial structure, despite the many economic adversities experienced around the world. In a sector with stiff competition, the Company prioritized technical infrastructure investments, correctly implementing financial control mechanisms, effective communications, marketing and sales activities in order to sustain its leadership position in the life insurance and individual pension sectors in the best way possible. As a result of these applications, the Company, aiming to remain in the first ranks of the sector and targeting sustainable profitability, exhibited another year of successful financial and technical performance in 2009. The Company continued its trend of growth, both in assets and in profitability ratios.

Garanti Pension and Life reinforced its already robust financial structure even further in 2009 with the 45% increase in the total size of its assets, which reached TL 1.74 billion and the 49% increase in shareholders' equity, which climbed to a level of TL 230 million.

Thanks to its fast and agile corporate structure, open to change, the Company's net profit after tax in 2009 jumped by 18% over the previous year, reaching TL 75.2 million.

A major portion of this profit stemmed from the technical profit attained from the life insurance and pension sectors of which the Company is a part. Gross technical profit in 2009 rose by 49% over the previous year, achieving a level of TL 74 million. Technical profit accounted for 79% of the before-tax profit of TL 93.9 million gained in 2009.

## 36 Board of Directors

---

### **Ergun Özen (1960)**

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

---

### **Gökhan Erün (1968)**

Gökhan Erün holds a BS degree in Electronics and Communications from Istanbul Technical University and an MBA from Yeditepe University. He joined Garanti Bank in 1994 in the Treasury Department. He worked as Director of the Commercial Marketing and Sales Department from 1999 until 2004. He was appointed General Manager of Garanti Pension and Life in September 2004 and later as Executive Vice President in charge of Human Resources and Investment Banking at Garanti Bank in 2005. He is a Board Member of Eureka Insurance, Garanti Asset Management and Garanti Securities, Vice Chairman of the Teacher's Academy Foundation and Chairman of the Retirement Foundation.

---

### **M. Cüneyt Sezgin (1961)**

A graduate of Middle East Technical University, Department of Business Administration, with an MBA from Western Michigan University and a doctorate from Istanbul University Faculty of Economics, M. Cüneyt Sezgin has worked in management at various banks in the private sector. Sezgin, a Board member of Garanti Bank, is the Country Director of the Global Association of Risk Professionals and a Board Member of Garanti Factoring, Garanti Leasing, Eureka Insurance, Garanti Bank Retirement Foundation and the World Wildlife Fund Turkey.

---

### **Ali Fuat Erbil (1968)**

Ali Fuat Erbil has a BS degree in Computer Engineering from Middle East Technical University, an MBA from Bilkent University and a PhD in Banking and Finance from Istanbul Technical University. He has worked in management at various private sector companies and banks. He joined Garanti in 1997 as Department Director for Distribution Channels and was promoted to Executive Vice President responsible for Private Banking and Distribution Channels. Erbil is a Board Member of Garanti Asset Management and Garanti Bank Retirement Foundation.



---

**Mehmet Sezgin (1962)**

Mehmet Sezgin has a BBA from Middle East Technical University and an MBA from the University of Massachusetts. He worked at various private banks and at MasterCard Europe. Sezgin has been General Manager of Garanti Payment Systems since 1999 and is a Board Member of Mastercard Europe, Chairman of Mastercard Turkey Coordination Committee and Executive Board Member of Visa Turkey.

---

**H. Murat Aka (1962)**

H. Murat Aka has a BBA 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 and is currently a Board Member at Doğuş Automotive Service, Doğuş Auto Marketing and Doğuş Automotive and its subsidiaries. He is also the Chairman of the Auditing Committee of the Doğuş Automotive Group.

---

**Nafiz Karadere (1957)**

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

---

**Jan Nijssen (1953)**

Jan Nijssen is a graduate of the Business Econometrics Department of Erasmus University in Rotterdam. His professional life began in 1978 at Nationale Nederlanden, where he worked in various capacities. In 1992, he was appointed General Manager of NN Life Company. After the merger of NMB with Postbank, NN was renamed ING; Nijssen was appointed as an Executive Board Member of ING Netherlands and ING Europe. After serving in the ING Group as Pensions Global Head and CEO of Central Europe Insurance, Nijssen became a Fellow at Netspar (ThinkTank NETWORK Studies Pensions).

## 38 Executive Management, Auditors and Internal Auditing Board Directors

### Executive Management

#### Erhan Adalı (1966) (01)

CEO

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

#### Ahmet Karaman (1970) (02)

Executive Vice President: Finance

A graduate of Middle East Technical University, Faculty of Economics, Ahmet Karaman worked at Dışbank from 1995 until 2000 as Planning and Budget Director. From 2000 until 2005, he was Management Reporting and Budget Director at Garanti Bank. He was then appointed to the position of Finance and Management Reporting Department Manager at Garanti Pension and Life. Since September 2009, Karaman has been Executive Vice President in charge of the Fund Management, Budget and Reporting and Finance Departments.

#### Yasemen Köne (1972) (03)

Executive Vice President: Sales and Marketing

Yasemen Köne holds a BBA from Marmara University. Having started her career at Garanti Bank in the position of Assistant Specialist from 1994 to 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 Commercial Branch Director in 2003. In November 2005, she was appointed Executive Vice President at Garanti Pension and Life and is responsible for operations of the Retail Marketing, Corporate Marketing, Corporate Communications, Product Development and Strategic Planning, Alternative Distribution Channel Marketing departments.

#### Ömer Mert (1969) (04)

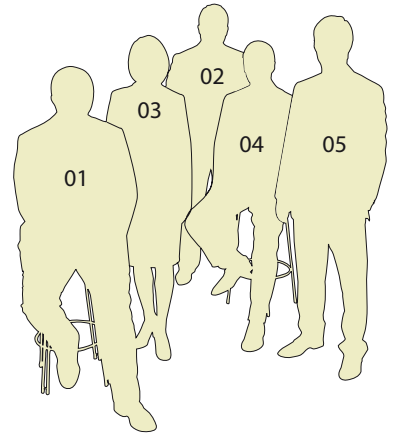
Executive Vice President: Technical and Operational Units

Ömer Mert earned a BS degree in Industrial Engineering from Istanbul Technical University and an MA in Industrial Engineering from the Istanbul Technical University, Institute of Science and Technology. He started his career at Halk Insurance in 1993 and 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, Mert has served as Technical and Actuarial Executive Vice President in charge of IT and Process Measurement, After-sales Services and Call Center and Operations at Garanti Pension and Life.

#### Cemşit Türker (1966) (05)

Executive Vice President: Management Support

Cemşit Türker graduated from Istanbul Technical University with a BS degree in Industrial Engineering. He began his career at Garanti Bank as an Assistant Specialist in 1991 and was appointed Retail Banking Business Development Executive in 1996. Türker served 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 his current position as Executive Vice President for Financial Affairs and Management Reporting, Customer Relationship Management and Marketing and Human Resources.





## 40 Executive Management, Auditors and Internal Auditing Board Directors (continued)

### Auditors and Internal Auditing Board Directors

Auditors' Dates of Appointment (as per the provision in Article 4 Law No. 5684)

Osman Bahri Turgut, April 12, 2007

Emre Özbek, April 8, 2009

#### Osman Bahri Turgut (1969)

Osman Bahri Turgut is a graduate of Marmara University, Faculty of Economics. In 1990, he began working for Garanti Bank as an Assistant Inspector, followed by Authorized Assistant Inspector, Inspector, Deputy Director and Director in various departments; in 2006, he was appointed Auditing Board Chair.

#### Emre Özbek (1976)

Emre Özbek graduated from Ankara University, Department of Business Administration. He began working at Garanti Bank as an Assistant Inspector in 1999 and served as Auditing Board Vice Chairman from 2007-2009. He was then appointed Internal Control Center Manager in 2009.

#### Talat Soysal (1973)

Auditing Board Chairman

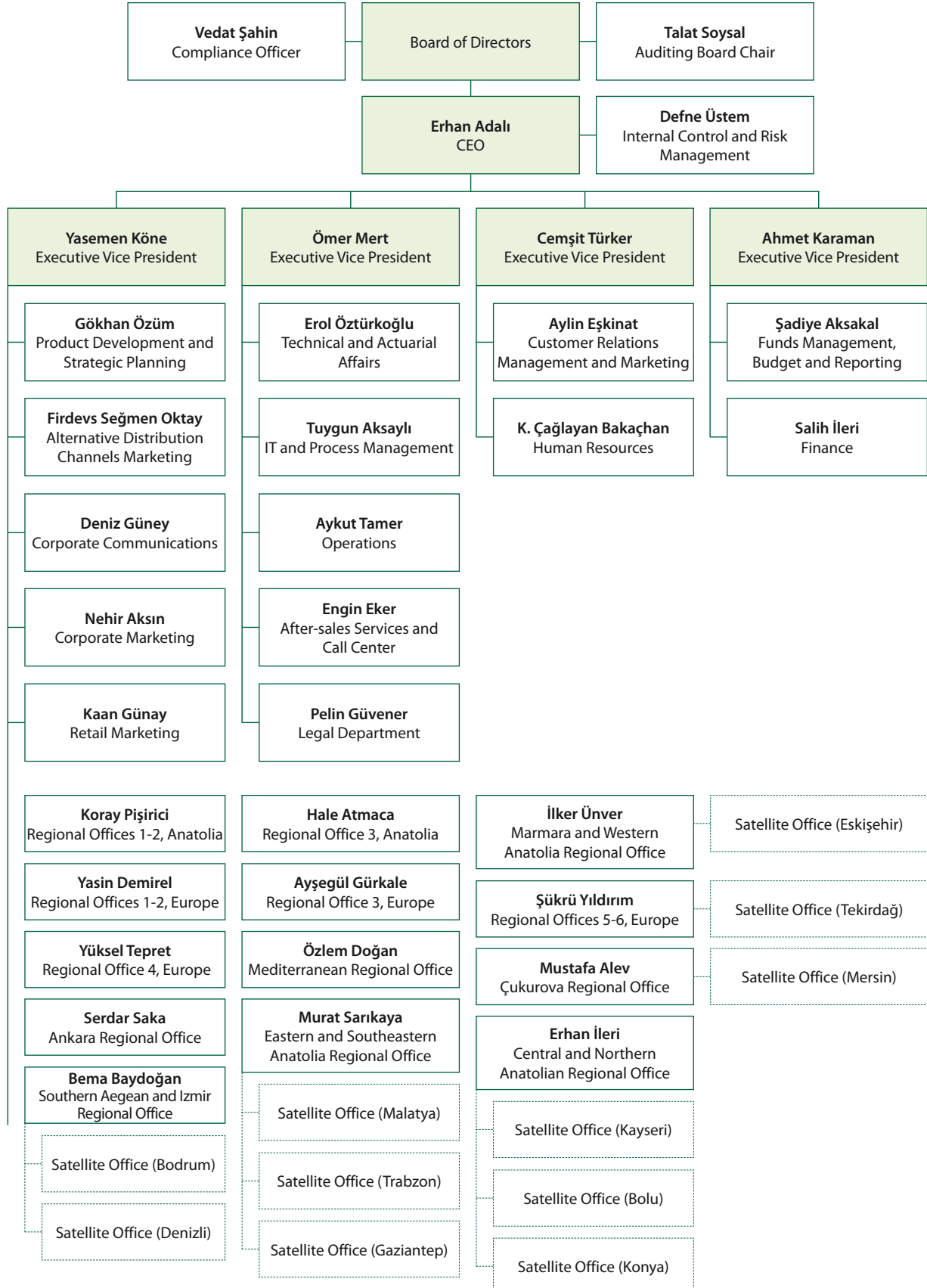
Talat Soysal is a graduate of Middle East Technical University, Department of Mathematics. He received an MA in Economics from the same university. Soysal began his professional career as Assistant Inspector at Ottoman Bank and then joined Garanti Bank in 2002, where he served as an Assistant Inspector, then as Reviewing Inspector. In December 2009, he was appointed Auditing Board Chairman of Garanti Pension and Life.

## Participation in Executive Board Meetings

In 2009, the Board of Directors of Garanti Pension and Life held 12 Board meetings. Two meetings were attended by all nine members, five were attended by eight members, one by six with the remaining meetings attended by seven members each.

Board Meeting Dates	Number of the Meeting	Members Present
January 20, 2009	236	8
February 24, 2009	237	6
March 3, 2009	238	7
March 18, 2009	239	9
March 18, 2009	240	9
August 28, 2009	241	8
August 28, 2009	242	8
October 28, 2009	243	8
October 28, 2009	244	8
December 17, 2009	245	7
December 17, 2009	246	7
December 17, 2009	247	7

# 41 Organizational Chart



## 42 Human Resources

Recruiting the right person for the right job, ensuring that new employees adopt the corporate culture, contributing to employee development through technical and personal improvement programs and propagating company loyalty through motivational activities are among the priorities of the Human Resources Department.

### GARANTİ PENSION AND LIFE HUMAN RESOURCES

Garanti Pension and Life has a young, dynamic and specialized team in line with the Company's ambitions and position in the sector. To achieve the implementation of the Company's strategies, it is the Human Resources Department's priorities to recruit the right person for the right job, to ensure that new employees adopt the corporate culture, contribute to employee development through technical and personal improvement programs, and propagate company loyalty through motivational activities.

### GARANTİ PENSION AND LIFE DEMOGRAPHICS

#### Educational Level

Undergraduate Degree or Higher (%)	97
Other (%)	3

#### Women/Men Ratio

Women (%)	66
Men (%)	34

#### Average Age

Women	28
Men	31
Company	29

### RECRUITMENT PRACTICES

As a result of the work undertaken in cooperation with Turkey's leading consulting firms, a special model unique to the Company was created to match employee candidates to jobs. In this new system, candidates in the recruiting process were analyzed in terms of their suitability for the jobs to which they applied. In 2009, another new practice was launched whereby management coaching reports were drawn up to monitor and support the development of newly hired personnel. In addition to the competence-focused interviews carried out to place the right person in the right job, personality inventories and general aptitude tests were also put into practice.

### FRINGE BENEFITS FOR EMPLOYEES

Among the fringe benefits Garanti Pension and Life provides its employees are monthly lunch tickets, free transportation, private health insurance, company-contributed pension plans, life insurance and financial assistance for weddings and births.



## 43 Summary of the Board of Directors' Report Submitted to the General Assembly

---

---

### 2009 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 18th term of operation.

Our capital was TL 50 million in 2009 and has been fully paid-in. Our 2009 shareholders' equity reached TL 229,610,315.

Net premium production in the life insurance business increased by 7% over the previous year, to the level of TL 116,682,226.

The figures for the individual pension fund, which was TL 897,774,043 at the end of 2008, rose by 48% in 2009 to TL 1,326,196,491.

With its many achievements in 2009, our Company has continued its sustainable growth and reached its goals for the year.

Dear Shareholders,

The Company, whose operations have been summarized above, generated a gross accounting profit of TL 93,898,886 in 2009, which accrued to TL 75,176,155 net after the reserves allocated for corporate tax.

We appreciate the interest you have shown in the General Assembly and wish the best for our country and Company for 2010.

Faithfully yours,

**Ergun Özen**  
Chairman of the Board

## 44 Auditors' Report

---

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

We proudly present the results of our inspections regarding the 2009 accounting year of the Company.

1. It has been seen that the books and files required to be held in accordance with the nature and prominence of the enterprise have been kept. Furthermore, the 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 book records. They are arranged as per the provisions of the Articles of Association and the Turkish Commercial Code. It has moreover been 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 has been witnessed that the resolutions concerning Company management have been entered in the resolution book, which has been 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.

**Osman Turgut**  
Legal Auditor

**Emre Özbek**  
Legal Auditor

## 45 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 was issued on December 31, 2009. The Annual Report falls under the responsibility of the Company management. As the entity authorized to carry out 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 was 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 requirements involve a well-planned and executed audit to ensure to a reasonable degree that there is no 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, 2009, in all its substance.

Istanbul,  
March 20, 2010

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik Anonim Şirketi

**Ruşen Fikret Selamet**  
Responsible Partner, Chief Auditor

## 46 Internal Auditing Activities

---

The Auditing Board undertakes the internal auditing activities carried out neutrally and independently with the necessary professional care to provide assurance to the Executive Management of the Company that the activities conducted in the agencies of Garanti Pension and Life are in compliance with the legislation, internal regulations, corporate strategies, policies, principles, objectives and rules of the insurance business and that efficiency and adequacy prevails in 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 risk:

- The practices of internal control and risk management units as well as their competence and efficiency are evaluated.
- Accuracy and reliability of the accounting records and financial reports are examined.
- Operational activities are tested for compliance with predefined procedures and in terms of internal control practices in the context of these operations.
- The security of the electronic information system is reviewed.
- Transactions are checked for compliance with the laws and other related legislation as well as with 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 are revealed, and opinions and recommendations are 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 the 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 are taken. In addition to ordinary auditing practices, inspections and investigations, if necessary, are included within the scope of internal auditing activities.

## 47 Information on Financial Structure

---

Garanti Emeklilik ve Hayat A.Ş. (Garanti Pension and Life) continued its rapid growth in 2009 as in past years, with regard to both the size of its assets and in terms of profitability.

Income before tax increased in 2009 by 17% over the previous year to reach TL 93,898,886. In 2009, tax payments amounted to TL 18,722,731, yielding TL 75,176,155 in net income after tax.

In the same period, life insurance and pension operations yielded TL 74,062,523 of technical profit and shareholders' equity reached TL 229,610,315, recording a 49% increase. Total assets of the Company jumped by 45% compared with the previous year, rising to TL 1.74 billion as of December 31, 2009.

The surge in assets derives mainly from Individual Pension operations. As for the total amount of participants' funds, as of December 31, 2009, the Company grew by 48% compared to the previous year. The total size of the pension funds reached TL 1,326,196,491.

Cash assets had a 14% share within total assets as of December 31, 2009. The share of financial assets was, however, 4.65%. The share of receivables pertaining to the Individual Pension System with total assets rose to 76.52% as of December 31, 2009.

Out of total liabilities, the share of the Company's technical reserves in the insurance business was 7.37% on December 31, 2009. The Company's source of premium is derived from the life insurance business. Total premium earnings in this line of business were realized as TL 116,682,226 for the accounting year which ended on December 31, 2009. This figure, which had accrued to TL 108,669,688 as of December 31, 2008, was seen to have recorded a 7.37% increase as of December 31, 2009.

## 48 Assessment of Financial Status, Profitability and Solvency for Claims

---

In 2009, the amount of life insurance claims accrued to TL 26,501,273, an 8.7% increase compared to the previous year. The rising trend in the technical profitability ratio in the life insurance business continued unabated in 2009. Thus, technical profitability increased by 49%, to reach TL 74,062,523.

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 is under examination. The reserve for outstanding claims is set according to expert reports or the comments of the insuree and the expert. In this framework, as of December 31, 2009, the change in the amount allocated to outstanding claim reserves was TL 3,090,552.

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 investments made with the premiums underwritten on a collection basis, for savings life insurance.

## 49 Risk Management Policies

A look into the distribution of Garanti Pension and Life premium products reveals that during the last one year, the share of savings and long-term life insurances has decreased within total premium production as opposed to an increase in the share of annual risk-based life insurance.

### INSURANCE RISK MANAGEMENT

#### Pricing Policies

Pricing principles and policies at 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 sustainability.
- The final pricing is compared against both the domestic competitors and foreign counterparts.

A look into the distribution of Garanti Pension and Life premium products reveals that during the last one year, the share of savings and long-term life insurances has decreased within total premium production as opposed to an increase in the share of annual risk-based life insurance. 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.



## 50 Risk Management Policies (continued)

### Risk Assessment Policies

The medical risk assessment tool utilized by the leading reinsurer is used in the risk assessment process. 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 positively contribute to the Company in terms of cost. 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 individual applications, even though these applications are received in small numbers.

### Medical Risk Assessment

As the first step in risk assessment, medical risk evaluation requires that customers undergo check-ups under conditions defined based on the amount of life insurance benefits. In this way, information on customers' health status is collected and the first assessment is made by the Company doctor through medical evaluation. Following procedures are applied according to the results mutually agreed upon with the reinsurers; medical applications that present a risk are rejected.

### Moral Risk Assessment

In the second step, information is collected from the customers concerning gender, living conditions, residence and occupation, etc. In this process, support from sales teams is requested on doubtful issues. Doubtful cases are referred for further 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 risk because 90% of the Company's portfolio is made up of risk originating from bank products. Performing the initial financial analysis by the bank in loan insurance and credit availability facilitates finalization of an analysis essential to the Company.

### OPERATIONAL RISK MANAGEMENT

IT connections have been established with Garanti Bank, the Company's main distribution channel, so that all application and policy procedures are carried out through this system. Likewise, originals of all documents tracked in 2009 with the electronic archiving system within the claims payment process are kept. Follow-up tracking is performed through the IT systems.

### Reassurance Policy

At Garanti Pension and Life, reinsurance processes are only performed on risk benefits (death and additional benefits) of life insurance policies. 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 an 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 optional business and non-proportional (catastrophic) reinsurance agreements
- Opportunities the Company is offered in the context of risk assessment, information on new developments in the sector, product development, training, etc.

Performance concerning the procured service is evaluated on a yearly basis for treaties. The evaluation is performed by checking whether the share of the reinsurer in insurance claims and balances remaining after reinsurance transactions in the Company's favor have been paid promptly and in full. Additionally, the capacity extended to the Company in optional works, speed in operational reinsurance transactions, and the 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 risk assessment terms and procedures agreed upon with treaty reinsurance companies enables automatic insurance benefits of a far higher amount than market averages.

The leading reinsurer in reinsurance agreements is the Münchener Rückversicherungs AG (RE Munich) Company, with head offices in Munich. According to share size in reinsurance agreements, the second-ranking reinsurer is Milli Reasürans TAŞ (Milli Re). The third leading company is Mapfre RE with head offices in Madrid. The fourth-ranking company is a French reinsurer, SCOR GLOBAL LIFE. For life insurance products including unemployment benefits, the Company is also engaged in reinsurance business with the BNP Paribas enterprise, Cardif Hayat Sigorta A.Ş., with headquarters in Istanbul and with the Gibraltar-based Lighthouse Insurance Company.

#### 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 risk management system operations through the Company's internal auditing department.

## 52 Risk Management Policies (continued)

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 that 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 accounts excluded)
- Financial assets held for trading
- Financial investments owned by risk-based life insurance policy holders
- Premium receivables from insurees
- Receivables from agencies
- Mutual funds concerning Individual Pension operations, and receivables from participants
- Receivables from reinsurers concerning commissions and 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, compatibility of terms is observed between assets and liabilities. Liquid assets are kept 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 the financial instruments it holds. Market risk management is intended to optimize risk profitability and control the market risk amount within acceptable parameters.

### Currency Risk

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

Exchange gains and losses from foreign currency transactions were entered in the records held for the corresponding periods. At the end of these periods, balances of foreign currency asset and liability accounts were appraised and converted into Turkish lira at the exchange rates applicable at that time. 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 Central Bank (TCMB), applicable on December 31, 2009. Only 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, 2009 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 shareholders' equity is calculated on the basis of the variation in the market value of the financial assets which are available for sale in the portfolio as of December 31, 2009 as a result of the presumed variations in interest rates. During this analysis, other variables, particularly foreign exchange rates, are assumed to be fixed.

### Market Rate Representation

Estimated market value of financial instruments are determined 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

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

- Compliance with the capital adequacy requirements set down by the Undersecretariat of the Treasury
- Ensuring the Company's sustainability and secure continuous gains for shareholders and stakeholders
- Securing a sufficient level of gains for shareholders by setting insurance policy prices proportionate to the risk percentage of the insurance procured.



**Garanti Emeklilik ve Hayat Anonim Şirketi**  
**Financial Statements**  
**As at 31 December 2009**  
**With Independent Auditors' Report Thereon**

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

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik Anonim Şirketi  
10 March 2010

*This report contains "Independent Auditors' Report"  
comprising 2 pages and; "Financial Statements and  
Related Disclosures and Footnotes" comprising 72 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

**Convenience Translation of the Independent Auditors' Report  
Originally Prepared and Issued in Turkish (See Note 2.1.1)**

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

We have audited the accompanying balance sheet of Garanti Emeklilik ve Hayat Anonim Şirketi ("the Company") as at 31 December 2009 and the related statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

***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 judgement, 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 2009, 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.

Istanbul,  
10 March 2010

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.



**GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ**  
**UNCONSOLIDATED FINANCIAL REPORT**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2009**

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 Individual Pension Companies" and the financial records of our Company.

Istanbul, 10 March 2010

Erhan ADALI  
Board Member,  
General Manager

Ahmet KARAMAN  
Executive Vice  
President

Salih İLERİ  
Financial Affairs  
Unit Manager

Osman TURGUT  
Legal Auditor

Emre ÖZBEK  
Legal Auditor

Erol ÖZTÜRKOĞLU  
Actuary

# 58 Garanti Emeklilik ve Hayat Anonim Şirketi

## Balance Sheet at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

### ASSETS

	Notes	Audited 31 December 2009	Audited 31 December 2008
<b>I-Current Assets</b>			
<b>A-Cash and Cash Equivalents</b>	<b>14</b>	<b>242,477,049</b>	<b>189,788,421</b>
1-Cash	14	419	2,947
2-Cheques Received		-	-
3-Banks	14	236,431,118	186,148,495
4-Cheques Given and Payment Orders (-)		-	-
5-Other Cash and Cash Equivalents	14	6,045,512	3,636,979
<b>B-Financial Assets and Financial Investments with Risks on Policyholders</b>	<b>11</b>	<b>80,983,845</b>	<b>64,529,492</b>
1-Available-for-Sale Financial Assets	11	8,300,434	-
2-Held to Maturity Investments		-	-
3-Financial Assets Held for Trading	11	31,632,491	22,474,006
4-Loans and Receivables		-	-
5-Provision for Loans and Receivables (-)		-	-
6-Financial Investments with Risks on Saving Life Policyholders	11	41,050,920	42,055,486
7-Company's Own Equity Shares		-	-
8-Diminution in Value of Financial Investments (-)		-	-
<b>C-Receivables from Main Operations</b>	<b>12</b>	<b>1,378,821,904</b>	<b>922,512,830</b>
1-Receivables from Insurance Operations	12	46,403,409	19,787,114
2-Provision for Receivables from Insurance Operations (-)	12	(160,272)	(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	418,585	445,154
7-Provision for Loans to the Policyholders (-)		-	-
8-Receivables from Individual Pension Operations	12,18	1,332,160,182	902,350,180
9-Doubtful Receivables from Main Operations		-	-
10-Provision for Doubtful Receivables from Main Operations (-)		-	-
<b>D-Due from Related Parties</b>	<b>12,45</b>	<b>1,873,726</b>	<b>1,241,806</b>
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	1,873,726	1,241,663
7-Rediscount on Receivables from Related Parties (-)		-	-
8-Doubtful Receivables from Related Parties		-	-
9-Provision for Doubtful Receivables from Related Parties (-)		-	-
<b>E-Other Receivables</b>	<b>12</b>	<b>25,854</b>	<b>19,418</b>
1-Finance Lease Receivables		-	-
2-Unearned Finance Lease Interest Income (-)		-	-
3-Deposits and Guarantees Given		-	-
4-Other Miscellaneous Receivables	12	25,854	19,418
5-Rediscount on Other Miscellaneous Receivables(-)		-	-
6-Other Doubtful Receivables		-	-
7-Provision for Other Doubtful Receivables (-)		-	-
<b>F-Prepaid Expenses and Income Accruals</b>	<b>17</b>	<b>25,008,337</b>	<b>16,550,114</b>
1-Prepaid Expenses	17	25,008,337	16,550,114
2-Accrued Interest and Rent Income		-	-
3-Income Accruals		-	-
4-Other Prepaid Expenses and Income Accruals		-	-
<b>G-Other Current Assets</b>		<b>27,031</b>	<b>490,750</b>
1-Stocks to be Used in the Following Months		23,881	15,968
2-Prepaid Taxes and Funds	12	411	474,782
3-Deferred Tax Assets		-	-
4-Job Advances		-	-
5-Advances Given to Personnel		2,739	-
6-Inventory Count Differences		-	-
7-Other Miscellaneous Current Assets		-	-
8-Provision for Other Current Assets (-)		-	-
<b>I-Total Current Assets</b>		<b>1,729,217,746</b>	<b>1,195,132,831</b>

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

# 59 Garanti Emeklilik ve Hayat Anonim Şirketi

## Balance Sheet at 31 December 2009

Convenience Translation of Financial Statements

(Currency: Turkish Lira [TL])

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

### ASSETS

	Notes	Audited 31 December 2009	Audited 31 December 2008
<b>II-Non-Current Assets</b>			
<b>A-Receivables from Main Operations</b>		-	-
1-Receivables from Insurance Operations		-	-
2-Provision for Receivables from Insurance Operations (-)		-	-
3-Receivables from Reinsurance Operations		-	-
4-Provision for Receivables from Reinsurance Operations (-)		-	-
5-Cash Deposited for Insurance & Reinsurance Companies		-	-
6-Loans to the Policyholders		-	-
7-Provision for Loans to the Policyholders (-)		-	-
8-Receivables from Individual Pension Business		-	-
9-Doubtful Receivables from Main Operations		-	-
10-Provision for Doubtful Receivables from Main Operations (-)		-	-
<b>B-Due from Related Parties</b>		-	-
1-Due from Shareholders		-	-
2-Due from 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 (-)		-	-
<b>C-Other Receivables</b>		4,961	4,961
1-Finance Lease Receivables		-	-
2-Unearned Finance Lease Interest Income (-)		-	-
3-Deposits and Guarantees Given		4,961	4,961
4-Other Miscellaneous Receivables		-	-
5-Rediscount on Other Miscellaneous Receivables(-)		-	-
6-Other Doubtful Receivables		-	-
7-Provision for Other Doubtful Receivables (-)		-	-
<b>D-Financial Assets</b>	9	263,221	263,221
1-Investments in Equity Shares		-	-
2-Investments in Associates	9	263,221	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 (-)		-	-
<b>E-Tangible Assets</b>	6	2,963,620	2,432,878
1-Investment Properties		-	-
2-Impairment for Investment Properties (-)		-	-
3-Immovables for Own Use		-	-
4-Machinery and Equipments		-	-
5-Furniture and Fixtures	6	6,258,337	5,058,814
6-Motor Vehicles		-	-
7-Other Tangible Assets (Including Leasehold Improvements)	6	1,768,718	1,730,583
8-Tangible Assets Acquired Through Finance Leases	6	168,464	168,464
9-Accumulated Depreciation (-)	6	(5,231,899)	(4,524,983)
10-Advances Paid for Tangible Assets (Including Construction in Progress)		-	-
<b>F-Intangible Assets</b>	8	8,586,437	6,534,255
1-Rights		-	-
2-Goodwill		-	-
3-Pre-operating Expenses		-	-
4-Research and Development Costs		-	-
6-Other Intangible Assets	8	23,151,670	16,827,344
7-Accumulated Amortization (-)	8	(14,565,233)	(10,293,089)
8-Advances Paid for Intangible Assets		-	-
<b>G-Prepaid Expenses and Income Accruals</b>		-	-
1-Prepaid Expenses		-	-
2-Income Accruals		-	-
3-Other Prepaid Expenses and Income Accruals		-	-
<b>H-Other Non-Current Assets</b>	21	-	160,867
1-Effective Foreign Currency Accounts		-	-
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 (-)		-	-
<b>II-Total Non-Current Assets</b>		11,818,239	9,396,182
<b>TOTAL ASSETS</b>		1,741,035,985	1,204,529,013

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

# 60 Garanti Emeklilik ve Hayat Anonim Şirketi

## Balance Sheet at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

### LIABILITIES

	Notes	Audited 31 December 2009	Audited 31 December 2008
<b>III-Short-Term Liabilities</b>			
<b>A-Financial Liabilities</b>	<b>19,20</b>	<b>548,617</b>	<b>450,483</b>
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	548,617	450,483
<b>B-Payables Arising from Main Operations</b>	<b>19</b>	<b>1,350,901,048</b>	<b>907,737,655</b>
1-Payables Arising from Insurance Operations	19	23,655,624	8,523,162
2-Payables Arising from Reinsurance Operations		-	-
3-Cash Deposited by Insurance & Reinsurance Companies		-	-
4-Payables Arising from Individual Pension Business	18,19	1,327,245,424	899,214,493
5-Payables Arising from Other Main Operations		-	-
6-Discount on Payables from Other Main Operations (-)		-	-
<b>C-Due to Related Parties</b>	<b>19</b>	<b>3,809,866</b>	<b>1,286,341</b>
1-Due to Shareholders	45	143,698	135,134
2-Due to Associates		-	-
3-Due to Subsidiaries		-	-
4-Due to Joint Ventures		-	-
5-Due to Personnel		32,438	10,193
6-Due to Other Related Parties	45	3,633,730	1,141,014
<b>D-Other Payables</b>	<b>19</b>	<b>1,472,465</b>	<b>1,938,196</b>
1-Deposits and Guarantees Received		-	-
2-Other Miscellaneous Payables		1,487,311	1,958,451
3-Discount on Other Miscellaneous Payables (-)		(14,846)	(20,255)
<b>E-Insurance Technical Provisions</b>	<b>17</b>	<b>57,310,397</b>	<b>50,944,122</b>
1-Reserve for Unearned Premiums-Net	17	46,797,624	43,523,409
2-Reserve for Unexpired Risks-Net		-	-
3-Life Mathematical Provisions-Net		-	-
4-Provision for Outstanding Claims-Net	17	10,504,893	7,417,473
5-Provision for Bonus and Discounts-Net	17	7,880	3,240
6-Provisions for Policies Investment Risks of Which Belong to Life Insurance Policyholders-Net		-	-
7-Other Technical Provisions-Net		-	-
<b>F-Provisions for Taxes and Other Similar Obligations</b>	<b>19</b>	<b>7,649,148</b>	<b>8,396,053</b>
1-Taxes and Funds Payable		3,439,784	3,029,568
2-Social Security Premiums Payable		557,109	446,535
3-Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4-Other Taxes and Similar Payables		-	-
5-Corporate Tax Payable	19	18,722,731	16,449,871
6-Prepaid Taxes and Other Liabilities Regarding Current Period Profit (-)	19	(15,070,476)	(11,529,921)
7-Provisions for Other Taxes and Similar Liabilities		-	-
<b>G-Provisions for Other Risks</b>	<b>23</b>	<b>2,098,514</b>	<b>3,107,228</b>
1-Provision for Employee Termination Benefits		-	-
2-Provision for Pension Fund Deficits		-	-
3-Provisions for Costs	23	2,098,514	3,107,228
<b>H-Deferred Income and Expense Accruals</b>	<b>19</b>	<b>16,136,671</b>	<b>3,950,168</b>
1-Deferred Income	10,19	15,930,946	3,739,685
2-Expense Accruals		-	-
3-Other Deferred Income and Expense Accruals	19	205,725	210,483
<b>I-Other Short Term Liabilities</b>			
1-Deferred Tax Liabilities		-	-
2-Inventory Count Differences		-	-
3-Other Various Short Term Liabilities		-	-
<b>III-Total Short Term Liabilities</b>		<b>1,439,926,726</b>	<b>977,810,246</b>

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

# 61 Garanti Emeklilik ve Hayat Anonim Şirketi

## Balance Sheet at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

### LIABILITIES

	Notes	Audited 31 December 2009	Audited 31 December 2008
<b>IV-Long-Term Liabilities</b>			
<b>A-Financial Liabilities</b>		-	-
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>B-Payables Arising from Main Operations</b>		-	-
1-Payables Arising from Insurance Operations		-	-
2-Payables Arising from Reinsurance Operations		-	-
3-Cash Deposited by Insurance and Reinsurance Companies		-	-
4-Payables Arising from Individual Pension Business		-	-
5-Payables Arising from Other Operations		-	-
6-Discount on Payables from Other Operations (-)		-	-
<b>C-Due to Related Parties</b>		-	-
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		-	-
<b>D-Other Payables</b>		-	-
1-Deposits and Guarantees Received		-	-
2-Other Miscellaneous Payables		-	-
3-Discount on Other Miscellaneous Payables (-)		-	-
<b>E-Insurance Technical Provisions</b>	17	71,046,672	72,566,193
1-Reserve for Unearned Premiums-Net		-	-
2-Reserve for Unexpired Risks-Net		-	-
3-Life Mathematical Provisions-Net	17,18	69,846,879	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	17	1,199,793	-
<b>G-Other Liabilities and Relevant Accruals</b>		-	-
1-Other Liabilities		-	-
2-Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
3-Other Liabilities and Expense Accruals		-	-
<b>F-Provisions for Other Risks</b>	23	156,635	118,119
1-Provisions for Employment Termination Benefits	23	156,635	118,119
2-Provisions for Employee Pension Funds Deficits		-	-
<b>H-Deferred Income and Expense Accruals</b>		-	-
1-Deferred Income		-	-
2-Expense Accruals		-	-
3-Other Deferred Income and Expense Accruals		-	-
<b>I-Other Long Term Liabilities</b>	21	295,637	-
1-Deferred Tax Liabilities	21	295,637	-
2-Other Long Term Liabilities		-	-
<b>IV-Total Long Term Liabilities</b>		71,498,944	72,684,312

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

## 62 Garanti Emeklilik ve Hayat Anonim Şirketi

### Balance Sheet at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

#### EQUITY

V-Equity	Notes	Audited 31 December 2009	Audited 31 December 2008
<b>A-Paid in Capital</b>		<b>53,084,445</b>	<b>53,084,445</b>
1-(Nominal) Capital	2.13,15	50,000,000	50,000,000
2-Unpaid Capital (-)		-	-
3-Positive Capital Restatement Differences		3,084,445	3,084,445
4-Negative Capital Restatement Differences (-)		-	-
<b>B-Capital Reserves</b>		<b>-</b>	<b>-</b>
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		-	-
<b>C-Profit Reserves</b>		<b>101,349,715</b>	<b>36,548,171</b>
1-Legal Reserves	15	5,018,735	1,827,274
2-Statutory Reserves		-	-
3-Extraordinary Reserves	15	95,928,600	34,718,222
4-Special Funds		-	-
5-Revaluation of Financial Assets	11,15	402,380	2,675
6-Other Profit Reserves		-	-
<b>D-Retained Earnings</b>		<b>-</b>	<b>572,618</b>
1-Retained Earnings		-	572,618
<b>E-Accumulated Losses (-)</b>		<b>-</b>	<b>-</b>
1-Accumulated Losses		-	-
<b>F-Net Profit/(Loss) for the Period</b>		<b>75,176,155</b>	<b>63,829,221</b>
1-Net Profit for the Year		75,176,155	63,829,221
2-Net Loss for the Year (-)		-	-
<b>V-Total Equity</b>		<b>229,610,315</b>	<b>154,034,455</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,741,035,985</b>	<b>1,204,529,013</b>

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

# 63 Garanti Emeklilik ve Hayat Anonim Şirketi

## Statement of Income

### For the Year Ended 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

TECHNICAL SECTION	Notes	Audited Current Period 31 December 2009	Audited Previous Period 31 December 2008
<b>A-Non-Life Technical Income</b>		<b>4,439</b>	<b>5,339</b>
1-Earned Premiums (Net of Reinsurer Share)		4,410	5,336
1.1-Written Premiums (Net of Reinsurer Share)	5,17	1,561	8,307
1.1.1-Written Premiums, gross	5,17	1,561	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	2,849	(2,971)
1.2.1-Reserve for Unearned Premiums, gross	5,17	2,849	(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)		29	3
3.1-Other Technical Income, gross		29	3
3.2-Other Technical Income, ceded		-	-
<b>B-Non-Life Technical Expense</b>		<b>(12,694)</b>	<b>(19,957)</b>
1-Incurred Losses (Net of Reinsurer Share)	17	(9,688)	(2,742)
1.1-Claims Paid (Net of Reinsurer Share)	5,17,29	(12,820)	-
1.1.1-Claims Paid, gross	5,17	(12,820)	-
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	3,132	(2,742)
1.2.1-Change in Provisions for Outstanding Claims, gross	5,17	3,132	(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	(3,006)	(17,215)
<b>C-Net Technical Income-Non-Life (A-B)</b>		<b>(8,255)</b>	<b>(14,618)</b>
<b>D-Life Technical Income</b>		<b>122,662,961</b>	<b>111,714,680</b>
1-Earned Premiums (Net of Reinsurer Share)		113,405,162	90,493,791
1.1-Written Premiums (Net of Reinsurer Share)	17	116,682,226	108,669,688
1.1.1-Written Premiums, gross	5,17	181,094,232	123,535,464
1.1.2-Written Premiums, ceded	5,10,17	(64,412,006)	(14,865,776)
1.2-Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	5,17,29	(3,277,064)	(18,175,897)
1.2.1-Reserve for Unearned Premiums, gross	17	(26,118,744)	(26,757,597)
1.2.2-Reserve for Unearned Premiums, ceded	17	22,841,680	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	9,164,743	21,166,904
3-Unrealized Gains on Investments		-	-
4-Other Technical Income (Net of Reinsurer Share)		93,056	53,985

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



# 64 Garanti Emeklilik ve Hayat Anonim Şirketi

## Statement of Income

### For the Year Ended 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

I-TECHNICAL SECTION	Notes	Audited Current Period 31 December 2009	Audited Previous Period 31 December 2008
<b>E-Life Technical Expense</b>		<b>(67,337,186)</b>	<b>(72,668,061)</b>
1-Incurred Losses (Net of Reinsurer Share)	17	(26,501,273)	(24,381,908)
1.1-Claims Paid (Net of Reinsurer Share)	17,29	(23,410,721)	(21,849,201)
1.1.1-Claims Paid, gross	5,17	(28,896,982)	(22,403,572)
1.1.2-Claims Paid, ceded	5,10,17	5,486,261	554,371
1.2-Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(3,090,552)	(2,532,707)
1.2.1-Change in Provisions for Outstanding Claims, gross	5,17	(12,601,087)	(2,729,410)
1.2.2-Change in Provisions for Outstanding Claims, ceded	5,10,17	9,510,535	196,703
2-Change in Provision for Bonus and Discounts (Net of Reinsurer and Less the Amounts Carried Forward)	5	(4,640)	(3,240)
2.1-Provision for Bonus and Discounts, gross	5	(4,640)	(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)	5,29,30	5,393,251	(2,703,180)
3.1-Change in Life Mathematical Provisions, gross	5,29,30	5,393,251	(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)	5,17,29	(1,199,793)	-
6-Operating Expenses	32	(42,558,559)	(34,568,117)
7-Investment Expenses		-	-
8-Unrealized Losses on Investments		-	-
9-Investment Income Transferred to the Non-Life Technical Section	5	(2,466,172)	(11,011,616)
<b>F-Net Technical Income-Life (D-E)</b>		<b>55,325,775</b>	<b>39,046,619</b>
<b>G-Pension Business Technical Income</b>		<b>53,952,137</b>	<b>41,064,972</b>
1-Fund Management Income		20,834,428	13,416,775
2-Management Fee		13,514,149	11,612,941
3-Entrance Fee Income		19,585,205	16,030,760
4-Management Expense Charge in case of Suspension		-	-
5-Income from Individual Service Charges		-	-
6-Increase in Value of Capital Allowances Given as Advance		1,962	-
7-Other Technical Expense		16,393	4,496
<b>H-Pension Business Technical Expense</b>		<b>(35,207,134)</b>	<b>(30,334,569)</b>
1-Fund Management Expense	5	(5,385,405)	(2,889,918)
2-Decrease in Value of Capital Allowances Given as Advance		-	-
3-Operating Expenses	32	(25,383,743)	(23,672,622)
4-Other Technical Expenses		(4,437,986)	(3,772,029)
<b>I-Net Technical Income-Pension Business (G-H)</b>		<b>18,745,003</b>	<b>10,730,403</b>

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

# 65 Garanti Emeklilik ve Hayat Anonim Şirketi

## Statement of Income

Convenience Translation of Financial Statements

### For the Year Ended 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

I-NON-TECHNICAL SECTION	Notes	Audited Current Period 31 December 2009	Audited Previous Period 31 December 2008
<b>C-Net Technical Income-Non-Life (A-B)</b>		(8,255)	(14,618)
<b>F-Net Technical Income-Life (D-E)</b>		55,325,775	39,046,619
<b>I-Net Technical Income-Pension Business (G-H)</b>		18,745,003	10,730,403
<b>J-Total Net Technical Income (C+F+I)</b>		74,062,523	49,762,404
<b>K-Investment Income</b>	5	26,355,107	34,856,923
1-Income from Financial Assets		18,611,925	19,334,516
2-Income from Disposal of Financial Assets		3,966,086	1,510,862
3-Valuation of Financial Assets		1,310,924	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		2,466,172	11,011,616
<b>L-Investment Expense (-)</b>	5	(5,754,266)	(3,857,980)
1-Investment Management Expenses (inc. interest)		(274,401)	(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		(110,315)	-
7-Depreciation and Amortization Expenses	5,6,8	(5,369,550)	(3,773,198)
8-Other Investment Expenses		-	-
<b>M-Income and Expenses From Other and Extraordinary Operation(+/-)</b>		(764,478)	(482,255)
1-Provisions	47	(516,813)	100,607
2-Rediscounts	47	62,443	(9,509)
3-Specified Insurance Accounts		-	-
4-Monetary Gains and Losses		-	-
5-Deferred Taxation (Deferred Tax Assets)	35	40,616	406,722
6-Deferred Taxation (Deferred Tax Liabilities)	35	(441,099)	(93,168)
7-Other Income		455,004	110,726
8-Other Expenses and Losses		(364,629)	(997,633)
9-Prior Year's Income		-	-
10-Prior Year's Expenses and Losses		-	-
<b>N-Net Profit for the Year</b>		75,176,155	63,829,221
1-Profit for the Year		93,898,886	80,279,092
2-Corporate Tax Provision and Other Fiscal Liabilities	35	(18,722,731)	(16,449,871)
3-Net Profit for the Year		75,176,155	63,829,221
4-Monetary Gains and Losses		-	-

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

# 66 Garanti Emeklilik ve Hayat Anonim Şirketi

## Statement of Cash Flows

### For the Year Ended 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

	Notes	Audited Current Period 31 December 2009	Audited Previous Period 31 December 2008
<b>A. Cash flows from operating activities</b>			
1. Cash provided from insurance activities		198,568,167	132,376,815
2. Cash provided from reinsurance activities		-	-
3. Cash provided from individual pension business		481,983,068	367,193,688
4. Cash used in insurance activities		(156,903,864)	(110,194,718)
5. Cash used in reinsurance activities		-	-
6. Cash used in individual pension business		(464,983,912)	(355,972,320)
<b>7. Cash provided by operating activities</b>		<b>58,663,459</b>	<b>33,403,465</b>
8. Interest paid		-	-
9. Income taxes paid		(19,990,426)	(13,418,102)
10. Other cash inflows		3,962,138	2,420,854
11. Other cash outflows		(1,484,921)	(2,587,638)
<b>12. Cash provided by operating activities</b>		<b>41,150,250</b>	<b>19,818,579</b>
<b>B. Cash flows from investing activities</b>			
1. Proceeds from disposal of tangible assets		15,072	14,583
2. Acquisition of tangible assets	5,6,8	(7,955,850)	(6,214,655)
3. Acquisition of financial assets	11	(39,434,251)	(21,070,728)
4. Proceeds from disposal of financial assets		24,352,208	10,556,087
5. Interests received		33,971,054	30,386,580
6. Dividends received		-	-
7. Other cash inflows		8,192,374	10,556,652
8. Other cash outflows		(653,176)	(2,693,155)
<b>9. Cash provided by investing activities</b>		<b>18,487,431</b>	<b>21,535,364</b>
<b>C. Cash flows from financing activities</b>			
1. Equity shares issued		-	-
2. Cash provided from loans and borrowings		98,134	-
3. Finance lease payments		-	(716)
4. Dividends paid		-	-
5. Other cash inflows		-	-
6. Other cash outflows		-	(18,098)
<b>7. Cash provided by financing activities</b>		<b>98,134</b>	<b>(18,814)</b>
<b>D. Effect of currency differences on cash and cash equivalents</b>			
		-	-
<b>E. Net increase in cash and cash equivalents</b>		<b>59,735,815</b>	<b>41,335,129</b>
<b>F. Cash and cash equivalents at the beginning of the year</b>	<b>14</b>	<b>136,990,254</b>	<b>95,655,125</b>
<b>G. Cash and cash equivalents at the end of the year</b>	<b>14</b>	<b>196,726,069</b>	<b>136,990,254</b>

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

# 67 Garanti Emeklilik ve Hayat Anonim Şirketi

## Statement of Changes in Equity

For the Year Ended 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

### Audited Changes in Equity-31 December 2008

	Notes	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments	Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Reserves and Retained Earnings	Other Reserves and Retained Earnings	Net Profit for the Year	Retained Earnings	Total
<b>I-Balance at the end of the previous year-31 December 2007</b>		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	2,16	-	-	-	-	-	-	-	-	-	-	572,618	572,618
<b>III-Restated balances-31 December 2007</b>		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	11,15	-	-	(126,837)	-	-	-	-	-	-	-	-	(126,837)
E-Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-	-
F-Other gains or losses		-	-	-	-	-	-	-	-	-	-	-	-
G-Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-	-
H-Net profit for the year		-	-	-	-	-	-	-	-	-	63,829,221	-	63,829,221
I-Other Reserves and Transfers from Retained Earnings	15,38	-	-	-	-	-	1,827,274	-	(1,827,274)	-	-	-	-
J-Dividends paid		-	-	-	-	-	-	-	-	-	-	-	-
<b>II-Balance at the end of the year-31 December 2008</b>		50,000,000	-	2,675	3,084,445	-	1,827,274	-	34,718,222	-	63,829,221	572,618	154,034,455

### Audited Changes in Equity-31 December 2008

	Notes	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments	Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Reserves and Retained Earnings	Other Reserves and Retained Earnings	Net Profit for the Year	Retained Earnings	Total
<b>I-Balance at the end of the previous year-31 December 2008</b>		50,000,000	-	2,675	3,084,445	-	1,827,274	-	34,718,222	-	-	64,401,839	154,034,455
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	11,15	-	-	399,705	-	-	-	-	-	-	-	-	399,705
E-Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-	-
F-Other gains or losses		-	-	-	-	-	-	-	-	-	-	-	-
G-Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-	-
H-Net profit for the year		-	-	-	-	-	-	-	-	-	75,176,155	-	75,176,155
I-Other Reserves and Transfers from Retained Earnings	15,38	-	-	-	-	-	3,191,461	-	61,210,378	-	-	(64,401,839)	-
J-Dividends paid		-	-	-	-	-	-	-	-	-	-	-	-
<b>II-Balance at the end of the year-31 December 2009</b>		50,000,000	-	402,380	3,084,445	-	5,018,735	-	95,928,600	-	75,176,155	-	229,610,315

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

# 68 Garanti Emeklilik ve Hayat Anonim Şirketi

## Profit Distribution Table

### For the Year Ended 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements  
and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

	Notes	Current Period 31 December 2009	Previous Period 31 December 2008
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT</b>			
1.1. CURRENT PERIOD PROFIT/(LOSS)		93,898,886	80,279,092
1.2. TAXES AND DUTIES PAYABLE		(18,722,731)	(16,449,871)
1.2.1. Corporate Tax (Income Tax)		(18,722,731)	(16,449,871)
1.2.2. Income Tax Deductions		-	-
1.2.3. Other Taxes and Legal Duties		-	-
<b>A CURRENT PERIOD YEAR/(LOSS) (1.1-1.2)</b>		<b>75,176,155</b>	<b>63,829,221</b>
1.3. ACCUMULATED LOSSES (-)		-	-
1.4. FIRST LEGAL RESERVES (-)		(3,758,808)	(3,191,461)
1.5. OTHER STATUTORY RESERVES (-)		-	-
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [ (A)-(1.3 + 1.4 + 1.5) ]</b>		<b>71,417,347</b>	<b>60,637,760</b>
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		-	(60,637,760)
1.13. OTHER RESERVES		-	-
1.14. SPECIAL FUNDS		-	-
<b>II.DISTRIBUTION OF RESERVES</b>		-	-
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 (-)		-	-
<b>III. HİSSE BAŞINA KAR</b>		-	-
3.1. HİSSE SENEDİ SAHİPLERİNE		0.0150	0.0128
3.2. HİSSE SENEDİ SAHİPLERİNE (%)		150.4	127.7
3.3. İMTİYAZLI HİSSE SENEDİ SAHİPLERİNE		-	-
3.4. İMTİYAZLI HİSSE SENEDİ SAHİPLERİNE (%)		-	-
<b>IV. DIVIDEND PER SHARE</b>		-	-
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.

# 69 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

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 2009, the shareholder having direct or indirect control over the shares of Garanti Emeklilik ve Hayat Anonim Şirketi ("the Company") is Türkiye Garanti Bankası AŞ ("Garantibank") by %84.91 of the outstanding shares of the Company. Other shareholder having direct or indirect control over the shares of the Company is Eureka BV by %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 TL 10,000. The initial name of the Company was "AGF Garanti Hayat Sigorta Anonim Şirketi", first changed on 18 May 1999 as "Garanti Hayat Sigorta Anonim Şirketi".

On 14 November 2002, the Company applied for conversion from life insurance company to individual 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 individual 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 TL 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 TL 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 TL 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 TL 10,000 during its establishment.

As per the resolution of the Board of Directors, the Company has established 1 pension investment fund on 25 September 2008 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 TL 100,000 during its establishment.

As at 31 December 2009, the Company has 12 pension investment funds in total.

# 70 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

#### 1.4 Description of the main operations of the Company

As at 31 December 2009, the Company issues policies in life and personal accident insurance branches and contracts in individual 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 "Individual 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 Individual Pension Law.

#### 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 2009	31 December 2008
Senior managers	20	16
Other personnel	586	569
<b>Total</b>	<b>606</b>	<b>585</b>

#### 1.6 Wages and similar benefits provided to the senior management

As at and for year ended 31 December 2009, 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 amounted to TL 2,990,677 (31 December 2008: 2,421,364 TL).

#### 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 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 individual pension segments, other non-distinguishable expenses, which are not exactly distinguished, are distributed between insurance segments and individual 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 has not prepared consolidated financial statements as at and for the year ended 31 December 2009.



# 71 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

### 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 balance sheet date.

### 1.10 Subsequent events

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

## 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") in accordance with the "Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies" as promulgated by the Turkish Treasury based on Article 18 of the Insurance Law and Article 11 of the Individual Pension Law.

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

Although the 4th standard of the Turkish Accounting Standards Board ("TASB") for the 'Insurance contracts' became effective on 25 March 2006 for the accounting periods that begin on or after 31 December 2005, it is stated that TFRS 4 will not be implemented at this stage since the second phase of the International Accounting Standards Board project about the insurance contracts has not been completed yet. In this context, "Communiqué on Technical Reserves for Insurance, Reinsurance and Individual Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") is published in the 7 August 2007 dated Official Gazette, numbered 26606 and became effective on 1 January 2008. Subsequent to the publication of the Communiqué on Technical Reserves, some other circulars and sector announcements which contain explanations and regulations related to application of the Communiqué on Technical Reserves are published. Accounting policies applied for the insurance contracts based on these communiqué, circulars and other sector announcements are summarized on its own caption in the following sections. Accounting of subsidiaries, associates and joint ventures is regulated with 28 December 2007 dated and 2007/26 numbered "Circular Related to the Accounting of Subsidiaries, Associates and Joint Ventures", issued by the Turkish Treasury. It is stated that, the companies will continue to apply the principles of the related standards of TFRSs for the accounting of subsidiaries, associates and joint venture till the publication of another regulation on this issue by the Turkish Treasury. "Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance, and Individual Pension Companies" issued by the Turkish Treasury in the 31 December 2008 dated and 27097 numbered (4th repeat) Official Gazette, constituted the basis of consolidation to be effective on the dates that circular specifies.

In the 12 August 2008 dated and 2008/36 numbered "Sector Announcement Related to the Accounting of Subsidiaries, Associates and Joint Ventures in the Separate Financial Statements of Insurance, Reinsurance and Individual Pension Companies" issued by the Turkish Treasury, it is stated that although, insurance, reinsurance and individual 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.

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

# 72 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

#### 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 other than Turkey.

#### 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.

##### Other accounting policies

Information regarding to other accounting policies is explained above in the section of Note 2.1.1-*Information about the principles and the special accounting policies used in the preparation of the financial statements* and each on its own caption in following sections of this report

#### 2.1.3 Functional and presentation currency

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

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

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

#### 2.1.5 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, available-for-sale financial assets and financial investments with risks on saving life policyholders classified as available-for-sale financial assets which are measured at their fair values unless reliable measures are available.

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

The Company which previously had prepared its financial statements in accordance with the principles related to the accounting and financial reporting standards promulgated by the Turkish Treasury, for the first time in year 2008 started to prepare financial statements according to Reporting Standards.

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, related to first time adoption of reporting standards, the company restated only the balance sheet prepared as of 1 January 2008 which is the opening balance sheet of the financial statements of the year 2008.

# 73 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

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
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
<b>Total assets</b>	<b>776,076,714</b>	<b>(508,442)</b>	<b>775,568,272</b>
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
<b>Total liabilities</b>	<b>686,317,261</b>	<b>(1,081,060)</b>	<b>685,236,201</b>
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	572,618	37,118,114
<b>Total equity</b>	<b>89,759,453</b>	<b>572,618</b>	<b>90,332,071</b>
<b>Total liabilities and equity</b>	<b>776,076,714</b>	<b>(508,442)</b>	<b>775,568,272</b>

# 74 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

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)
<b>Total equity effect</b>	<b>572,618</b>

### 2.2 Consolidation

"Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance, and Individual 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 individual 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 Individual Pension Companies" of the Turkish Treasury, it is stated that although, insurance, reinsurance and individual 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 subsidiaries or associates that are subject to consolidation.

### 2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

### 2.4 Foreign currency transactions

Transactions are recorded in TL, 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 exchange rates ruling at the balance sheet date and foreign currency exchange differences are offset 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.

# 75 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

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

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

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

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

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

Depreciation rates and estimated useful lives are as follows:

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

### 2.6 Investment properties

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

### 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

#### Classification and measurement

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

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

*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.

# 76 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

*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.

*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.

Securities are recognized at the date of settlement.

*Associates* are classified as available-for-sale financial assets in the financial statements. Associates, traded in an active market or whose fair value can be reliably measured, are recorded at their fair values. Associates that 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.

### Specific instruments

*Loans to the policyholders* are the securitized loans that are used by the policyholders with the security of their saving life insurance policies that have made premium payments throughout the period that is determined by the technical bases related to certified tariffs of saving life policies (this period is 3 years according to general conditions of life insurance). As at 31 December 2009, total amount of loans to the policyholders amounts to TL 418,585 (31 December 2008: TL 445,154).

*Financial investments with risks on saving life policyholders* are the financial assets invested against the savings of the life policyholders. Financial investments with risks on saving life policyholders could be classified as financial assets held for trading purpose, available for sale financial assets or held to maturity investments by considering the benefits of the policyholders and measured in accordance with the principles as explained above.

When such investments are classified as available-for-sale financial assets, 5% of the difference between the fair values and amortized costs, calculated by using effective interest method, of the financial assets is recorded under equity and the remaining 95% belonging to policyholders is recorded as 'insurance technical provisions-life mathematical provisions'. As at 31 December 2009, 95% of the difference between fair values and amortized costs of those assets backing liabilities amounted to TL 3,917,686 (31 December 2008: TL 1,243,749) is recorded in life mathematical provisions.

*Receivables from individual 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 individual 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.

# 77 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

### 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.

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-*Others*.

### 2.10 Derivative financial instruments

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

### 2.11 Offsetting of financial assets

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

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

### 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.



# 78 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

#### 2.13 Capital

As at 31 December 2009, 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 Eureka by %15.00 shares of the outstanding shares.

As at 31 December 2009 and 2008, the share capital and ownership structure of the Company are as follows:

Name	31 December 2009		31 December 2008	
	Nominal Value of the Shares (TL)	Percentage (%)	Nominal Value of the Shares (TL)	Percentage (%)
Türkiye Garanti Bankası AŞ	42,456,190	84.91	42,456,190	84.91
Eureka BV	7,500,000	15.00	7,500,000	15.00
Others	43,810	0.09	43,810	0.09
<b>Paid-in Capital</b>	<b>50,000,000</b>	<b>100.00</b>	<b>50,000,000</b>	<b>100.00</b>

Garantibank, previously having %99.91 of the outstanding shares of the Company, sold %15.00 of the Company shares with nominal value of TL 7,500,000 to Eureka 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 year

None.

#### Privileges on common shares representing share capital

None.

#### Registered capital system in the Company

None.

#### Repurchased own shares by the Company

None.

#### 2.14 Insurance and investment contracts-classification

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

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

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



# 79 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

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

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

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

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

### 2.16 Investment contracts without DPF

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

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

### 2.17 Liabilities

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

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

### 2.18 Income taxes

#### Corporate tax

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

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

# 80 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

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 2009, 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 the assets are recognized in the statement of income, then the related current and/or deferred tax effects are also recognized in the statement of income. On the other hand, if such gains/losses are recognized as an item under equity, then the related current and/or deferred tax effects are also recognized directly in the equity.

#### Transfer pricing

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

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

### 2.19 Employee benefits

#### Employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2009 is TL 2,365 (31 December 2008: TL 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 2009 and 2008 are as follows:

	31 December 2009	31 December 2008
Discount Rate	%5.92	%6.26
Expected Rate of Salary/Limit Increase	%4.80	%5.40
Estimated Employee Turnover Rate	%31.0	%31.0

#### 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.

# 81 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

### 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.

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

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

#### Interest income and expense

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

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

#### Trading income/expense

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

#### Dividends

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

# 82 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

#### Income from individual pension operations

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

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

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

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

#### 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

In accordance with the resolution taken in the Ordinary General Meeting held on 8 April 2009, net profit of 2008 amounted to TL 63,829,221 is decided to be transferred to retained earnings instead of distribution as dividend.

#### 2.24 Reserve for unearned premiums

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

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

# 83 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

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.

According to the 2009/9 Numbered Circular Related to Application of Technical Reserves issued on 27 March 2009 reserve for unearned premiums is calculated by taking into account that all policies become active at 12:00 at noon and end at 12:00 at noon.

### 2.25 Reserve for unexpired risks

In accordance with the Communiqué on Technical Reserves, in each accounting period, the companies while providing reserve for unearned premiums should perform adequacy test covering the preceding 12 months in regard with the probability of future claims and compensations of the outstanding policies will arise in excess of the reserve for unearned premiums already provided. In performing this test, it is required to multiply the reserve for unearned premiums, net with the expected claim/premium ratio. Expected claim/premium ratio is calculated by dividing incurred losses (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 2009 and 2008, related test have not resulted any deficiency in the premiums of the Company.

### 2.26 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 TL 2,108,507 (31 December 2008: TL 1,321,800).

In accordance with the Communiqué on Technical Reserves, insurance, reinsurance and individual 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 at 31 December 2009 and 2008, 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 at 31 December 2009 and 2008, actuarial chain ladder method does not result in additional provision for the Company.

# 84 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements  
and Related Disclosures and Footnotes

As at 31 December 2009

Originally Issued in Turkish, See Note 2.1.1

(Currency: Turkish Lira [TL])

### 2.27 Mathematical provisions

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

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

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

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

### 2.28 Equalization provision

According to "Communiqué on Technical Reserves", companies should book equalization provision for guarantees of loan and earthquakes in order to offset fluctuations in the rate of indemnification and to meet catastrophic risks in the accounting period.

In accordance with the Communiqué on Technical Reserves issued by the Turkish Treasury on 27 March 2009 numbered 2009/9, the insurance companies should recognize equalization provision for disability and death occurred because of an earthquake and tariffs that include additional guarantee in life and casualty branches. In accordance with the sector announcement released on 28 April 2009 and numbered 2009/14, the necessary statistical work related to the calculation of the equalization provision which is explained above will be ensured and the application will enter into force on 30 September 2009. In accordance with the sector announcement issued on 20 July 2009 numbered 2009/19 on "Calculation of the Earthquakes Premiums Included in the Death Guarantee Premiums", companies should segment their portfolios according to the earthquake zone while recognizing equalization provision. For the policyholders living in the first degree earthquake zone, 12.5% of the death premiums and for the policyholders living in the second degree earthquake zone, 10% of death premiums should be calculated as earthquake premiums. For the policyholders living in first and second degree earthquake zone, equalization provision is calculated as 12% of the amount of earthquake premiums after deducting payments related to un-proportional reinsurance contracts.

In accordance with the Communiqué on Technical Reserves, booking provisions should continue until reaching 150% of the highest net premium amount of the last five financial years. In case where claims incurred, the amounts below exemption limits as stated in the contracts and the share of the reinsurance firms can not be deducted from equalization provisions. Claims payments are deducted from first year's equalization provisions by first in first out method.

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

### 2.29 Related parties

For the purpose of the 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.



# 85 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

### 2.30 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.

### 2.31 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.

### 2.32 New standards and interpretations not yet adopted

There are a number of new standards, updates related to the existing standards and interpretations which are not adopted in the preparation of the accompanying financial statements and have not yet entered into force for the accounting period 31 December 2009. These new standards are not expected to have any impact on the financial statements of the Company, with the exception of IFRS 9-*Financial instruments*, which is not published yet by the Turkish Accounting Standards Board although it is already published by the International Accounting Standards Board.

IFRS 9-*Financial instruments*, is published by International Accounting Standards Board in October 2009 as a part of a wider project that aims to bring new regulations to replace IAS 39-*Financial Instruments: Recognition and Measurement*.

Developing a new standard for the financial reporting of financial assets that is principle-based and less complex is aimed by this project. The objective of IFRS 9, being the first phase of the project, is to establish principles for the financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of amounts, timing and uncertainty of the entity's future cash flows. With IFRS 9 an entity shall classify financial assets as subsequently measured at either amortized cost or fair value on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristic of the financial assets. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

An entity shall apply IFRS 9 for annually periods beginning on or after 1 January 2013. An earlier application is permitted. If an entity adopts this IFRS in its financial statements for a period beginning before 1 January 2012, then prior periods are not needed to be restated.



# 86 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

### 3 Critical accounting estimates and judgments in applying accounting policies

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

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

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

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

- Note 4.1-Management of insurance risk*
- Note 4.2-Financial risk management*
- Note 6-Tangible assets*
- Note 8-Intangible assets*
- Note 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 18-Investment contract liabilities*
- Note 18-Receivables from individual pension operations*
- Note 21-Deferred income taxes*
- Note 23-Provisions for other liabilities and charges*

### 4 Management of insurance and financial risk

#### 4.1 Management of insurance risk

##### Pricing policies

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

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

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

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

# 87 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

### As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

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

	31 December 2009		31 December 2008	
	Insurance risk (TL)	Number	Insurance risk (TL)	Number
Death	18,867,378,770	2,908,543	18,100,737,525	2,318,192
Disability due to accident	13,218,728,229	2,707,827	12,113,080,019	2,031,311
Disability due to illness	1,254,158,524	367,264	1,047,161,541	95,254
Treatment costs due to accident	501,315,164	24,298	178,079,570	10,052
Critical illness	527,062,440	343,099	546,775,263	283,333
Death due to accident	334,827,702	345,064	60,254,020	57,605
Involuntary unemployment	170,953,836	3,761	192,360,511	4,368
Daily hospital benefit	86,132,394	281,642	10,580,708	35,008
Unemployment/Daily hospital benefit	240	9	33,153,895	14,422

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

#### Risk evaluation policies

The Company uses leader reinsurer's medical risk evaluation tools in its risk assessment processes. Each year, the Company observes 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 medical 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 medical doctor through medical assessment. Applicants carrying medical risk factors are rejected in accordance with the terms of agreement with reinsurers.

#### Moral risk assessment

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

#### Financial risk assessment

In the third step of the risk assessment process, requirement for customers' request for the amount of life insurance limits and their annual income or the amount of the loans requested from the banks being equal to each other is analysed. 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 2009 by keeping the original ones.

# 88 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

#### Reinsurance policies

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

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

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

#### Reinsurance companies

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:

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

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

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

Münchener Rückversicherungs AG ("Munich Re"), located in Munich, is the leader reinsurance firm of the Company. 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 French based company SCOR VIE.

In unemployment insurance, the Company has engaged quota share reinsurance treaties with 100% reinsurance share ratio with Cardif Hayat Sigorta AŞ ("Cardif") starting from second quarter of 2008 and Lighthouse General Insurance Company Limited ("Lighthouse") starting from the second half of 2009.

# 89 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

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	A+	Stable	22 July 2009	A+	Stable	20 July 2008
Milli Re	trA+	-	23 September 2009	B++	Good	11 August 2009
Mapfre Re	AA	Stable	27 August 2009	A+	Negative	28 May 2009
Scor Vie	A-(Strong)	Stable	4 September 2009	A-	Positive	4 September 2009
Cardif	AA	Negative	25 January 2010	A+	Stable	30 May 2008
Lighthouse	A	Stable	22 December 2009	A	Stable	22 December 2009

## 4.2 Financial risk management

### Introduction and overview

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

- credit risk
- liquidity risk
- market risk

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

### Credit risk

Credit risk is basically defined as the possibility that a counterparty will fail to meet its obligations in accordance under agreed terms of a contract.

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

Financial assets subject to credit risk of the company mainly consist of government debt securities; time and demand deposits held in banks and financial institutions of Turkey. These receivables are not to be considered as having high credit risk.

# 90 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

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

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

	31 December 2009	31 December 2008
Receivables from main operations (Note 12)	1,378,821,904	922,512,830
Cash and cash equivalents (Note 14)	242,476,630	189,785,474
Financial assets and financial investments with risks on policyholders (Note 11)	80,983,845	64,529,492
Reinsurer share in provision for outstanding claims (Note 17)	9,847,331	336,796
Due from related parties (Note 12)	1,873,726	1,241,806
Non-current financial assets (Note 9)	263,221	263,221
Other receivables (Note 12)	30,815	24,379
Prepaid taxes and funds (Note 12)	411	474,782
<b>Total</b>	<b>1,714,297,883</b>	<b>1,179,168,780</b>

As at 31 December 2009 and 2008, the aging of the receivables from main operations is as follows:

	31 December 2009		31 December 2008	
	Gross Amount	Gross Amount	Gross Amount	Gross Amount
Not past due	1,374,881,276	-	920,535,494	-
Past due 0-30 days	2,673,335	-	1,138,115	-
Past due 31-60 days	966,518	-	521,571	-
Past due 61-180 days	369,005	(122,694)	309,611	(122,694)
Past due 180-365 days	168,308	(113,844)	150,995	(46,074)
More than one year (*)	46,428	(46,428)	49,356	(23,544)
<b>Total</b>	<b>1,379,104,870</b>	<b>(282,966)</b>	<b>922,705,142</b>	<b>(192,312)</b>

(\*) Provision for the impairment of entrance fees which could not be collected yet and other receivables related to the pension operations amounted to TL 122,694 (31 December 2008: TL 122,694), presented as netted off from receivables from individual pension operations in the accompanying financial statements.

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

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

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

	31 December 2009	31 December 2008
Provision for receivables from insurance and individual pension operations at the beginning of the year	(192,312)	(592,381)
Collections during the year (Note 47)	170,640	432,367
Provision for impairment during the year (Note 47)	(261,294)	(32,298)
<b>Provision for receivables from insurance and individual pension operations at the end of the year</b>	<b>(282,966)</b>	<b>(192,312)</b>

# 91 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

### 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.

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 2009	Carrying Value	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Cash and cash equivalents	242,477,049	221,186,166	21,290,883	-	-	-
Financial assets and financial investments with risks on policyholders	80,983,845	2,031,600	-	2,189,955	12,055,665	64,706,625
Receivables from main operations	1,378,821,904	15,703,032	15,391,298	12,773,914	8,757,169	1,326,196,491
Due from related parties	1,873,726	1,873,726	-	-	-	-
Prepaid taxes and funds	411	-	411	-	-	-
Other receivables	25,854	25,854	-	-	-	-
<b>Total monetary assets</b>	<b>1,704,182,789</b>	<b>240,820,378</b>	<b>36,682,592</b>	<b>14,963,869</b>	<b>20,812,834</b>	<b>1,390,903,116</b>
Financial liabilities	548,617	548,617	-	-	-	-
Payables arising from main operations	1,350,901,048	5,710,538	2,530,754	2,675,974	14,159,710	1,325,824,072
Due to related parties	3,809,866	3,809,866	-	-	-	-
Other liabilities	1,472,465	1,472,465	-	-	-	-
Insurance technical provisions (*)	10,504,893	4,998,111	1,551,049	739,412	475,479	2,740,842
Investment contract liabilities (**)	38,015,026	-	-	-	-	38,015,026
Provisions for taxes and other similar obligations	7,649,148	7,649,148	-	-	-	-
Provisions for other risks	1,335,314	367,725	810,954	-	-	156,635
<b>Total monetary liabilities</b>	<b>1,414,236,377</b>	<b>24,556,470</b>	<b>4,892,757</b>	<b>3,415,386</b>	<b>14,635,189</b>	<b>1,366,736,575</b>

# 92 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

31 December 2008	Carrying Value	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
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
<b>Total monetary assets</b>	<b>1,178,571,710</b>	<b>179,422,982</b>	<b>39,117,934</b>	<b>10,813,374</b>	<b>11,140,382</b>	<b>938,077,038</b>
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	2,638,513	2,166,732	226,262	-	127,400	118,119
<b>Total monetary liabilities</b>	<b>967,902,154</b>	<b>12,981,725</b>	<b>10,579,432</b>	<b>3,394,129</b>	<b>5,142,517</b>	<b>936,601,668</b>

(\*) Provisions for outstanding claims are presented within short-term assets in the accompanying financial statements.

(\*\*) Investment contracts including savings and profit sharing provisions for saving life products are presented in the long-term in the above table.

### 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.



# 93 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

### As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

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

31 December 2009	US Dollar	Euro	Other Currencies	Total
Cash and cash equivalents	2,311,930	1,797,453	-	4,109,383
Financial assets and financial investments with risks on policyholders	33,687,191	7,363,729	-	41,050,920
Receivables from main operations	1,811,495	148,886	19,846	1,980,227
<b>Foreign currency denominated assets</b>	<b>37,810,616</b>	<b>9,310,068</b>	<b>19,846</b>	<b>47,140,530</b>
Payables arising from main operations	100,591	32,726	6,330	139,647
Insurance technical provisions	2,339,852	747,325	28,265	3,115,442
Investment contract liabilities	32,516,848	5,498,178	-	38,015,026
<b>Foreign currency denominated liabilities</b>	<b>34,957,291</b>	<b>6,278,229</b>	<b>34,595</b>	<b>41,270,115</b>
<b>Net on-balance sheet position</b>	<b>2,853,325</b>	<b>3,031,839</b>	<b>(14,749)</b>	<b>5,870,415</b>
<b>31 December 2008</b>	<b>US Dollar</b>	<b>Euro</b>	<b>Other Currencies</b>	<b>Total</b>
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
<b>Foreign currency denominated assets</b>	<b>40,701,406</b>	<b>8,525,391</b>	<b>15,116</b>	<b>49,241,913</b>
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	32,243,355	5,794,085	-	38,037,440
<b>Foreign currency denominated liabilities</b>	<b>35,349,279</b>	<b>6,726,956</b>	<b>19,364</b>	<b>42,095,599</b>
<b>Net on-balance sheet position</b>	<b>5,352,127</b>	<b>1,798,435</b>	<b>(4,248)</b>	<b>7,146,314</b>

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

Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are measured as TL at the purchasing exchange rates announced by the Central Bank of Turkey ruling at 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 2009	US Dollar	Euro
Foreign currency rate used in translation of balance sheet items	1.5057	2.1603
Foreign currency rates used in calculation of life mathematical provision and loans to the policyholders	1.5113	2.1740
<b>31 December 2008</b>	<b>US Dollar</b>	<b>Euro</b>
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

# 94 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

#### Exposure to currency risk

A 10 percent devaluation of the TL against the following currencies as at 31 December 2009 and 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 revaluation of the TL against the following currencies, the effect will be in opposite direction.

	31 December 2009		31 December 2008	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	252,947	285,333	519,122	535,212
Euro	287,900	303,184	195,600	179,844
Others	(1,475)	(1,475)	(425)	(425)
<b>Total, net</b>	<b>539,372</b>	<b>587,042</b>	<b>714,297</b>	<b>714,631</b>

(\*) Equity effect also includes profit or loss effect of 10% devaluation of TL 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. The principle risk to trading portfolios are exposed is the risk of fluctuations in the fair values of financial instruments because of a change in market interest rate. 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 2009	31 December 2008
<b>Fixed income financial assets:</b>		
<i>Financial assets with fixed interest rates:</i>		
Cash at banks (Note 14)	235,529,527	185,463,409
Financial investments with risks on policyholders-Available for sale financial assets-Eurobonds (Note 11)	37,700,340	38,631,459
Available for sales financial assets-Government bonds (Not 11)	8,300,434	-
Financial assets held for trading purpose-Government bonds (Note 11)	29,183,652	9,410,399
Financial assets held for trading purpose-Treasury bills (Note 11)	417,239	25,319
Loans to the policyholders (Note 12)	418,585	445,154
<i>Financial assets with variable interest rates:</i>		
Financial investments with risks on policyholders-Available for sale financial assets-Foreign currency denominated domestically issued debt securities (Note 11)	3,350,580	3,420,479
<b>Non-fixed income financial assets:</b>		
Financial investments with risks on policyholders-Available for sale financial assets-Investment funds (Note 11)	-	3,548
Financial assets held for trading purpose-Investment funds (Note 11)	2,031,600	13,038,288
<b>Financial liabilities:</b>	<b>None</b>	<b>None</b>

# 95 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

### As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

#### 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 2009 and 2008 of the floating rate non-trading financial assets and financial liabilities held at 31 December 2009 and 2008. Interest rate sensitivity of equity is calculated by revaluing available-for-sale financial assets at 31 December 2009 and 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. The table below demonstrating the effect of changes in interest rates on statement of income and equity excludes tax effects on related loss or income.

31 December 2009	Statement of income		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets held for trading purpose	(359,967)	368,045	(359,967)	368,045
Financial assets held for trading purpose	-	-	(79,173)	84,604
Available for sale financial assets	-	-	(196,217)	204,204
<b>Total, net</b>	<b>(359,967)</b>	<b>368,045</b>	<b>(635,357)</b>	<b>656,853</b>

31 December 2008	Statement of income		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
<b>Total, net</b>	<b>(35,193)</b>	<b>35,637</b>	<b>(105,599)</b>	<b>111,438</b>

(\*) Equity effect also includes the effect of changes in interest rates on profit or loss.

#### Fair value information

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

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

#### Classification relevant to fair value information

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

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

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

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

# 96 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

Classification requires using observable market data if possible.

	31 December 2009			
	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Available for sale financial assets (Note 11)	8,300,434	-	-	8,300,434
Financial assets held for trading (Note 11)	31,632,491	-	-	31,632,491
Financial investments with risks on policyholders classified as available for sale (Note 11)	41,050,920	-	-	41,050,920
Receivables from individual pension business-receivables from clearing house on behalf of the participants (Note 18)	1,326,196,491	-	-	1,326,196,491
<b>Total financial assets</b>	<b>1,407,180,336</b>	<b>-</b>	<b>-</b>	<b>1,407,180,336</b>

<b>Financial liabilities:</b>				
Payables arising from individual pension business-payables to participants (Note 18)	1,325,824,072	-	-	1,325,824,072
Payables arising from individual pension business-other payables	372,419	-	-	372,419
Investment contract liabilities-life mathematical provision for saving life policies (Note 18)	38,015,026	-	-	38,015,026
<b>Total financial liabilities</b>	<b>1,364,211,517</b>	<b>-</b>	<b>-</b>	<b>1,364,211,517</b>

	31 December 2008			
	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Financial assets held for trading (Note 11)	22,474,006	-	-	22,474,006
Financial investments with risks on policyholders classified as available for sale (Note 11)	42,055,486	-	-	42,055,486
Receivables from individual pension business-receivables from clearing house on behalf of the participants (Note 18)	897,774,043	-	-	897,774,043
<b>Total financial assets</b>	<b>962,303,535</b>	<b>-</b>	<b>-</b>	<b>962,303,535</b>

<b>Financial liabilities:</b>				
Payables arising from individual pension business-payables to participants (Note 18)	897,774,043	-	-	897,774,043
Investment contract liabilities-life mathematical provision for saving life policies (Note 18)	38,037,440	-	-	38,037,440
<b>Total financial liabilities</b>	<b>935,811,483</b>	<b>-</b>	<b>-</b>	<b>935,811,483</b>

### 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.

In accordance with the "Circular regarding the measurement and assessment of capital adequacy of insurance, reinsurance and individual pension companies" issued by the Turkish Treasury on 19 January 2008 dated and 26761 numbered Official Gazette, the Company has measured its minimum capital requirement as at 31 December 2009 amounted to TL 58,608,148 (31 December 2008: TL 27,637,173). As at 31 December 2009 and 2008, the Company's total equity in its statutory financial statements amounted to TL 229,610,315 and TL 154,034,455 which are above the minimum capital requirement amount.

# 97 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

### Gains and losses from financial instruments

<i>Financial gains and losses recognized in the statement of income</i>	<b>31 December 2009</b>	<b>31 December 2008</b>
Interest income from bank deposits	23,995,379	29,042,008
Gains from trading of debt securities	6,219,863	1,510,862
Interest income from debt securities	1,965,985	2,109,883
Income from investment funds	1,005,006	265,312
Changes in fair values of financial assets held for trading purpose (Note 11)	232,157	1,362,449
Interest income from loans to the policyholders	36,750	23,489
Foreign exchange gains	-	10,691,048
Unrealized gains transferred from equity to profit or loss due to disposal of available for sale financial assets backing investment contracts (Note 15)	-	30,661
<b>Financial gains</b>	<b>33,455,140</b>	<b>45,035,712</b>
Foreign exchange losses	(378,775)	-
Losses from trading of debt securities	(227,089)	(38,153)
Unrealized losses transferred from equity to profit or loss due to disposal of available for sale financial assets backing investment contracts (Note 15)	(96,252)	-
Changes in fair values of financial assets held for trading purpose (Note 11)	-	(12)
<b>Financial losses</b>	<b>(702,116)</b>	<b>(38,165)</b>
<b>Financial gains and losses recognized in the statement of income, net</b>	<b>32,753,024</b>	<b>44,997,547</b>
<i>Financial gains and losses recognized in equity</i>	<b>31 December 2009</b>	<b>31 December 2008</b>
Change in unrealized gains and losses due to changes in the fair values of available for sale financial assets backing investment contracts (Note 11), (Note 15)	3,117,826	(1,710,982)
Unrealized gains and losses transferred from equity to profit or loss due to disposal of available for sale financial assets backing investment contracts (Note 15)	96,252	(30,661)
Change in unrealized gains and losses due to changes in fair values of available for sale financial assets included in the Company's own portfolio (Note 15)	(17,966)	-
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 investment contracts (Note 15)	(552)	19,925
<b>Financial gains and losses recognized in equity, net</b>	<b>3,195,560</b>	<b>(1,721,718)</b>

### 5 Segment reporting

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

#### Geographical segment reporting

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

# 98 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

#### Operating segments

31 December 2009	Life	Non-Life	Individual Pension	Undistributed	Total
Written premiums, gross	181,094,232	1,561	-	-	181,095,793
Written premiums, ceded	(64,412,006)	-	-	-	(64,412,006)
Fees and commissions income	22,464,828	-	53,933,782	-	76,398,610
Change in reserve for unearned premiums, net	(3,277,064)	2,849	-	-	(3,274,215)
Claims paid, gross	(28,896,982)	(12,820)	-	-	(28,909,802)
Claims paid, ceded	5,486,261	-	-	-	5,486,261
Change in insurance contract liabilities, gross	(11,108,620)	3,132	-	-	(11,105,488)
Change in insurance contract liabilities, ceded	9,510,535	-	-	-	9,510,535
Change in investment contract liabilities (Note 30)	2,696,351	-	-	-	2,696,351
Fund management fees	-	-	(5,385,405)	-	(5,385,405)
Commission expenses (Note 32)	(31,580,940)	(393)	(10,806,534)	-	(42,387,867)
Investment income	6,698,571	-	-	26,355,107	33,053,678
Investment expenses	-	-	-	(5,754,266)	(5,754,266)
Other income/expense	(33,349,391)	(2,584)	(18,996,840)	(764,478)	(53,113,293)
<b>Profit before taxes</b>	<b>55,325,775</b>	<b>(8,255)</b>	<b>18,745,003</b>	<b>19,836,363</b>	<b>93,898,886</b>
Corporate tax provision	-	-	-	(18,722,731)	(18,722,731)
<b>Net profit for the year</b>	<b>55,325,775</b>	<b>(8,255)</b>	<b>18,745,003</b>	<b>1,113,632</b>	<b>75,176,155</b>
<b>Other segment information:</b>					
Depreciation expenses (Note 6)	-	-	-	(1,097,406)	(1,097,406)
Amortization expenses (Note 8)	-	-	-	(4,272,144)	(4,272,144)
Provision expenses for doubtful receivables (Note 47)	(90,654)	-	-	-	(90,654)

# 99 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

31 December 2008	Life	Non-Life	Individual 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	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)
<b>Profit before taxes</b>	<b>39,046,619</b>	<b>(14,618)</b>	<b>10,730,403</b>	<b>30,516,688</b>	<b>80,279,092</b>
Corporate tax provision	-	-	-	(16,449,871)	(16,449,871)
<b>Net profit for the period</b>	<b>39,046,619</b>	<b>(14,618)</b>	<b>10,730,403</b>	<b>14,066,817</b>	<b>63,829,221</b>
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



# 100 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

The Company's segment assets and liabilities and capital expenditures as at 31 December 2009 and 2008 are as follows:

31 December 2009	Life	Non-Life	Individual Pension	Undistributed	Total
Associates	-	-	263,221	-	263,221
Receivables from main operations	46,661,722	-	1,332,160,182	-	1,378,821,904
Tangible and intangible assets	-	-	-	11,550,057	11,550,057
Deferred acquisition costs	24,830,382	49	-	-	24,830,431
Other assets	41,050,920	-	-	284,519,452	325,570,372
<b>Total assets</b>	<b>112,543,024</b>	<b>49</b>	<b>1,332,423,403</b>	<b>296,069,509</b>	<b>1,741,035,985</b>
Insurance contract liabilities	90,341,624	419	-	-	90,342,043
Investment contract liabilities	38,015,026	-	-	-	38,015,026
Other liabilities	23,655,623	-	1,327,245,424	32,167,554	1,383,068,601
Equity	-	-	-	229,610,315	229,610,315
<b>Total liabilities and equity</b>	<b>152,012,273</b>	<b>419</b>	<b>1,327,245,424</b>	<b>261,777,869</b>	<b>1,741,035,985</b>
Capital expenditures (Note 6,8)	-	-	-	7,955,850	7,955,850
<b>31 December 2008</b>	<b>Life</b>	<b>Non-Life</b>	<b>Individual Pension</b>	<b>Undistributed</b>	<b>Total</b>
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
<b>Total assets</b>	<b>78,676,530</b>	<b>81</b>	<b>902,613,401</b>	<b>223,239,001</b>	<b>1,204,529,013</b>
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
<b>Total liabilities and equity</b>	<b>132,027,077</b>	<b>6,400</b>	<b>899,214,493</b>	<b>173,281,043</b>	<b>1,204,529,013</b>
Capital expenditures (Note 6,8)	-	-	-	6,214,655	6,214,655

# 101 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

### 6 Tangible assets

Movement in tangible assets in the period from 1 January to 31 December 2009 is presented below:

	1 January 2009	Additions	Disposals	31 December 2009
<b>Cost:</b>				
Furniture and fixtures	5,058,814	1,593,389	393,866	6,258,337
Other tangible assets (inc. leasehold improvements)	1,730,583	38,135	-	1,768,718
Tangible assets acquired through finance leasing	168,464	-	-	168,464
	<b>6,957,861</b>	<b>1,631,524</b>	<b>393,866</b>	<b>8,195,519</b>
<b>Accumulated depreciation:</b>				
Furniture and fixtures	3,108,404	902,256	390,490	3,620,170
Other tangible assets (inc. leasehold improvements)	1,325,327	153,034	-	1,478,361
Tangible assets acquired through finance leasing	91,252	42,116	-	133,368
	<b>4,524,983</b>	<b>1,097,406</b>	<b>390,490</b>	<b>5,231,899</b>
<b>Net book value</b>	<b>2,432,878</b>			<b>2,963,620</b>

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
<b>Cost:</b>				
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
	<b>6,287,885</b>	<b>1,231,898</b>	<b>561,922</b>	<b>6,957,861</b>
<b>Accumulated depreciation:</b>				
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
	<b>3,919,559</b>	<b>1,153,160</b>	<b>547,736</b>	<b>4,524,983</b>
<b>Net book value</b>	<b>2,368,326</b>			<b>2,432,878</b>

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

There are no finance lease re-payments during the year (31 December 2008: TL 716).

### 7 Investment properties

None.

# 102 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

#### 8 Intangible assets

Movement in intangible assets in the period from 1 January to 31 December 2009 is presented below:

	1 January 2009	Additions	Disposals	31 December 2009
<b>Cost:</b>				
Other intangible assets	16,827,344	6,324,326	-	23,151,670
	16,827,344	6,324,326	-	23,151,670
<b>Accumulated amortization:</b>				
Other intangible asset	10,293,089	4,272,144	-	14,565,233
	10,293,089	4,272,144	-	14,565,233
<b>Net book value</b>	<b>6,534,255</b>			<b>8,586,437</b>

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
<b>Cost:</b>				
Other intangible assets	11,844,587	4,982,757	-	16,827,344
	11,844,587	4,982,757	-	16,827,344
<b>Accumulated amortization:</b>				
Other intangible asset	7,673,051	2,620,038	-	10,293,089
	7,673,051	2,620,038	-	10,293,089
<b>Net book value</b>	<b>4,171,536</b>			<b>6,534,255</b>

#### 9 Investments in associates

	31 December 2009		31 December 2008	
	Carrying value	Participation rate %	Carrying value	Participation rate %
Emeklilik Gözetim Merkezi	263,221	7.69	263,221	9.09
<b>Investments in associates, net</b>	<b>263,221</b>		<b>263,221</b>	

Title	Total Asset	Total Equity	Retained earnings	Profit for the year	Audited	Period
Emeklilik Gözetim Merkezi	6,097,858	4,279,306	-	39,539	No	31 December 2009

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

# 103 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

### 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 2009	31 December 2008
Reserve for unearned premiums, ceded (Note 17)	32,936,852	10,095,172
Provision for outstanding claims, ceded (Note 17)	9,847,331	336,796
Receivables from reinsurers (Note 12)	620,247	1,312,386
<b>Total</b>	<b>43,404,430</b>	<b>11,744,354</b>

There is not any impairment losses recognized for reinsurance assets.

Reinsurance liabilities	31 December 2009	31 December 2008
Deferred commission income (Note 19)	15,930,946	3,739,685
Payables to the reinsurers related to premiums written (Note 19)	12,780,028	4,838,582
<b>Total</b>	<b>28,710,974</b>	<b>8,578,267</b>

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

	31 December 2009	31 December 2008
Premiums ceded during the period (Note 17)	(64,412,006)	(14,865,776)
Reserve for unearned premiums, ceded at the beginning of the period (Note 17)	(10,095,172)	(1,513,472)
Reserve for unearned premiums, ceded at the end of the period (Note 17)	32,936,852	10,095,172
<b>Premiums earned, ceded (Note 17)</b>	<b>(41,570,326)</b>	<b>(6,284,076)</b>
Claims paid, ceded during the period (Note 17)	5,486,261	554,371
Provision for outstanding claims, ceded at the beginning of the period (Note 17)	(336,796)	(140,093)
Provision for outstanding claims, ceded at the end of the period (Note 17)	9,847,331	336,796
<b>Claims incurred, ceded (Note 17)</b>	<b>14,996,796</b>	<b>751,074</b>
Commission income accrued from reinsurers during period (Note 32)	31,324,847	6,831,552
Deferred commission income at the beginning of the period (Note 19)	3,739,685	-
Deferred commission income at the end of the period (Note 19), (Note 32)	(15,930,946)	(3,739,685)
<b>Commission income earned from reinsurers (Note 32)</b>	<b>19,133,586</b>	<b>3,091,867</b>
<b>Profit commissions at the end of the period (Note 32)</b>	<b>3,331,242</b>	<b>-</b>
<b>Total, net</b>	<b>(4,108,702)</b>	<b>(2,441,135)</b>

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

# 104 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

#### 11 Financial assets

As at 31 December 2009 and 2008, the Company's financial assets are detailed as follows:

Financial assets and financial investments with risk on policyholders	31 December 2009	31 December 2008
Available for sale financial assets, Company's own portfolio	8,300,434	-
Financial assets held for trading purpose	31,632,491	22,474,006
Financial investments with risks on saving life policyholders classified as available for sale	41,050,920	42,055,486
<b>Total</b>	<b>80,983,845</b>	<b>64,529,492</b>

As at 31 December 2009 and 2008, the Company's financial assets held for trading are detailed as follows:

	31 December 2009			
	Face Value	Cost	Fair Value	Carrying Value
<i>Debt instruments:</i>				
Government bonds-TL	32,652,000	28,992,612	29,183,652	29,183,652
Treasury bills-TL	435,000	407,734	417,239	417,239
		<b>29,400,346</b>	<b>29,600,891</b>	<b>29,600,891</b>
<i>Equity shares and other non-fixed income financial assets:</i>				
Investment funds		2,000,000	2,031,600	2,031,600
		<b>2,000,000</b>	<b>2,031,600</b>	<b>2,031,600</b>
<b>Total financial assets held for trading purpose</b>		<b>31,400,346</b>	<b>31,632,491</b>	<b>31,632,491</b>
	31 December 2008			
	Face Value	Cost	Fair Value	Carrying Value
<i>Debt instruments:</i>				
Government bonds-TL	10,072,000	8,293,657	9,410,399	9,410,399
Treasury bills-TL	25,470	23,339	25,319	25,319
		<b>8,316,996</b>	<b>9,435,718</b>	<b>9,435,718</b>
<i>Equity shares and other non-fixed income financial assets:</i>				
Investment funds		12,793,570	13,038,288	13,038,288
		<b>12,793,570</b>	<b>13,038,288</b>	<b>13,038,288</b>
<b>Total financial assets held for trading</b>		<b>21,110,566</b>	<b>22,474,006</b>	<b>22,474,006</b>

As at 31 December 2009, the Company's Available for sale financial assets in its own portfolio are detailed as follows:

	31 December 2009			
	Face Value	Cost	Fair Value	Carrying Value
<i>Debt instruments:</i>				
Government bonds-TL	7,413,200	8,050,787	8,300,434	8,300,434
<b>Total available for sale financial assets</b>		<b>8,050,787</b>	<b>8,300,434</b>	<b>8,300,434</b>

# 105 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

Financial investments with risks on saving life policyholders ("FIRSLP") as at 31 December 2009 and 2008 are detailed as follows:

	31 December 2009			
	Face value	Cost	Fair value	Carrying value
<i>Debt Instruments:</i>				
Eurobonds issued by The Turkish Government	31,397,496	30,128,632	37,700,340	37,700,340
Government bonds-FC	3,303,886	2,878,945	3,350,580	3,350,580
<b>Total available for sale financial assets</b>		<b>33,007,577</b>	<b>41,050,920</b>	<b>41,050,920</b>
<b>Financial investments with risks on saving life policyholders</b>		<b>33,007,577</b>	<b>41,050,920</b>	<b>41,050,920</b>
	31 December 2008			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
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
<b>Total available for sale financial assets</b>	<b>38,251,328</b>	<b>36,231,069</b>	<b>42,051,938</b>	<b>42,051,938</b>
<i>Equity shares and other non-fixed income financial assets:</i>				
Investment funds		2,917	3,548	3,548
		<b>2,917</b>	<b>3,548</b>	<b>3,548</b>
<b>Total available for sale financial assets</b>		<b>36,233,986</b>	<b>42,055,486</b>	<b>42,055,486</b>
<b>Financial investments with risks on saving life policyholders</b>	<b>36,233,986</b>	<b>42,055,486</b>	<b>42,055,486</b>	

All debt instruments presented above are traded in active markets.

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 (including tax effects):

Year	Change in value increase/(decrease)	Total increase/ (decrease) in value
2009	399,705	402,380
2008	(126,837)	2,675
2007	(321,424)	129,512

Financial assets issued by related parties of the Company's:

As at 31 December 2009, investment funds having a carrying value of TL 2,031,600 (31 December 2008: TL 13,038,288), classified as financial assets held for trading purpose, are the mutual funds established by Garantibank.

# 106 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

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

	31 December 2009			
	Financial assets held for trading	Available for sale financial assets	FIRSLP	Total
<b>Balance at the beginning of the period</b>	<b>22,474,006</b>	-	<b>42,055,486</b>	<b>64,529,492</b>
Unrealized exchange differences on the financial assets	-	-	(81,460)	(81,460)
Acquisitions during the period	31,399,299	8,034,952	-	39,434,251
Disposals (either sold or settled)	(22,472,971)	-	(3,611,172)	(26,084,143)
Change in the fair value of financial assets (Note 4.2)	232,157	(17,966)	3,117,826	3,332,017
Change in amortised costs of the financial assets	-	283,448	(429,760)	(146,312)
<b>Balance at the end of the period</b>	<b>31,632,491</b>	<b>8,300,434</b>	<b>41,050,920</b>	<b>80,983,845</b>

	31 December 2008		
	Financial assets held for trading	FIRLIP	Total
<b>Balance at the beginning of the period</b>	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
<b>Balance at the end of the period</b>	<b>22,474,006</b>	<b>42,055,486</b>	<b>64,529,492</b>

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

	31 December 2009			
	Face Value	Cost	Fair Value	Carrying Value
Financial investments with risks on saving life policyholders-Debt securities (Note 17)	34,701,382	33,007,577	41,050,920	41,050,920
Available for sale financial assets (Note 17)	7,413,200	8,050,787	8,300,434	8,300,434
<b>Total</b>		<b>41,058,364</b>	<b>49,351,354</b>	<b>49,351,354</b>

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



# 107 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

### 12 Loans and receivables

	31 December 2009	31 December 2008
Receivables from main operations (Note 4.2)	1,378,821,904	922,512,830
Due from related parties (Note 4.2), (Note 45)	1,873,726	1,241,806
Other receivables (Note 4.2)	25,854	19,418
Prepaid taxes and funds (Note 4.2)	411	474,782
<b>Total</b>	<b>1,380,721,895</b>	<b>924,248,836</b>
Short-term receivables	1,380,721,895	924,248,836
Long-term receivables	-	-
<b>Total</b>	<b>1,380,721,895</b>	<b>924,248,836</b>

As at 31 December 2009 and 2008, receivables from main operations are detailed as follows:

	31 December 2009	31 December 2008
Receivables from policyholders	45,783,162	18,474,728
Receivables from reinsurance companies (Note 10)	620,247	1,312,386
Provisions for doubtful receivables from policyholders (Note 4.2)	(160,272)	(69,618)
<b>Total receivables from insurance operations, net</b>	<b>46,243,137</b>	<b>19,717,496</b>
Loans to the policyholders (Note 4.2)	418,585	445,154
Receivables from individual pension operations (Note 18)	1,332,282,876	902,472,874
Provision for receivables from individual pension operations (Note 4.2), (Note 18)	(122,694)	(122,694)
<b>Receivables from main operations, net</b>	<b>1,378,821,904</b>	<b>922,512,830</b>

Mortgages and collaterals obtained for receivables are disclosed as follows:

	31 December 2009	31 December 2008
Letters of guarantees	202,920	29,320
<b>Total</b>	<b>202,920</b>	<b>29,320</b>

### Provision for both overdue receivables and receivables not due yet

- Receivables under legal or administrative follow up (due): None. (31 December 2008: None)
- Provision for premium receivables (due): TL 160,272 (31 December 2008: TL 69,618).
- Provision for impairment of receivables from entrance fees: TL 122,694 (31 December 2008: TL 122,694)

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.

# 108 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

#### 14 Cash and cash equivalents

As at 31 December 2009 and 2008, cash and cash equivalents are as follows:

	31 December 2009		31 December 2008	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	419	2,947	2,947	1,511
Bank deposits	236,431,118	186,148,495	186,148,495	134,958,081
Other cash and cash equivalents	6,045,512	3,636,979	3,636,979	1,577,923
<b>Cash and cash equivalents in the balance sheet</b>	<b>242,477,049</b>	<b>189,788,421</b>	<b>189,788,421</b>	<b>136,537,515</b>
Interest accruals on bank deposits	(1,078,780)	(1,108,020)	(1,108,020)	(465,048)
Bank deposits-blocked (Note 17)	(44,672,200)	(51,690,147)	(51,690,147)	(40,417,342)
<b>Cash and cash equivalents presented in the statement of cash flows</b>	<b>196,726,069</b>	<b>136,990,254</b>	<b>136,990,254</b>	<b>95,655,125</b>

As at 31 December 2009 and 2008, bank deposits are further analyzed as follows:

	31 December 2009	31 December 2008
Foreign currency denominated bank deposits		
-time deposits	4,108,652	4,141,041
-demand deposits	731	18,535
Bank deposits in Turkish Lira		
-time deposits	231,420,875	181,322,368
-demand deposits	900,860	666,551
<b>Cash at banks</b>	<b>236,431,118</b>	<b>186,148,495</b>

As at 31 December 2009, cash collateral kept at banks in favour of the Turkish Treasury against insurance operations amounted to TL 44,672,200 (31 December 2008: TL 51,690,147) (Note 17).

As at 31 December 2009 and 2008, other cash and cash equivalents are further analyzed as follows:

	31 December 2009	31 December 2008
Receivables from credit card collections	6,045,512	3,636,979
<b>Other cash and cash equivalents</b>	<b>6,045,512</b>	<b>3,636,979</b>

#### 15 Equity

##### Paid in Capital

As at 31 December 2009 and 2008, the authorized nominal share capital of the Company is TL 50,000,000 and the share capital of the Company consists of 5.000.000.000 issued shares with TL 0.01 nominal value each.

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

There are not any privileged shares of the Company.

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

The shareholder having direct or indirect control over the shares of the Company is Garantibank, having 84.91% of the outstanding shares. Another party which have significant influence over the operations of the Company is Netherland basis company Eureka having 15% of outstanding shares.

# 109 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

As a result of Board of Directors Meeting held on 21 June 2007, the main shareholder of the Company, Garantibank sold its 15% shares in the Company representing TL 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. Eureko is not obliged to buy these shares; however Garantibank is responsible for selling the shares in the case of Eureko's request of purchase. 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. Eureko is not obliged to sell these shares, however Garantibank is responsible for buying the shares in the case of Eureko's request of selling. 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.

	31 December 2009	31 December 2008
Legal reserves at the beginning of the period	1,827,274	-
Distribution of profit for the year (Note 38)	3,191,461	1,827,274
<b>Legal reserves at the end of the period</b>	<b>5,018,735</b>	<b>1,827,274</b>

### Extraordinary Reserves

	31 December 2009	31 December 2008
Extraordinary reserves at the beginning of the period	34,718,222	-
Distribution of profit for the year (Note 38)	61,210,378	34,718,222
<b>Extraordinary reserves at the end of the period</b>	<b>95,928,600</b>	<b>34,718,222</b>

# 110 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

#### Revaluation of financial assets

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

	31 December 2009	31 December 2008
Fair value reserves at the beginning of the period	2,675	129,512
<b>Changes during the period:</b>		
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 investment contracts (Note 4.2)	(552)	19,925
Change in unrealized gains and losses due to changes in the fair values of available for sale financial assets backing investment contracts (Note 4.2), (Note 11)	3,117,826	(1,710,982)
Change in unrealized gains and losses due to changes in the fair values of available for sale financial assets backing investment contracts, policyholders' portion	(2,704,798)	1,566,422
Change in unrealized gains and losses from available for sale financial assets, company's own portfolio (Note 4.2)	(17,966)	-
Deferred and corporate tax effect	(43,503)	(669)
<b>Disposals during the period:</b>		
Unrealized gains and losses transferred from equity to statement of income due to disposal of available for sale financial assets backing investment contracts (Note 4.2)	96,252	(30,661)
Unrealized gains and losses transferred from equity to statement of income due to disposal of available for sale financial assets backing investment contracts, policyholders' portion	(35,379)	29,128
Deferred and corporate tax effect	(12,175)	-
<b>Fair value reserves at the end of the period</b>	<b>402,380</b>	<b>2,675</b>

#### 16 Other reserves and equity component of DPF

As at 31 December 2009, 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 above in Note 15.

# 111 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

### As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

#### 17 Insurance contract liabilities and reinsurance assets

As at 31 December 2009 and 2008, provisions for technical reserves of the Company are disclosed as follows:

	31 December 2009	31 December 2008
Reserve for unearned premiums, gross	79,734,476	53,618,581
Reserve for unearned premiums, ceded (Note 10)	(32,936,852)	(10,095,172)
<b>Reserves for unearned premiums, net</b>	<b>46,797,624</b>	<b>43,523,409</b>
Provision for outstanding claims, gross	20,352,224	7,754,269
Provision for outstanding claims, ceded (Note 10)	(9,847,331)	(336,796)
<b>Provision for outstanding claims, net</b>	<b>10,504,893</b>	<b>7,417,473</b>
<b>Provision for bonus and discounts to the policyholders, net</b>	<b>7,880</b>	<b>3,240</b>
<b>Life mathematical provisions</b>	<b>31,831,853</b>	<b>34,528,753</b>
<b>Equalization provision, net</b>	<b>1,199,793</b>	<b>-</b>
<b>Total insurance technical provisions, net</b>	<b>90,342,043</b>	<b>85,472,875</b>
Short-term	57,310,397	50,944,122
Medium and long-term	33,031,646	34,528,753
<b>Total insurance technical provisions, net</b>	<b>90,342,043</b>	<b>85,472,875</b>

As at 31 December 2009 and 2008, movements of the insurance liabilities and related reinsurance assets are presented below:

	31 December 2009		
Reserve for unearned premiums	Gross	Ceded	Net
Reserve for unearned premiums at the beginning of the period	53,618,581	(10,095,172)	43,523,409
Premiums written during the period	181,095,793	(64,412,006)	116,683,787
Premiums earned during the period	(154,979,898)	41,570,326	(113,409,572)
<b>Reserve for unearned premiums at the end of the period</b>	<b>79,734,476</b>	<b>(32,936,852)</b>	<b>46,797,624</b>
	31 December 2008		
Reserve for unearned premiums	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	123,543,771	(14,865,776)	108,677,995
Premiums earned during the period	(96,783,203)	6,284,076	(90,499,127)
<b>Reserve for unearned premiums at the end of the period</b>	<b>53,618,581</b>	<b>(10,095,172)</b>	<b>43,523,409</b>

(\*) As further explained in Note 2.24, deferred commission income at the beginning of the period 31 December 2008 amounting to TL 156,451 (Note 10) and deferred commission expenses amounting to TL 8,989,993 are presented as netted off from reserve for unearned premiums. As at 31 December 2009 and 2008, there is not any deferred commission income and deferred commission expense for the policies produced before 1 January 2008.

# 112 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

<b>31 December 2009</b>			
<b>Provision for outstanding claims</b>	<b>Gross</b>	<b>Ceded</b>	<b>Net</b>
Provision for outstanding claims at the beginning of the period	7,754,269	(336,796)	7,417,473
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	41,507,757	(14,996,796)	26,510,961
Claims paid during the period	(28,909,802)	5,486,261	(23,423,541)
<b>Provision for outstanding claims at the end of the period</b>	<b>20,352,224</b>	<b>(9,847,331)</b>	<b>10,504,893</b>
<b>31 December 2008</b>			
<b>Provision for outstanding claims</b>	<b>Gross</b>	<b>Ceded</b>	<b>Net</b>
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)
<b>Provision for outstanding claims at the end of the period</b>	<b>7,754,269</b>	<b>(336,796)</b>	<b>7,417,473</b>

#### Claim development tables

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

<b>31 December 2009</b>							
<b>Accident year</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>Total</b>
Accident year	2,321,202	4,323,665	11,544,198	14,477,124	16,846,172	30,830,143	80,342,504
1 year later	2,556,612	4,293,833	11,424,830	14,908,660	18,238,738	-	51,422,673
2 years later	2,583,196	4,319,655	11,509,051	14,719,359	-	-	33,131,261
3 years later	2,554,846	4,315,405	11,957,147	-	-	-	18,827,398
4 years later	2,558,846	4,315,405	-	-	-	-	6,874,251
5 years later	2,563,578	-	-	-	-	-	2,563,578
Current estimate of cumulative claims	2,563,578	4,315,405	11,957,147	14,719,359	18,238,738	30,830,143	82,624,370
Cumulative payments up to date	2,514,373	4,286,241	11,505,918	14,015,501	15,304,418	14,831,690	62,458,141
Liability recognized in balance sheet	49,205	29,164	451,229	703,858	2,934,320	15,998,453	20,166,229
Provisions before 2004	185,995	-	-	-	-	-	-
<b>Total provision for outstanding claims, gross in the financial statements</b>							<b>20,352,224</b>

# 113 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

### 31 December 2009

Accident year	2004	2005	2006	2007	2008	2009	Total
Accident year	2,215,156	4,211,522	9,994,808	13,933,763	16,209,890	16,317,157	62,882,296
1 year later	2,392,102	4,172,785	9,906,691	14,285,669	17,269,027	-	48,026,274
2 years later	2,437,997	4,200,411	9,973,187	14,020,686	-	-	30,632,281
3 years later	2,410,742	4,196,161	10,067,946	-	-	-	16,674,849
4 years later	2,414,742	4,227,140	-	-	-	-	6,641,882
5 years later	2,427,419	-	-	-	-	-	2,427,419
Current estimate of cumulative claims	2,427,419	4,227,140	10,067,946	14,020,686	17,269,027	16,317,157	64,329,375
Liability recognized in balance sheet	2,373,888	4,166,997	9,731,912	13,406,136	14,545,502	9,709,359	53,933,794
Total provisions stated in financial statement	53,531	60,143	336,034	614,550	2,723,525	6,607,798	10,395,581
Provisions before year 2004							109,312
<b>Total provision for outstanding claims, net in the financial statements</b>							<b>10,504,893</b>

### 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
<b>Total provision for outstanding claims, gross in the financial statements</b>							<b>7,754,269</b>

### 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
<b>Total provision for outstanding claims, net in the financial statements</b>							<b>7,417,473</b>



# 114 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

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 2009		31 December 2008	
	Should be placed (**)	Placed (*)	Should be placed (**)	Placed (*)
<i>Life:</i>				
Bank deposits (Note 14)		44,436,045		51,482,857
Financial assets (*) (Note 11)		36,718,987		41,124,152
<b>Total</b>	<b>85,827,343</b>	<b>81,155,032</b>	<b>74,105,936</b>	<b>92,607,009</b>
<i>Non-life:</i>				
Bank deposits (Note 14)		236,155		207,290
Financial assets (*) (Note 11)		-		3,548
<b>Total</b>	<b>165,017</b>	<b>236,155</b>	<b>165,396</b>	<b>210,838</b>
<b>Total</b>	<b>85,992,360</b>	<b>81,391,187</b>	<b>74,271,332</b>	<b>92,817,847</b>

(\*) As at 31 December 2009 and 2008, government bonds and treasury bills are measured at daily official prices announced by the Central Bank of Turkey; if these prices are not available, they are measured with stock exchange values; investment fund participation certificates are measured using the daily prices in accordance with the 6th Article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Individual Pension Companies".

(\*\*) According to 7th article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Individual 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 Individual 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 2009 (31 December 2008), minimum guarantee amount of 30 June 2009 (30 June 2008) is shown as necessary guarantee amount of December; since the capital adequacy table of the Company has not prepared as at 31 December 2008.

# 115 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

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

	31 December 2009		31 December 2008	
	Number of policyholders	Life mathematical provisions	Number of policyholders	Life mathematical provisions
Additions during the period	3.614.425	14,111,981	2.357.079	25,180,620
Disposals during the period	(3.024.074)	(16,831,295)	(1.724.072)	(21,233,684)
Current	2.908.543	55,600,332	2.318.192	72,566,193

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

	31 December 2009			31 December 2008		
	Number of Contracts	Gross Premium	Net Premium	Number of Contracts	Gross Premium	Net Premium
Individual	56.637	6,457,248	6,457,248	38.063	8,462,951	8,462,951
Group	3.557.788	174,636,984	174,636,984	2.319.016	115,072,513	115,072,513
<b>Total</b>	<b>3,614,425</b>	<b>181,094,232</b>	<b>181,094,232</b>	<b>2,357,079</b>	<b>123,535,464</b>	<b>123,535,464</b>

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

	31 December 2009				31 December 2008			
	Number of contracts	Gross premium	Net premium	Mathematical provision	Number of contracts	Gross premium	Net premium	Mathematical provision
Individual	61.651	2,290,757	2,290,757	(657,397)	78.763	733,390	733,390	(970,045)
Group	2.962.423	67,358,290	67,358,290	(19,330,362)	1.645.309	15,320,053	15,320,053	(20,263,639)
<b>Total</b>	<b>3.024.074</b>	<b>69,649,047</b>	<b>69,649,047</b>	<b>(19,987,759)</b>	<b>1.724.072</b>	<b>16,053,443</b>	<b>16,053,443</b>	<b>(21,233,684)</b>

### Deferred commission expenses

The Company defers commissions paid to the intermediaries for the production of the policies and other expenses for the one year term life products and for annually renewed long term life products under prepaid expenses. As at 31 December 2009, deferred commission and other expenses amount to TL 9,380,150 ve TL 15,450,251 (31 December 2008: TL 7,738,059 and TL 8,720,416 TL), respectively. Prepaid expenses amounting to TL 25,008,337 (31 December 2008, TL 16,550,114) consist of deferred commission expenses amounting to TL 24,830,401 (31 December 2008: TL 16,458,475) and other prepaid expenses amounting to TL 177,936 (31 December 2008: TL 91,639).

As at 31 December 2009 and 2008, the movement of deferred commission expenses is presented below:

	31 December 2009	31 December 2008
Deferred commission expenses at the beginning of the period (*)	7,738,059	-(*)
Commissions accrued during the period (Note 32)	33,223,424	18,576,855
Commissions expensed during the period (Note 32)	(31,581,333)	(10,838,796)
<b>Deferred commission expenses at the end of the period (Note 32)</b>	<b>9,380,150</b>	<b>7,738,059</b>

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

# 116 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

#### 18 Investment contract liabilities

The movements of life mathematical provision for saving life policies as at 31 December 2009 and 2008 are as follows:

Life mathematical provision for saving life policies	31 December 2009	31 December 2008
Investment contract liabilities at the beginning of the period (Life-mathematical provisions)	38,037,440	32,232,209
Effect of foreign exchange differences	(77,341)	8,289,686
Written premiums during the period (saving life policies)	2,268,800	2,826,485
Disposals during the period (leaving policyholders)	(6,800,952)	(6,826,923)
Profit shares	1,913,142	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 30)	2,673,937	(1,595,550)
<b>Investment contract liabilities at the end of the period</b>	<b>38,015,026</b>	<b>38,037,440</b>

Profit share distribution rates to life policyholders during the period 31 December 2009 and 2008:

	31 December 2009	31 December 2008
US Dollar:	7.32%	8.74%
EUR:	5.75%	5.65%

#### Individual pension business

The details of individual pension business receivables and liabilities as at 31 December 2009 and 2008 are presented below:

	31 December 2009	31 December 2008
Receivables from clearing house on behalf of the participants	1,326,196,491	897,774,043
Receivables from participants (entrance fee)	6,086,385	4,698,831
<b>Receivables from individual pension operations (Note 12)</b>	<b>1,332,282,876</b>	<b>902,472,874</b>
Provision for the impairment of receivables from participants (Note 4.2), (Note 12)	(122,694)	(122,694)
<b>Receivables from individual pension operations, net</b>	<b>1,332,160,182</b>	<b>902,350,180</b>

	31 December 2009	31 December 2008
Payables to participants	1,325,824,072	897,774,043
Participants temporary account	357,342	796,839
Payables to clearing house	89,400	157,900
Payables to Emeklilik Gözetim Merkezi	40,000	173,862
Other liabilities	934,610	311,849
<b>Individual pension business liabilities (Note 19)</b>	<b>1,327,245,424</b>	<b>899,214,493</b>

# 117 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

### As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

As at 31 December 2009 and 2008, individual pension investment funds founded by the Company and their unit prices are as follows:

	31 December 2009 Unit costs	31 December 2008 Unit Costs
Likit Kamu Emeklilik Yatırım Fonu	0.025596	0.023453
Gelir Amaçlı Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	0.033957	0.028897
Gelir Amaçlı Kamu Dış Borçlanma Araçları (Eurobond) Emeklilik Yatırım Fonu	0.019805	0.017616
Büyüme Amaçlı Hisse Senedi Emeklilik Yatırım Fonu	0.040163	0.021773
Esnek Emeklilik Yatırım Fonu	0.031155	0.022912
Gelir Amaçlı Uluslararası Borçlanma Araçları Emeklilik Yatırım Fonu	0.014026	0.014763
Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	0.017194	0.014392
Gelir Amaçlı Kamu Borçlanma Araçları (Döviz) Emeklilik Yatırım Fonu	0.013924	0.013507
Gruplara Yönelik Esnek Emeklilik Yatırım Fonu	0.020860	0.015627
Gruplara Yönelik Gelir Amaçlı Karma Borçlanma Araçları Emeklilik Yatırım Fonu	0.013549	0.012594
Gruplara Yönelik Gelir Amaçlı Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	0.019709	0.016655
Esnek Alternatif Emeklilik Yatırım Fonu	0.010712	-

Number of participation documents in the portfolio and in circulation is such as follows as of 31 December 2009 and 2008 :

	31 December 2009			
	Participation shares sold		Participation shares outstanding	
	Number	Amount	Number	Amount
Likit Kamu Emeklilik Yat. Fonu	9.114.102.110	233,284,558	15.885.897.890	406,615,442
Gelir Amaçlı Kamu Borç. Araç. Em. Yat. Fonu	23.646.965.891	802,980,021	1.353.034.109	45,944,979
Gelir Amaçlı Kamu Dış Borç. Araç. (Eurobond) Em. Yat. Fonu	851.527.975	16,864,512	9.148.472.025	181,185,488
Büyüme Amaçlı Hisse Senedi Em. Yat. Fonu	839.908.314	33,733,238	9.160.091.686	367,896,762
Esnek Emeklilik Yat. Fonu	5.671.627.815	176,699,565	4.328.372.185	134,850,435
Gelir Amaçlı Uluslararası Borç. Araç. Em. Yat. Fonu	291.602.988	4,090,024	9.708.397.012	136,169,976
Kamu Borçlanma Araçları Emeklilik Yat. Fonu	1.374.227.869	23,628,474	8.625.772.131	148,311,526
Gelir Amaçlı Kamu Borç. Araç. (Döviz) Em. Yat. Fonu	626.097.924	8,717,787	9.373.902.076	130,522,213
Gruplara Yönelik Esnek Emeklilik Yat. Fonu	231.642.708	4,832,067	9.768.357.292	203,767,933
Gruplara Yönelik Gelir Amaçlı Kar. Borç. Araç. Em. Yat. Fonu	134.662.876	1,824,547	9.865.337.124	133,665,453
Gruplara Yönelik Gelir Amaçlı Kamu Borç. Araç. Em. Yat. Fonu	941.497.296	18,555,970	9.058.502.704	178,534,030
Esnek Alternatif Em. Yat. Fonu	92.021.063	985,730	9.907.978.937	106,134,270
<b>Total</b>		<b>1,326,196,493</b>		<b>2,173,598,507</b>

# 118 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

	31 December 2008		31 December 2008	
	Participation shares sold Number	Participation shares sold Amount	Participation shares outstanding Number	Participation shares outstanding Amount
Likit Kamu Emeklilik Yat. Fonu	10.698.445.508	250,910,642	14.301.554.492	335,414,358
Gelir Amaçlı Kamu Borçlanma Araçları 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
<b>Total</b>		<b>897,774,043</b>		<b>1,909,365,959</b>

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

	31 December 2009 (*)			
	Additions during the period	Left/cancellations during the period	Outstanding	Total amount
Individuals	81.345	43.093	279.136	778,640,498
Group	59.303	29.726	145.719	266,602,997
<b>Total</b>	<b>140.648</b>	<b>72.819</b>	<b>424.855</b>	<b>1,045,243,495</b>

	31 December 2008			
	Additions during the period	Left/cancellations during the period	Outstanding	Total amount
Individual	86.761	38.947	240.884	514,318,726
Group	47.656	27.018	116.142	243,942,386
<b>Total</b>	<b>134.417</b>	<b>65.965</b>	<b>357.026</b>	<b>758,261,112</b>

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

	31 December 2009 (*)			31 December 2008		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	81.345	81,642,381	79,613,637	86.761	90,226,625	87,672,855
Group	59.303	41,009,018	40,307,634	47.656	45,457,126	44,814,815
<b>Total</b>	<b>140.648</b>	<b>122,651,399</b>	<b>119,921,271</b>	<b>134.417</b>	<b>135,683,751</b>	<b>132,487,670</b>

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups which were transferred from other insurance companies during the period

	31 December 2009 (*)			31 December 2008		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	695	11,748,220	11,717,406	1.549	20,129,696	20,046,806
Group	1.221	7,947,883	7,922,626	3.042	18,818,013	18,774,425
<b>Total</b>	<b>1.916</b>	<b>19,696,103</b>	<b>19,640,032</b>	<b>4.591</b>	<b>38,947,709</b>	<b>38,821,231</b>

# 119 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

### 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 2009 (*)			31 December 2008		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	43.093	132,703,677	131,839,062	38.947	87,605,484	86,767,393
Group	29.726	62,408,298	62,175,815	27.018	34,963,086	34,754,604
<b>Total</b>	<b>72.819</b>	<b>195,111,975</b>	<b>194,014,877</b>	<b>65.965</b>	<b>122,568,570</b>	<b>121,521,997</b>

(\*) Number of the participants and amounts of participants are presented as at 25 December 2009

### 19 Trade and other payables and deferred income

	31 December 2009	31 December 2008
Payables arising from main operations	1,350,901,048	907,737,655
Short/long term deferred income and expense accruals	16,136,671	3,950,168
Provisions for taxes and other similar obligations	7,649,148	8,396,053
Due to related parties	3,809,866	1,286,341
Other various payables	1,472,465	1,938,196
Financial liabilities (Note 20), (Note 45)	548,617	450,483
<b>Total</b>	<b>1,380,517,815</b>	<b>923,758,896</b>
Short-term liabilities	1,380,517,815	923,758,896
Medium and long term liabilities	-	-
<b>Total</b>	<b>1,380,517,815</b>	<b>923,758,896</b>

As at 31 December 2009, other payables are comprised of payables to third party service providers. Deferred income and expense accruals amounting TL 16,136,671 (31 December 2008: TL 3,950,168) consist of deferred commission income amounting to TL 15,930,946 (31 December 2008: TL 3,739,685) and expense accruals amounting to TL 205,725 (31 December 2008: TL 210,483).

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

	31 December 2009	31 December 2008
Payables to reinsurers (Note 10)	12,780,028	4,838,582
Payables to agencies	10,853,666	3,651,062
Payables to policyholders	21,930	33,518
<b>Total payables arising from insurance operations</b>	<b>23,655,624</b>	<b>8,523,162</b>
<b>Payables arising from individual pension business (Note 18)</b>	<b>1,327,245,424</b>	<b>899,214,493</b>
<b>Payables arising from main operations</b>	<b>1,350,901,048</b>	<b>907,737,655</b>

# 120 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

Corporate tax provision and prepaid taxes are disclosed below:

	31 December 2009	31 December 2008
Corporate tax provision	18,722,731	16,449,871
Prepaid taxes during the period	(15,070,476)	(11,529,921)
<b>Corporate tax payable, net</b>	<b>3,652,255</b>	<b>4,919,950</b>

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

None.

### 20 Financial liabilities

As at 31 December 2009, the Company's financial liabilities consist of short term tax loans amounted to TL 548,617 (31 December 2008: TL 450,483).

### 21 Deferred taxes

As at 31 December 2009 and 2008, the detailed analysis of the items resulting deferred tax assets and liabilities are as follows:

	31 December 2009 Deferred Tax Assets /(Liabilities)	31 December 2008 Deferred Tax Assets /(Liabilities)
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(690,579)	(563,217)
Insurance technical provisions	(286,915)	65,725
Equalization provision	239,959	-
Provision for unused vacation pay liability	225,112	159,463
Provision for personnel bonus	124,831	336,502
Discount on receivables and payables	(67,300)	(50,181)
Provisions for lawsuits	37,360	25,480
Provision for commissions to sales personnel	32,400	100,000
Provision for impairment in receivables from insurance activities	32,054	13,924
Provision for employee termination benefits	31,327	23,624
Provision for impairment in receivables from participants	24,538	24,538
Provision for bonus and discounts to policyholders	1,576	647
Difference in valuation of financial assets	-	24,362
<b>Deferred tax assets, net</b>	<b>(295,637)</b>	<b>160,867</b>

### 22 Retirement benefit obligations

None.



# 121 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

### 23 Provisions for other liabilities and charges

As at 31 December 2009 and 2008; the details of the provisions for other risks are as follows:

	31 December 2009	31 December 2008
Provision for unused vacation pay liability	1,125,560	797,317
Provision for personnel bonus	624,154	1,682,511
Provisions for lawsuits against the Company	186,800	127,400
Provision for commissions to sales personnel	162,000	500,000
<b>Provisions for costs</b>	<b>2,098,514</b>	<b>3,107,228</b>
<b>Provision for employee termination benefits</b>	<b>156,635</b>	<b>118,119</b>
<b>Total provisions for other risks</b>	<b>2,255,149</b>	<b>3,225,347</b>

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

	31 December 2009	31 December 2008
Provision for employee termination benefits at the beginning of the period	118,119	95,798
Interest cost	54,526	67,720
Service cost	24,757	21,375
Payments during the period (Note 47)	(381,044)	(270,516)
Actuarial differences	340,277	203,742
<b>Provision for employee termination benefits at the end of the period</b>	<b>156,635</b>	<b>118,119</b>

### 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 individual pension investment funds, individual pension participants and expenses charged to the life policyholders.

The details of fees from individual pension investment funds and individual pension participants are presented in the accompanying statement of income. As at and for the year ended 31 December 2009, fees charged to saving life policyholders amounted to TL 137,601 (31 December 2008: TL 162,367)

### 26 Investment income

Investment income is presented in Note 4.2-*Financial risk management*.

### 27 Net realized gains on financial assets

Net realized gains on financial assets are presented in Note 4.2-*Financial risk management*.

### 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 Note 4.2-*Financial risk management*.

# 122 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

### 29 Insurance rights and claims

	31 December 2009		31 December 2008	
	Life	Non-Life	Life	Non-Life
Claims paid, net off ceded	(23,410,721)	(12,820)	(21,849,201)	-
Change in provision for outstanding claims, net off ceded	(3,090,552)	3,132	(2,532,707)	(2,742)
Change in reserve for unearned premium, net off ceded	(3,277,064)	2,849	(18,175,897)	(2,971)
Change in life mathematical provisions for insurance contracts, net off ceded	2,696,900	-	4,697,601	-
Change in equalization provisions	(1,199,793)	-	-	-
<b>Total</b>	<b>(28,281,230)</b>	<b>(6,839)</b>	<b>(37,860,204)</b>	<b>(5,713)</b>

### 30 Investment contract benefits

As at and for the year ended 31 December 2009 and 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 2009	31 December 2008
Change in life mathematical provisions for investment contracts recognized in the statement of income (Note 5)	2,696,351	(7,400,781)
Change in life mathematical provisions for investment contracts recognized in equity (Note 18)	(2,673,937)	1,595,550
<b>Change in life mathematical provisions for investment contracts</b>	<b>22,414</b>	<b>(5,805,231)</b>

### 31 Other expenses by destination

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

# 123 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

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 2009 and 2008, the details of operating expenses are as follows:

	31 December 2009			
	Life	Non-life	Individual Pension	Total
Commission expenses (Note 17)	(31,580,940)	(393)	(10,806,534)	(42,387,867)
Commissions to intermediaries accrued during period (Note 17)	(33,223,031)	(393)	(10,806,534)	(44,029,958)
Change in deferred commission expenses (*) (Note 17)	1,642,091	-	-	1,642,091
Employee benefit expenses (Note 33)	(28,235,089)	(1,899)	(4,630,008)	(32,866,996)
Commission income from reinsurers (Note 10)	19,133,586	-	-	19,133,586
Commission income from reinsurers accrued during period (Note 10)	31,324,847	-	-	31,324,847
Change in deferred commission income (*) (Note 10)	(12,191,261)	-	-	(12,191,261)
Deferred commission expenses (Note 17)	6,729,835	-	-	6,729,835
Advertising expenses	(100,541)	(7)	(5,777,909)	(5,878,457)
Office expenses	(3,639,877)	(245)	(1,671,734)	(5,311,856)
Profit commissions from reinsurers (Note 10)	3,331,242	-	-	3,331,242
Information technology (IT) expenses	(2,710,129)	(182)	(591,909)	(3,302,220)
Taxes and duties paid other than on income	(1,335,824)	-	(1,041,820)	(2,377,643)
Transportation expenses	(1,402,697)	(94)	(230,015)	(1,632,806)
Representation expenses	(1,193,993)	(80)	(195,792)	(1,389,865)
Distribution channel expenses	(757,406)	(51)	(129,700)	(887,157)
Research and development expenses	-	-	(242,146)	(242,146)
Office supply expenses	(187,738)	(13)	(30,785)	(218,536)
Consulting expenses	(45,163)	(3)	(7,406)	(52,572)
Other expenses	(563,826)	(39)	(27,986)	(591,851)
<b>Total</b>	<b>(42,558,559)</b>	<b>(3,006)</b>	<b>(25,383,743)</b>	<b>(67,945,308)</b>

# 124 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

	31 December 2008			
	Life	Non-life	Individual Pension	Total
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)
<i>Commissions to intermediaries accrued during period (Note 17)</i>	(18,576,855)	-	(9,507,203)	(28,084,058)
<i>Change in deferred commission expenses (*) (Note 17)</i>	7,738,059	-	-	7,738,059
Deferred commission expenses (Note 17)	8,720,416	-	-	8,720,416
Advertising 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
<i>Commission income from reinsurers accrued during period (Note 10)</i>	6,831,552	-	-	6,831,552
<i>Change in deferred commission income (*) (Note 10)</i>	(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)
Office supply 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)
<b>Total</b>	<b>(34,658,117)</b>	<b>(17,215)</b>	<b>(23,672,622)</b>	<b>(58,257,954)</b>

(\*)As further explained in Note 2.24, deferred commission expenses amounting to TL 8,989,993 (Note 17) and deferred commission income amounting to TL 156,451 (Note 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 2009 and 2008, the details of employee benefit expense are as follows:

	31 December 2009			
	Life	Non-life	Individual Pension	Total
Wages and salaries	(14,542,179)	(978)	(2,384,636)	(16,927,793)
Employer's share in social security premiums	(2,808,610)	(189)	(460,558)	(3,269,357)
Employee termination benefits and unused vacation expenses	(391,823)	(26)	(64,251)	(456,100)
Bonus, premium and commissions	(5,711,446)	(384)	(936,567)	(6,648,397)
Other benefits	(4,781,031)	(322)	(783,996)	(5,565,349)
<b>Total (Note 32)</b>	<b>(28,235,089)</b>	<b>(1,899)</b>	<b>(4,630,008)</b>	<b>(32,866,996)</b>

	31 December 2008			
	Life	Non-life	Individual Pension	Total
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, premium 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)
<b>Total (Note 32)</b>	<b>(26,106,588)</b>	<b>(13,560)</b>	<b>(4,282,911)</b>	<b>(30,403,059)</b>

# 125 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

### 34 Financial costs

There are not any finance costs classified either on production costs or tangible assets.

### 35 Income tax expense

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

	31 December 2009	31 December 2008
<b>Provision for corporate tax expense:</b>	<b>(18,722,731)</b>	<b>(16,449,871)</b>
Provision for corporate taxes	(18,722,731)	(16,449,871)
<b>Deferred taxes:</b>	<b>(400,483)</b>	<b>313,554</b>
Arising from origination (+)/ reversal (-) of deductible temporary differences	40,416	406,722
Arising from origination (+)/ reversal (-) of taxable temporary differences	(441,099)	(93,168)
<b>Total income tax expense presented in the statement of income</b>	<b>(19,123,214)</b>	<b>(16,136,317)</b>

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 2009 and 2008 is as follows:

	31 December 2009		31 December 2008	
	94,299,369	Tax Rate (%)	79,965,538	Tax Rate (%)
Profit before taxes				
Taxes on income per statutory tax rate	(18,859,874)	(20.00)	(15,993,108)	(20.00)
Disallowable expenses	(88,621)	(0.09)	(199,527)	(0.25)
Others	(174,719)	(0.19)	56,318	0.07
<b>Total income tax expense presented in the statement of income</b>	<b>(19,123,214)</b>	<b>(20.28)</b>	<b>(16,136,317)</b>	<b>(20.18)</b>

### 36 Net foreign exchange gains

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

### 37 Earnings per share

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

	31 December 2009	31 December 2008
Net profit as at and for the year ended	75,176,155	63,829,221
Weighted average number of shares	5.000.000.000	5.000.000.000
Earnings per share-TL	0.0150	0.0128

# 126 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

#### 38 Dividends per share

Net profit of the Company as at end for the year ended 31 December 2008 amounted to TL 63,829,221. As per the 8 April 2009 dated resolution of the General Assembly, net profit for the year 2008 is decided to be held as reserve in the equity.

##### 2008 Profit Distribution Table

Net profit for the year	63,829,221
Retained earnings	572,618
Profit available for distribution	64,401,839
Transferred to legal reserves	(3,191,461)
<i>Legal reserves as required by the Turkish Commercial Code (Note 15)</i>	<i>(3,191,461)</i>
Extra-ordinary reserves (Note 15)	(61,210,378)

In accordance with the accounting principles in force for that period, net profit of the Company as at end for the year ended 31 December 2007 amounted to TL 36,545,496. As per the 13 May 2008 dated resolution of the General Assembly, net profit for the year 2008 is decided to be held as reserve in the equity.

##### 2007 Profit distribution table

Net income for the period	36,545,496
Legal reserves	(1,827,274)
<i>Legal reserves as required by the Turkish Commercial Code (Note 15)</i>	<i>(1,827,274)</i>
Extra-ordinary reserves	(34,718,222)

#### 39 Cash generated from operations

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

#### 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 2009, the probable liability amount that will arise in the situation that all the cases that Company is defendant results against the Company is TL 750,070 (31 December 2008: TL 280,366) in gross. The Company has recorded provision of TL 981,501 (31 December 2008: TL 280,366) for such law suits and execution proceedings including interests and other expenses in the financial statements.

#### 43 Commitments

The details of the guarantees that are given by the Company for the operations in life and non-life branches are presented in *Note 17*.

The future aggregate minimum lease payments under operating leases for properties rented for use of head office and regional offices and motor vehicles rented for sales and marketing departments are as follows:

	31 December 2009	31 December 2008
Less than 1 year	1,380,785	949,037
More than 1 year less than 5 years	954,708	909,749
More than 5 years	-	-
<b>Total of minimum rent payments</b>	<b>2,335,493</b>	<b>1,858,786</b>

# 127 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

### 44 Business mergers

None.

### 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 2009 and 2008 are as follows:

	31 December 2009	31 December 2008
Garantibank-receivables from credit card collections	6,045,512	3,636,979
<b>Other cash and cash equivalents</b>	<b>6,045,512</b>	<b>3,636,979</b>
Garantibank-bank deposits	190,857,327	133,340,360
<b>Cash at banks</b>	<b>190,857,327</b>	<b>133,340,360</b>
Garanti Portföy Yönetimi AŞ	8,877	-
Garanti Faktoring Hizmetleri AŞ	5,749	-
Others	437	396
<b>Receivables from main operations</b>	<b>15,063</b>	<b>396</b>
Garanti Hizmet Yönetimi AŞ-fund management	1,841,240	1,197,363
Others	32,486	44,443
<b>Other receivables from related parties (Note 12)</b>	<b>1,873,726</b>	<b>1,241,806</b>
Garantibank-tax loans	548,617	450,483
<b>Other financial liabilities (Note 19), (Note 20)</b>	<b>548,617</b>	<b>450,483</b>
Garantibank-commission payables	11,041,996	3,803,810
<b>Payable from main operations</b>	<b>11,041,996</b>	<b>3,803,810</b>
Garantibank-payables due to local usage	91,238	84,723
Eureko Sigorta AŞ-payables due to local usage and insurance policy premiums	52,460	48,512
Others	-	1,899
<b>Payables to shareholders</b>	<b>143,698</b>	<b>135,134</b>
Garantibank-Provision for outstanding claims	205,145	152,190
Garanti Portföy Yönetimi AŞ-Provision for outstanding claims	44,862	-
Garanti Ödeme Sistemleri-Provision for outstanding claims	5,454	-
<b>Provision for outstanding claims</b>	<b>255,461</b>	<b>152,190</b>
Garanti Portföy Yönetimi AŞ-management of individual pension funds	2,395,505	787,771
Garanti Bilişim Teknolojisi ve Ticaret TAŞ-software and service expenses	1,013,082	27,899
Garanti Filo Yönetim Hizmetleri AŞ-automobile rent expense	70,649	64,395
Garanti Hizmet Yönetimi AŞ-portfolio management	64,265	50,000
Emeklilik Gözetim Merkezi-individual pension funds	40,000	173,862
Others	50,229	37,087
<b>Payables to other related parties</b>	<b>3,633,730</b>	<b>1,141,014</b>

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

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

There are no liabilities like guarantee, commitment and loan on behalf of shareholders, subsidiaries and joint ventures.



# 128 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

The transactions with related parties during the year ended 31 December 2009 and 2008 are as follows:

	31 December 2009	31 December 2008
Garantibank	2,281,327	1,563,162
Doğuş Oto Pazarlama ve Tic AŞ	153,062	127,337
Doğuş Otomotiv Servis AŞ	153,562	136,726
Eureko Sigorta AŞ	56,269	37,283
Garanti Yatırım Menkul Kıymetler AŞ	-	26,625
Others	195,846	244,031
<b>Written Premiums</b>	<b>2,840,066</b>	<b>2,135,164</b>
Garanti Portföy Yönetimi AŞ	308,560	-
Garantibank	143,219	30,608
Garanti Ödeme Sistemleri AŞ	37,513	-
<b>Claims paid</b>	<b>489,292</b>	<b>30,608</b>
Garantibank-interest income from deposits	23,327,406	23,846,270
<b>Investment income</b>	<b>23,327,406</b>	<b>23,846,270</b>
Garantibank	218,175	37,970
Garanti Portföy Yönetim AŞ	47,312	46,630
Others	-	183
<b>Investment expense</b>	<b>265,487</b>	<b>84,783</b>
Garantibank-comission paid	43,086,471	26,958,305
Garantibank-rent, tax, other expense	3,346,875	2,783,747
Garanti Bilişim Teknolojisi ve Ticaret TAŞ-IT expense	3,295,555	1,468,081
Antur Turizm AŞ-tourism expense	1,176,060	1,095,391
Garanti Filo-car rental	804,077	242,697
Eureko Sigorta AŞ-health and casco premiums	745,850	738,104
VDF Otomotiv Servis ve Ticaret AŞ-car rent expense	92,777	507,956
Doğuş Yayın Grubu AŞ-advertising expense	63,862	109,678
Others	308,105	892,347
<b>Operating expenses</b>	<b>52,919,632</b>	<b>34,823,306</b>

# 129 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

As at 31 December 2009

(Currency: Turkish Lira [TL])

Convenience Translation of Financial Statements

and Related Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

### 46 Subsequent events

In the 7 January 2010 dated and B.02.1.HZN.0.10.03.01 numbered Correspondence sent by the Turkish Treasury to the Association of Insurance and Reinsurance Companies of Turkey, it is stated that the feedbacks received from the sector about the calculations made in accordance with the current regulations for technical reserves and actuarial chain ladder method lead to concerns about the functionality and the capacity to produce accurate results of the actuarial methods currently applied. In pursuant of requests and recommendations received from the sector, it is worked on the new methods and new actuarial chain ladder table is sent to the companies for testing purpose. Based on the evaluation of the feedbacks received from the companies in the sector, 5 methods consisting Standard Chain, Claim/Premium, Cape Cod, Frequency/Intensity and Munich Chain are determined.

Application of new actuarial chain ladder models will be in force starting from 1 January 2010. The companies will be able to choose one method among the proposed 5 methods for the measurement of losses for each branch separately, within the first three quarters of 2010 (testing period) and will apply the selected methods at the year-end. The companies will be requested not to change the selected method for the following 3 years. It is also stated that the companies should measure their losses by the selected methods based on incurred and paid claims but to record the losses achieved by the calculations based on paid claims in the financial statements. The Companies will be able to eliminate extreme claims from the calculation by using statistical methods so will have more homogenous data in the calculation. It is stated that salvage and subrogation that will be deducted from the reserves should be calculated on paid basis instead of incurred basis. Subrogation accruals will not be included during the calculation of actuarial chain ladder method.

It is stated that final regulation on this issue will be made till 31 March 2010 to enable companies to adopt themselves for new principles and procedures of reserving methodology for outstanding claims. It is also stated that;

- Results of the actuarial chain ladder methods will be accepted as incurred but not reported claims (IBNR) and any other calculations will not be made,
- The table for the test of the adequacy of outstanding claims will be filled just to evaluate the effectiveness of the actuarial chain ladder method, applied and the results of this table will not be provided in the financial statements,
- A transition period is proposed to enable the companies to adopt themselves for new actuarial chain ladder methods. Accordingly, the companies will provide 80% of the results in the first year, 90% of the results in the second year and 100% of the results in the third year,
- The calculations will be made based on gross amounts without considering ceded claims and net amounts will be calculated based on existing reinsurance agreements of the companies,
- Indirect businesses which are not followed on claims basis will not be taken into consideration in these models.

It is stated that life branch will not be subject to methods explained above. The IBNR calculation method for life branch will also be defined soon.

# 130 Garanti Emeklilik ve Hayat Anonim Şirketi

## Notes to the Financial Statements

Convenience Translation of Financial Statements

### As at 31 December 2009

and Related Disclosures and Footnotes

(Currency: Turkish Lira [TL])

Originally Issued in Turkish, See Note 2.1.1

#### 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 2009 and 2008, details of discount and provision expenses are as follows:

	31 December 2009	31 December 2008
Provision for unused vacation pay liability (Note 23)	(328,243)	-
Provision expense for receivables from main operations (Note 4.2)	(90,654)	400,069
Provision for lawsuits (Note 23)	(59,400)	-
Provision for employee termination benefits (Note 23)	(38,516)	(22,321)
Other provision expenses	-	(227,141)
	<b>(516,813)</b>	<b>100,607</b>
	31 December 2009	31 December 2008
Rediscount of receivables from insurance receivables	(67,361)	(538,807)
Rediscount of payables to reinsurers	40,045	350,768
Rediscount of receivables from for entrance fee	33,224	34,688
Rediscounts of payables to intermediaries	32,160	140,797
Other rediscounts	24,375	3,045
<b>Rediscount expense in the statement of income</b>	<b>(62,443)</b>	<b>(9,509)</b>

# 131 Summary of Five-year Financial Information

Financial Indicators	2005		2006		2007		2008		2009	
	(TL thousands)	(US\$ thousands)	(TL thousands)	(US\$ thousands)	(TL thousands)	(US\$ thousands)	(TL thousands)	(US\$ thousands)	(TL thousands)	(US\$ thousands)
Individual Pension System Fund Size	117,534	87,594	299,804	213,292	572,527	491,566	897,774	593,648	1,326,196	880,784
Technical Reserves	64,337	47,948	89,645	63,777	101,150	86,846	123,510	81,670	128,357	85,247
Paid-in Capital	38,000	28,320	50,000	35,572	50,000	42,930	50,000	33,062	50,000	33,207
Shareholders' Equity	16,749	12,482	48,816	34,730	89,759	77,066	154,034	101,854	229,610	152,494
Total Assets	205,569	153,204	449,997	320,146	776,077	666,332	1,204,529	796,488	1,741,036	1,156,297
Life Insurance Premium Production (net)	52,335	39,004	95,475	67,925	104,091	89,372	108,670	71,857	116,682	77,494
Technical Income and Expense Balance	(10,940)	(8,153)	7,420	5,279	40,778	35,012	49,762	32,905	74,063	49,188
Non-operating Income and Expense Balance	3,896	2,904	12,378	8,806	9,065	7,783	30,517	20,179	19,836	13,174
Profit/Loss Before Tax	(7,044)	(5,250)	19,798	14,085	50,012	42,940	80,279	53,084	93,899	62,362

## Foreign Exchange Rates (MBDA)

December 31, 2005-US\$ 1 TL 1.3418

December 31, 2006-US\$ 1 TL 1.4056

December 31, 2007-US\$ 1 TL 1.1647

December 31, 2008-US\$ 1 TL 1.5123

December 31, 2009-US\$ 1 TL 1.5057

# 132 Contact Information

## GARANTİ PENSION AND LIFE HEAD OFFICE

Mete Cad. No: 30 34437 Taksim İstanbul, Turkey

Tel : +90 212 334 70 00

Fax : +90 212 292 37 00

## GARANTİ PENSION AND LIFE REGIONAL OFFICES

### Istanbul Regional Offices 1-2, Europe

Rumeli Cad. No: 48 Kat: 4-5 Nişantaşı İstanbul, Turkey

Tel : +90 212 219 40 91 - +90 212 296 62 43

Fax : +90 212 241 59 17

### Istanbul Regional Office 3, Europe

Rumeli Cad. No: 48 Kat: 4 Nişantaşı İstanbul, Turkey

Tel : +90 212 243 83 00

Fax : +90 212 243 82 96

### Istanbul Regional Office 4

Yalçın Koreş Cad. No: 38 Kat: 3 Güneşli İstanbul, Turkey

Tel : +90 212 410 10 60 (30 lines)

Fax : +90 212 410 10 67

### Istanbul Regional Offices 5-6, Europe

Yalçın Koreş Cad. No: 38 Kat: 3 Güneşli İstanbul, Turkey

Tel : +90 212 410 10 60 (30 lines)

Fax : +90 212 410 10 67

### Istanbul Regional Office 1-2, Anatolia

Şehit Mehmet Fatih Öngül Sok. Odak Plaza No: 5 Kat: 7

Kozyatağı İstanbul, Turkey

Tel : +90 216 445 77 55

Faks : +90 216 445 51 49

### Istanbul Regional Office 3, Anatolia

E-5 Karayolu Üzeri PTT Hastanesi Karşısı G-6 Sok. No: 3

Kozyatağı İstanbul, Turkey

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 İzmir, Turkey

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: 12 Kat: 82 06250 Ulus Ankara, Turkey

Tel : +90 312 310 01 03

: +90 312 310 85 26

: +90 312 310 71 37

: +90 312 311 64 76

: +90 312 311 24 59

: +90 312 309 84 97

: +90 312 309 23 59

: +90 312 309 49 57

: +90 312 324 25 96

: +90 312 324 63 91

Fax : +90 312 425 97 96 - +90 312 310 08 59

## Central and Northern Anatolian Regional Office

Atatürk Bulvarı No: 86 Kat: 8 06440 Kızılay Ankara, Turkey

Tel : +90 312 419 72 59 -

+90 312 419 85 03 - +90 312 419 85 32

Fax : +90 312 425 99 09

## Eastern Anatolian Regional Office

Atatürk Bulvarı No: 86 Kat: 8 06440 Kızılay Ankara, Turkey

Tel : +90 312 419 72 59 -

+90 312 419 85 03 - +90 312 419 85 32

Fax : +90 312 425 99 09

## Mediterranean Regional Office

Antalya İş Merkezi Sinan Mahallesi 1257 Sok.

No: 71 Kat: 10 Antalya, Turkey

Tel : +90 242 249 75 32 - +90 242 249 75 36

Fax : +90 242 312 56 07

## Çukurova Southeastern Anatolian Regional Office

Abidinpaşa Caddesi No: 17 Seyhan Adana, Turkey

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 Osmangazi

Bursa, Turkey

Tel : +90 224 280 38 36

Fax : +90 224 225 20 12



