

Annual Journal of a Pension Company

GARANTİ
PENSION
2010
ANNUAL
REPORT

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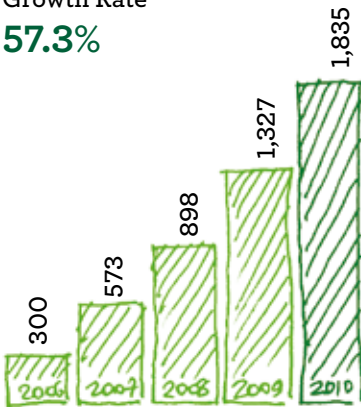
It is a great pleasure for us to share our Annual Report with you. It was created together with our satisfied customers who have opted for a happy retirement.

During the year, we worked hard together for our future and generated successful results, crowned with awards.

Key Financial Indicators

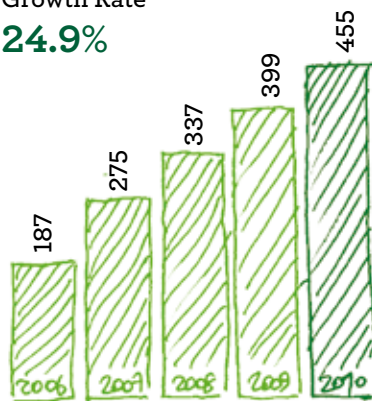
Continuing to grow at full speed.
 Garanti Pension and Life continues its robust and rapid growth in the pension and life insurance sectors, its areas of business.

Compound Annual Growth Rate
57.3%



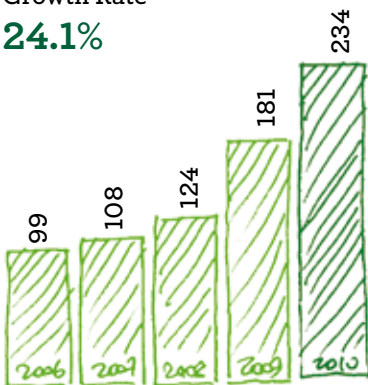
Total Pension Assets (TL million)

Compound Annual Growth Rate
24.9%



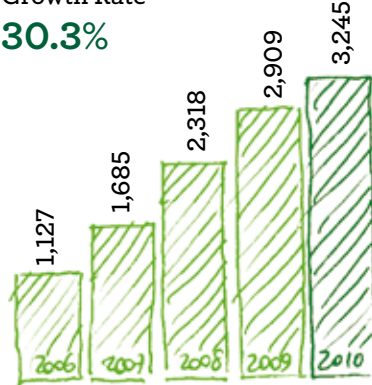
Number of Participants (thousand)

Compound Annual Growth Rate
24.1%



Life Insurance Premium Production (TL million)

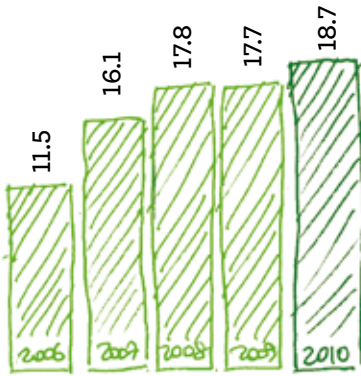
Compound Annual Growth Rate
30.3%



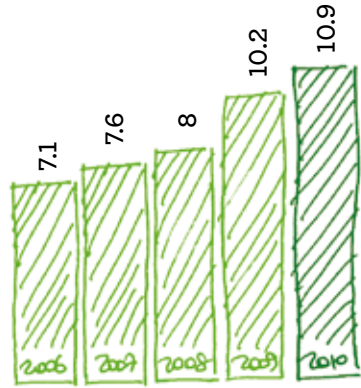
Number of Life Insurance Policies/Policyholders (thousand)

A strong player in the pension and life insurance sectors.

Garanti Pension and Life ranks in the forefront of both sectors with its continuously increasing market share.



Annual Private Pension System Contributions Market Share (%)

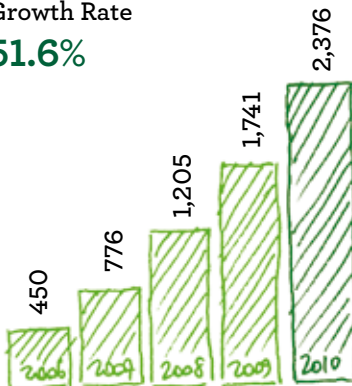


Life Insurance Premium Production Market Share (%)

Rising net profit boosts shareholder value as well.

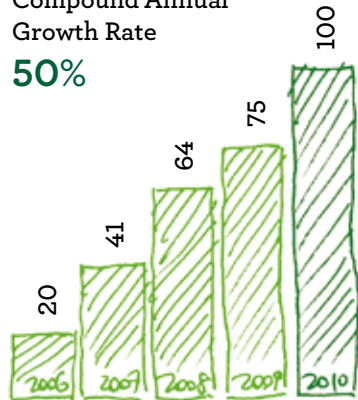
Garanti Pension and Life's total assets and net profit grew approximately by an annual average of 50% over the last five years.

Compound Annual Growth Rate
51.6%



Total Assets (TL million)

Compound Annual Growth Rate
50%



Net Profit (TL million)



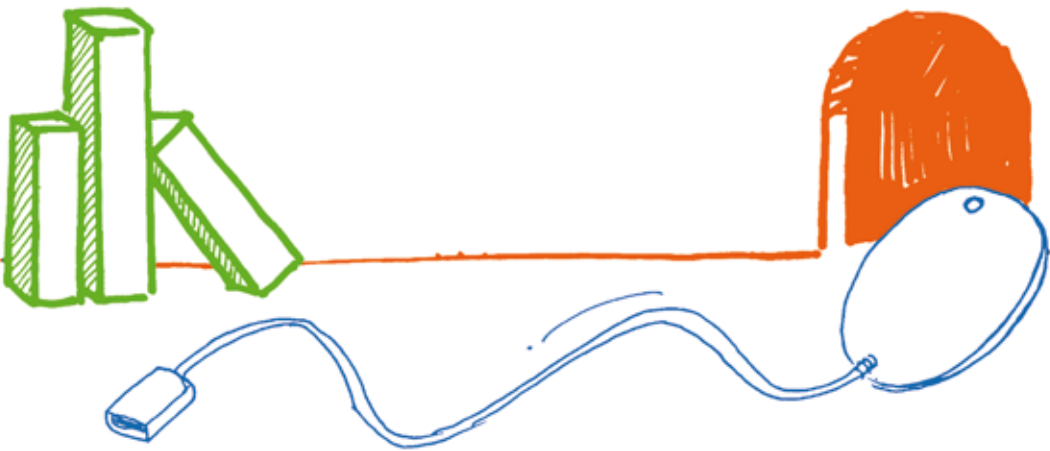
Our corporate website
garantiemeklilik.com.tr
was redesigned.



JANUARY 2010

garantiemeklilik.com.tr

Thanks to the user-friendly format of our newly redesigned web site, re-launched in January 2010, customers can access our rich content more easily and rapidly. Offering personalized applications with its modernized infrastructure, garantiemeklilik.com.tr has become a lively and dynamic resource where customers can easily get answers to all of their questions about individual pension and life insurance services.



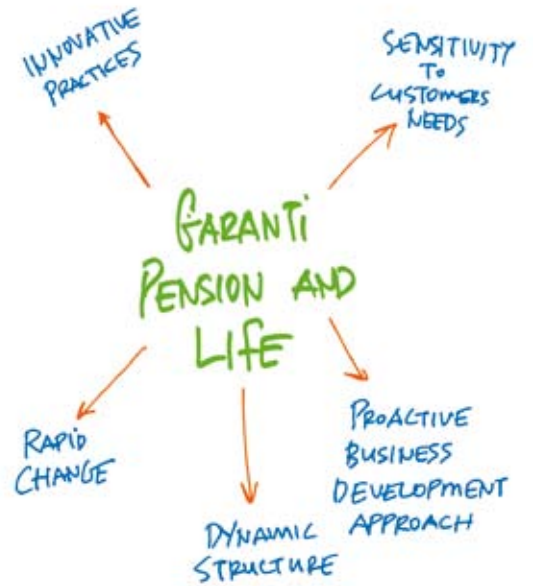
Garanti Pension and Life in Brief

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 conversion from a life insurance company to a pension company as per the second paragraph of the first provisional article in Law No. 4632 on the Private Pension Savings and Investment System. This application was accepted and approved by the Republic of Turkey Prime Ministry’s Undersecretariat of Treasury on December 18, 2002.

In parallel with these developments, the Company’s name was changed initially to “Garanti Emeklilik Anonim Şirketi” and then to “Garanti Emeklilik ve Hayat Anonim Şirketi”. These trade names were published in the Trade Registry Gazette’s January 15, 2003 and March 25, 2003 editions, respectively. Subsequently, the Company established pension mutual funds pursuant to the resolution of its Board of Directors dated June 28, 2003 and the authorization obtained from the Capital Markets Board.

Garanti Pension and Life continues to pioneer and shape the private pension and life insurance sectors today with its proactive business development approach, innovative practices, dynamic structure that adapts to changing industry and economic circumstances in a timely manner, and its products and services designed to meet customer needs. Introducing innovative approaches to the sector with the unique practices and products it offers to the customer segments in the two different sectors it operates in, the Company also constitutes an important model for other companies in the sector with its experience in bancassurance and its financial accomplishments.



Milestones

2002

Garanti Pension and Life was authorized by the Undersecretariat of Treasury to convert to a pension company.

2003

Garanti Pension and Life ventured into the sector by starting to sell pension products.

2004

Renewal-guaranteed and long-term policies for long-term loans were added to the product lineup.

2005

Group funds were launched for corporate clients.

2006

The Company became the market leader in group plans.

2007

Garanti Pension and Life ranked second in the number of participants in the pension sector and in number of outstanding policies in the life insurance sector.

15% of the Company's issued capital was sold to Eureko B.V. for € 100 million.

2008

The "Garanti Pension Hobby Clubs" project was launched.

Three life insurance products with additional unemployment coverage were launched simultaneously.

2009

As another first in the sector, the Company offered to its participants the "Flexible Alternative Fund" that invests in income-indexed securities as well as other non-interest-bearing instruments.

Garanti Pension and Life became the first company to launch the Pension Income Plans and to make salary payments to its retirees as part of an income drawdown plan.

2010

The Company broke another new ground in the sector with its "Online Pension Advisor" service.

Private pension plans designed exclusively for participation banking customers were launched.

Garanti Pension and Life's new unemployment insurance product, Income Protection Insurance, was unveiled.

The Company's corporate web site won Altın Örümcek Award.

"Kalem Tutan Eller" (Pen in Hand: Educating, Not Employing Children) Social Responsibility Project was launched.

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

Vission

* TO BECOME EUROPE'S BEST
"PRIVATE PENSION AND LIFE
INSURANCE COMPANY." *

Core Values

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



Mission

BASED ON OUR RESPONSIBILITY TOWARD 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 GARANTI".

Competitive Advantages

Garanti Pension and Life's most important advantage that also gives it a competitive edge is its inimitable skill in bancassurance. The synergy between the Company and its main distribution channel Garanti Bank was created as a result of the technological infrastructure. Combined with system compatibility and common culture, as well as the overlap between the Company's regional sales structure and the Bank's regional organization, it constitutes a model that has been followed in the sector for many years.

Garanti Pension and Life's main competitive advantages can be listed as follows:

- ✱ The recognition and credibility of the "Garanti" brand
- ✱ Robust capital and financial structure
- ✱ Effective use of bancassurance
- ✱ Superiority in alternative distribution channels and the extent of its distribution channels
- ✱ Customer satisfaction-oriented, innovative approach
- ✱ Technology infrastructure
- ✱ Reinsurance capacity
- ✱ Profitable risk acceptance practices
- ✱ The capability to make and implement decisions quickly regarding changes and innovations, dynamic and decisive organization
- ✱ Competent human resources

WITH THE REFERENCE
TO THE THRUST OF
GARANTI BANK!

Firsts in the Sector

Garanti Pension and Life is a pioneer in the sector with its innovations

Closely following changes in the sector and customer needs and breaking a great deal of new ground since its establishment with its innovative approach and dynamic structure, Garanti Pension and Life is a pioneer in the sector with the new products and services it develops.

The trail blazing products and services introduced by Garanti Pension and Life in the private pension and life insurance sectors in Turkey are as follows:



2010

- “Organik BES” Pension Plans - As part of its partnership with Türkiye Finans Katılım Bankası, Garanti Pension and Life launched the “Organik BES” pension plans consisting of the Garanti Pension Flexible Alternative Fund that invests exclusively in income-indexed securities and other non-interest-bearing instruments. As a result, participation banking customers joined the ranks of the private pension system.
- Online Pension Advisor - This service allows the Company’s customers to get answers to all of their questions about private pension and life insurance products easily via the corporate web site.
- Social Security Advisor - This service allows the Company’s customers to get answers to all of their questions about the private pension and social security systems regarding themselves and their loved ones on a 24/7 basis via the corporate web site.



2009

- Mobile Branch - This application allows customers to monitor their accounts via their cell phones on a 24/7 basis.
- Pension Income Plans - These plans give the Company’s customers who are eligible to retire the opportunity to draw down their accumulated savings as salary payments in the form, time period and amounts of their choice.
- Flexible Alternative Pension Mutual Fund - This fund provides customers who do not prefer interest with the opportunity to invest in income-indexed securities and other non-interest-bearing instruments.
- Private pension contract sales were launched through the internet channel.



2008

- Hobby Clubs - With these clubs, the Company enriches the social lives of its customers with special advantages as well as providing pension income.
- Unemployment Insurance Products - The Company designed a menu of products that provide financial support to the customers who have lost their jobs until they find new work.
- The Company launched life insurance sales through its ATMs.

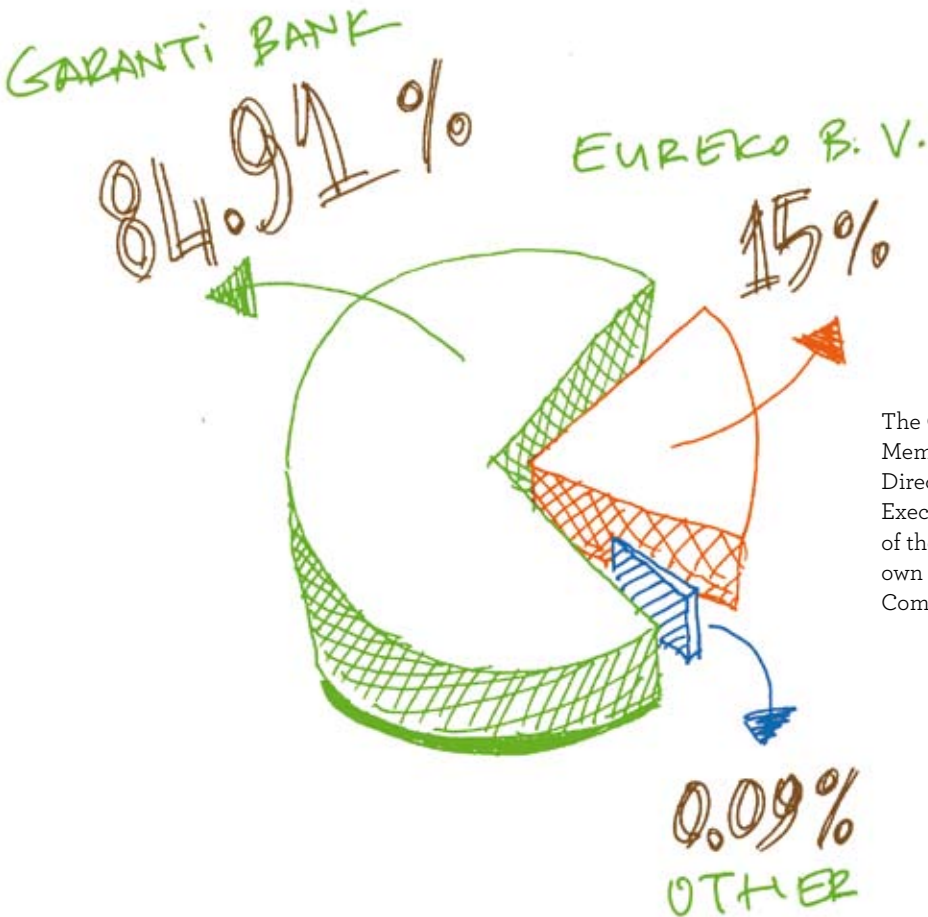
Capital and Shareholding Structure

*STRONG PARTNERS
ASSURED FUTURE!*

Eureko B.V. acquired 15% of Garanti Pension and Life's outstanding shares for € 100 million in 2007. There were no changes in the Company's shareholding structure in 2010.

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

December 31, 2010	Ownership Share (%)	Share Capital (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
Total	100.00	50,000,000



The Chairman and Members of the Board of Directors, the CEO and Executive Vice Presidents of the Company do not own any shares in the Company.

Garanti Bank in Brief

Garanti Bank as Turkey's second largest private sector bank, established in Ankara in 1946, has a successful, stable and solid performance in all areas where it operates thanks to the sustainable growth policy it has pursued since the day of its establishment.

The Bank's net profit and total assets swelled to TL 3,401,986,000 and TL 136,784,224,000, respectively, at year-end 2010. Garanti Bank had a return on equity (ROE) of 22.3% and return on assets (ROA) of 2.8%.

A leading bank with a deep-rooted history of 63 years in the Turkish banking industry, Garanti Bank is a "universal bank" with its pioneering activities in corporate, commercial and retail banking as well as in SME banking business lines. The Bank meets all of the financial needs of its 10 million customers with an extensive range of services in conjunction with its nine subsidiaries operating in the payment systems, private pension system, leasing, factoring, securities and asset management segments.

Garanti Bank's market leadership in all of the areas that it operates is also backed up by the awards the Bank wins in the competitions. Garanti Bank was deemed the Best Bank in Turkey for the 10th year. Further, it was designated as the best domestic bank in Turkey in the "private banking" segment for the second consecutive year, by Euromoney magazine, one of the world's leading financial publications. The Bank was the recipient of many awards in 2010 as well.

Garanti Bank will continue its fast growth in 2011 with 16,675 employees in a total of 863 branches including six branches and four representative offices abroad, more than 3,000 ATMs, an award-winning Call Center, extensive distribution network, and a customer-oriented and innovative approach.

Having established a leading position in the Turkish banking industry with more than half a century of experience, Garanti Bank is a "universal bank" with pioneering activities in the corporate, commercial retail and SME banking business lines.

63
YEARS
OF LONG -
STANDING
EXPERIENCE!



Eureko B.V. in Brief

A private financial services group whose main area of business is insurance, Eureko B.V. is among the leading companies in Europe in the insurance sector. Headquartered in the Netherlands and operating in 10 European countries in addition to the Benelux countries, the Eureko Group serves its customers with a portfolio of services consisting of pension, health insurance and non-life insurance products.

Eureko B.V.'s mission is to create value for its four main stakeholder groups that it sees as equally important: customers, distribution partners, shareholders and employees.

The Eureko Group's primary objective is to expand into the entire European continent with a special emphasis on the emerging Central and Eastern European markets. Planning to further reinforce its market position in developed markets and to create a Europe-wide extended service network, the Group aims in this way to attain long-term growth.

Eureko's two largest shareholders are Achmea and Rabobank. The Group announced a partnership agreement with Garanti Bank in March 2007 pursuant to which it acquired 15% of Garanti Pension and Life's outstanding shares for € 100 million.

EUROPE

CENTRAL AND
EASTERN EUROPE



FEBRUARY 2010

We broke another new ground in the sector with 'the Online Pension Advisor' application.

With the Online Pension Advisor service, launched on February 17, the Company began answering questions of the customers about the private pension system and life insurance through www.garantiemeklilik.com.tr



Chairman's Message

Dear Stakeholders,

While signs of economic recovery began to emerge in 2010, global risk factors continued to linger. Persistent budget deficits in the euro zone, surging commodity prices, lackluster growth performance by the US economy, and the lack of steady improvement in the job market continued to be matters of concern as we entered 2011.

The year 2010 unfolded better than expected in Turkey. IMF's growth forecast for Turkey, which stood at 3.7% at the beginning of 2010, was revised to 5.2% in July and to 7.8% in October. Turkey registered an economic growth rate of 8.9% in 2010, making it the fastest growing OECD country. Another major development for Turkey during the year was the revision of the outlook on its sovereign credit rating from stable to positive. In a period where many European countries were downgraded significantly by international rating agencies, Turkey's credit ratings were raised by one notch by Moody's, two notches by Fitch and one notch by S&P. The result was increased capital inflows to Turkey. The fact that Turkey attained an "investment-grade" credit rating is among the major topics of interest in the markets. As a result of this development, Turkey is expected to become more attractive for many investors.

Although private pension and life insurance sectors in the world were impacted by economic fluctuations throughout the year, they continued to grow at full speed in Turkey. The private pension sector grew by 31% to reach TL 11.9 billion in terms of fund size in 2010 and became a major resource for the economy. The life insurance sector grew by 21% in 2010 and reached direct premium production of TL 2.15 billion.

Making a major contribution to the growth with its activities, Garanti Pension and Life solidified its success both in private pension and life insurance sectors with its proactive approach and proved its steady performance with its firm standing. Garanti Pension and Life reached TL 1.8 billion in fund size in the private pension system and increased its market share by 0.7%.

While pension and life insurance sectors globally were affected by economic fluctuations throughout the year, in Turkey they continued to grow at full speed. Thanks to its proactive approach, Garanti Pension and Life reached TL 1.8 billion in pension assets under management and raised its market share by 0.7 in this segment.

0.7%
MARKET
SHARE GAIN IN
PENSION ASSETS!..



Also registering rapid growth in the life insurance segment thanks to new product offerings in 2010, the Company significantly outperformed its sector once again by attaining a growth rate of 29.3% and increased its market share by 70 basis points. Garanti Pension and Life's market share in the sector rose to 10.9%.

In addition to the innovations it introduced in the sector and its successful growth performance, the Company also successfully maintained the profitability of its operations in 2010. Garanti Pension and Life earned a net profit of TL 100 million in 2010. TL 109 million of the total pre-tax profit of TL 125.8 million comprises the technical profit earned from private pension and life insurance operations.

In 2011, which is expected to witness the entry of new companies into the private pension sector, Garanti Pension and Life will sustain its successful performance in both sectors that it operates in. Moving forward decisively with its innovative products and customer satisfaction-oriented approach, the Company will continue to increase its market shares, financial strength and profitability in 2011 while further solidifying its market position in both sectors.

I would like to thank our employees and management team who made major contributions to the accomplishments of Garanti Pension and Life since the day of its establishment with their superior performance and creativity; as well as all of our stakeholders, participants and policyholders who have supported us under all circumstances and encouraged us to raise the bar.

Respectfully yours,

Ergun Özen
Chairman of the Board of Directors



CEO's Message

41.7% GROWTH IN
CONTRIBUTIONS

Total pension assets of
TL 1.8 billion

Pension and life insurance sectors registered a rapid growth performance.

As the world economies were severely tested in terms of their success in exiting the crisis in 2010, Turkey's economy displayed a very healthy growth performance and expanded by 8.9%. After shrinking significantly worldwide as a result of the global economic crisis, pension assets bounced back to approach their pre-crisis levels. Turkey's private pension sector continued to grow at full speed. Private pension system fund size grew by 31% to reach TL 11.9 billion in 2010, while the number of participants reached nearly 2.3 million at the end of the year. The direct premium production by the life insurance sector reached TL 2.15 billion for a year-over-year growth rate of 21%, also above the economy's growth rate, and proved its growth potential in Turkey.

The Company grew faster than the overall sector in pensions

Thanks to its customer-oriented and innovative organization, in 2010 the Company continued to rank among the major players in the private pension sector, finishing its seventh year in Turkey.

Garanti Pension and Life, which is among the sector's leading companies, outpaced the sector with a growth rate of 38.3% in 2010 and increased its pension fund size to TL 1.8 billion and its market share to 15.3%. The Company also registered the largest market share gain in pension fund size in 2010 with a 0.7% increase in market share.

The Company took in TL 439 million in total net contributions for a corresponding growth rate of 41.7%, 8.7 percentage points higher than the industry average. Reaching 15.8% market share as of the end of the year, Garanti Pension and Life became the largest market share gainer in the sector with a 1% market share increase.

Garanti Pension and Life reached a total of 455 thousand participants in 2010. I believe that we will grow this number significantly in the period ahead thanks to the customized solutions we develop based on our customer-oriented approach as well as our superior service quality.

In the group-related private pension plans, which constitute 19.6% of the sector, the Company maintained its market leadership for the fourth straight year with a market share of 29.5%. The employer-sponsored pension plans, which in our opinion create a major advantage for the employers who want to maintain qualified human resources, recorded the demand growth that we expected in 2010. As a result of the successful agreements it made with various companies, Garanti Pension and Life increased its market share in this segment by 6.6 percentage points, to 15.2% in 2010.

6.6 percentage-point
market share gain in
employer-sponsored
pensions

WE OFFER HAPPINESS WITH
OUR PRODUCTS AND SERVICES

The Company's rapid ascent also continues in the life insurance sector.

Thanks to its long-standing experience in bancassurance and a strong distribution network, Garanti Pension and Life attained fast growth performance in the life insurance sector in 2010 as well. While the life insurance sector in Turkey grew by 21%, the Company reached a year-over-year growth rate of 29.3% in this sector, significantly above the average, thanks to its effective use of banking activities.

Garanti Pension and Life, which is among the top three companies that jointly take in 56% of the total premium production of the 26 firms operating in the life insurance sector, finished the year with TL 234 million in premium production. Another noteworthy accomplishment of the Company in this branch is that it was the market leader with a 73.5% market share in life insurance premium production realized through alternative distribution channels.

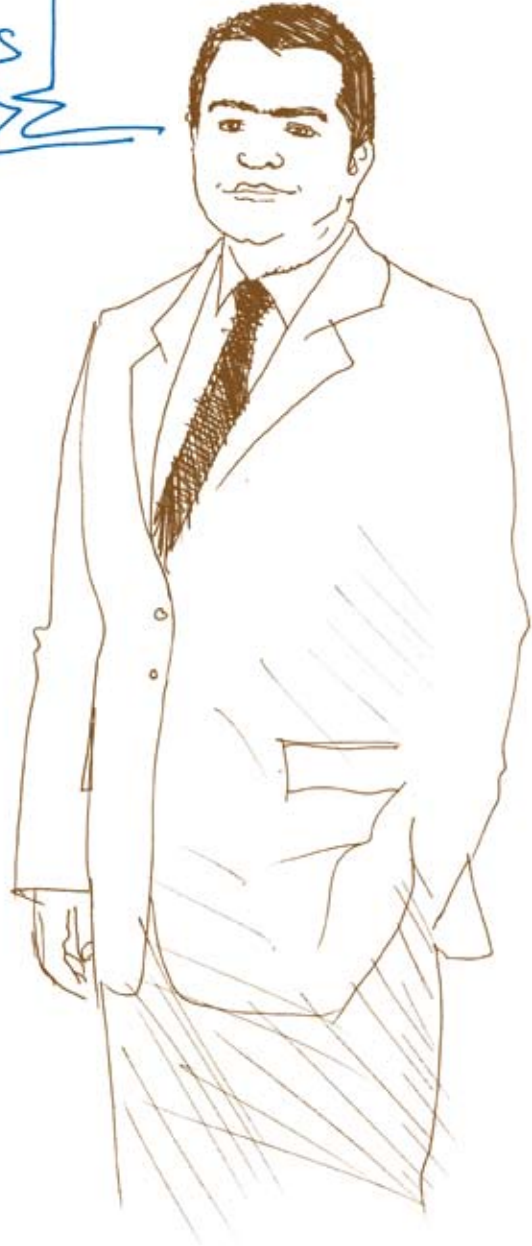
The Company continued to increase its premium production while making a difference with products that offer unemployment coverage.

The new unemployment insurance products designed specifically for customer needs played a major role in the Company's accomplishments in the life insurance sector. Thanks to its products that offer unprecedented solutions to the unique needs of target groups as well as the effective use of its strong distribution channels, the Company's premium production from unemployment insurance products continued to trend higher. Garanti Pension and Life's unemployment insurance written premiums increased by 34.2% over the previous year to TL 97.2 million in 2010, while the number of outstanding policies reached 911 thousand.

The Company has a sound position with its rising profit.

The primary elements underlying Garanti Pension and Life's success in both sectors are the collaboration with its main distribution channel Garanti Bank, its technology infrastructure that the Company constantly improves by closely monitoring sector needs, product diversity, competent human resources, and the trust it has established in the sector. Thanks to these dynamics, the Company continued to grow in 2010 and displayed a robust financial and operational performance even as the impacts of the crisis continued to linger.

Garanti Pension and Life's profit has been going up for many years and performed favorably once again in 2010. This is thanks to the financial policies implemented as a result of the productive



SECTOR LEADER IN ADG LIFE
INSURANCE PREMIUM PRODUCTION
WITH A 73.5% MARKET

NET PROFIT REACHING
TL 100 MILLION

analyses performed in the Company's cost structure in 2010 as well as the innovations made in the operational processes. The gross technical profit grew by 47.3% over 2009 to reach TL 109 million and sustained its upward trajectory. The net profit, which was up by 33% over the same period to TL 100 million, also confirmed the Company's success.

Garanti Pension and Life also increased its total assets and shareholders' equity, as well as profitability ratios with respect to these items, in 2010. The Company's total assets grew by 36% to TL 2.4 billion and its shareholders' equity was up by 44% to TL 330 million. The Company's strong financial position, as documented by its average return on assets (ROAA) of 4.9% and average return on equity (ROAE) of 35.8%, allowed it to conduct its operations at optimal profitability.

The Company is setting an example in the sector with its innovations.

As it has always been the case, the Company continued to make a difference and set an exemplary model in the sector with its customer-oriented and innovative approach in 2010. As part of its successful partnership with Türkiye Finans, a leading participation bank in Turkey; Garanti Pension and Life launched pension plans consisting of the Flexible Alternative Fund that invests exclusively in income-indexed securities and other non-interest-bearing instruments. As a result, for the first time in Turkey, customers of a participation bank joined the ranks of the private pension system.

The Online Pension Advisor application in our corporate web site allows our customers to get answers to all of their questions about private pension and life insurance products easily. Besides this application, we have another unique application in our corporate web site called "Social Security Advisor". With this application, our customers can get answers to all of their questions about the pension and social security system regarding themselves and their loved ones. These are among the groundbreaking services we introduced to the sector in 2010.

The Company launched yet another project that creates value for society.

As a company that acts on its awareness of its social responsibility, Garanti Pension and Life launched "Kalem Tutan Eller" (Pen in Hand: Educating, Not Employing Children) project in March. This project is conducted in conjunction with the Ministry of National Education and Boğaziçi University to permanently take elementary and middle school students who work on the streets, off the streets and reinforce their commitment to school.

TL 2.4
BILLION
IN TOTAL ASSETS

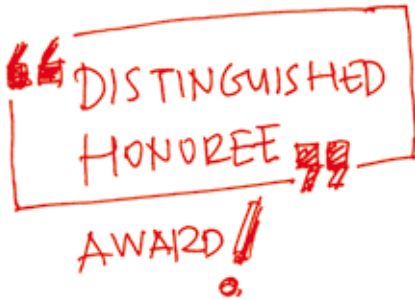
35.8%
ROAE



Quickly reaching a total of 1,500 elementary and middle school students and their families with the help of approximately 100 employee volunteers as part of the project, Garanti Pension and Life permanently took 65 children off the streets. With significant contributions from its volunteers, the Company will continue to support Kalem Tutan Eller at an increasing pace.

The Company's accomplishments are certified by awards.

The success of Hobby Clubs, an opportunity of our Company that enriches the social lives of our customers, was also commended by respected institutions last year. In 2010 the Hobby Clubs project was acknowledged as the Distinguished Honoree in two separate categories at the Stevie International Business Awards, which is among the world's most distinguished award organizations. The project deemed worthy of the Award of Excellence at the PRSA Silver Anvil Awards, which is considered to be the Oscars of the global public relations industry; and won Altın Pusula Award at Altın Pusula Public Relations Awards.



Another development in 2010 that also crowned the Company's success was the first-place award that Garanti Pension and Life's corporate web site, garantiemeklilik.com.tr, won in the Insurance category at Altın Örumcek Web Awards.

I believe that in 2011 we will further improve upon the successful operational performance and high profitability figures that we have attained in 2010 thanks to our customer-focused service approach, constantly developing technology infrastructure and competent human resources. These elements will reinforce our leading and pioneering position in both sectors that we operate in.

I would like to express my deepest gratitude for our employees and shareholders who played a major role in the Company's success as well as our participants and policyholders who we always feel are on our side thanks to their confidence in us. They are our greatest source of motivation for improving our products and services.

Respectfully yours,

Erhan Adalı
CEO

Sector Developments in Turkey and in the World in 2010

31% ↑
INCREASE IN TOTAL FUND SIZE IN SECTOR

Private pension system funds continue to grow rapidly in Turkey.

The impacts of the global economic crisis began to fade in 2010 as a result of the monetary policies and financial reforms implemented by both the central banks and the governments in order to stimulate the economy.

While global economic fluctuations caused pension funds to shrink worldwide, the private pension sector in Turkey, which consists primarily of fixed income securities portfolios, continued to grow at full speed in 2010. Launched in Turkey in October 2003 with total fund size that stood at TL 2.8 billion in 2006, the private pension system grew at an annual average rate of 43.6% to reach TL 11.9 billion as of December 24, 2010. The sector's fund size increased by 31% compared to 2009.

Growing steadily and decisively, the private pension industry registered 33% growth in total contributions during 2010. The sector had contribution inflows of TL 2.3 billion, raising total contributions to TL 9.4 billion.

The young population is investing for the future.

Turkey's growing population, as well as its young and dynamic demographic structure, plays a major role in this successful performance despite the fact that the Private Pension System was introduced only recently in Turkey. Standing at 1.1 million in 2006, the number of participants in the system grew on average by 20.7% annually over this four-year period. The total number of participants in the sector increased by 286 thousand, or 14.4%, to reach 2.3 million people in 2010.

Growing steadily and decisively, the pension industry registered 33% growth in total contributions in 2010. The sector had contribution inflows of TL 2.3 billion, raising the total contributions amount to TL 9.4 billion.

Interest in employer-sponsored pension plans is growing. The global crisis that broke out in 2008, when the vesting provision also took effect, caused employers to put a hold on company-matched pension plans. However, as the economic conditions began returning to their pre-crisis levels in 2010, projects that were suspended during the crisis began to be implemented one after the other.

14.4% ↑
GROWTH IN THE NUMBER OF PARTICIPANTS FOR THE OVERALL SECTOR

INCREASE IN INCOME
PER CAPITA



INCREASE IN DEMAND
FOR LIFE INSURANCE

15 BILLION
INSURED

Companies that think about their employees' future and invest for their retirement gain an increasingly significant edge in recruiting qualified human resources. As a result of the brisk pace of activity in the sector, the total number of private pension contracts grew by 14.6% while employer-sponsored group pension plan contracts registered a 27.6% increase compared to year-end 2009.

Life insurance sector grew in 2010.

The life insurance sector, which is directly impacted by economic developments, showed favorable performance in 2010.

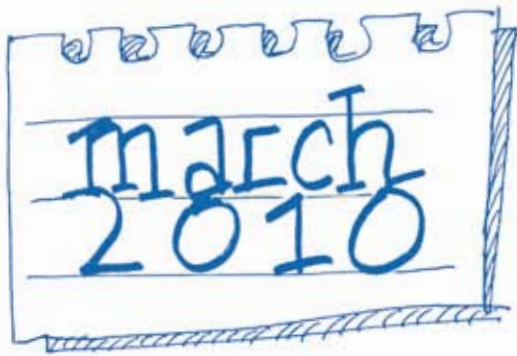
The life insurance sector has always maintained its value in the world under all circumstances. However, in Turkey, it is considered to be an unsaturated market that is expected to see increased demand with each passing day. Demand for life insurance products is expected to grow in Turkey in parallel with the income per capital that continues to increase each year in accordance with evolving economic conditions.

RISK-BASED
LIFE INSURANCE
PREMIUM
PRODUCTION!

The life insurance sector, which is among the sectors with high growth potential in Turkey, plays a major role in the growth of the overall insurance sector. The overall insurance sector in Turkey grew by 14% to reach TL 14.1 billion in 2010. The Life insurance sector constitutes 15% of the overall insurance sector. It grew by 21% in 2010 and reached a direct premium production of TL 2.15 billion. The life insurance sector also showed rising performance in the number of policyholders in 2010. The number of life insurance policyholders reached 15 million at the end of 2010, from 13.3 million at year-end 2009.

Risk products became the driving force at the same time the life insurance sector underwent a transformation process. That transformation resulted from asset transfers from savings life insurance contracts into the private pension system after the private pension system was launched in October 2003 and began to increase their share in total life insurance premiums. The share of risk products in total life insurance premium production rose from 37.3% in 2006 to 71.1% in 2010.

The Bank distribution channel had the commanding share of total premium production in the life insurance sector with a 65.6% share. Premium production realized through the alternative distribution channels constituted 6.5% of total premiums during the same period.



The Company has supported many projects to date primarily dealing with health and education of children for a better future. It launched Kalem Tutan Eller (Pen In Hand) project in March 2010 in conjunction with the Ministry of National Education and Bogaziçi University Lifelong Learning Center. This new long-term project attracted 65 volunteers from among Garanti Pension employees and aims to permanently keep elementary and middle school-aged students in school and off the streets permanently while reinforcing their commitment to school.

Children are redirected from streets to school with "Kalem Tutan Eller" (Pen In Hand) project.



 Garanti Pension

Pen in Hand



Let's build their future at school not in the street...



Review of Operations in 2010

TL 439 MILLION
IN CONTRIBUTIONS

Rapidly Rising Success Rate in the Private Pension Sector

Achievements of the Company in the private pension sector in 2010

- Largest market share gain in pension fund size
- Growth in pension funds above the sector average
- Largest market share gain in contributions
- Growth in contributions above the sector average
- Leader in market share in group related private pension contracts

The Company outperformed the sector in pension assets and contributions.

The fast growth performance of the private pension sector, which completed its seventh year in Turkey in 2010, further reinforced Garanti Pension and Life's strong market position in this sector. Distinguishing itself from its rivals in customer satisfaction thanks to its products and services that create value, the Company increased its pension fund size at a compound annual growth rate of 57.3% over the four years from 2006 to 2010 and outperformed its sector. Over the same period, the overall sector registered a compound annual growth rate of 43.6%. The Company increased its market share by 4.6 percentage points during this time span.

While the sector's fund size grew by 31% in 2010, Garanti Pension and Life outperformed its sector with a growth rate of 38.3% reaching total pension fund size of TL 1.8 billion at the end of the year. Raising its market share to 15.3% in 2010, thanks to its innovative and dynamic approach, the Company registered the largest market share gain by increasing its market share by 0.7%.

While contributions of the private pension sector increased by an annual average growth rate of 38.1% between 2006 and 2010, Garanti Pension and Life grew by an annual average of 52.8% over the same period. Taking in TL 439 million in contributions in 2010, the Company attained a growth rate of 41.7% and outperformed the sector growth rate by 8.7 percentage points. Reaching a market share of 15.8% according to this metric as of the end of the year, the Company had the largest market share increase in contributions in its sector with a market share gain of 1%.

WITH A RATE OF
38.3 %
FUND GROWTH
ABOVE THE SECTOR
AVERAGE

Grabbing a 29.5% market share in group contracts. Garanti Pension and Life continued to rank first among all pension companies.

124%
GROWTH IN
EMPLOYER-
SPONSORED
CONTRACTS!

High market share in number of participants

Thanks to its transparency, large variety of investment alternatives, flexibility and tax advantage as well as the desirable feature of leaving the investment discretion entirely in the hands of participants, the private pension system maintained its trusted-institution status among participants during both the crisis and its exit in 2010. While the sector registered an annual growth rate of 20.7% in the number of participants since 2006, Garanti Pension and Life reached annual average growth rate of 24.9% in the number of participants over the same time period. The Company increased its number of participants by 13.9% in 2010 to 45 thousand. As of year-end 2010, Garanti Pension and Life ranks second in the sector with a market share of 20%.

The Company aims to further boost its market share with customized services provided to various customer segments as well as its new products.

Market leader in group pension plans

The group-related private pension plans, created by a company's contribution to its employees' pension plans or by a company's employees getting together on their own, constituted 19.6% of the pension industry in 2010. Garanti Pension and Life boasts a 29.5% market share in group-related private pension contracts and continued to be the leader among all pension companies.

Increasing market share in employer-sponsored contracts

Employer-sponsored pension contracts did not live up to their growth expectations in 2009 due to the economic slowdown and the aftershocks of the global crisis. They began to grow, however, in 2010 as employers resumed contributions to the private pension plans of their employees. Garanti Pension and Life established successful partnerships throughout the year with major companies regarding employer-sponsored contracts, which are an effective human resources tool. Garanti Pension and Life registered 124% growth and 6.6 percentage points of market share gain compared to the previous year in this segment, owing in part to the contributions made by employers into their employees' plans. While employer-sponsored plans constituted 3.7% of the private pension sector, Garanti Pension and Life had a 15.2% market share in the sector.

Garanti Pension and Life's Success Statement in Private Pensions

	2006	2007	2008	2009	2010
Pension Fund Size (TL million)	299.8	572.5	897.8	1,326.2	1,834.5
Pension Fund Size Market Share (%)	10.6	12.5	14.1	14.6	15.3*
Number of Pension Participants	187,437	275,150	336,535	399,354	454,992
Pension Participants Market Share (%)	17.5	18.9	19.3	20.1	20.0
Total Pension Contributions (TL million)	275.5	485.8	762.6	1,051.7	1,490.3*
Pension Contributions Market Share (%)	10.6	12.4	13.9	14.8	15.8*

* Pension Monitoring Center statistics as of December 24, 2010

Full Speed Ahead in the Life Insurance Sector

Achievements of the Company in the life insurance sector in 2010

- Growth above the sector average
- Year's leader in life insurance premium production realized through Alternative Distribution Channels
- 2.4-fold increase over the 2006 levels in direct premium production in the life insurance sector
- 34.2% growth in unemployment insurance premium production in 2010

Growth above the sector average

While the Turkish life insurance sector's direct premium production grew by 21% in 2010, Garanti Pension and Life significantly outperformed its sector with a growth rate of 29.3%. The Company's collaboration with Garanti Bank plays a major role in this accomplishment. Making effective use of the bancassurance channel in its life insurance activities, Garanti Pension and Life reaches a broad customer base thanks to Garanti Bank's extensive distribution network.

29.3%

Setting an example for other companies in the sector with its experience and know-how in bancassurance, Garanti Pension and Life is the dominant market leader among all insurance companies in life insurance premium production realized through the Alternative Distribution Channels. With a market share of 73.5%, it ranks second in risk products premium production with a market share of 15.2%.

73.5%

1.5-fold increase in market share in four years

Garanti Pension and Life's market share rose from 7.1% in 2006 to 10.9% as of 2010, a 1.5-fold increase. Also contributing to the expansion of the overall insurance industry with its excellent growth performance in 2010, the Company increased its market share in life insurance direct premium production by 0.7 percentage points over the previous year.

Ranking among the top three companies in the sector that features 26 active companies, Garanti Pension and Life recorded TL 234 million in total premium production in 2010.

TL 234 MILLION
PREMIUM PRODUCTION

After taking in TL 13 million in 2008 and TL 72.4 million in 2009 in unemployment insurance premium production, Garanti Pension and Life increased its premiums by 34.2% over the previous year to TL 97.2 million in 2010. The Company wrote a total of 91,000 policies as of year-end 2010 after launching sales in April 2008.

Continuing to pioneer the life insurance sector with the new products it has developed that are customized to customer needs in 2010 and becoming ever more preferred in this field, Garanti Pension and Life has a portfolio that encompasses 21.7% of the 15 million total outstanding life insurance policies in the sector. As of year-end 2010, the number of Company's policyholders reached 3.2 million.

Making the best use of the synergy between the banking and insurance sectors, the Company plans to continue to offer its customers a diverse range of products and services in both sectors in 2011 and to continue gaining market share at full speed.

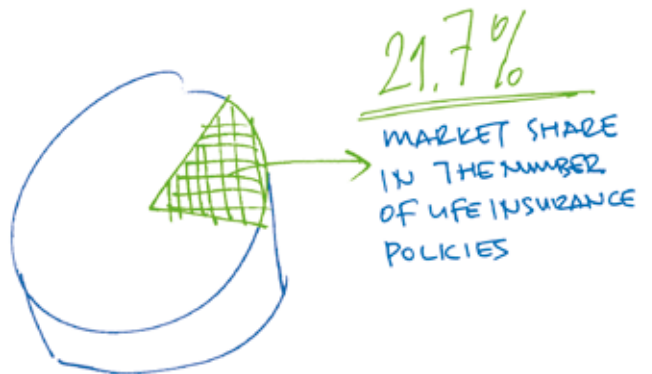
The Company's unemployment insurance premium production continues to grow...

The Company's unemployment insurance products are delivered quickly to the target audience thanks to the effective utilization of its extensive distribution channels as well as its active promotion strategies. These products have performed very well for the last two years in terms of premiums and sales figures. After taking in TL 13 million in 2008, when it launched its products for the first time, and TL 72.4 million in 2009 in unemployment insurance premiums, Garanti Pension and Life increased its premium production by 34.2% over the previous year to TL 97.2 million in 2010. The Company reached a total of 91 thousand policies as of year-end 2010 since it launched sales in April 2008.

Garanti Pension and Life's Success Statement in Life Insurance

	2006	2007	2008	2009	2010
Life Insurance Premium Production (TL million)	98.6	108	123.5	181.1	234.2
Life Insurance Premium Production Market Share (%)	7.1	7.6	8.0	10.2	10.9

3.2
MILLION
LIFE
INSURANCE
POLICYHOLDERS



Serving Customer Needs with a Diverse Product Lineup

To reflect its common culture and collaboration with its primary distribution channel, Garanti Bank, in customer satisfaction in the most profitable manner, Garanti Pension and Life offers its customers a vast product variety. The wide selection is part of its proactive product development process and enhances its product lineup with new products in accordance with the needs of its target customer groups. Using the advantage of being one of the best operators in the bancassurance segment, the Company offers customers the opportunity to reach many financial products at the same time and from the same location with a one-stop shop approach.

Five different private pension plans...

Garanti Pension and Life offers five private pension plans, each designed to meet different needs, to its customers who want to start saving today for a happy retirement and to benefit from the tax advantages that no other investment vehicle in the financial system offers.

PENSION PLANS THAT SUIT EVERYBODY

- 1 **Practical Pension Plan** for those customers who want to make advantageous investments through small contributions for their retirement
- 2 **Prestige Pension Plan** that offers exclusive advantages for those customers who prefer to make large contributions for a prestigious retirement
- 3 **Select Pension Plan** for customers who would like to grow their savings rapidly with the most advantageous plan
- 4 **SME Pension Plan** exclusively for the small and medium-size business owners that offers free financial and legal advisory services
- 5 **Garanti e-Pension Plan** for customers who prefer to apply with a Garanti Bank credit card on the internet without having to visit a branch and want to take advantage of the exclusive features offered by this plan

"GROUP PENSION PLANS" DESIGNED FOR WORKERS

In addition, Garanti Pension and Life's product portfolio also has group pension plans that offer special advantages to the companies and their employees.

[ORGANIC A AND ORGANIC A+ PENSION PLANS]

Another trailblazing practice launched by Garanti Pension and Life in 2010 is the successful partnership it has established with Türkiye Finans, one of the leading participation banks in Turkey. As part of this very important project, that introduced participation banking customers to the private pension system, five private pension plans were created under the "Organik BES" concept for participants in two categories, Organic A and Organic A+, based on their monthly contributions. In addition, Organic Group Pension Plans that offer special advantages to the companies and to their employees were also rolled out.

The Company currently offers 12 pension mutual funds within its pension plans, which appeal to a vast risk-taking appetite range. The fund lineup encompasses pension mutual funds that invest in TL and foreign currency-denominated securities. There are also various pension mutual funds designed for risk-averse, low-risk appetite, some-risk appetite and high-risk appetite participants. In addition, the Flexible Alternative Fund that

Garanti Pension and Life's fund array encompasses pension mutual funds that invest in Turkish Lira and foreign currency-denominated securities. The funds are designed for the full spectrum of attitudes towards risk. There are suitable Garanti Pension Funds for the risk-averse and for those with low, moderate or high risk appetite. In addition, the Flexible Alternative Fund that invests exclusively in income-indexed securities is also among investment options that are for participants who prefer not to invest in interest bearing instruments.

invests exclusively in income-indexed securities and other non-interest-bearing instruments is also among investment choices.

Garanti Pension and Life Pension Mutual Funds:

Garanti Pension and Life Government Debt Securities Income PMF
 Garanti Pension and Life Flexible PMF
 Garanti Pension and Life Liquid-Government Debt Securities PMF
 Garanti Pension and Life Growth Equity PMF
 Garanti Pension and Life Government Debt Securities Income Group PMF
 Garanti Pension and Life Flexible Group PMF
 Garanti Pension and Life Government Debt Securities PMF
 Garanti Pension and Life Eurobond Income PMF
 Garanti Pension and Life Flexible Income PMF
 Garanti Pension and Life Flexible Alternative PMF
 Garanti Pension and Life International Debt Securities Income PMF
 Garanti Pension and Life Composite Debt Securities Income Group PMF

The Company's new pension mutual funds authorized by the Capital Markets Board of Turkey as of December 30, 2010 that will be launched in 2011:

Garanti Pension and Life Flexible (TL) PMF
 Garanti Pension and Life Domestic Government Debt Securities Income PMF
 Garanti Pension and Life Equity PMF

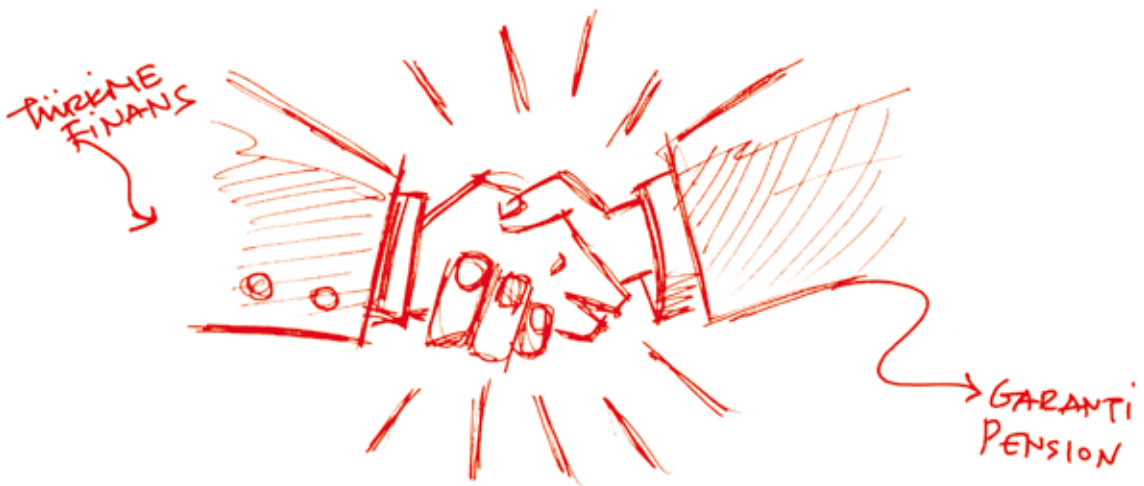
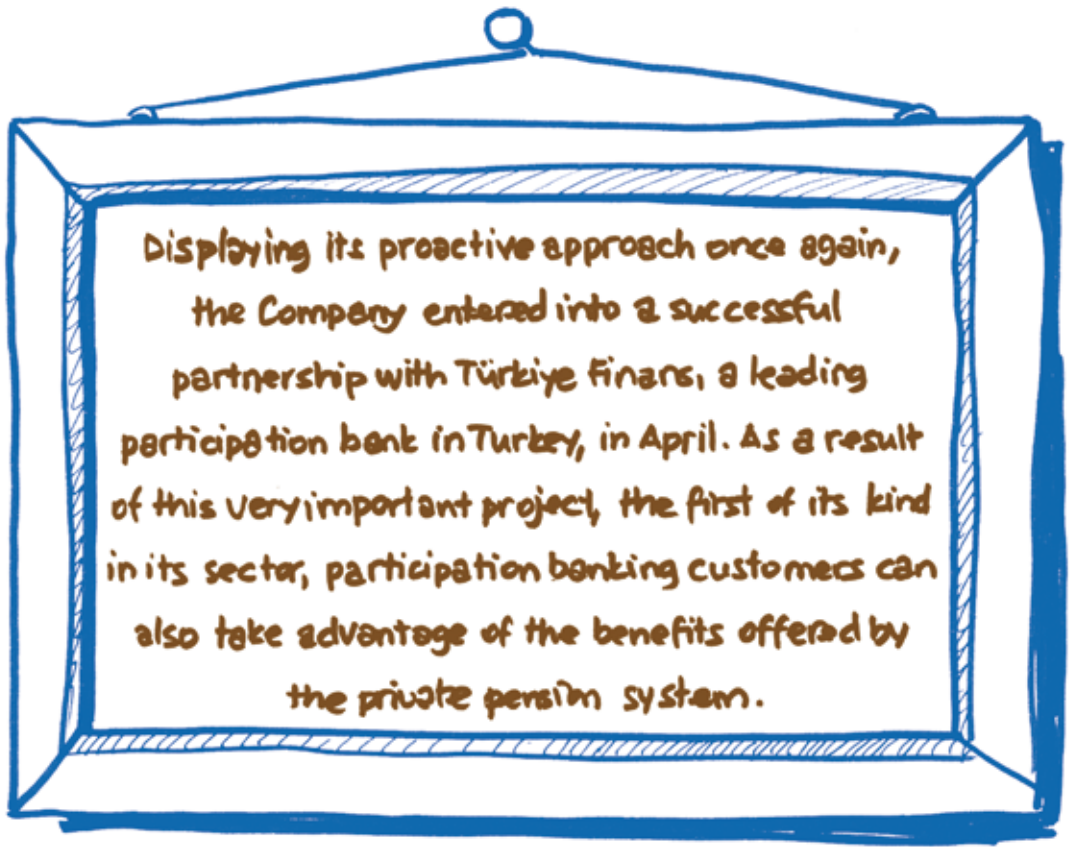
The Company's Life Insurance Products offer alternatives for every need.

In 2010 Garanti Pension and Life continued to assure its customers via life insurance products and provide financial support to its policyholders within the coverage limits of the products they own. In addition to the products designed for distribution via the bancassurance channel that it uses effectively, the Company also has life insurance products customized for various customer needs.

- Life insurances for credit products
- **Credit Card Life Insurance** and **Guarantor Life Insurance** for banking products
- **Guaranteed Tomorrows Insurance** that offers coverage against critical illnesses
- **Education Insurance** for those customers who would like to secure the education expenses of their loved ones
- **SME Bill Payment Protection Insurance for SME** segment customers who would like their businesses to continue operating if they experience a short-term disability
- **Medical Workers Disability Insurance** for employees in the medical field who want coverage for the lost income from revolving assets in case of a disability

APRIL 2010

Participation
banking
customers
stepped into
the private
pension
sector.



Garanti Pension and Life covers its customers against involuntary unemployment with various unemployment insurance products.

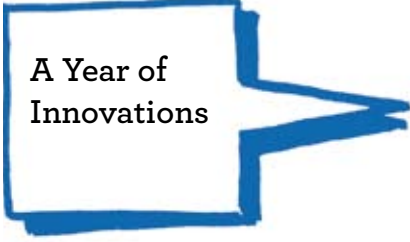
The Company provides financial assurance to customers with its unemployment insurance products.

Discovering the ever-present risk of employees losing their jobs and existing needs of customers in this area as a result of its proactive product development process, Garanti Pension and Life in 2008 simultaneously rolled out three life insurance products. These three products provide additional unemployment coverage that aims to financially support customers who become involuntarily unemployed until they find a new job. Breaking new ground and establishing an exemplary model in the sector with these products, the Company has relieved the unemployment fears of its customers with its products and helps them overcome difficulties with the least inconvenience.

Garanti Pension and Life covers its customers against involuntary unemployment with the following unemployment insurance products:

- **Income Protection Insurance** that guarantees monthly income in case of unemployment
- **Debt Cancellation Insurance** that makes the customer's credit card payments in case of unemployment
- **Payment Protection Insurance** that makes the customer's loan payments in case of unemployment
- **Overdraft Account Payment Protection Insurance** that makes the policyholder's overdraft account payments in case of unemployment
- **Bill Payment Protection Insurance** that pays the customer's bills in case of unemployment

WE ARE RELIEVING
UNEMPLOYMENT FEARS!



A Year of Innovations

YOUR ONLINE
PENSION ADVISOR



YOUR SOCIAL
SECURITY ADVISOR



WAITING FOR YOU
AT
GARANTI PENSION

The Company pioneered the sector with the new ground that it broke in 2010.

The private pension sector made significant progress in 2010 with services launched by Garanti Pension and Life. Closely monitoring its customers' needs and developing innovative strategies in accordance with prevailing market conditions, Garanti Pension and Life broke much new ground in the sector throughout the year with its innovative products and services.

Always with its customers via the Online Pension Advisor service

When faced with increasing competitive pressures, companies can make a difference with the services they provide to their customers in addition to the products they offer. The success of companies in the private pension sector, which is a very young sector in Turkey, increases directly with the knowledge and awareness that individuals gain in this area. In this respect, it is very critical for establishing trust in the system so that people receive answers to all of their questions and concerns about the investments they make to sustain their current standards of living into the future. Garanti Pension and Life, which rapidly adapts to sector's needs thanks to its dynamic structure, set out from this need and launched an application in February that will serve as a model for the entire sector.

The Online Pension Advisor service, that Garanti Pension and Life unveiled for its customers as a first in the sector, aims to allow participants to access all kinds of information on private pension and life insurance products easily whenever they want. Bringing the advisors and customers of Garanti Pension and Life together on a virtual platform, this service allows the customers to submit their questions and get immediate answers in the "Online Pension Advisor" application on garantiemeklilik.com.tr web site.

The Company's Social Security Advisor service fulfills an important need.

Individuals who want to feel secure about their future need access to complete and up-to-date information on various social security system subjects. These include duration of insurance coverage, number of days of premium payments, calculating the time of retirement and pension salary under various scenarios, and health insurance coverage for the entire family. Embracing the goal of creating sustainable customer satisfaction in all of its activities, Garanti Pension and Life, in accordance with this need, launched the Social Security Advisor service in October. This service provides answers to all questions of its private pension customers concerning the social security system.

STRIVING TO DESIGN MUTUAL FUND STRUCTURES WITH CHARACTERISTICS AND HOLDINGS THAT MEET THE NEEDS OF ALL CUSTOMER SEGMENTS GARANTI PENSION AND LIFE FILLED A GLARING GAP IN THE SECTOR WITH ITS INITIATIVES IN THIS FIELD IN 2010.



With the Social Security Advisor service available on Garanti Pension and Life's corporate web site, garantiemeklilik.com.tr, Garanti Pension and Life customers can login using their national identification numbers or private pension contract numbers. They can consult the specialists on all kinds of topics regarding the system, including personal questions. The Company's advisors evaluate and respond to all kinds of questions posed by the customers, regarding themselves or their relatives, about the private pension and social security systems.

Striving to provide a service based on transparency and mutual communication to its customers during their saving and contribution phase as well as throughout their retirement, Garanti Pension and Life allows individuals to see the situation that awaits them in retirement from today with this exemplary service.

The Company continues to recruit participation banking customers into the ranks of the sector.

Striving to design mutual fund structures with the characteristics and holdings that meet the needs of all customer segments, Garanti Pension and Life filled a glaring gap in the sector with its initiatives in this field in 2010. The Flexible Alternative Fund, a mutual fund developed as part of the Company's innovative product design approach that invests exclusively in income-indexed securities, constitutes a major step toward convincing participation banking customers to join the system.

Garanti Pension and Life designed the Flexible Alternative Fund, which comprises 100% of income-indexed securities and other non-interest-bearing instruments, in 2009 as a first in the sector. Constructed in accordance with participation banking principles and other similar global funds and providing a steady, low-volatility return higher than the rate of inflation; this fund allows participation banking customers to take advantage of the private pension system. Following this major step, in an attempt to deliver the Flexible Alternative Fund easily to the interested customer base; Garanti Pension and Life entered into a successful partnership with Türkiye Finans, one of the leading participation banks in Turkey, and launched the first example of the distribution channel formed in conjunction with participation banks in the sector in April 2010.



As a part of this project that came to life as a result of Garanti Pension and Life's proactive approach, the pension plans marketed under the "Organik BES" concept that comprise the Flexible Alternative Fund are being offered to more than 1 million customers of Türkiye Finans at this bank's 182 branches since July. The rapid and steady growth in sales figures proves the potential that participation banking customers constitute for the private pension system as well as the confidence in this partnership.

Thanks to the pension mutual funds that invest exclusively in income-indexed securities, a trailblazing product in the industry, participation banking customers can also take advantage of the benefits of the private pension system and invest for the future. With this partnership that serves as an example for other companies, Garanti Pension and Life also made a great contribution to the development and growth of the private pension sector.

Garanti Pension and Life's Distribution Channels


The Company reaches its target group effectively via extensive and diverse distribution channels.

Garanti Pension and Life's most important advantage, that also gives it a competitive edge, is its inimitable skill in bancassurance. The strong ties between the Company and its main distribution channel Garanti Bank, as well as the overlap between the regional organizational structures of the Company and of the Bank, constitutes a model that has been an example in the sector for many years.

Garanti Pension and Life, for the most part, offers products at the business lines and processes of its main distribution channel, Garanti Bank. The Company's fundamental strategy is to assemble a product lineup that encompasses all Garanti Bank customers, its main distribution channel.

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





Customer Services Activities

In order to make the lives of its customers easier and to provide specialized service, Garanti Pension and Life leverages its technology infrastructure to constantly modernize and improve its customer services practices.

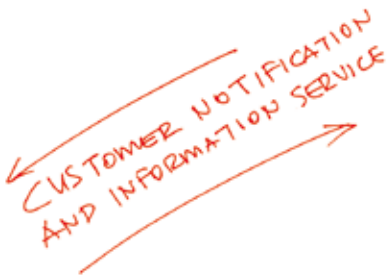
Increased pace of segment-based applications

The results of our research and development activities are used to revise the business processes that encompass the customer segmentation model. That, in turn, constitutes the basis for maintenance plans. In addition, special communication and maintenance plans targeting corporate customers were also devised.

A new notification structure for life insurance products was created.

With the vision that the ability to monitor and improve every step of the service process boosts customer satisfaction, Garanti Pension and Life created a notification and information service for every product-related phase for its life insurance policyholders. Improvements were made in areas such as delivering policies via mail or e-mail and guiding customers to appropriate web sites. As expected, as a result of these initiatives the level of customer satisfaction showed a major increase.

CUSTOMER NOTIFICATION
AND INFORMATION SERVICE




Innovations in Business Processes

The Company improved its business processes thanks to its customer-oriented approach and investment in technology.

Garanti Pension and Life focused on business process optimization efforts in 2010 in order to deliver the most suitable, fastest and most efficient service to its customers in its various segments.

The following improvements were made in the business processes throughout the year:

Increased sales efficiency

The Company aimed to increase the speed and efficiency of its sales processes by reducing the operational work load of sales managers. For this purpose, the Company readdressed allocating responsibilities; some sales transactions were directed to the call center and customer service assistants.

Faster service process in unemployment insurance products

Garanti Pension and Life allowed unemployment insurance customers to conduct their claims transactions electronically to let them take advantage of the benefits of insurance in the quickest and easiest way.

Research and Development Practices



The Company's technology infrastructure is adding speed, quality and efficiency to its business processes.

Making the best use of the opportunities presented by information technologies is among the major factors that give Garanti Pension and Life a competitive advantage.

Call center calls create value for the Company's services.

In 2010 Garanti Pension and Life began to conduct a multidimensional analysis of all call center call records. As a part of this project, phone calls with customers are transcribed automatically. The resulting data are used to contribute to the efficiency and profitability of sales processes.

Accelerated operational business processes

All life insurance policy entries began to be performed through a single system, using Garanti's central operations unit, ABACUS. As a part of this practice, aimed at accelerating operational processes, the Company is planning to start entering private pension contracts using ABACUS in 2011.

Improving processes in the life insurance branch

Another major systems infrastructure initiative that the Company began in 2010 was the project implemented to execute all processes in the life insurance branch more efficiently, from issuing policies and collections to short message transmission and renewals.



Corporate Communication Activities

Rewarded with 14 prestigious awards, of which 13 are international, since its launch, the Hobby Clubs project continued to enrich the social lives of Garanti Pension and Life customers in 2010.

Garanti Pension and Life is always aware of the importance of corporate communication in terms of branding, service efficiency and customer loyalty. The Company bases its communication strategies along these lines. Corporate communication activities that stood out in 2010 include the Hobby Clubs project and other promotion initiatives conducted throughout the year.

The Company also created value for the customers' social lives with the Hobby Clubs.

Promising a happy retirement for its customers with the private pension products it offers, Garanti Pension and Life seeks to enrich its customers' and employees' social lives and raise their living standards. The Company has sought to do this by supporting them in taking up hobbies with the Hobby Clubs it launched in 2008 for its customers and employees to lead happy lives today as well.

Hobby Clubs also offer Garanti Pension and Life customers discounts of up to 50% in courses, training classes, and hobby equipments they purchase from leading companies in various hobby fields.

Receiving 14 prestigious awards, of which 13 are international, since its launch, the Hobby Clubs project continued to enrich the social lives of Garanti Pension and Life customers in 2010. Established in 2008, the Hobby Clubs began in four cities with 10 hobby fields, from sailing to tennis and from music to horse-riding. Within the last two years the project's scope of activity has expanded and reached 22 Hobby Clubs in seven cities. As a part of these clubs' activities, customers took advantage of a wide variety of events and courses organized throughout the year.

The most widely attended events, which allow Garanti Pension and Life customers to spend their leisure time for personal development and expand their social environment, were organized by the Food, Travel, Sailing, Photography, Dance, Skiing and Wine Clubs in 2010. Nearly 6,000 members up to date have attended courses, where they took up new hobbies while taking advantage of the discount opportunities offered only to Garanti Pension and Life customers.

15,000
MEMBERS
www.hobimlemutluyum.com

The hobimlemutluyum.com web site, a lively communication platform created exclusively for the Hobby Clubs, serves to inform members about training classes and activities organized by their clubs as well as arts and cultural events taking place in their cities. The web site reached 15,000 members as of 2010.

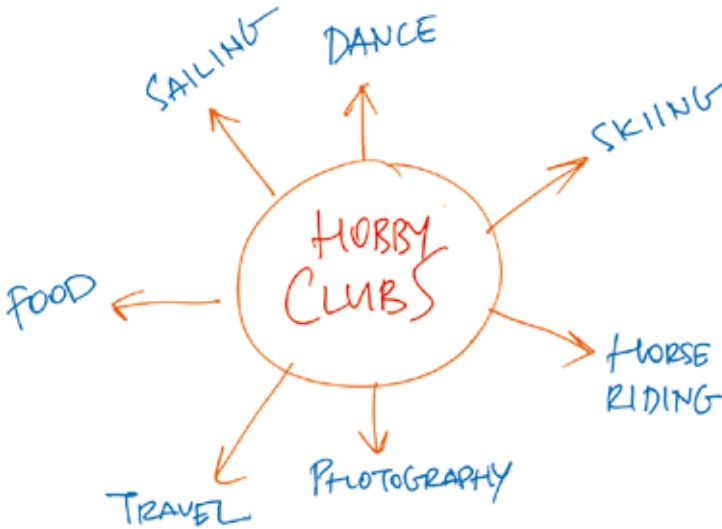
The Company reached wide audiences in many channels through its promotional activities.

The innovations introduced to the sector by Garanti Pension and Life help position the Company as an innovative and dynamic brand and increase its recognition among existing and potential customers.

Garanti Pension and Life used primarily print media and radio channels in its advertising activities in 2010. During the World Basketball Championship, the Company also used TV with a special ad clip.

Advertising of products and services such as the Mobile Branch, Social Security Advisor and Prestige Pension Plan were done through the print media and radio channels.

The Company sponsored the Saturday supplement of the Habertürk Newspaper throughout the year to promote the Hobby Clubs. In addition, ads were placed through the magazine, radio and outdoor channels.



MAY 2010

We sponsored the Woman Entrepreneur of Turkey Competition

The Woman Entrepreneur of Turkey Competition was organized for the fourth time, jointly by Garanti Bank and the Economist magazine with contributions from the Women Entrepreneurs Association of Turkey (KAGİDER) in 2010. In support of this important organization, Garanti Pension awarded the contestants who took place in this competition additional contributions into the SME Pension Plan in varying amounts as well as one month of free classes at Garanti Pension Hobby Clubs in the hobby field of their choice.

KAGİDER

Türkiye Kadın Girişimciler Derneği
Women Entrepreneurs Association of Turkey



Hobby Clubs Project won
"Altın Pusula Award"



In 2010, 200 projects in 21 categories competed the Altın Pusula Public Relations Awards the first and only award organization for the public relations industry in Turkey. It has been organized by the Public Relations Society of Turkey since 1999 to acknowledge and encourage successful communication initiatives. With its Hobby Clubs project, Garanti Pension was one of the recipients of the Altın Pusula Award.



altınpusula



NEW

**A new product from Garanti Pension:
Medical Workers Disability Insurance for
medical industry employees**

Garanti Pension developed the Medical Workers Disability Insurance for employees in the medical field who would like to get coverage for income loss in case of a disability from reducing funds. This new insurance product, which also provides coverage for death and occupational disability, was offered to customers starting on May 4.

Garanti Pension and Life Web Site

Aiming to provide to its customers easy and convenient access to up-to-date information on private pension and life insurance products at all times, Garanti Pension and Life redesigned its corporate web site garantiemeklilik.com.tr in 2010. The improvements made to the technology infrastructure and web site design increased its ease of use and speed of access to information. At the same time, it presented richer and more dynamic content as well as personal applications.

Awards

Hobby Clubs run from success to success

The Hobby Clubs project was commended by three respected organizations and won awards in various categories in 2010. The 14 prestigious awards, of which 13 are international, won by Hobby Clubs in only two years prove the merits and success of this project implemented thanks to the visionary approach of Garanti Pension and Life.

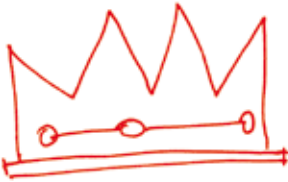
The awards won by Hobby Clubs in 2010:

- Distinguished Honoree in the “Ads and Campaigns” and Financial Services” categories at the Stevie International Business Awards, which is among the world’s most distinguished award organizations
- Award of Excellence in the “Financial Services” category at the PRSA Silver Anvil Awards, which are considered to be the world’s “Oscars of the public relations industry.”
- Altın Pusula Award at Altın Pusula Public Relations Awards

Corporate web site wins awards in three categories

With its corporate web site, www.garantiemeklilik.com.tr, Garanti Pension and Life won the first place in the Insurance category, third place in the “Corporate Web Site” category and the “People’s Choice” award, for a total of three awards, at 2010 Altın Örümcek Web Awards.

Altın Örümcek Web Awards is the first and only independent organization in its field in Turkey held annually since 2002 to better promote successful web and internet technologies projects and encourage investments in this sector. Hundreds of companies competed in 33 categories at Altın Örümcek in 2010. This organization, where jury members are subject matter experts and experienced in marketing and communication fields, designate and award the successful projects of each year, adds value to the applications developed for the web.



HOBBY CLUBS
CROWNED
WITH AWARDS

Social Responsibility and Sponsorship Projects that Add Value for the Society

Since the day it was established, Garanti Pension and Life has supported projects that aim to benefit society and raise people's quality of life. In this respect, the Company carried on with projects launched in previous years while also initiating new social responsibility and sponsorship activities in 2010.

SOCIAL RESPONSIBILITY ACTIVITIES

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

The Company supports the Mobile Health Services project administered by the Ayhan Şahenk Foundation since 2005. It provides free healthcare services in every corner of Turkey. As part of the project, ophthalmology, general medicine and pediatric specialists reach financially challenged and uninsured people, concentrating on elementary and middle school age children, using specially designed modern healthcare vehicles.

Supporting the Community Volunteers Foundation since 2006

Setting out with the understanding that only educated individuals can build a happy future, Garanti Pension and Life implements this understanding by contributing to educational initiatives. The Company has provided financial and other backing to the Community Volunteers Foundation's projects to benefit children since 2006. The Foundation's activities consist of the young Community Volunteers' services in repairing village schools, mentoring street children, tutoring students with limited means for high school and university entrance exams, teaching literacy skills and instructing computer classes at Youth Service Centers, as well as other community work.

The Company and its executives prepare students for the business world.

Garanti Pension and Life has been enhancing the knowledge base and skills of the students and alumni of the Cappadocia Vocational School, as well as supporting efforts to obtain the Private Pension Intermediary License, since 2008. The Company continued to undertake these efforts in 2010.

Garanti Pension and Life executives teach courses on the private pension system and life insurance sector in this school, helping to prepare students for the business world. In addition, with the internships and job opportunities it offers, the Company also allows students to begin their professional careers on solid footing.



Reinforcing the street children's commitment to school with Kalem Tutan Eller (Pen in Hand: Educating, Not Employing Children) project

Focusing on one of Turkey's most important social problems, children who work or are forced to work on the street, Garanti Pension and Life launched Kalem Tutan Eller project in March 2010. This project, in conjunction with the Ministry of National Education and Boğaziçi University, seeks to benefit elementary and middle school students who work on the streets. Administered with the "Educating, not Employing Children" slogan, this project seeks to reinforce the commitment of elementary and middle school children who work on the street to school, ensure that they continue their education with the result of keeping them off the street permanently.

This new and long-term social responsibility project is supported by more than 100 guidance counselors and teachers as well as more than 100 volunteering Garanti Pension and Life employees who attended special training courses on “communication with children.” Joining the initiatives carried out at schools on the weekends, the Garanti Pension and Life volunteers support basic foreign language education and other core classes. In addition, they participate in many personal development-oriented activities with the children including theatre, dance, painting, photography and chess.

Designating İstanbul, which has the highest number of children working on the streets, as the pilot city, Kalem Tutan Eller project is administered at a total of 19 schools in six districts: Bağırcılar, Beyoğlu, Esenler, Küçükçekmece, Sultangazi and Ümraniye. The children attend classes twice a week at their schools where 100 guidance counselors and teachers are assigned to develop study skills of students and acquire a sense of belonging. Furthermore, the children also attend sessions with their guidance counsellors not only to discuss their futures but also the dangers of the streets as well. With regular meetings held with the children’s families as a part of the project, their awareness was increased about the significance of their children’s education.

SUPPORTING MORE THAN
1,500 ELEMENTARY AND
MIDDLE SCHOOL-AGED
STUDENTS

Reaching more than 1,500 elementary and middle school students and their families, 65 elementary and middle school students stopped working and turned back to their schools completely. Planning to undertake this project for many more years to come, Garanti Pension and Life aims to redirect more children to school from the streets with the support of Garanti Pension volunteers, teachers and guidance counsellors in 2011.

SPONSORSHIP ACTIVITIES

Through its sponsorship activities, Garanti Pension and Life both attains its social responsibility goals and reinforces the Company’s image. The projects that the Company added value to as a sponsor in 2010 are as follows:

Human Resources Summit

Assuming the main sponsorship of the Human Resources Summit in 2010, as it has done for the previous three years, Garanti Pension and Life, with this contribution, underscores the importance it places on developing human resources practices in Turkey. The summit that was organized this year under the “One thing will change, everything will change: HR that creates value with its identity” was attended by world-renowned speakers who are subject matter experts in their respective fields. During the summit where all human resources executives got together, Garanti Pension and Life’s potential corporate customers were targeted and Hobby Clubs were actively promoted.

Contemporary Women Contest

Another major activity supported by Garanti Pension and Life this year was the Contemporary Women Contest that it organized in conjunction with the Elele magazine. The project was designed to convey, in the business world from the woman’s perspective,



SUPPORTING WOMEN
IN PROFESSIONAL LIFE

SPONSOR OF
THE SME
SUMMIT

Financial
Strength of
Garanti
Pension
and Life

36.4% INCREASE
IN TOTAL ASSETS

33.1%
GROWTH IN
NET PROFIT

both difficulties and pleasant moments experienced by women, whose numbers and influence are growing in the professional life with each passing day. The colorful and valuable stories of the participants were assessed by a special jury at the conclusion of the competition and three winning individuals received their prizes in October.

SME Summit

Garanti Pension and Life sponsored the SME Summit, one of Turkey's most important organizations. This event, where the problems encountered by SMEs in all areas of production, commerce and service are discussed and solution proposals are presented, aims to bring enterprises together and create effective roadmaps for the future.

Retail Leaders Forum

In 2010, as in 2009, Garanti Pension and Life became the activity sponsor of the Retail Leaders Forum organized by the CEO Club, which was created under the leadership of the Capital and Economist magazines, where the leading figures in the retail industry gather.

Garanti Pension and Life continued to solidify its robust financial structure in 2010. Always aiming to rank among the leading companies in the sector and sustainable profitability, the Company's financial and technical performance in 2010 was successful. This was thanks to its investments in technology infrastructure, perfectly executed cost-containment efforts, and effective communication, marketing and sales activities. The Company continued to record rapid growth in total assets as well as in profitability ratios.

Garanti Pension and Life's total assets grew by 36.4% in 2010 to reach TL 2.4 billion while its shareholders' equity was up by 43.5% to TL 330 million. Further strengthening its already robust financial structure with these figures, the Company increased its net profit after taxes by 33.1% over the previous year to TL 100 million in 2010.

A major portion of this profit stemmed from the technical profit earned from its operations in life insurance and pension sectors. The Company's gross technical profit in 2010 rose by 47.3% over the previous year to reach TL 109 million. 86.8% of the Company's pre-tax profit of TL 125.8 million in 2010 consists of technical profit.

Garanti Pension and Life's priority objective for 2011 is to continue to gain market share in both the private pension and life insurance sectors in keeping with the growth in premium production, fund size and the number of participants. The Company will seek to increase its financial strength and profitability during the course of its operations.

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 Garanti Bank 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, Eureko 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 Eureko 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, Eureko 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 serves as a Member of the Board of Directors and the Chairman of the Audit/Risk Committee at Doğuş Automotive Service, Doğuş Auto Marketing, VDF Consumer Finance, and Leaseplan Fleet Rental. He is also a Member of the Board of Directors of Garanti Pension and Life, Doğuş Real Estate Investment Trust, and Doğuş Sports Investments.

F. 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 currently serves as a Member of the Board of Directors at Garanti Pension and Life and the Teachers Academy Foundation as well as the Chairman of the Board of Directors of WWF (World Wildlife Fund) - Turkish Society for the Conservation of Nature.

Jan Nijssen (1953)

Jan Nijssen is a graduate of the Business Econometrics Department of Erasmus Unversity 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).

Executive Management

Erhan Adalı (1966)

CEO

Erhan Adalı graduated from Istanbul University, Faculty of Political Sciences, Public Administration Department. Having started his career in 1989 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)

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)

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)

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, Private 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)

Executive Vice President: Administrative 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.



Statutory Auditors and Internal Audit Department

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) Head of Internal Audit

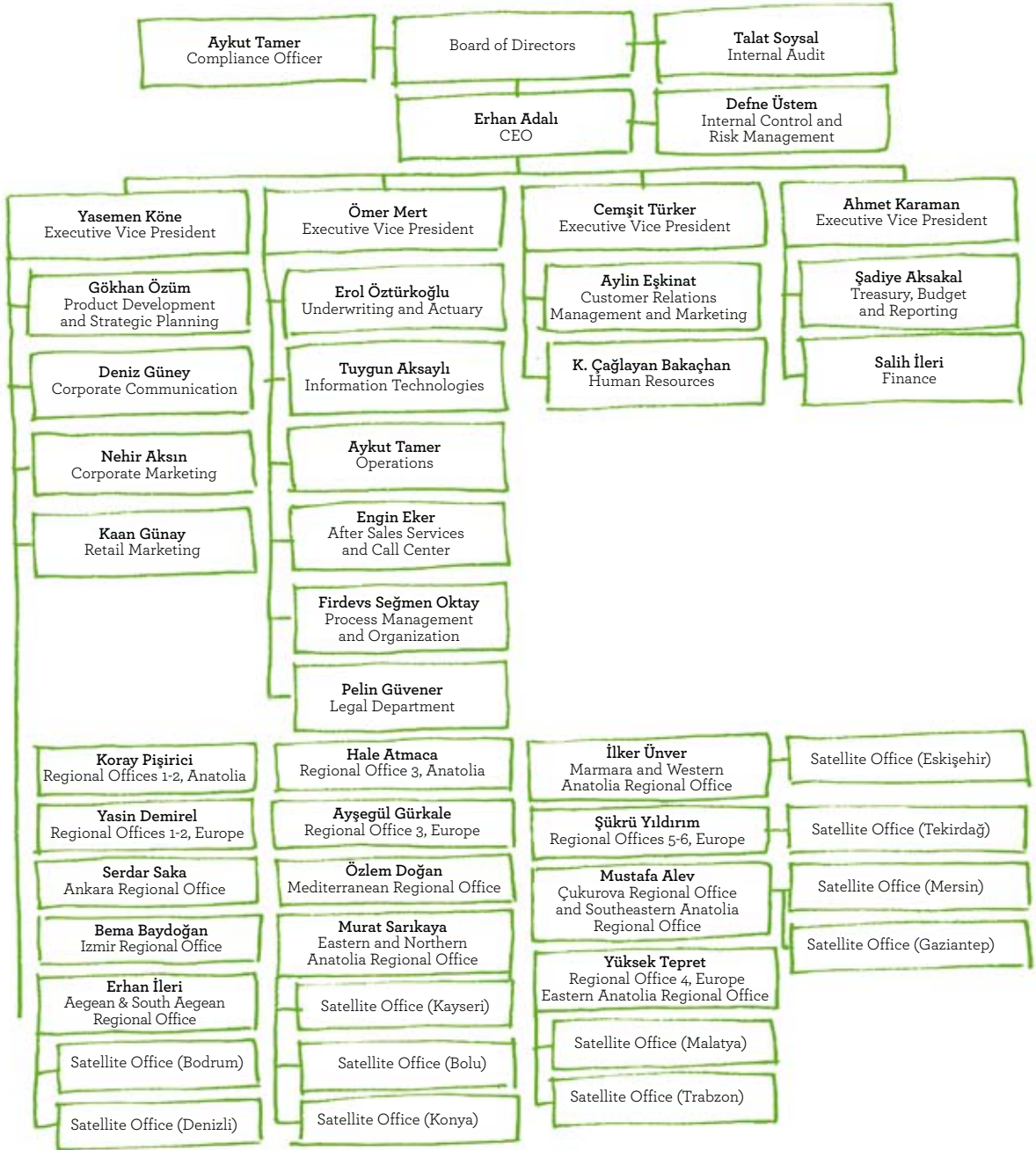
Talat Soysal is a graduate of Middle East Technical University, Department of Mathematics. He received an MA in Economics from the same university. Soysal began his professional career as Assistant Inspector at Ottoman Bank and then joined Garanti Bank in 2002, where he served as an Assistant Inspector,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

Participation in Board of Directors Meetings

Board of Directors Meeting Date	Meeting No	Number of Members Present
February 24, 2010	248	7
March 22, 2010	249	7
March 25, 2010	250	7
March 25, 2010	251	7
May 17, 2010	252	8
May 17, 2010	253	8
May 17, 2010	254	8
May 17, 2010	255	8
May 17, 2010	256	8
June 17, 2010	257	8
June 22, 2010	258	7
September 17, 2010	259	6
October 19, 2010	260	7
October 19, 2010	261	7
December 14, 2010	263	8
December 14, 2010	264	8
December 14, 2010	265	8
December 14, 2010	266	8
December 14, 2010	267	8

The Board of Directors of Garanti Pension and Life convened for 20 meetings during 2010. Twelve of these meetings were attended by eight members, seven were attended by seven members, and one was attended by six members.

Organizational Chart



JUNE 2010

BILL PAYMENTS ARE PROTECTED BY GARANTI PENSIÓN IN
THE EVENT OF INVOLUNTARY UNEMPLOYMENT

We began offering "Bill Payment Insurance", an insurance product that protects payments for Garanti Bank's personal segment customers in the event of involuntary unemployment, short-term disability, death or full and permanent disability as of June 15.



2010 SILVER ANVIL AWARDS

Our Hobby Clubs project won the 'Oscar' for public relations. Geranti Pension's Hobby Clubs project was deemed worthy of the Award for Excellence in the Marketing Consumer Services - Financial Services category at the PRSA Silver Anvil Awards competition, organized by the Public Relations Society of America. This competition has been ongoing for 60 years and represents the most prestigious award organization in the United States in the field of public relations. It is also considered the 'Oscar' of the public relations industry globally.

PRSA Public
Relations
Society of
America



Human Resources



Garanti Pension and Life has a young, dynamic and specialized staff in line with its position and ambitions in the sector.

Aiming to accomplish its strategic goals with its dynamic human resources, the Company's high-priority objectives are rapid adaptation of new recruits to Company values and rules regarding its culture, attitude, conduct, business practices and expectations; encouraging employees to be innovative and creative; supporting continuous employee development using training programs and increasing their loyalty to the Company.



Number of Employees of Garanti Pension and Life in 2010

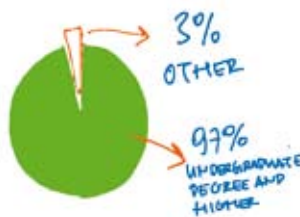
Number of personnel as of December 31, 2010	651
Head Office	172
After Sales Services and Call Center	102
Sales Staff	377

Average Age

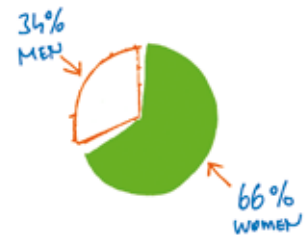
Women	28
Men	30
Company	28.67

Demographic Data for Garanti Pension and Life

Educational Level



Women-to-Men Ratio



Recruiting Practices

The company-specific job compatibility analysis practice initiated in 2008 resulting initiatives undertaken in conjunction with Turkey's leading consulting firms, continued throughout 2010 as well. Coaching reports that the Company began issuing in 2009 to managers and supervisors of newly recruited employees to monitor and support their development were also continued in 2010. These reports became a critical indicator for gauging personal performance development.

Training Applications

In 2010 Garanti Pension and Life continued to invest in training to ensure and support the principle of continuous development, which is among the Company's core values.

The primary objectives, while devising employee-training plans are introducing the corporate culture, conveying strategic cooperation with partners and distribution channels, and communicating Company goals in the industry and its organizational structure.

As part of the orientation program, the Company administers Private Pension Intermediaries Licensing Training, Garanti Pension and Life Product Trainings, and Sales Compass and On-the-Job Training.

Employees who have recently obtained their intermediary licenses were enrolled in sales training to learn Garanti Pension and Life's. These training sessions were supported by role-play applications and case studies. As part of the regional on-the-job training, e-learning is employed to cover screen applications and operational business processes.

The Company continued to actively use the training portal launched in 2009 to ensure that employees have continuous access to training via the internet. Garanti Pension and Life employees can quickly and easily access information about Company products as well as training materials about the screen applications used on the job whenever they feel the need on this portal via e-learning.

The employees who have recently obtained their sales licenses were enrolled in sales training to advance their knowledge of field processes for Garanti Pension and Life.

Management Development Program

Committed to continuous development of competent human resources, Garanti Pension and Life, as a part of new project initiated in 2010, launched the Management Development Program that is expected to last for two years. As part of this program, participants' personal development goals were determined based on measuring and evaluating efforts performed beforehand. They had the opportunity to receive one-to-one feedback from the advisors. The project's objective is for employees to apply their training to their jobs and to further develop in managerial and technical disciplines by discussing the results with advisors.

Training for Garanti Bank Employees

In accordance with Garanti Pension and Life's strategic partnership with Garanti Bank, the Company continued to organize face-to-face training sessions on pension and life insurance subjects for Garanti Bank employees in 2010.

As part of face-to-face training sessions, content development efforts for e-learning training programs were completed. Training materials for the Bank's employees concentrating on the characteristics and sales of pension and life insurance products were completed and rolled out for use.

- MEASUREMENT & EVALUATION →
- PERSONAL DEVELOPMENT GOALS →
- FEEDBACK →

SUCCESSFUL EMPLOYEE

Summary Report of the Board of Directors to the General Assembly

GARANTİ EMEKLİLİK ve HAYAT SİGORTA A.Ş.
ANNUAL REPORT 2010

Dear Shareholders,

We sincerely thank each and every one of you for your attendance at the General Assembly convened to review and vote on the accounts and operations results of the 19th Fiscal Year of Garanti Emeklilik ve Hayat Sigorta Anonim Şirketi.

The Company's nominal paid-in capital in 2010 stood at TL 50,000,000 while shareholders' equity reached TL 329,597,495.

The Company's net life insurance premium production (gross premiums, minus any premiums ceded to reinsurers) increased by 20% over the previous year to reach TL 140,631,101.

The Company's Private Pension fund size grew by 38%, from TL 1,326,196,491 at year-end 2009 to TL 1,834,480,332 in 2010.

Achieving many accomplishments in 2010 as well, the Company sustained its lasting growth and achieved its objectives.

Dear Shareholders,

The Company, whose operations have been summarized above, generated a pre-tax accounting profit of TL 125,765,682 in 2010, corresponding to a net profit of TL 100,040,679 in the Company's financial statements after allowing for Corporate Tax.

We appreciate the interest you have shown in the General Assembly and wish the best for our country and the Company in 2011.

Respectfully yours,

Erhan Adalı

Member of the Board of Directors and CEO

Statutory Auditors' Report

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

We present below the results of our audit activities regarding the 2010 fiscal year of the Company for your information.

1. It has been observed that the books and documents required to be kept in accordance with the nature and importance of the Company have been kept in compliance with the Company's accounting form and procedures 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 and they were kept as per the provisions of the Articles of Association and the Turkish Commercial Code. It has also been observed that the balance sheet and income statement of the Company as submitted by the Board of Directors to the General Assembly are produced in line with the transparency and accuracy principles stipulated 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 observed 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.

Emre Özbek
Statutory Auditor

Osman Bahri Turgut
Statutory Auditor

Report on Compliance of the Annual Report



DRT Bağımsız Denetim ve
Serbest Muhasebeci
Mali Müşavirlik A.Ş.
Sun Plaza
Bilim Sok. No:5
Maslak, Şişli 34398
İstanbul, Türkiye

Tel : +90 (212) 366 6000
Fax : +90 (212) 366 6010
www.deloitte.com.tr

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

We have audited the accuracy and consistency of the financial information included in the Annual Report of Garanti Emeklilik ve Hayat Anonim Şirketi (“the Company”) as of December 31, 2010 with the independent auditors’ report drawn up as of the end of the same fiscal period. The Annual Report is the responsibility of the Company’s management; our responsibility, as independent auditors, is to express an opinion on the compliance of the financial information presented in the annual report that we have audited with the independently audited financial statements and the accompanying notes to these financial statements.

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

In our opinion, the financial information presented in the accompanying Annual Report accurately reflects, in all material respects, the information regarding the financial position of Garanti Emeklilik ve Hayat Anonim Şirketi as of December 31, 2010 in accordance with the principles and procedures set out by the regulations in conformity with the Insurance Law No. 5684. It includes the summary report of the Board of Directors and the independent auditor’s report issued by us; it is consistent with the information presented in the audited financial statements and accompanying notes.

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

Sibel Türker
SMMM Partner
İstanbul, April 1, 2011

Member of Deloitte Touche Tohmatsu Limited

Internal Audit Activities

Internal audit activities are conducted by the Internal Audit Department in order to assure the Board of Directors that the Company's operations are executed in accordance with the requirements of the related laws and regulations as well as the Company's internal strategies, policies, principles and objectives; and that the Company's internal control and risk management systems are effective and adequate. The core operating principles of the Department, which reports directly to the Board of Directors as per the Company's organizational chart, are independence, impartiality and risk orientation. The qualifications sought for the competence of the Department's auditors, as well as their operating principles, authorities and responsibilities are stipulated in the Internal Audit Department By-laws, which was approved by the Company's Board of Directors.

Internal audit activities are carried out in accordance with the Internal Audit Plan which is prepared based on risk assessments and approved by the Company's Board of Directors, and the findings of the internal audits are reported to the Board of Directors by way of the Risk and Audit Committee. Established to assist the Board of Directors in fulfilling its supervision and oversight responsibilities, the Risk and Audit Committee consists of two non-executive members of the Board of Directors.

During the course of the periodic and risk-based audits conducted at all Head Office units, regional directorates and agencies of the Company, the following are examined and assessed:

- Compliance of transactions with the laws and other related regulations as well as the Company's internal strategies, policies and implementation procedures and other internal regulations,
- Adequacy and effectiveness of internal control and risk management practices,
- Accuracy and reliability of accounting records and financial reports,
- Conformity of operational activities with the Company's approved procedures and the functioning of the internal control practices with respect to these,
- Reliability of the electronic information system,
- Accuracy and reliability of the reports submitted to the Board of Directors and disclosed to the public in accordance with the Company's internal regulations

*EFFECTIVE AND PRODUCTIVE
USE OF RESOURCES

*REGULAR RISK
MONITORING AND
ASSESSMENTS

The Department is also expected to identify deficiencies, errors and misconducts, and to provide opinions and recommendations for the prevention of the recurrence of these incidences and for ensuring effective and productive use of the Company's resources. In addition to the regular audit activities, the Internal Audit Department also conducts inspections and investigations as needed.

Compliance Officer

The Compliance Officer is responsible for protecting Garanti Pension and Life and the Company's employees from criminal sanctions that may result from execution of transactions in breach of legal provisions. The Compliance Officer facilitates action to create the culture regarding the prevention of laundering proceeds of crime within the Garanti Pension and Life organizational structure.

The duties and responsibilities of the Compliance Officer is summarized below as stipulated in Regulation on Program of Compliance with Obligations of Anti-Money Laundering and Combating the Financing of Terrorism of Law No. 5549:

- To undertake the necessary initiatives to ensure the Company's compliance with "Law No. 5549 on Prevention of Laundering Proceeds of Crime dated October 11, 2006" and the regulations issued pursuant to this Law, and to establish the necessary communication and coordination with the Financial Crimes Investigation Board of Turkey (MASAK),
- To devise the Company's policy and procedures and to submit the corporate policies for the approval of the Board of Directors,
- To devise the risk management policy, to evaluate the findings of the risk management activities, and to carry out these activities,
- To devise the supervision and oversight policies and to conduct the activities regarding these efforts,
- To submit the initiatives regarding the training program for prevention of laundering proceeds of crime and financing of terrorism for the approval of the Board of Directors and to ensure effective implementation the approved training program,
- To report the findings of the risk monitoring and evaluation activities to the Board of Directors at regular intervals,
- To monitor the findings of the internal audit activities conducted pursuant to the laws and regulations on prevention of laundering proceeds of crime and financing of terrorism,
- To monitor the national and international laws and regulations on prevention of laundering proceeds of crime and financing of terrorism.

July 2010



We began offering products
for participation banking customers
under the Organik BES brand.



Pension plans designed
for participation banking customers
and marketed under the Organik BES brand
have been offered to approximately

1.5 million clients
of Türkiye Finans at
182 branches

since July.

Information on Financial Structure

As in previous years, Garanti Emeklilik ve Hayat A.Ş. (Garanti Pension and Life) continued its rapid growth in total assets and in profitability in 2010.

Pre-tax profit grew by 33.9% in 2010 over the previous year to reach TL 125,765,682. The Company paid TL 25,725,003 in taxes in 2010, resulting in net profit after taxes of TL 100,040,679.

During the same period, technical profit from life insurance and pension operations reached TL 109,121,661. Shareholders' equity increased by 43.5% to TL 329,597,495 in 2010. As of December 31, 2010, the Company's total assets grew by 36.4% compared to a year ago and reached TL 2,375,642,766.

Increase in total assets is greatly due to private pension activities. The Company registered a 48% increase in participants' funds compared to a year ago, as of December 31, 2010. The Company's total pension fund size reached TL 1,834,480,332.

Share of cash assets in total assets stands at 14.9% as of December 31, 2010, while financial assets constitute 3.4% of total assets. As of December 31, 2010, the share of Private Pension System receivables in total assets rose to 77.5%.

As of December 31, 2010, the share of the Company's insurance technical reserves in its total liabilities stands at 5.9%. The Company's source of premium income is derived from the life insurance business and the total earned premium in the fiscal year ended December 31, 2010 was TL 140,631,010. This represents a 20.5% increase over the total earned premium during the fiscal year ending December 31, 2009 of TL 116,682,226.

43.5%
INCREASE IN
SHAREHOLDERS'
EQUITY ↗

36.4%
INCREASE
IN TOTAL
ASSETS ↗

Assessment of Financial Position, Profitability and Claims Servicing Capacity

Total life insurance claims declined by 6% over the previous year to TL 24,918,766 in 2010. The Company's technical profitability ratio in life insurance, which has been in rising for the last few years, continued upwards in 2010 as well. Technical profit was up by 47.3% to TL 109,121,661.

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

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

At the end of the each period and year, a reserve for outstanding claims is apportioned for all liabilities concerning unpaid claim files of which the Company has already been notified and are under examination. The reserve for outstanding claims is set according to expert reports or policyholder and expert assessments. In this framework, as of December 31, 2010, the change in reserve for outstanding claims stands at TL 2,043,868.

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

Risk Management Policies

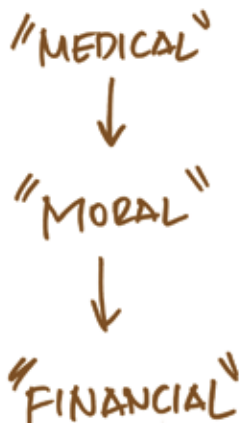


Pricing Policies

The pricing principles and policies of Garanti Pension and Life are as follows:

- When setting risk premiums, the expected claim amount is taken into consideration and premium limits are determined accordingly.
- Always taking into account customer needs and competitive conditions, the Company ensures the coordination of related departments in pricing, a part of the product development process.
- The Company seeks to ensure product profitability and continuity.
- The Company compares the prices it sets with those of its domestic competitors, as well as foreign counterparts.

An examination of the breakdown of Garanti Pension and Life's premium production by product category reveals that within the last year the share of variable universal and long-term life insurance policies has declined while the share of risk-based annual life insurance policies increased. The Company's management is of the opinion that this trend had a positive impact on profitability ratios. Taking high profitability into consideration in product pricing practices safeguards the Company as a going concern.



Risk Assessment Policies

The Company uses the same risk assessment tool that is used by the leading reinsurer. As part of this effort, 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. Check-up limits are reviewed and revised each year based on past statistics. In addition there are three other assessments. A "Medical" assessment is carried out by the Company physician. A "Moral" assessment is made by risk-assessment personnel and sales teams. Finally, a "Financial" risk assessment is conducted for both the loan life insurance 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 coverage. In this way, information on customers' health status is collected and the first assessment is made by the Company physician through medical evaluation. Procedures are applied according to the results mutually agreed upon with the reinsurers; applications that present a medical risk are rejected.

Moral Risk Assessment

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

Financial Risk Assessment

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



**Operational
Risk
Management**

Information systems connections have been established with Garanti Bank, the Company's main distribution channel, so that all application and policy issuance procedures are carried out through this system. Likewise, originals of all documents tracked in 2010 with the electronic archiving system within the claims payment process are kept. Follow-up tracking is performed through the information systems.

Reinsurance Policy

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

**SOUND REINSURANCE
POLICY**



COMPETITIVE
PREMIUM
PRICES

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 risk coverages. The following criteria are decisive in the Company's business relations with the reinsurers:

- Financial strength
- A long-term approach
- Competitive premium prices
- Capacity provided in optional businesses and non-proportional (catastrophic) reinsurance agreements
- Opportunities the Company is offered in the context of risk assessment, information on new sector developments, product development, training, etc.




STEADY AND
CONSISTENT
PRICING

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

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

The leading reinsurer in reinsurance agreements is the Munich-based Münchener Rückversicherungs AG (Munich RE). According to share size in reinsurance agreements, the second-ranking reinsurer is Milli Reasürans T.A.Ş. (Milli Re). Madrid-based Mapfre RE ranks third and the French reinsurer Scor Global Life is fourth. For life insurance products with unemployment coverage, the Company is also engaged in reinsurance business with Istanbul-based Cardif Hayat Sigorta A.Ş., a BNP Paribas subsidiary, 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 of Directors executes risk-management system operations through the Company's internal audit department.

The Company's risk-management policies have been formulated to identify and analyze risks encountered by the Company, to define risk limits and controls, and to monitor the risks and compliance with set limits. Risk management policies and systems are periodically reviewed in a way that reflects changes in market conditions as well as product and service offerings. 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 simply be defined as the possibility that counterparties might not be able to 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 policyholders
- Premium receivables from the insured
- Receivables from agencies
- Pension mutual funds concerning Private Pension operations, and receivables from participants
- Receivables from reinsurers concerning commissions and paid-up claims
- Reinsurance shares from insurance liabilities
- Receivables from the parties concerned
- Other receivables
- Prepaid taxes and funds

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

RATIONAL
 MEASURES, PROFESSIONAL
 EXECUTION AGAINST
 LIQUIDITY,
 MARKET AND
 EXCHANGE RATE
 RISK



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

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

Market Risk

Market risk is based on potential variations in market prices such as interest rates and foreign 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 foreign currency-denominated insurance operations it carries out.

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

Foreign currency-denominated transactions were recognized on the basis of exchange rates prevailing on the date of transaction. As of the balance sheet date, foreign currency-denominated asset and liability items were appraised based on the foreign exchange buying rate of the Central Bank of Turkey (TCMB), effective on December 31, 2010. Only life insurance mathematical reserves and loans were appraised based on the effective selling 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 prices of related securities resulting from changes in interest rates. The major risk for the non-trading securities portfolio is the loss from fluctuations in future cash flows and the loss stemming from the drop in fair values of financial assets as a result of changes in market interest rates. Interest rate risk is managed through monitoring of the interest rate range and setting pre-approved limits for re-pricing ranges.

SOUND AND
RELIABLE
FINANCIAL
ASSET
MANAGEMENT

Interest Sensitivity of Financial Instruments

Interest sensitivity of the income statement is the effect of the change in interest rates, under the criteria assumed below, on the fair values of the financial assets. The difference in fair value as of December 31, 2010 is reflected in the profits or losses, and the effect on the net interest income from the 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, 2010 as a result of the presumed variations in interest rates. During this analysis, other variables, particularly foreign exchange rates, are assumed to be fixed.

Fair Value Representation

Estimated market value of financial instruments is determined by using available market data and appropriate 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 exchange prices prevailing at the end of the term.

Company management estimates that the fair value of the other financial assets and liabilities do 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 stipulated by the Undersecretariat of Treasury,
- Ensuring the Company's continuity and securing sustained gains for shareholders and stakeholders,
- Securing a sufficient level of return for shareholders by setting insurance policy prices proportionate to the insurance risk assumed.

SUSTAINED GAINS FOR
SHAREHOLDERS AND
STAKEHOLDERS



AUGUST 2010



WE LAUNCHED A NEW IMAGE UNDER
"THE HAPPINESS IS A CHOICE"
SLOGAN.



AS PART OF THE "HAPPINESS" CONCEPT
ON WHICH OUR COMMUNICATION
EFFORTS ARE BASED, WE LAUNCHED A NEW
OVERALL IMAGE INITIATIVE WITH THE
"HAPPINESS IS A CHOICE" SLOGAN WHICH
EMPHASIZES THAT PEOPLE NEED TO MAKE
GOOD CHOICES IN ORDER TO ACHIEVE
HAPPINESS AND THAT THOSE WHO PICKED
OUR COMPANY ARE CHOOSING HAPPINESS.



GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ
FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2010

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

INDEPENDENT AUDITOR'S REPORT

1. We have audited the accompanying financial statements of Garanti Emeklilik ve Hayat Anonim Şirketi ("the Company") which comprise the balance sheet as at 31 December 2010, and statement of income, statement of changes in equity and statement of cash flow for the year ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Independent Auditor's Opinion

4. In our opinion, the financial statements give a true and fair view of the financial position of Garanti Emeklilik ve Hayat Anonim Şirketi as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with the applicable accounting principles and standards issued (Note 2), based on insurance laws and regulations.

Other Matter

5. The financial statements of the Company as of and for the year ended December 31, 2010 were audited by another auditor. The previous independent auditor expressed an unqualified opinion in their audit report dated March 10, 2010.

Additional paragraph for the English translation:

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

Istanbul, 11 March 2011

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

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

**THE UNCONSOLIDATED FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

Istanbul, 11 March 2011

Erhan ADALI
Member of the Board of
Directors, General Manager

Ahmet KARAMAN
Executive Vice
President

Salih İLERİ
Financial Affairs
Unit Manager

Osman TURGUT
Statutory Auditor

Emre ÖZBEK
Statutory Auditor

Erol ÖZTÜRKOĞLU
Actuary

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

DETAILED BALANCE SHEET

ASSETS		TRY	TRY
I-Current Assets	Note	“Audited Current Period“ (31 December 2010)	“Audited Prior Period“ (31 December 2009)
A-Cash and Cash Equivalents	14	354,616,351	242,477,049
1-Cash	14	168	419
2-Cheques Received		-	-
3-Banks	14	344,213,967	236,431,118
4-Cheques Given and Payment Orders (-)		-	-
5-Other Cash and Cash Equivalents	14	10,402,216	6,045,512
B-Financial Assets and Investments with Risks on Policy Holders	11	79,937,572	81,247,066
1-Financial Assets Available for Sale	11	263,221	8,563,655
2-Financial Assets Held to Maturity		-	-
3-Financial Assets Held for Trading	11	44,920,053	31,632,491
4-Loans		-	-
5-Provision for Loans (-)		-	-
6-Investments with Risks on Policy Holders	11	34,754,298	41,050,920
7-Equity Shares		-	-
8-Diminution in Value of Financial Assets (-)		-	-
C-Receivables from Main Operations	12	1,894,755,656	1,378,821,904
1-Receivables from Insurance Operations	12	52,660,537	46,403,409
2-Provision for Receivables from Insurance Operations (-)	12	(137,487)	(160,272)
3-Receivables from Reinsurance Operations		-	-
4-Provision for Receivables from Reinsurance Operations (-)		-	-
5-Cash Deposited for Insurance & Reinsurance Companies		-	-
6-Loans to Policyholders	2,8,12	369,585	418,585
7-Provision for Loans to Policyholders (-)		-	-
8-Receivables from Pension Operations	12,18	1,841,863,021	1,332,160,182
9-Doubtful Receivables from Main Operations		-	-
10-Provisions for Doubtful Receivables from Main Operations (-)		-	-
D-Due from Related Parties	12,45	2,887,203	1,873,726
1-Due from Shareholders	45	2,630	-
2-Due from Affiliates		-	-
3-Due from Subsidiaries		-	-
4-Due from Joint Ventures		-	-
5-Due from Personnel		-	-
6-Due from Other Related Parties	45	2,884,573	1,873,726
7-Discount on Receivables Due from Related Parties (-)		-	-
8-Doubtful Receivables Due from Related Parties		-	-
9-Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
E-Other Receivables	12	64,268	25,854
1-Lease Receivables		-	-
2-Unearned Lease Interest Income (-)		-	-
3-Deposits and Guarantees Given		-	-
4-Other Receivables	12	64,268	25,854
5-Discount on Other Receivables (-)		-	-
6-Other Doubtful Receivables		-	-
7-Provisions for Other Doubtful Receivables (-)		-	-
F-Prepaid Expenses and Income Accruals	17	31,174,613	25,008,337
1-Prepaid Expenses	17	31,174,613	25,008,337
2-Accrued Interest and Rent Income		-	-
3-Income Accruals		-	-
4-Other Prepaid Expenses and Income Accruals		-	-
G-Other Current Assets		41,427	27,031
1-Inventories		40,948	23,881
2-Prepaid Taxes and Funds		479	411
3-Deferred Tax Assets		-	-
4-Business Advances		-	-
5-Advances Given to Personnel		-	2,739
6-Stock Count Differences		-	-
7-Other Current Assets		-	-
8-Provision for Other Current Assets (-)		-	-
I-Total Current Assets		2,363,477,090	1,729,480,967

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

DETAILED BALANCE SHEET

ASSETS		“Audited Current Period” (31 December 2010)	TRY “Audited Prior Period” (31 December 2009)
II-Non Current Assets	Note		
A-Receivables from Main Operations		-	-
1-Receivables from Insurance Operations		-	-
2-Provision for Receivables from Insurance Operations ()		-	-
3-Receivables from Reinsurance Operations		-	-
4-Provision for Receivables from Reinsurance Operations ()		-	-
5-Cash Deposited for Insurance & Reinsurance Companies		-	-
6-Loans to Policyholders		-	-
7-Provision for Loans to Policyholders ()		-	-
8-Receivables from Pension Operations		-	-
9-Doubtful Receivables from Main Operations		-	-
10-Provision for Doubtful Receivables from Main Operations		-	-
B-Due from Related Parties		-	-
1-Due from Shareholders		-	-
2-Due from Affiliates		-	-
3-Due from Subsidiaries		-	-
4-Due from Joint Ventures		-	-
5-Due from Personnel		-	-
6-Due from Other Related Parties		-	-
7-Discount on Receivables Due from Related Parties ()		-	-
8-Doubtful Receivables Due from Related Parties		-	-
9-Provisions for Doubtful Receivables Due from Related Parties ()		-	-
C-Other Receivables		4,169	4,961
1-Leasing Receivables		-	-
2-Unearned Leasing Interest Income ()		-	-
3-Guarantees Given		4,169	4,961
4-Other Receivables		-	-
5-Discount on Other Receivables ()		-	-
6-Other Doubtful Receivables		-	-
7-Provisions for Other Doubtful Receivables ()		-	-
D-Financial Assets		-	-
1-Investments In Associates		-	-
2-Affiliates		-	-
3-Capital Commitments to Affiliates ()		-	-
4-Subsidiaries		-	-
5-Capital Commitments to Subsidiaries ()		-	-
6-Joint Ventures		-	-
7-Capital Commitments to Joint Ventures ()		-	-
8-Financial Assets and Investments with Risks on Policy Holders		-	-
9-Other Financial Assets		-	-
10-Diminution in Value of Financial Assets ()		-	-
E-Tangible Assets	6	2,187,211	2,963,620
1-Investment Properties		-	-
2-Diminution in Value for Investment Properties ()		-	-
3-Owner Occupied Properties		-	-
4-Machinery and Equipments		-	-
5-Furnitures and Fixtures	6	6,199,419	6,258,337
6-Vehicles		-	-
7-Other Tangible Assets (Including Leasehold Improvements)	6	1,768,718	1,768,718
8-Leased Tangible Assets	6	168,464	168,464
9-Accumulated Depreciation ()	6	(5,949,390)	(5,231,899)
10-Advances Paid for Tangible Assets (Including Construction In Progresses)		-	-
F-Intangible Assets	8	9,792,522	8,586,437
1-Rights		-	-
2-Goodwill		-	-
3-Establishment Costs		-	-
4-Research and Development Expenses		-	-
6-Other Intangible Assets	8	29,740,581	23,351,879
7-Accumulated Amortization ()	8	(19,948,059)	(14,565,233)
8-Advances Regarding Intangible Assets		-	-
G-Prepaid Expenses and Income Accruals		-	-
1-Prepaid Expenses		-	-
2-Income Accruals		-	-
3-Other Prepaid Expenses and Income Accruals		-	-
H-Other Non-current Assets		181,774	-
1-Effective Foreign Currency Accounts		-	-
2-Foreign Currency Accounts		-	-
3-Inventories		-	-
4-Prepaid Taxes and Funds		-	-
5-Deferred Tax Assets	21	181,774	-
6-Other Non-current Assets		-	-
7-Other Non-current Assets Amortization ()		-	-
8-Provision for Other Non-current Assets ()		-	-
II-Total Non-current Assets		12,165,976	11,555,918
TOTAL ASSETS		2,375,642,766	1,741,035,985

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

DETAILED

BALANCE SHEET

LIABILITIES		TRY	TRY
		"Audited Current Period" (31 December 2010)	"Audited Prior Period" (31 December 2009)
III-Short Term Liabilities			
A-Borrowings	19, 20, 45	570,396	548,617
1-Loans to Financial Institutions		-	-
2-Finance Lease Payables		-	-
3-Deferred Finance Lease Borrowing Costs ()		-	-
4-Current Portion of Long Term Borrowings		-	-
5-Principal, Installments and Interests on Issued Bills (Bonds)		-	-
6-Other Issued Financial Assets		-	-
7-Value Differences on Issued Financial Assets ()		-	-
8-Other Financial Borrowings (Liabilities)	19, 20	570,396	548,617
B-Payables from Main Operations	19	1,861,359,138	1,350,901,048
1-Payables Due To Insurance Operations	19	25,229,085	23,655,624
2-Payables Due To Reinsurance Operations		-	-
3-Cash Deposited by Insurance & Reinsurance Companies		-	-
4-Payables Due To Pension Operations	18, 19	1,836,089,995	1,327,245,424
5-Payables from Other Operations		40,058	-
6-Discount on Other Payables from Main Operations, Notes Payable ()		-	-
C-Due to Related Parties	19	2,594,839	3,809,866
1-Due to Shareholders	45	185,322	143,698
2-Due to Affiliates		-	-
3-Due to Subsidiaries		-	-
4-Due to Joint Ventures		-	-
5-Due to Personnel		148,222	32,438
6-Due to Other Related Parties	45	2,261,295	3,633,730
D-Other Payables	19	2,279,761	1,472,465
1-Guarantees and Deposits Received		-	-
2-Other Payables		2,284,367	1,487,311
3-Discount on Other Payables ()		(4,606)	(14,846)
E-Insurance Technical Reserves	17	71,463,315	59,141,670
1-Unearned Premiums Reserve-Net	17	52,657,512	46,797,624
2-Unexpired Risk Reserves-Net		-	-
3-Life Mathematical Reserves-Net		6,199,869	1,831,273
4-Outstanding Claims Reserve-Net	17	12,549,781	10,504,893
5-Provision for Bonus and Discounts-Net	17	56,153	7,880
6-Reserve for Policies Investment Risk of Life Insurance Policyholders-Net		-	-
7-Other Technical Reserves-Net		-	-
F-Taxes and Other Liabilities and Provisions	19	12,762,000	7,649,148
1-Taxes and Dues Payable		3,722,920	3,439,784
2-Social Security Premiums Payable		557,184	557,109
3-Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4-Other Taxes and Liabilities		-	-
5-Corporate Tax Liability Provision on Period Profit	19	25,725,003	18,722,731
6-Prepaid Taxes and Other Liabilities on Period Profit ()	19	(17,243,107)	(15,070,476)
7-Provisions for Other Taxes and Liabilities		-	-
G-Provisions for Other Risks	23	1,635,487	1,312,360
1-Provision for Employment Termination Benefits		-	-
2-Pension Fund Deficit Provision		-	-
3-Provisions for Costs	23	1,635,487	1,312,360
H-Deferred Income and Expense Accruals	19	23,894,551	16,922,825
1-Deferred Income	10, 19	22,890,687	15,930,946
2-Expense Accruals		-	-
3-Other Deferred Income and Expense Accruals	19	1,003,864	991,879
I-Other Short Term Liabilities		-	-
1-Deferred Tax Liability		-	-
2-Inventory Count Differences		-	-
3-Other Short Term Liabilities		-	-
III-Total Current Liabilities		1,976,559,487	1,441,757,999

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

DETAILED

BALANCE SHEET

LIABILITIES		TRY
	"Audited Current Period" (31 December 2010)	"Audited Prior Period" (31 December 2009)
IV-Long Term Liabilities		
A-Borrowings	-	-
1-Loans to Financial Institutions	-	-
2-Finance Lease Payables	-	-
3-Deferred Finance Lease Borrowing Costs (-)	-	-
4-Bonds Issued	-	-
5-Other Issued Financial Assets	-	-
6-Value Differences on Issued Financial Assets (-)	-	-
7-Other Financial Borrowings (Liabilities)	-	-
B-Payables from Main Operations	-	-
1-Payables Due To Insurance Operations	-	-
2-Payables Due To Reinsurance Operations	-	-
3-Cash Deposited by Insurance & Reinsurance Companies	-	-
4-Payables Due To Pension Operations	-	-
5-Payables from Other Operations	-	-
6-Discount on Other Payables from Main Operations (-)	-	-
C-Due to Related Parties	-	-
1-Due to Shareholders	-	-
2-Due to Affiliates	-	-
3-Due to Subsidiaries	-	-
4-Due to Joint Ventures	-	-
5-Due to Personnel	-	-
6-Due to Other Related Parties	-	-
D-Other Payables	-	-
1-Guarantees and Deposits Received	-	-
2-Other Payables	-	-
3-Discount on Other Payables (-)	-	-
E-Insurance Technical Reserves	17	69,308,301
1-Unearned Premiums Reserve-Net	-	-
2-Unexpired Risk Reserves-Net	-	-
3-Life Mathematical Reserves-Net	17, 18	66,817,095
4-Outstanding Claims Reserve-Net	-	68,015,606
5-Provision for Bonus and Discounts-Net	-	-
6-Reserve for Policies Investment Risk of Life Insurance Policyholders-Net	-	-
7-Other Technical Reserves-Net	17	2,491,206
1,199,793		
F-Other Liabilities and Provisions	-	-
1-Other Liabilities	-	-
2-Overdue, Deferred or By Installment Other Liabilities	-	-
3-Other Liabilities and Expense Accruals	-	-
G-Provisions for Other Risks	23	177,503
1-Provision for Employment Termination Benefits	23	177,503
2-Provisions for Employee Pension Fund Deficits	-	-
H-Deferred Income and Expense Accruals	-	-
1-Deferred Income	-	-
2-Expense Accruals	-	-
3-Other Deferred Income and Expense Accruals	-	-
I-Other Long Term Liabilities	21	295,637
1-Deferred Tax Liability	21	295,637
2-Other Long Term Liabilities	-	-
IV-Total Non Current Liabilities	69,485,804	69,667,671

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

DETAILED

BALANCE SHEET

SHAREHOLDERS' EQUITY	TRY	
	"Audited Current Period" (31 December 2010)	"Audited Prior Period" (31 December 2009)
V-Shareholders' Equity		
A-Paid in Capital	53,084,445	53,084,445
1-(Nominal) Capital	2,13, 15	50,000,000
2-Unpaid Capital (-)	-	-
3-Positive Inflation Adjustment on Capital	3,084,445	3,084,445
4-Negative Inflation Adjustment on Capital (-)	-	-
B-Capital Reserves	-	-
1-Equity Share Premiums	-	-
2-Cancellation Profits of Equity Shares	-	-
3-Profit on Sale to be Transferred to Capital	-	-
4-Translation Reserves	-	-
5-Other Capital Reserves	-	-
C-Profit Reserves	176,472,371	101,349,715
1-Legal Reserves	15	8,777,544
2-Statutory Reserves	-	-
3-Extraordinary Reserves	15	167,345,946
4-Special Funds (Reserves)	-	-
5-Revaluation of Financial Assets	11, 15	348,881
6-Other Profit Reserves	-	-
D-Previous Years' Profits	-	-
1-Previous Years' Profits	-	-
E-Previous Years' Losses (-)	-	-
1-Previous Years' Losses	-	-
F-Net Profit of the Period	100,040,679	75,176,155
1-Net Profit of the Period	100,040,679	75,176,155
2-Net Loss of the Period	-	-
Total Shareholders' Equity	329,597,495	229,610,315
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,375,642,766	1,741,035,985

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

DETAILED INCOME STATEMENT

	Note	"Audited Current Period (01/01/2010-31/12/2010)"	"Audited Prior Period (01/01/2009-31/12/2009)"
A-Non-Life Technical Income		1,484	4,439
1-Earned Premiums (Net of Reinsurer Share)	17	1,506	4,410
1.1-Premiums (Net of Reinsurer Share)	17	1,345	1,561
1.1.1-Gross Premiums (+)	17	1,345	1,561
1.1.2-Ceded Premiums to Reinsurers (-)		-	-
1.2-Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	17	161	2,849
1.2.1-Unearned Premiums Reserve (-)	17	161	2,849
1.2.2-Reinsurance Share of Unearned Premiums Reserve (+)		-	-
1.3-Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		-	-
1.3.1-Unexpired Risks Reserve (-)		-	-
1.3.2-Reinsurance Share of Unexpired Risks Reserve (-)		-	-
2-Investment Income Transferred from Non-Technical Part		-	-
3-Other Technical Income (Net of Reinsurer Share)		(22)	29
3.1-Gross Other Technical Income (+)		(22)	29
3.2-Reinsurance Share of Other Technical Income (-)		-	-
B-Non-Life Technical Expense (-)		(26,316)	(12,694)
1-Total Claims (Net of Reinsurer Share)		(25,000)	(9,688)
1.1-Claims Paid (Net of Reinsurer Share)	17	(25,000)	(12,820)
1.1.1-Gross Claims Paid (-)	17	(25,000)	(12,820)
1.1.2-Reinsurance Share of Claims Paid (+)		-	-
1.2-Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17	(1,020)	3,132
1.2.1-Outstanding Claims Reserve (-)	17	(1,020)	3,132
1.2.2-Reinsurance Share of Outstanding Claims Reserve (+)		-	-
2-Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
2.1-Bonus and Discount Reserve (-)		-	-
2.2-Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3-Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
4-Operating Expenses (-)	32	(296)	(3,006)
C-Non Life Technical Net Profit (A-B)		(24,832)	(8,255)
D-Life Technical Income		143,059,261	122,662,961
1-Earned Premiums (Net of Reinsurer Share)	17	134,770,961	113,405,162
1.1-Premiums (Net of Reinsurer Share)	17	140,631,010	116,682,226
1.1.1-Gross Premiums (+)	17	234,158,626	181,094,232
1.1.2-Ceded Premiums to Reinsurers (-)	10, 17	(93,527,616)	(64,412,006)
1.2-Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	17	(5,860,049)	(3,277,064)
1.2.1-Unearned Premiums Reserve (-)		(18,945,345)	(26,118,744)
1.2.2-Reinsurance Share of Unearned Premiums Reserve (+)	10	13,085,296	22,841,680
1.3-Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		-	-
1.3.1-Unexpired Risks Reserve (-)		-	-
1.3.2-Reinsurance Share of Unexpired Risks Reserve (-)		-	-
2-Life Branch Investment Income		8,197,585	9,164,743
3-Accrued (Unrealized) Income from Investments		-	-
4-Other Technical Income (Net of Reinsurer Share)		90,715	93,056
E-Life Technical Expense		(65,532,897)	(67,337,186)
1-Total Claims (Net of Reinsurer Share)	17	(24,918,766)	(26,501,272)
1.1-Claims Paid (Net of Reinsurer Share)	17	(22,874,898)	(23,410,721)
1.1.1-Gross Claims Paid (-)	17	(40,663,780)	(28,896,982)
1.1.2-Reinsurance Share of Claims Paid (+)	10, 17	17,788,882	5,486,261
1.2-Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17	(2,043,868)	(3,690,562)
1.2.1-Outstanding Claims Reserve (-)	17	(1,167,063)	(12,601,087)
1.2.2-Reinsurance Share of Outstanding Claims Reserve (+)	10, 17	(876,805)	9,510,525
2-Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		(48,274)	(4,840)
2.1-Bonus and Discount Reserve (-)		(48,274)	(4,840)
2.2-Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3-Changes in Life Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		(3,037,891)	5,393,251
3.1-Life Mathematical Reserves		(3,037,891)	5,393,251
3.2-Reinsurance Share of Life Mathematical Reserves		-	-
4-Changes in Technical Reserves for Investments with Risks on Policyholders (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
4.1-Technical Reserves for Investments with Risks on Policyholders (-)		-	-
4.2-Reinsurance Share of Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
5-Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		(1,291,413)	(1,199,793)
6-Operating Expenses (-)	32	(33,497,392)	(42,558,559)
7-Investment Expenses (-)		-	-
8-Unrealized Losses from Investments (-)		-	-
9-Investment Income Transferred to Non-Technical Divisions (-)		(2,739,161)	(2,466,172)
F-Life Technical Profit/(Loss) (D-E)		77,526,364	55,325,775
G-Private Retirement Technical Income		87,553,745	53,959,137
1-Fund Management Fee		29,648,300	20,824,428
2-Management Fee Deduction		16,565,412	13,514,149
3-Initial Contribution Fee		21,324,159	19,585,205
4-Management Fee In Case of Temporary Suspension		-	-
5-Withholding Tax		-	-
6-Increase in Market Value of Capital Commitment Advances		-	1,962
7-Other Technical Income		15,874	16,393
H-Private Retirement Technical Expenses		(35,933,616)	(35,207,134)
1-Fund Management Expenses (-)		(4,757,727)	(5,385,405)
2-Decrease in Market Value of Capital Commitment Advances (-)		-	-
3-Operating Expenses (-)	32	(25,704,157)	(25,383,743)
4-Other Technical Expenses (-)		(6,471,732)	(4,437,986)
I-Private Retirement Technical Profit/(Loss) (G-H)		31,620,129	18,742,003

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

DETAILED INCOME STATEMENT

	Note	“Audited Current Period (01/01/2010- 31/12/2010)”	“Audited Prior Period (01/01/2009- 31/12/2009)”
C-Non Life Technical Net Profit (A-B)		(24,832)	(8,255)
F-Life Technical Net Profit (D-E)		77,526,364	55,325,775
I-Private Retirement Technical Net Profit (G-H)		31,620,129	18,745,003
J-General Technical Net Profit (C+F+I)		109,121,661	74,062,523
K-Investment Income		31,173,027	26,355,107
1-Income from Financial Investments		22,478,039	18,611,925
2-Income from Sales of Financial Investments		3,133,773	3,966,086
3-Revaluation of Financial Investments		2,264,836	1,310,924
4-Foreign Exchange Gains		-	-
5-Dividend Income from Participations		-	-
6-Income from Affiliated Companies		-	-
7-Income Received from Land and Building		-	-
8-Income from Derivatives		557,218	-
9-Other Investments		-	-
10-Investment Income transferred from Life Technical Part		2,739,161	2,466,172
L-Investment Expenses (-)		(13,873,446)	(5,754,266)
1-Investment Management Expenses (Including Interest) (-)		(49,487)	(274,401)
2-Valuation Allowance of Investments (-)		-	-
3-Losses On Sales of Investments (-)		(6,769,931)	-
4-Investment Income Transferred to Life Technical Part (-)		-	-
5-Losses from Derivatives (-)		-	-
6-Foreign Exchange Losses (-)		(353,049)	(110,315)
7-Depreciation Expenses (-)	6, 8	(6,537,138)	(5,369,550)
8-Other Investment Expenses (-)		(163,841)	-
M-Other Income and Expenses (+/-)		(655,560)	(764,478)
1-Provisions Account (+/-)	47	(321,190)	(516,813)
2-Discount Account (+/-)	47	(339,542)	62,443
3-Speciality Insurances Account (+/-)		-	-
4-Inflation Adjustment Account (+/-)		-	-
5-Deferred Tax Asset Accounts(+/-)		508,610	40,616
6-Deferred Tax Liability Accounts (+/-)	21, 35	-	(441,099)
7-Other Income and Revenues		270,103	455,004
8-Other Expense and Losses (-)		(773,541)	(364,629)
9-Prior Period Income		-	-
10-Prior Period Losses (-)		-	-
N-Net Profit/(Loss)		100,040,679	75,176,155
1-Profit/(Loss) Before Tax		125,765,682	93,898,886
2-Corporate Tax Liability Provision (-)	35	(25,725,003)	(18,722,731)
3-Net Profit (Loss)		100,040,679	75,176,155
4-Inflation Adjustment Account		-	-

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

STATEMENT OF CHANGES IN EQUITY

"Audited Prior Period"	TRY										
	Capital	Equity Shares Owned by Company (ç)	Revaluation of Financial Assets	Inflation Adjustment of Capital	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit (Loss) for the Period	Previous Years' Profits/Losses	Total
PRIOR PERIOD	50,000,000	-	2,675	3,084,445	-	1,827,274	-	34,718,222	-	64,401,839	154,034,455
I-Closing Balance of Prior Period (31/12/2009)											
A-Capital increase	-	-	-	-	-	-	-	-	-	-	-
1-Cash	-	-	-	-	-	-	-	-	-	-	-
2-Internal sources	-	-	-	-	-	-	-	-	-	-	-
B-Equity shares purchased by the company	-	-	-	-	-	-	-	-	-	-	-
C-Income/(expense) recognized directly in the equity	-	-	-	-	-	-	-	-	-	-	-
D-Revaluation of financial assets	-	-	399,705	-	-	-	-	-	-	-	399,705
E-Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F-Other income/(expenses)	-	-	-	-	-	-	-	-	-	-	-
G-Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H-Period net profit	-	-	-	-	-	-	-	-	75,176,155	-	75,176,155
I-Dividends distributed	-	-	-	-	-	-	-	-	-	-	-
J-Transfer	-	-	-	-	-	3,191,461	-	61,210,378	-	(64,401,839)	-
II-Closing Balance at 31/12/2009 (I+A+B+C+D+E+F+G+H+I+J)	50,000,000	-	402,380	3,084,445	-	5,018,735	-	95,928,600	75,176,155	-	229,610,315

"Audited Prior Period"	TRY										
	Capital	Equity Shares Owned by Company (ç)	Revaluation of Financial Assets	Inflation Adjustment of Capital	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit (Loss) for the Period	Previous Years' Profits/Losses	Total
CURRENT PERIOD	50,000,000	-	402,380	3,084,445	-	5,018,735	-	95,928,600	75,176,155	-	229,610,315
I-Closing balance Balance of Prior Period (31/12/2010)											
A-Capital increase	-	-	-	-	-	-	-	-	-	-	-
1-Cash	-	-	-	-	-	-	-	-	-	-	-
2-Internal sources	-	-	-	-	-	-	-	-	-	-	-
B-Equity shares purchased by the company	-	-	-	-	-	-	-	-	-	-	-
C-Income/(expense) recognized directly in the equity	-	-	-	-	-	-	-	-	-	-	-
D-Revaluation of financial assets	-	-	(53,499)	-	-	-	-	-	-	-	(53,499)
E-Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F-Other income/(expenses)	-	-	-	-	-	-	-	-	-	-	-
G-Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H-Period net profit	-	-	-	-	-	-	-	-	100,040,679	-	100,040,679
I-Dividends distributed	-	-	-	-	-	-	-	-	-	-	-
J-Transfer	-	-	-	-	-	3,758,809	-	71,417,346	(75,176,155)	-	-
II-Closing Balance at 31/12/2010 (I+A+B+C+D+E+F+G+H+I+J)	50,000,000	-	348,881	3,084,445	-	8,777,544	-	167,345,946	100,040,679	-	329,597,495

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

CASH FLOW STATEMENT

			TRY
	Note	“Audited Current Period (01/01/2010- 31/12/2010)”	“Audited Prior Period (01/01/2009- 31/12/2009)”
A. CASH FLOWS FROM THE OPERATING ACTIVITIES			
1. Cash inflows from the insurance operations		157,854,526	198,568,167
2. Cash inflows from the reinsurance operations		-	-
3. Cash inflows from the pension operations		67,553,745	474,965,121
4. Cash outflows due to the insurance operations (-)		(71,959,841)	(156,903,864)
5. Cash outflows due to the reinsurance operations (-)		-	-
6. Cash outflows due to the pension operations (-)		(36,791,884)	(464,983,912)
7. Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)		116,656,546	51,645,512
8. Interest payments (-)		-	-
9. Income tax payments (-)		(20,895,362)	(19,990,426)
10. Other cash inflows		9,929,126	3,962,138
11. Other cash outflows (-)		(11,621,464)	(1,484,921)
12. Net cash generated from the operating activities		94,068,846	34,132,303
B. CASH FLOWS FROM THE INVESTING ACTIVITIES			
1. Sale of tangible assets		19,864	15,072
2. Purchase of tangible assets (-)	6	(379,901)	(7,955,850)
3. Acquisition of financial assets (-)		(6,559,439)	(39,434,251)
4. Sale of financial assets		1,764,224	24,352,208
5. Interest received		27,497,920	33,971,054
6. Dividends received		-	-
7. Other cash inflows		2,730,782	8,192,374
8. Other cash outflows (-)		(7,638,183)	(653,176)
9. Net cash generated from the investing activities		17,435,267	18,487,431
C. CASH FLOWS FROM THE FINANCING ACTIVITIES			
1. Issue of equity shares		-	-
2. Cash inflows from the loans to policyholders		21,779	98,134
3. Payments of financial leases (-)		-	-
4. Dividends paid (-)		-	-
5. Other cash inflows		-	-
6. Other cash outflows (-)		-	-
7. Cash generated from the financing activities		21,779	98,134
D. EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS			
E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)		111,525,892	52,717,868
F. Cash and cash equivalents at the beginning of the period	14	241,398,269	188,680,401
G. Cash and cash equivalents at the end of the period (E+F)	14	352,924,161	241,398,269

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

STATEMENT OF PROFIT DISTRIBUTION

(Audited)

	TRY		
	Note	Current Period (31/12/2010) (*)	Prior Period (31/12/2009)
I, DISTRIBUTION OF PROFIT FOR THE PERIOD			
1.1, PRFIT FOR THE PERIOD (**)		125,765,682	93,898,886
1.2, TAXES PAYABLE AND LEGAL LIABILITIES		(25,725,003)	(18,722,731)
1.2.1, Corporate Tax (Income Tax)		(25,725,003)	(18,722,731)
1.2.2, Income Tax Deduction		-	-
1.2.3, Other Taxes And Legal Liabilities		-	-
A NET PROFIT FOR THE PERIOD (1.1-1.2)		100,040,679	75,176,155
1.3, PREVIOUS YEARS' LOSSES (-)		-	-
1.4, FIRST LEGAL RESERVE		(1,222,456)	(3,758,809)
1.5, LEGAL RESERVES KEPT IN THE COMPANY (-)		(508,610)	-
"B NET PROFIT FOR THE PERIOD AVAILABLE FOR DISTRIBUTION [(A-(1.3 + 1.4 + 1.5))"]		98,309,613	71,417,346
1.6, FIRST DIVIDENDS TO SHAREHOLDERS (-)		-	-
1.6.1, To Common Shareholders (***)		-	-
1.6.2, To Preferred Shareholders		-	-
1.6.3, To Owners Of Participating Redeemed Shares		-	-
1.6.4, To Owners Of Profit-sharing Securities		-	-
1.6.5, To Owners Of Profit And Loss Sharing Securities		-	-
1.7, DIVIDENDS TO PERSONNEL (-) (***)		-	-
1.8, DIVIDENDS TO FOUNDERS (-)		-	-
1.9, DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.10, SECOND DIVIDENDS TO SHAREHOLDERS (-) (***)		-	-
1.10.1, To Common Shareholders		-	-
1.10.2, To Preferred Shareholders		-	-
1.10.3, To Owners Of Participating Redeemed Shares		-	-
1.10.4, To Owners Of Profit-sharing Securities		-	-
1.10.5, To Owners Of Profit And Loss Sharing Securities		-	-
1.11, SECOND LEGAL RESERVE (-)		-	-
1.12, STATUTORY RESERVES (-)		-	-
1.13, EXTRAORDINARY RESERVES		-	(71,417,346)
1.14, OTHER RESERVES		-	-
1.15, SPECIAL FUNDS		-	-
II, DISTRIBUTION FROM RESERVES		-	-
2.1, DISTRIBUTED RESERVES		-	-
2.2, SECOND LEGAL RESERVE (-)		-	-
2.3, DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.3.1, To common Shareholders		-	-
2.3.2, To Preferred Shareholders		-	-
2.3.3, To Owners Of Participating Redeemed Shares		-	-
2.3.4, To Owners Of Profit-sharing Securities		-	-
2.3.5, To Owners Of Profit And Loss Sharing Securities		-	-
2.4, DIVIDENDS TO EMPLOYEES (-)		-	-
2.5, DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III, PROFIT PER SHARE		-	-
3.1, TO COMMON SHAREHOLDERS		0,020	0,015
3.2, TO COMMON SHAREHOLDERS (%)		2,001	1,504
3.3, TO PREFERRED SHAREHOLDERS		-	-
3.4, TO PREFERRED SHAREHOLDERS (%)		-	-
IV, DIVIDENDS PER SHARE		-	-
4.1, TO COMMON SHAREHOLDERS		0,020	0,014
4.2, TO COMMON SHAREHOLDERS (%)		1,966	1,428
4.3, TO PREFERRED SHAREHOLDERS		-	-
4.4, TO PREFERRED SHAREHOLDERS (%)		-	-

(*) Since 2010 profit distribution proposal has not been approved by the General Assembly, only net profit available for distribution is presented in the profit distribution table,

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2010

(Amounts expressed in Turkish Lira [TL] unless otherwise stated).

1 General information

1.1 Parent Company and the Ultimate Owner of the Company

As at 31 December 2010, 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 Eureko BV by 15.00% shares of the outstanding shares.

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

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

1.3 Main Operations of the Company

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

On 14 November 2002, the Company applied for conversion from life insurance company to 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.

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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 A.Ş. 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 A.Ş. 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 per the resolution of the Board of Directors, the Company has established 3 pension investment funds for groups on 6 October 2010 after taking the approval of Capital Markets Board of Turkey. The investment portfolio of these funds are managed by Garanti Portföy Yönetimi A.Ş. 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 at 31 December 2010, the Company has 15 pension investment funds in total (As at 31 December 2009: 12 pension investment funds in total).

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

As at 31 December 2010, 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 Average number of the Company's personnel based on their categories

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

	2010	2009
Key management personnel	20	20
Other personnel	619	586
Total	639	606

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NOTES TO THE FINANCIAL STATEMENTS

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(Amounts expressed in Turkish Lira [TL] unless otherwise stated).

1.6 Remuneration and fringe benefits provided to top management

As of 31 December 2010, remuneration and fringe benefits provided to top management such as; chairman and members of the board of directors, managing director and assistant managing director in total amount to TL 3,707,859 (31 December 2009: TL 2,990,677).

1.7 Distribution keys used in the distribution of investment income and operating expenses in the financial statements (personnel expenses, administration expenses, research and development expenses, marketing and selling expenses and other operating expenses)

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 Stand-alone or consolidated financial statements

The accompanying financial statements comprise only the financial information of the Company. As further detailed in Note 2.2, the Company has not prepared consolidated financial statements as at and for the year ended 31 December 2010.

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

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

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

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(Amounts expressed in Turkish Lira [TL] unless otherwise stated).

1.10 Subsequent events

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

2.1 Basis of Preparation

2.1 Hazırlık esasları

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

The Company maintains its books of account and prepares its financial statements in accordance with the Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”), and other accounting and financial reporting principles, statements and guidance (collectively “the Reporting Standards”) in accordance with the “Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and 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.

“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.

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NOTES TO THE FINANCIAL STATEMENTS

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

Preparation of Financial Statements in Hyperinflationary Periods

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

Other accounting policies

Information regarding to other accounting polices is explained above in the section of Note 2.1.1-Information about the principles and the special accounting policies used in the preparation of the financial statements and each 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 Valuation method(s) used in the presentation of financial statements

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

2.1.6 Accounting policies, changes in accounting estimates and errors

Details of other standards and interpretations adopted in these financial statements but that have had no impact on the financial statements are set out below.

Standards and Interpretations that are effective in 2010 with no impact on the 2010 financial statements

IFRIC 17, “Distributions of non-cash assets to owners”, effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Company, as it has not made any non-cash distributions.

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IFRIC 18, “Transfers of assets from customers”, effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Company, as it has not received any assets from customers.

“Additional exemptions for first-time adopters” (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Company, as it is an existing IFRS preparer.

IFRS 2, “Share-based Payments-Company Cash-settled Share Payment Arrangements” is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Company, as the Company does not have share-based payment plans.

Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2008) clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Company is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Company will retain a non-controlling interest in the subsidiary after the sale.

IFRS 3 (revised in 2008) Business Combinations

IFRS 3 (revised), “Business Combinations” and consequential amendments to IAS 27, “Consolidated and separate financial statements”, IAS 28, “Investments in associates”, and IAS 31, “Interests in joint ventures”, are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The main impact of the adoption is as follows:

- a) to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as ‘minority’ interests) either at fair value or at the non-controlling interests’ share of the fair value of the identifiable net assets of the acquiree.
- b) to change the recognition and subsequent accounting requirements for contingent consideration.
- c) to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognized as an expense in profit or loss as incurred.
- d) in step acquisitions, previously held interests are to be remeasured to fair value at the date of the subsequent acquisition with the value included in goodwill calculation. Gain or loss arising from the re-measurement shall be recognized as part of profit or loss.
- e) IFRS 3 (2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Company and the acquiree.

These amendments are not relevant for the financial statements of the Company.

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IAS 27 (2008) Consolidated and Separate Financial Statements

Specifically, the revised Standard has affected the Company's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under IAS 27 (2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Company to derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These amendments are not relevant for the financial statements of the Company.

IAS 28 (revised in 2008) Investments in Associates

According to the amendments for IAS 28, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

As part of Improvements to IFRSs issued in 2010, IAS 28 (2008) has been amended to clarify that the amendments to IAS 28 regarding transactions where the investor loses significant influence over an associate should be applied prospectively.

These amendments are not relevant for the financial statements of the Company.

Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The improvements cover 12 main standards/intepretations as follows: IFRS 2 Share-based Payments, IFRS 8 Operating Segments, IAS 1 Presentation of Financial Statements, IAS 17 Leases, IAS 18 Revenue, IAS 36 Impairment of Assets, IAS 38 Intangible Assets, IAS 39 Financial Instruments: Recognition and Measurement, IFRIC 9 Reassessment of Embedded Derivatives, IFRIC 16 Hedges of Net Investment in a Foreign Operation. The effective dates vary standard by standard but most are effective 1 January 2010.

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Standards and Interpretations that are issued but not yet effective in 2010 and have not been early adopted

IFRS 1 (amendments) First-time Adoption of IFRS-Additional Exemptions and Two Other Amendments

Amendments to IFRS 1 which are effective for annual periods on or after 1 July 2010 provide limited exemption for first time adopters to present comparative IFRS 7 fair value disclosures.

On 20 December, IFRS 1 is amended to provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRS and provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time. The amendment above will be effective for annual periods beginning on or after 1 July 2011.

These amendments are not relevant to the Company, as it is an existing IFRS preparer.

IFRS 7 Financial Instruments: Disclosures

In October 2010, IFRS 7 Financial Instruments: Disclosures is amended by IASB as part of its comprehensive review of off balance sheet activities. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendment will be effective for annual periods beginning on or after 1 July 2011. The Company has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IFRS 9 Financial Instruments: Classification and Measurement

In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued. IFRS 9 will ultimately replace IAS 39 Financial Instruments: Recognition and Measurement. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Company has not had an opportunity to consider the potential impact of the adoption of this standard.

IAS 12 Income Taxes

In December 2010, IAS 12 is amended. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, be through sale. The amendment will be effective for annual periods beginning on or after 1 January 2012. The Company has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

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IAS 24 (Revised 2009) Related Party Disclosures

In November 2009, IAS 24 Related Party Disclosures was revised. The revision to the standard provides government-related entities with a partial exemption from the disclosure requirements of IAS 24. The revised standard is mandatory for annual periods beginning on or after 1 January 2011. The Company has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IAS 32 (Amendments) Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements

The amendments to IAS 32 and IAS 1 are effective for annual periods beginning on or after 1 February 2010. The amendments address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The Company has not yet had an opportunity to consider the potential impact of the adoption of this amendment to the standard.

IFRIC 14 (Amendments) Pre-payment of a Minimum Funding Requirement

Amendments to IFRIC 14 are effective for annual periods beginning on or after 1 January 2011. The amendments affect entities that are required to make minimum funding contributions to a defined benefit pension plan and choose to pre-pay those contributions. The amendment requires an asset to be recognized for any surplus arising from voluntary pre-payments made. The Company does not expect any impact of the adoption of this amendment on the financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or part, a financial liability. The Company has not yet had an opportunity to consider the potential impact of the adoption of this amendment to the standard.

Annual Improvements May 2010

Further to the above amendments and revised standards, the IASB has issued Annual Improvements to IFRSs in May 2010 that cover 7 main standards/interpretations as follow: IFRS 1 First-time Adoption of International Financial Reporting Standards; IFRS 3 Business Combinations; IFRS 7 Financial Instruments: Disclosures; IAS 27 Consolidated and Separate Financial Statements; IAS 34 Interim Financial Reporting and IFRIC 13 Customer Loyalty Programmes. With the exception of amendments to IFRS 3 and IAS 27 which are effective on or after 1 July 2010, all other amendments are effective on or after 1 January 2011. Early adoption of these amendments are allowed. The Company has not yet had an opportunity to consider the potential impact of the adoption of these amendments to the standards.

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2.2 Consolidation

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

2.3 Segment reporting

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

2.4 Reserves in Foreign Currencies

For the purpose of the financial statements, the results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the financial statements. In preparing the financial statements of the Company, transactions in currencies other than TL (foreign currencies) are recognized at exchange rates prevailing at the transaction date. At each balance sheet date, monetary items denominated in foreign currencies are retranslated to Turkish Lira at the rates prevailing on the balance sheet date. Gains and losses arising from exchange rate transactions are recognized in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in profit and loss in the period in which they are incurred.

2.5 Property, Plant and Equipment

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

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

Maintenance and repair costs incurred in the ordinary course of the business are recorded as expense. There are no pledges, mortgages and other encumbrances on tangible fixed assets.

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

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

september 2010



ALTIN ÖRÜMCEK
web oscar

Our corporate website received the Web Oscar in three categories.

www.garantiemeklilik.com.tr won first place in the Insurance category, third place in the Corporate Website category and the People's Choice award, for a total of three awards, at 2010 Altın Örümcek Web Awards.



THE INTERNATIONAL
BUSINESS AWARDS

Garanti Emeklilik

The Hobby Clubs project was deemed worthy of an award again in 2010 at the Stevie International Business Awards competition, after winning a prize in 2009. The Stevie Awards is a global-scale ceremony organized for the seventh consecutive year where achievements in business are acknowledged in many aspects; in the Ads and Campaigns and Financial Services categories, Garanti Pension earned the Distinguished Honoree prize in both categories. The success of the Hobby Clubs project, which won its 14th award since its launch in 2008, was proven once again at the Stevie Awards.

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Depreciation rates and estimated useful lives are as follows:

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

2.6 Investment Properties

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

2.7 Intangible assets

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

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

2.8 Financial assets

Classification and measurement

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

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

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

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

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

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

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

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

Investments other than held-to-maturity debt securities and held for trading securities are classified as available-for-sale, and are measured at fair value. Available-for-sale investments that do not have quoted prices in active markets and whose fair values cannot be reliably measured are stated at cost. Gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Securities are recognized at the date of settlement.

Specific instruments

Loans to the policyholders are the securitized loans that are used by the policyholders with the security of their saving life insurance policies that have made premium payments throughout the period that is determined by the technical bases related to certified tariffs of saving life policies (this period is 3 years according to general conditions of life insurance). As at 31 December 2010, total amount of loans to the policyholders amounts to TL 369,585 (31 December 2009: TL 418,585).

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.

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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 2010, 95% of the difference between fair values and amortized costs of those assets backing liabilities amounted to TL 4,049,879 (31 December 2009: TL 3,917,686) 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.

2.9 Impairment on assets

Impairment on financial assets

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

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

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

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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.

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

2.10 Derivative financial instruments

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

2.11 Offsetting of financial assets

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

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

2.12 Cash and cash equivalents

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

2.13 Capital

As at 31 December 2010, 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.

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As at 31 December 2010 and 2009, the share capital and ownership structure of the Company are as follows:

Name	31 December 2010		31 December 2009	
	Nominal Value of the Shares (TL)	Percentage (%)	Nominal Value of the Shares (TL)	Percentage (%)
Türkiye Garanti Bankası A.Ş.	42,456,190	84.91	42,456,190	84.91
Eureko BV	7,500,000	15.00	7,500,000	15.00
Others	43,810	0.09	43,810	0.09
Paid-in Capital	50,000,000	100.00	50,000,000	100.00

Sources of the capital increases during the year

None.

Privileges on common shares representing share capital

None.

Registered capital system in the Company

None.

Repurchased own shares by the Company

None.

2.14 Insurance and investment contracts-classification

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

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

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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.

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.

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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.

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.

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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 2010 is TL 2,623.23 (31 December 2009: TL 2,365.16).

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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 2010 and 2009 are as follows:

	31 December 2010	31 December 2009
Discount Rate	5.10%	5.92%
Expected Rate of Salary/Limit Increase	4.66%	4.80%

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.

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.

2.20 Revenue recognition

Written premiums

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

Commission income and expense

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 deferred commission income and deferred commission expense in the financial statements for the policies produced after 1 January 2008.

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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.

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.

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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".

2.21 Leasing transactions

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

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

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

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

2.22 Dividend distribution

In accordance with the resolution taken in the Ordinary General Meeting held on 5 April 2010, net profit for the year 2009 amounted to TL 75,176,155 is decided to be transferred to retained earnings instead of distributing as dividend.

2.23 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.

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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.

2.24 Reserve for unexpired risks

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

If the estimated claim premium ratio exceeds 95% in future periods for the estimated claim premium ratio of insurance branches, the amount calculated multiplying ratio exceeding 95% by net unearned premiums reserve is called net provision for unexpired risk reserve, and the amount calculated multiplying ratio exceeding 95% by gross unearned premiums reserve is called gross provision for unexpired risk reserve. As at 31 December 2010 and 2009, related test have not resulted any deficiency in the premiums of the Company.

2.25 Outstanding claim reserve

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

Claims incurred before the accounting periods but reported subsequently to those dates are accepted as incurred but not reported ("IBNR") claims. Except the life branch, the difference between the accrued and defined provision for outstanding claims and the amount determined by undersecretaryship by using actuarial chain ladder method is the incurred but not reported outstanding claim amount. In calculation principle process determined by Undersecretary, the collateral amount for the related branch are taken into consideration for incurred but not reported policy amounts for outstanding claims provision, related to the life branch. According to the calculation of incurred but not reported indemnity amount related to life branch, the weighted average rate, calculated by dividing the previous years incurred but not reported indemnity amounts to prior year yearly average policy amount, is taken into consideration and the current year incurred but not reported policy amount is calculated by multiplying the weighted average rate and current year yearly weighted average policy amount.

The amounts are calculated over gross amounts. The net amounts are calculated depending on the Company's commitments in effect or the related reinsurance commitments. Different calculation method is used for the test of incurred but not reported policy amounts. In the calculation, period-end figures are carried at gross amounts, covering the last 12 months period.

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Claims incurred before the accounting periods but reported subsequently to those dates are accepted as incurred but not reported 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. For the non-life branches, the amounts calculated both using the testing and actuarial chain ladder method are compared and the higher amount is reflected as incurred but not reported outstanding claims in the financial statements. In this context, Company has TL 3,032,945 incurred but not reported, net outstanding claim reserve provision in the financial statements as of 31 December 2010 (31 December 2009: 2,108,507 TL)

According to the Technical Provisions Regulations, in order to measure the adequacy of outstanding claim provision related to new branches and adequacy of number of claims determined by actuaries, companies have to prepare outstanding claim provision adequacy table based on gross amounts in a format designated by the Undersecretariat at the end of each fiscal year. Related to the outstanding claim adequacy test done at the year ends, there is no additional due provision amount as of 31 December 2010 (31 December 2009: None).

2.26 Mathematical provisions

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

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

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

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.

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2.27 Equalization reserves

In accordance with the evaluated regulation's 9th article regarding "Insurance, Reassurance and Pension Companies' Technical provisions and the investments with these provisions" issued in 28 July 2010 dated 27655 numbered Official Gazette the companies have to reserve equalization provision for loans and earthquake guaranties provided in all branches to equalize the possible fluctuations and to cover catastrophic risks including additional guaranties.

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

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

2.28 Related parties

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

2.29 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.

2.30 Subsequent events

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

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2.31 Comparative Information and Restatement of Prior Period Financial Statements

Financial statements of the Company have been prepared comparatively with the prior period in order to give information about financial position and performance. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified in line with the related changes. Some classifications have been made for the prior year financial statements, in order to be appropriate with the current year financial statement presentation but there is not any significant classification requires a description.

3 Critical accounting estimates and judgments in applying accounting policies

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

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

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

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

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

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4 Management of insurance and financial risk

4.1 Management of insurance risk

Pricing policies

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

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

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

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

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

	31 December 2010		31 December 2009	
	Insurance Risk (TL)	Number	Insurance Risk (TL)	Number
Death	22,399,262,305	3,244,866	18,867,378,770	2,908,543
Disability due to accident	15,485,249,477	2,996,833	13,218,728,229	2,707,827
Disability due to illness	1,368,562,625	545,306	1,254,158,524	367,264
Critical illness	1,212,014,158	81,556	501,315,164	24,298
Treatment costs due to accident	851,756,611	509,596	527,062,440	343,099
Involuntary unemployment	476,953,406	517,319	334,827,702	345,064
Death due to accident	128,376,212	2,548	170,953,836	3,761
Unemployment/Daily hospital benefit	102,395,973	371,752	86,132,394	281,642
Unemployment/Temporary disability benefit	5,607,250	22,367	-	-
Daily hospital benefit	-	-	240	9

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

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Risk evaluation policies

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

Reinsurance policies

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

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

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

Reinsurance companies

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.

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

Reinsurer	Standard & Poors			AM Best		
	Rating	Outlook	Date	Rating	Outlook	Date
Munich Re	AA-	Stable	28 February 2010	A+	Stable	11 October 2010
Milli Re	trAA	-	17 September 2010	B++	Good	20 September 2010
Scor Re	A	Positive	1 October 2010	A	Stable	10 September 2010
Mapfre Re	AA	Negative	6 August 2010	A+	Negative	10 August 2010

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.

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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
- 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.

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

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

	31 December 2010	31 December 2009
Receivables from main operations (Note 12)	1,894,755,656	1,378,821,904
Cash and cash equivalents (Note 14)	354,616,351	242,477,049
Financial assets and financial investments with risks on policyholders (Note 11)	79,937,572	81,247,066
Reinsurer share in provision for outstanding claims (Note 10), (Note 17)	8,970,526	9,847,331
Due from related parties (Note 12)	2,887,203	1,873,726
Other receivables	68,437	30,815
Total	2,341,235,745	1,714,297,891

As at 31 December 2010 and 2009, the aging of the receivables from main operations is as follows:

	31 December 2010		31 December 2009	
	Gross amount	Provision	Gross amount	Provision
Not past due	1,886,858,018	-	1,373,072,943	-
Past due 0-30 days	2,886,827	-	2,673,335	-
Past due 31-60 days	681,115	-	966,518	-
Past due 61-180 days (*)	802,940	(122,694)	369,005	(122,694)
Past due 180-365 days	1,280,154	(137,487)	168,308	(113,844)
More than one year	2,506,783	-	1,854,761	(46,428)
Total	1,895,015,837	(260,181)	1,379,104,870	(282,966)

(*) 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 2009: 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.

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

	1 January- 31 December 2010	1 January- 31 December 2009
Provision for receivables from insurance and individual pension operations at the beginning of the year	(282,966)	(192,312)
Collections during the year	-	170,640
Impairment provision for the (left)/cancellations during the year	22,785	(261,294)
Provision for receivables from insurance and individual pension operations at the end of the year	(260,181)	(282,966)

Liquidity risk

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

Management of the Liquidity Risk

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

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

31 December 2010	Net Book Value	Unallocated	No Maturity	Up to 1 month	1 to 3 Month	3 to 6 month	6 to 12 month	More than 1 year
Cash and cash equivalents	354,616,351	-	435,638	218,684,712	135,496,001	-	-	-
Financial assets and financial investments with risks on policyholders	79,937,572	263,221	-	684,228	-	-	16,430,861	62,559,262
Receivables from main operations	1,894,755,656	1,834,630,332	-	16,996,433	22,780,198	13,266,173	7,082,520	-
Due from related parties	2,887,203	-	-	2,887,203	-	-	-	-
Other receivables	64,268	-	-	64,268	-	-	-	-
Prepaid expenses and income accruals	31,174,613	-	-	241,192	1,747,183	5,682,737	23,503,501	-
Other current assets	41,427	-	-	-	41,427	-	-	-
Deferred tax asset	181,774	181,774	-	-	-	-	-	-
Deposits and guarantees given	4,169	-	-	-	-	-	-	4,169
Tangible assets	2,187,211	2,187,211	-	-	-	-	-	-
Intangible assets	9,792,522	9,792,522	-	-	-	-	-	-
Total assets	2,375,642,766	1,847,055,060	435,638	239,558,036	160,064,809	18,948,910	47,016,882	62,563,431
Financial liabilities	570,396	-	-	570,396	-	-	-	-
Payables arising from main operations	1,861,359,138	1,833,976,616	-	4,662,968	13,719,078	3,442,940	5,557,536	-
Due to related parties	2,594,839	-	-	2,594,839	-	-	-	-
Other liabilities	2,279,761	-	-	2,279,761	-	-	-	-
Insurance technical provisions (*)	102,864,341	50,206,829	-	418,831	3,029,973	9,747,600	39,461,108	-
Investment contract liabilities (**)	37,907,275	-	-	-	-	-	-	37,907,275
Provisions for taxes and other similar obligations	12,762,000	-	-	12,762,000	-	-	-	-
Provisions for other risks	1,812,970	-	-	-	-	-	1,635,467	177,503
Other Liabilities and Provisions	23,894,551	-	-	1,175,048	1,283,001	4,189,288	17,247,214	-
Equity	329,597,495	329,597,495	-	-	-	-	-	-
Total liabilities	2,375,642,766	2,213,780,940	-	24,463,843	18,032,052	17,379,828	63,901,325	38,084,778

(*) Provisions for outstanding claims are presented within unallocated column in the above table.

(**) Investment contracts including savings and profit sharing provisions for saving life products amounting TL 37,907,275 are presented in more than 1 year column in the above table.

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31 December 2009	Net Book Value	Unallocated	No Maturity	Up to 1 month	1 to 3 Month	3 to 6 month	6 to 12 month	More than 1 year
Cash and cash equivalents	242,477,049	-	902,010	220,284,156	21,290,883	-	-	-
Financial assets and financial investments with risks on policyholders	81,247,066	263,221	-	2,031,600	-	2,189,955	12,055,665	64,706,625
Receivables from main operations	1,378,821,904	1,326,196,491	-	15,703,032	15,391,298	12,773,914	8,757,169	-
Due from related parties	1,873,726	-	-	1,873,726	-	-	-	-
Other receivables	25,854	-	-	25,854	-	-	-	-
Prepaid expenses and income accruals	25,008,337	-	-	3,984,729	6,654,875	7,751,675	6,617,058	-
Other current assets	27,031	-	-	27,031	-	-	-	-
Deferred tax asset	4,961	-	-	-	-	-	-	4,961
Deposits and guarantees given	2,963,620	2,963,620	-	-	-	-	-	-
Tangible assets	8,586,437	8,586,437	-	-	-	-	-	-
Intangible assets	1,741,035,985	1,338,009,769	902,010	243,930,128	43,337,056	22,715,544	27,429,892	64,711,586
Total assets	548,617	-	-	548,617	-	-	-	-
Financial liabilities	1,350,901,048	1,325,824,072	-	5,710,538	2,530,754	2,675,974	14,159,710	-
Payables arising from main operations	3,809,866	-	-	3,809,866	-	-	-	-
Due to related parties	1,472,465	-	-	1,472,465	-	-	-	-
Other liabilities	90,342,043	33,039,923	-	12,044,371	14,757,564	15,556,684	12,202,659	2,740,842
Insurance technical provisions (*)	38,015,026	-	-	-	-	-	-	38,015,026
Investment contract liabilities (**)	7,649,148	-	-	7,649,148	-	-	-	-
Provisions for taxes and other similar obligations	2,255,149	-	-	2,098,514	-	-	-	156,635
Provisions for other risks	16,136,671	-	-	2,547,006	4,229,831	4,913,767	4,446,067	-
Other Liabilities and Provisions	295,637	295,637	-	-	-	-	-	-
Equity	229,610,315	229,610,315	-	-	-	-	-	-
Total liabilities	1,741,035,985	1,588,769,947	-	35,880,525	21,518,149	23,146,425	30,808,436	40,912,503

(*) Provisions for outstanding claims are presented within unallocated column in the above table.

(**) Investment contracts including savings and profit sharing provisions for saving life products amounting TL 38,015,026 are presented in more than 1 year column in the above table.

OCTOBER 2010

We broke another new ground in the sector with the Social Security Advisor application. Garanti Pension began providing a brand new service to its customers as of October 7, 2010 via its Social Security Advisor application, a first in the sector. During the design process of this service, we set to inform our customers about the social security system. Via the Social Security Advisor application available on Garanti Pension's website, Garanti Pension customers can use this service using their national identification number or individual pension contract number and find answers to all of their questions about the social security system, including the public insurance schemes for themselves or their loved ones.

Thanks to this service, all of our customers can get personal answers, from the www.garantiemeklilik.com.tr website, to such questions as:

- "When can I retire?"
- "How can I enroll my family in general health insurance?"
- "I started paying premiums as a SSK member but continued as a Bağ-Kur member. How is my pension salary determined?"
- "How are my insurance coverage period and number of days of premium payments determined?"

The questions received from customers are examined by social security system specialists and experts and responded to in short order.

Contemporary Women

ANOTHER MAJOR ACTIVITY UNDERTAKEN BY GARANTI PENSION AND LIFE THIS YEAR WAS THE CONTEMPORARY WOMEN CONTEST ORGANIZED IN CONJUNCTION WITH ELELE MAGAZINE. THE PROJECT WAS DESIGNED TO CONVEY REAL-LIFE MOMENTS FROM A PERSONAL POINT OF VIEW BY WOMEN WHOSE NUMBER AND INFLUENCE IS GROWING IN THE PROFESSIONAL ARENA WITH EACH PASSING DAY. THE COLORFUL AND INTERESTING STORIES FROM PARTICIPANTS WERE ASSESSED BY A SPECIAL JURY. THREE INDIVIDUALS WERE SELECTED, AND THEY RECEIVED THEIR PRIZES IN OCTOBER.

GARANTI PENSION
AND LIFE, IN
CONJUNCTION
WITH ELELE
MAGAZINE,
AWARDED THE
"CONTEMPORARY
WOMEN!"



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Market risk

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

Currency risk

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

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

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

31 December 2010	US Dollar	Euro	Other Currencies	Total
Cash and cash equivalents	6,255,058	7	-	6,255,065
Financial assets and financial investments with risks on policyholders	29,282,414	5,471,884	-	34,754,298
Receivables from main operations	2,924,996	88,174	6,180	3,019,350
Foreign currency denominated assets	38,462,468	5,560,065	6,180	44,028,713
Payables arising from main operations	(54,928)	(28,654)	(1,050)	(84,632)
Insurance technical provisions	(2,163,284)	(558,898)	(19,600)	(2,741,782)
Investment contract liabilities	(32,710,520)	(5,196,755)	-	(37,907,275)
Foreign currency denominated liabilities	(34,928,732)	(5,784,307)	(20,650)	(40,733,689)
Net on-balance sheet position	3,533,736	(224,242)	(14,470)	3,295,024

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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
Foreign currency denominated assets	37,810,616	9,310,068	19,846	47,140,530
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)
Foreign currency denominated liabilities	(34,957,291)	(6,278,229)	(34,595)	(41,270,115)
Net on-balance sheet position	2,853,325	3,031,839	(14,749)	5,870,415

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 2010	US Dollar	Euro
Foreign currency rate used in translation of balance sheet items	1,5460	2,0491
Foreign currency rates used in calculation of life mathematical provision and loans to the policyholders	1,5558	2,0621
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	1,5153	2,1740

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Exposure to currency risk

A 10 percent devaluation of the TL against the following currencies as at 31 December 2010 and 2009 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 2010		31 December 2009	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	317,278	353,374	252,947	285,333
Euro	(27,564)	(22,424)	287,900	303,184
Others	(1,447)	(1,447)	(1,475)	(1,475)
Total, net	288,267	329,503	539,372	587,042

(*) 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.

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

	31 December 2010	31 December 2009
Fixed income financial assets		
Financial assets with fixed interest rates:		
Banks (Time deposit) (Not 14)	343,778,497	235,529,527
Financial investments with risks on policyholders-Available for sale financial assets-Eurobonds (Note 11)	34,754,298	37,700,340
Available for sales financial assets-Government bonds (Not 11)	-	8,300,434
Financial assets held for trading purpose-Government bonds (Note 11)	44,235,825	29,183,652
Financial assets held for trading purpose-Treasury bills (Note 11)	-	417,239
Financial assets held for trading purpose-Equity shares (Note 11)	-	-
Loans to the policyholders (Note 12)	369,585	418,585
Financial assets with variable interest rates:		
Financial investments with risks on policyholders-Available for sale financial assets-Foreign currency denominated domestically issued debt securities (Note 11)	-	3,350,580
Non-fixed income financial assets:		
Financial assets held for trading purpose-Investment funds (Note 11)	684,228	2,031,600
Financial liabilities:	None.	None.

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Interest rate sensitivity of financial instruments

Interest rate sensitivity of the statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the net interest income as at and for the year ended 31 December 2010 and 2009 of the floating rate non-trading financial assets and financial liabilities held at 31 December 2010 and 2009. Interest rate sensitivity of equity is calculated by revaluing available-for-sale financial assets at 31 December 2010 and 2009 for the effects of the assumed changes in interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The table below demonstrating the effect of changes in interest rates on statement of income and equity excludes tax effects on related loss or income.

	Statement of income		Equity(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2010				
Financial assets held for trading purpose	(534,615)	546,629	(534,615)	546,629
Financial investments with risks on policyholders	-	-	-	-
Available for sale financial assets	-	-	(56,151)	60,964
Total, net	(534,615)	546,629	(590,766)	607,593

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

(*) 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.

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Classification relevant to fair value information

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

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

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

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

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

	31 December 2010			Total
	Level 1	Level 2	Level 3	
Financial assets				
Available for sale financial assets (Note 11) (*)	(*)	-	-	(*)
Financial assets held for trading (Note 11)	44,920,053	-	-	44,920,053
Financial investments with risks on policyholders classified as available for sale (Note 11)	34,754,298	-	-	34,754,298
Total financial assets	79,674,351			79,674,351

(*) The Company's available-for-sale investments that do not have quoted prices in an active market and whose fair values cannot be reliably measured are stated at cost.

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	31 December 2010			Total
	Level 1	Level 2	Level 3	
Financial assets				
Available for sale financial assets (Note 11) (*)	8,037,213	-	-	8,037,213
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
Total financial assets	80,720,624	-	-	80,720,624

(*) The Company's available-for-sale investments that do not have quoted prices in an active market and whose fair values cannot be reliably measured are stated at cost.

Capital management

The Company's capital management policies include the following:

- To comply with the insurance capital requirements required by the 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 measured its minimum capital requirement as at 31 December 2010 as TL 75,840,450. As at 31 December 2010, the Company's total equity in its statutory financial statements amounted to TL 332,088,703 which is above the minimum capital requirement amount.

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Gains and losses from financial instruments

Financial gains and losses recognized in the statement of income	31 December 2010	31 December 2009
Interest income from bank deposits	26,351,760	23,995,379
Interest income/(expense) from financial assets	5,314,375	4,599,663
Income from investment funds	44,000	973,252
Gains from trading of debt securities	3,703,598	6,220,016
Income from Turkish Derivatives Exchange transactions	2,739,699	-
Income from forward transactions	557,218	-
Foreign exchange income (***)	659,962	-
Foreign exchange losses (***)	-	(268,460)
Financial gains (*)	39,370,612	35,519,850
Foreign exchange losses	(353,049)	(110,315)
Losses from trading of debt securities	(1,749,650)	(227,089)
Losses from Turkish Derivatives Exchange transactions	(5,102,151)	-
Others	(131,458)	(47,312)
Financial losses (**)	(7,336,308)	(384,716)
Financial gains and losses recognized in the statement of income, net	32,034,304	35,135,134

(*) Total financial gains include life investment income.

(**) Total financial losses do not include amortisation expenses.

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

Financial gains and losses recognized in equity	31 December 2010	31 December 2009
Interest income from financial assets	436,102	458,402
Deferred tax effect	(87,221)	(56,022)
Financial gains and losses recognized in equity, net	348,881	402,380

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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.

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

Geographical segment reporting

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

Operating segments

31 December 2010	Life	Non-Life	Individual Pension	Unallocated	Total
Continuing operations					
Technical income	143,059,261	1,484	67,553,745	-	210,614,490
Technical expense	(65,532,897)	(26,316)	(35,933,616)	-	(101,492,829)
Other gains and losses, total	-	-	-	16,644,021	16,644,021
Technical net profit from ongoing operations	77,526,364	(24,832)	31,620,129	16,644,021	125,765,682
Profit before taxes	77,526,364	(24,832)	31,620,129	16,644,021	125,765,682
Income tax expense				(25,725,003)	(25,725,003)
Profit for the period	77,526,364	(24,832)	31,620,129	(9,080,982)	100,040,679

Other segment information

Depreciation expense (Note 6)				1,154,312	1,154,312
Amortisation expense (Note 8)				5,382,826	5,382,826

31 December 2010

Assets	118,638,221	14	1,842,126,242	414,878,289	2,375,642,766
Total assets	118,638,221	14	1,842,126,242	414,878,289	2,375,642,766
Liabilities	166,039,481	1,278	1,836,089,995	373,512,012	2,375,642,766
Total liabilities	166,039,481	1,278	1,836,089,995	373,512,012	2,375,642,766

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31 December 2009	Life	Non-Life	Individual Pension	Unallocated	Total
Continuing operations					
Technical income	122,662,961	4,439	53,952,137	-	176,619,537
Technical expense	(67,337,186)	(12,694)	(35,207,134)	-	(102,557,014)
Other gains and losses, total	-	-	-	19,836,363	19,836,363
Technical net profit from ongoing operations	55,325,775	(8,255)	18,745,003	19,836,363	93,898,886
Profit before taxes	55,325,775	(8,255)	18,745,003	19,836,363	93,898,886
Income tax expense				(18,722,731)	(18,722,731)
Profit for the period	55,325,775	(8,255)	18,745,003	1,113,632	75,176,155
Other segment information					
Depreciation expense (Note 6)				1,097,406	1,097,406
Amortisation expense (Note 8)				4,272,144	4,272,144
31 December 2009					
Assets	112,543,024	49	1,332,423,403	296,069,509	1,741,035,985
Total assets	112,543,024	49	1,332,423,403	296,069,509	1,741,035,985
Liabilities	152,012,273	419	1,327,245,424	261,777,869	1,741,035,985
Total liabilities	152,012,273	419	1,327,245,424	261,777,869	1,741,035,985

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6 Tangible assets

Movement in tangible assets in the period from 1 January to 31 December 2010 is presented below:

	1 December 2010	Additions	Disposals	31 December 2010
Cost:				
Furniture and fixtures	6,258,337	379,901	438,819	6,199,419
Other tangible assets (including leasehold improvements)	1,768,718	-	-	1,768,718
Tangible assets acquired through finance leasing	168,464	-	-	168,464
	8,195,519	379,901	438,819	8,136,601
Accumulated depreciation:				
Furniture and fixtures	3,620,170	1,020,213	436,821	4,203,562
Other tangible assets (including leasehold improvements)	1,478,361	99,002	-	1,577,363
Tangible assets acquired through finance leasing	133,368	35,097	-	168,465
	5,231,899	1,154,312	436,821	5,949,390
Net book value	2,963,620			2,187,211

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

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

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

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

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7 Investment properties

None.

8 Intangible assets

Movement in intangible assets in the period from 1 January to 31 December 2010 is presented below:

	1 December 2010	Additions	Disposals	31 December 2010
Cost:				
Other intangible assets	23,151,670	6,588,911	-	29,740,581
	23,151,670	6,588,911	-	29,740,581
Accumulated amortisation:				
Other intangible assets	14,565,233	5,382,826	-	19,948,059
	14,565,233	5,382,826	-	19,948,059
Net book value	8,586,437			9,792,522

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

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

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9 Investments in associates

None.

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 2010	31 December 2009
Reserve for unearned premiums, ceded (Note 17)	46,023,149	32,936,852
Provision for outstanding claims, ceded (Note 17)	8,970,526	9,847,331
Receivables from reinsurers (Note 12)	1,515,929	620,247
Total	56,509,604	43,404,430

There is not any impairment losses recognized for reinsurance assets.

Reinsurance liabilities	31 December 2010	31 December 2009
Deferred commission income	22,890,687	15,930,946
Payables to the reinsurers related to premiums written (Note 19)	12,410,611	12,780,028
Total	35,301,298	28,710,974

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

	1 January- 31 December 2010	1 January- 31 December 2009
Premiums ceded during the period (Note 17)	(93,527,616)	(64,412,006)
Reserve for unearned premiums, ceded at the beginning of the period (Note 17)	(32,936,852)	(10,095,172)
Reserve for unearned premiums, ceded at the end of the period (Note 17)	46,023,149	32,936,852
Premiums earned, ceded (Note 17)	(80,441,319)	(41,570,326)
Claims paid, ceded during the period (Note 17)	17,788,882	5,486,261
Provision for outstanding claims, ceded at the beginning of the period (Note 17)	(9,847,331)	(336,796)
Provision for outstanding claims, ceded at the end of the period (Note 17)	8,970,526	9,847,331
Claims incurred, ceded (Note 17)	16,912,077	14,996,796
Commission income accrued from reinsurers during period (Note 32)	63,681,114	34,656,089
Deferred commission income at the beginning of the period (Note 19)	15,930,946	3,739,685
Deferred commission income at the end of the period (Note 19)	(22,890,687)	(15,930,946)
Commission income earned from reinsurers	56,721,373	22,464,828
Total, net	(6,807,869)	(4,108,702)

11 Financial assets

As at 31 December 2010 and 2009, the Company's financial asset portfolio are detailed as follows:

Financial assets and financial investments with risk on policyholders	31 December 2010	31 December 2009
Available for sale financial assets	263,221	8,563,655
Financial assets held for trading purpose	44,920,053	31,632,491
Financial investments with risks on saving life policyholders classified as available for sale	34,754,298	41,050,920
Total	79,937,572	81,247,066

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As at 31 December 2010 and 2009, the Company's financial assets held for trading are detailed as follows:

	31 December 2010		
	Cost	Fair value	Carrying value
Debt instruments:			
Treasury bills-TL	43,431,350	44,235,825	44,235,825
	43,431,350	44,235,825	44,235,825
Equity shares and other non-fixed income financial assets			
Investment funds	684,228	684,228	684,228
	684,228	684,228	684,228
Total financial assets held for trading purpose	44,115,578	44,920,053	44,920,053
	31 December 2009		
	Cost	Fair value	Carrying value
Debt instruments:			
Treasury bills-TL	28,992,612	29,183,652	29,183,652
Government bonds-TL	407,734	417,239	417,239
	29,400,346	29,600,891	29,600,891
Equity shares and other non-fixed income financial assets:			
Investment funds	2,000,000	2,031,600	2,031,600
	2,000,000	2,031,600	2,031,600
Total financial assets held for trading purpose	31,400,346	31,632,491	31,632,491

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As at 31 December 2010 and 2009, the Company's available for sale financial assets in its own portfolio are detailed as follows:

	31 December 2010		
	Cost	Fair value	Carrying value
Equity shares and other non-fixed income financial assets:			
Equity shares (*)	263,221	263,221	263,221
Total financial assets held for trading	263,221	263,221	263,221
31 December 2009			
	Cost	Fair value	Carrying value
Debt instruments:			
Treasury bills-TL	8,050,787	8,300,434	8,300,434
Equity shares and other non-fixed income financial assets:			
Equity shares (*)	263,221	263,221	263,221
Total financial assets held for trading	8,314,008	8,563,655	8,563,655

(*) The market value of financial assets held for trading which could not be reliably estimated, are presented with their cost value.

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As at 31 December 2010 and 2009, the Company's Available for sale financial assets in its own portfolio and Financial investments with risks on saving life policyholders ("FIRSLP") are detailed as follows:

	31 December 2010		
	Cost	Fair value	Carrying value
Debt instruments:			
Eurobonds issued by The Turkish Government	31,509,468	34,754,298	34,754,298
Total available for sale financial assets	31,509,468	34,754,298	34,754,298
Financial investments with risks on saving life policyholders			
<hr/>			
	31 December 2009		
	Cost	Fair value	Carrying value
Debt instruments:			
Eurobonds issued by The Turkish Government	30,128,632	37,700,340	37,700,340
Treasury bills-FC	2,878,945	3,350,580	3,350,580
Total available for sale financial assets	33,007,577	41,050,920	41,050,920
Financial investments with risks on saving life policyholders			
	33,007,577	41,050,920	41,050,920

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.

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Value increases in financial assets for the last 3 years (including tax effects):

Year	Change in value increase/(decrease)	Total increase/ (decrease) in value
2010	(53,499)	348,881
2009	399,705	402,380
2008	(126,837)	2,675

Value increases reflect the difference between the financial assets' period end carrying value and the cost value.

Financial assets issued by related parties of the Company:

As at 31 December 2010, Company does not have investment funds (31 December 2009: TL 2,031,600), classified as financial assets held for trading purpose, are the mutual funds established by Garantibank

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

31 December 2010	Cost	Fair value	Carrying value
Financial investments with risks on saving life policyholders-Debt securities	31,509,468	34,754,298	34,754,298
Total	31,509,468	34,754,298	34,754,298
31 December 2009	Cost	Fair value	Carrying value
Financial investments with risks on saving life policyholders-Debt securities	33,007,577	41,050,920	41,050,920
Available for sale financial assets	8,050,787	8,300,434	8,300,434
Total	41,058,364	49,351,354	49,351,354

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12 Loan and receivables

	31 December 2010	31 December 2009
Receivables from main operations (Noet 4.2)	1,894,755,656	1,378,821,904
Due from related parties (Note 4.2), (Note 45)	2,887,203	1,873,726
Other receivables (Note 4.2)	64,268	25,854
Non-current receivables	4,169	4,961
Total	1,897,711,296	1,380,726,445
Short-term receivables	1,897,707,127	1,380,721,484
Long-term receivables	4,169	4,961
Total	1,897,708,666	1,380,726,445

As at 31 December 2010 and 2009, receivables from main operations are detailed as follows:

	31 December 2010	31 December 2009
Receivables from policyholders	51,144,608	45,783,162
Receivables from reinsurance companies (Note 10)	1,515,929	620,247
Provisions for doubtful receivables from policyholders (Note 4.2)	(137,487)	(160,272)
Total receivables from insurance operations, net	52,523,050	46,243,137
Loans to the policyholders (Note 4.2)	369,585	418,585
Receivables from individual pension operations (Note 18)	1,841,985,715	1,332,282,876
Provision for receivables from individual pension operations (Note 4.2), (Note 18)	(122,694)	(122,694)
Receivables from main operations, net	1,894,755,656	1,378,821,904

Mortgages and collaterals obtained for receivables are disclosed as follows:

	31 December 2010	31 December 2009
Letter of guarantees	168,980	202,920
Total	168,980	202,920

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Provision for both overdue receivables and receivables not due yet

- a) Receivables under legal or administrative follow up (due): None (31 December 2009: None).
 b) Provision for premium receivables (due): TL 137,847 (31 December 2009: TL 160,272).
 c) Provision for impairment of receivables from entrance fees: TL 122,694 (31 December 2009: 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.

14 Cash and cash equivalents

As at 31 December 2010 and 2009, cash and cash equivalents are as follows:

	31 December 2010		31 December 2009	
	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	168	419	419	2,947
Bank deposits	344,213,967	236,431,118	236,431,118	186,148,495
Other cash and cash equivalents	10,402,216	6,045,512	6,045,512	3,636,979
Cash and cash equivalents in the balance sheet	354,616,351	242,477,049	242,477,049	189,788,421
Interest accruals on bank deposits	(1,692,190)	(1,078,780)	(1,078,780)	(1,108,020)
Total	352,924,161	241,398,269	241,398,269	188,680,401
Bank deposits-blocked	(64,794,507)	(44,672,200)	(44,672,200)	(51,690,147)

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As at 31 December 2010 and 2009, bank deposits are further analyzed as follows:

	31 December 2010	31 December 2009
Foreign currency denominated bank deposits		
-time deposits	6,254,395	4,108,652
-demand deposits	670	731
Bank deposits in Turkish Lira		
-time deposits	337,524,102	231,420,875
-demand deposits	434,800	900,860
Cash at banks	344,213,967	236,431,118

As at 31 December 2010, cash collateral kept at banks in favour of the Turkish Treasury against insurance operations amounted to TL 64,794,507 (31 December 2009: TL 44,762,200).

As at 31 December 2010 and 2009, other cash and cash equivalents are further analyzed as follows:

	31 December 2010	31 December 2009
Receivables from credit card collections	7,192,836	6,045,512
Turkish Derivatives Exchange Collateral	3,209,380	-
Other cash and cash equivalents (Note 45)	10,402,216	6,045,512

15 Equity

Paid in capital

As at 31 December 2010 and 2009, the authorized nominal share capital of the Company is TL 50,000,000 and the share capital of the Company consists of 5,000,000,000 issued shares with TL 0.01 nominal value each. There are not any treasury shares held by the Company itself or by its subsidiaries or associates.

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

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

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.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

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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.

	1 January- 31 December 2010	1 January- 31 December 2009
Legal reserves at the beginning of the period	5,018,736	1,827,274
Distribution of profit for the year	3,758,808	3,191,461
Legal reserves at the end of the period	8,777,544	5,018,735

Extraordinary Reserves

	1 January- 31 December 2010	1 January- 31 December 2009
Extraordinary reserves at the beginning of the period	95,928,600	34,718,222
Distribution of profit for the year	71,417,346	61,210,378
Extraordinary reserves at the end of the period	167,345,946	95,928,600



November 2010

S

SME Bill Payment Insurance was launched in November.

Our SME Bill Payment Product

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guarantees payment of our customers' bills within specified limits in the event of short-term disability as a result of accident or illness, death or full and permanent disability. It was unveiled as of November 9.

E

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Revaluation of financial assets

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

	31 December 2010	31 December 2009
Interest income from financial assets	436,102	458,402
Deferred tax effect	(87,221)	(56,022)
Fair value reserves at the end of the period	348,881	402,380

16 Other reserves and equity component of DPF

As at 31 December 2010, there is not any other reserves presented under equity except for the fair value reserves of available-for-sale financial assets which is presented as “revaluation of financial assets” in the accompanying financial statements. Movement of fair value reserves of available-for-sale financial assets and their related tax effects are presented in Note 15.

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

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17 Insurance contract liabilities and reinsurance assets

As at 31 December 2010 and 2009, provisions for technical reserves of the Company are disclosed as follows:

	31 December 2010	31 December 2009
Reserve for unearned premiums, gross	98,680,661	79,734,476
Reserve for unearned premiums, ceded (Note 10)	(46,023,149)	(32,936,852)
Reserves for unearned premiums, net	52,657,512	46,797,624
Provision for outstanding claims, gross	21,520,307	20,352,224
Provision for outstanding claims, ceded (Note 10)	(8,970,526)	(9,847,331)
Provision for outstanding claims, net	12,549,781	10,504,893
Provision for bonus and discounts to the policyholders, net	56,153	7,880
Life mathematical provisions (short term and long term)	73,016,964	69,846,879
Equalization provision, net	2,491,206	1,199,793
Total insurance technical provisions, net	140,771,616	128,357,069
Short-term	71,463,315	59,141,670
Medium and long-term	69,308,301	69,215,399
Total insurance technical provisions, net	140,771,616	128,357,069

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As at 31 December 2010 and 2009, movements of the insurance liabilities and related reinsurance assets are presented below:

Reserve for unearned premiums	31 December 2010		
	Gross	Ceded	Net
Reserve for unearned premiums at the beginning of the period	79,734,476	(32,936,852)	46,797,624
Premiums written during the period	234,159,971	(93,527,616)	140,632,355
Premiums earned during the period	(215,213,786)	80,441,319	(134,772,467)
Reserve for unearned premiums at the end of the period	98,680,661	(46,023,149)	52,657,512

Reserve for unearned premiums	31 December 2009		
	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)
Reserve for unearned premiums at the end of the period	79,734,476	(32,936,852)	46,797,624

Provision for outstanding claims	1 January-31 December 2010		
	Gross	Ceded	Net
Provision for outstanding claims at the beginning of the period	20,352,224	(9,847,331)	10,504,893
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	41,856,863	(16,912,077)	24,944,786
Claims paid during the period	(40,688,780)	17,788,882	(22,899,898)
Provision for outstanding claims at the end of the period	21,520,307	(8,970,526)	12,549,781

Provision for outstanding claims	1 January-31 December 2009		
	Gross	Ceded	Net
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)
Provision for outstanding claims at the end of the period	20,352,224	(9,847,331)	10,504,893

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Claim development tables

The basic assumption used in the estimation of provisions for outstanding claims is the Company's past experience on claim developments. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. The sensitivity of certain assumptions like legislative change, uncertainty in the estimation process, etc, is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the balance sheet date. Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognized in subsequent financial statements.

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

31 December 2010							
Accident year	2005	2006	2007	2008	2009	2010	Toplam
Accident year	4,323,665	11,544,198	14,477,124	13,397,367	31,658,405	36,323,849	111,724,608
1 year later	4,293,833	11,424,830	14,908,660	15,801,742	31,642,019	-	78,071,084
2 years later	4,319,655	11,509,051	14,518,055	16,195,665	-	-	46,542,426
3 years later	4,315,405	11,530,147	14,405,006	-	-	-	30,250,558
4 years later	4,315,405	11,480,905	-	-	-	-	15,796,310
5 years later	4,439,226	-	-	-	-	-	4,439,226
Current estimate of cumulative claims	4,439,226	11,480,905	14,405,006	16,195,665	31,642,019	36,323,849	114,486,670
Cumulative payments up to date	(4,286,241)	(11,277,381)	(14,051,721)	(15,513,324)	(27,949,617)	(19,888,079)	(92,966,363)
Liability recognized in balance sheet	152,985	203,524	353,285	682,341	3,692,402	16,435,770	21,520,307
Total provision for outstanding claims, gross in the financial statements							21,520,307

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31 December 2010							
Accident year	2005	2006	2007	2008	2009	2010	Toplam
Accident year	4,211,522	9,994,808	13,933,763	16,209,890	16,045,111	18,985,563	79,380,657
1 year later	4,172,785	9,906,691	14,285,669	17,014,440	17,137,663	-	62,517,248
2 years later	4,200,411	9,973,187	13,900,724	15,421,318	-	-	43,495,640
3 years later	4,196,161	9,990,982	13,793,058	-	-	-	27,980,201
4 years later	4,196,161	9,931,802	-	-	-	-	14,127,963
5 years later	4,314,662	-	-	-	-	-	4,314,662
Current estimate of cumulative claims	4,314,662	9,931,802	13,793,058	15,421,318	17,137,663	18,985,563	79,584,066
Cumulative payments up to date	(4,166,995)	(9,732,129)	(13,453,142)	(14,775,107)	(14,400,555)	(10,506,357)	(67,034,285)
Liability recognized in balance sheet	147,667	199,673	339,916	646,211	2,737,108	8,479,206	12,549,781
Total provision for outstanding claims, gross in the financial statements							12,549,781

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Accident year	31 December 2009						
	2004	2005	2006	2007	2008	2009	Toplam
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
Total provision for outstanding claims, gross in the financial statements							20,352,224

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Accident year	31 December 2009						Toplam
	2004	2005	2006	2007	2008	2009	
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
Cumulative payments up to date	(2,373,888)	(4,166,997)	(9,731,912)	(13,406,136)	(14,545,502)	(9,709,359)	(53,933,794)
Liability recognized in balance sheet	53,531	60,143	336,034	614,550	2,723,525	6,607,798	10,395,581
Provisions before 2004							109,312
Total provision for outstanding claims, gross in the financial statements							10,504,893

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

	31 December 2010		31 December 2009	
	Should be placed (**)	Placed (*)	Should be placed (**)	Placed (*)
Life:				
Bank deposits		64,539,135		44,436,045
Financial assets (*)		35,050,427		36,718,987
Total	91,963,403	99,589,562	85,827,343	81,155,032
Non-life:				
Bank deposits		255,372		236,155
Total	166,668	255,372	165,017	236,155
Total	92,130,071	99,844,934	85,992,360	81,391,187

(*) As at 31 December 2010 and 2009, 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.

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

	1 January- 31 December 2010		1 January- 31 December 2009	
	Number of policyholders	Life mathematical provisions	Number of policyholders	Life mathematical provisions
Beginning of the year	2,908,543	69,846,879	2,318,192	72,566,193
Additions during the year	3,825,660	10,518,220	3,614,425	14,111,981
Disposals during the year	(3,489,337)	(7,348,135)	(3,024,074)	(16,831,295)
Current	3,244,866	73,016,964	2,908,543	69,846,879

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

	31 December 2010			31 December 2009		
	Number of Contracts	Gross Premium	Net Premium	Number of Contracts	Gross Premium	Net Premium
Individual	91,072	2,687,438	2,687,438	56,637	6,457,248	6,457,248
Group	3,734,588	231,471,188	231,471,188	3,557,788	174,636,984	174,636,984
Total	3,825,660	234,158,626	234,158,626	3,614,425	181,094,232	181,094,232

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

	31 December 2010				31 December 2009			
	Number of contracts	Gross premium	Net premium	Mathematical provision	Number of contracts	Gross premium	Net premium	Mathematical provision
Bireysel	70,078	1,129,308	1,129,308	(3,887,170)	61,651	2,290,757	2,290,757	(657,397)
Grup	3,419,259	65,436,504	65,436,504	(3,460,965)	2,962,423	67,358,290	67,358,290	(19,330,362)
Toplam	3,489,337	66,565,812	66,565,812	(7,348,135)	3,024,074	69,649,047	69,649,047	(19,987,759)

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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 2010, deferred commission and other expenses amount to TL 11,402,064 and TL 19,589,238 (31 December 2009: TL 9,380,150 and TL 15,450,251 TL), respectively. Prepaid expenses amounting to TL 31,174,613 (31 December 2009, TL 25,008,337) consist of deferred commission expenses amounting to TL 30,991,302 (31 December 2009: TL 24,830,401) and other prepaid expenses amounting to TL 183,311 (31 December 2009: TL 177,936).

As at 31 December 2010 and 2009, the movement of deferred commission expenses is presented below:

	1 January- 31 December 2010	1 January- 31 December 2009
Deferred commission expenses at the beginning of the period	9,380,150	7,738,059
Commissions accrued during the period	45,179,474	33,223,424
Commissions expensed during the period	(43,157,560)	(31,581,333)
Deferred commission expenses at the end of the period	11,402,064	9,380,150

18 Investment contract liabilities

The movements of life mathematical provision for saving life policies as at 31 December 2010 and 2009 are as follows:

Life mathematical provision for saving life policies	1 January- 31 December 2010	1 January- 31 December 2009
Investment contract liabilities at the beginning of the period (Life-mathematical provisions)	38,015,026	38,037,440
Effect of foreign exchange differences	383,420	(77,341)
Written premiums during the period (saving life policies)	1,895,098	2,268,800
Disposals during the period (leaving policyholders)	(5,178,315)	(6,800,952)
Profit shares	2,335,934	1,913,142
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)	456,112	2,673,937
Investment contract liabilities at the end of the period	37,907,275	38,015,026

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Profit share distribution rates to life policyholders during the period 31 December 2010 and 2009:

	31 December 2010	31 December 2009
USD:	7.31%	7.32%
EUR:	5.94%	5.75%

Individual pension business

The details of individual pension business receivables and liabilities as at 31 December 2010 and 2009 are presented below:

	31 December 2010	31 December 2009
Receivables from clearing house on behalf of the participants	1,834,630,332	1,326,196,491
Receivables from participants (entrance fee)	7,355,383	6,086,385
Receivables from individual pension operations (Note 12)	1,841,985,715	1,332,282,876
Provision for the impairment of receivables from participants (Note 4.2), (Note 12)	(122,694)	(122,694)
Receivables from individual pension operations, net	1,841,863,021	1,332,160,182

	31 December 2010	31 December 2009
Payables to participants	1,834,480,332	1,326,196,491
Participants temporary account	684,369	357,342
Payables to clearing house	9,411	89,400
Payables to Emeklilik Gözetim Merkezi	30,062	40,000
Other liabilities	885,821	562,191
Individual pension business liabilities (Note 19)	1,836,089,995	1,327,245,424

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As at 31 December 2010 and 2009, individual pension investment funds founded by the Company and their unit prices are as follows:

	31 December 2010 Unit costs	31 December 2009 Unit costs
Likit Kamu Emeklilik Yatırım Fonu	0.027091	0.025596
Gelir Amaçlı Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	0.036509	0.033957
Gelir Amaçlı Kamu Dış Borçlanma Araçları (Eurobond) Emeklilik Yatırım Fonu	0.022217	0.019805
Büyüme Amaçlı Hisse Senedi Emeklilik Yatırım Fonu	0.051557	0.040163
Esnek Emeklilik Yatırım Fonu	0.032743	0.031155
Gelir Amaçlı Uluslararası Borçlanma Araçları Emeklilik Yatırım Fonu	0.015280	0.014026
Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	0.018914	0.017194
Gelir Amaçlı Kamu Borçlanma Araçları (Döviz) Emeklilik Yatırım Fonu	0.014990	0.013924
Gruplara Yönelik Esnek Emeklilik Yatırım Fonu	0.023761	0.020860
Gruplara Yönelik Gelir Amaçlı Karma Borçlanma Araçları Emeklilik Yatırım Fonu	0.014921	0.013549
Gruplara Yönelik Gelir Amaçlı Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	0.021292	0.019709
Esnek Alternatif Emeklilik Yatırım Fonu	0.011485	0.010712

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

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Number of participation documents in the portfolio and in circulation is such as follows as of 31 December 2010 and 2009:

	31 December 2010			
	Participation shares sold		Participation shares outstanding	
	Number	Amount	Number	Amount
Likit Kamu Emeklilik Yatırım Fonu	8,483,635,437	229,831,366	16,516,364,563	447,444,832
Gelir Amaçlı Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	29,048,507,853	1,060,538,397	10,951,492,147	399,828,027
Gelir Amaçlı Kamu Dış Borçlanma Araçları (Eurobond) Emeklilik Yatırım Fonu	939,167,681	20,865,593	9,060,832,319	201,304,512
Büyüme Amaçlı Hisse Senedi Emeklilik Yatırım Fonu	1,303,618,656	67,210,238	8,696,381,344	448,359,333
Esnek Emeklilik Yatırım Fonu	9,822,733,405	321,625,396	177,266,595	5,804,240
Gelir Amaçlı Uluslararası Borçlanma Araçları Emeklilik Yatırım Fonu	352,170,746	5,381,285	9,647,829,254	147,418,831
Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	1,313,732,021	24,847,968	8,686,267,979	164,292,073
Gelir Amaçlı Kamu Borçlanma Araçları (Döviz) Emeklilik Yatırım Fonu	646,026,850	9,684,255	9,353,973,150	140,216,058
Gruplara Yönelik Esnek Emeklilik Yatırım Fonu	1,087,958,997	25,850,550	8,912,041,003	211,759,006
Gruplara Yönelik Gelir Amaçlı Karma Borçlanma Araçları Emeklilik Yatırım Fonu	195,099,676	2,911,111	9,804,900,324	146,298,918
Gruplara Yönelik Gelir Amaçlı Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	2,747,943,318	58,509,021	7,252,056,682	154,410,791
Esnek Alternatif Emeklilik Yatırım Fonu	629,097,288	7,225,152	9,370,902,712	107,624,818
Total		1,834,480,332		2,574,761,439

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	31 December 2009			
	Participation shares sold		Participation shares outstanding	
	Number	Amount	Number	Amount
Likit Kamu Emeklilik Yatırım Fonu	9,114,102,110	233,284,558	15,885,897,890	406,615,442
Gelir Amaçlı Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	23,646,965,891	802,980,021	1,353,034,109	45,944,979
Gelir Amaçlı Kamu Dış Borçlanma Araçları (Eurobond) Emeklilik Yatırım Fonu	851,527,975	16,864,512	9,148,472,025	181,185,488
Büyüme Amaçlı Hisse Senedi Emeklilik Yatırım Fonu	839,908,314	33,733,238	9,160,091,686	367,896,762
Esnek Emeklilik Yatırım Fonu	5,671,627,815	176,699,565	4,328,372,185	134,850,435
Gelir Amaçlı Uluslararası Borçlanma Araçları Emeklilik Yatırım Fonu	291,602,988	4,090,024	9,708,397,012	136,169,976
Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	1,374,227,869	23,628,474	8,625,772,131	148,311,526
Gelir Amaçlı Kamu Borçlanma Araçları (Döviz) Emeklilik Yatırım Fonu	626,097,924	8,717,787	9,373,902,076	130,522,213
Gruplara Yönelik Esnek Emeklilik Yatırım Fonu	231,642,708	4,832,067	9,768,357,292	203,767,933
Gruplara Yönelik Gelir Amaçlı Karma Borçlanma Araçları Emeklilik Yatırım Fonu	134,662,876	1,824,547	9,865,337,124	133,665,453
Gruplara Yönelik Gelir Amaçlı Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	941,497,296	18,555,970	9,058,502,704	178,534,030
Esnek Alternatif Emeklilik Yatırım Fonu	92,021,063	985,730	9,907,978,937	106,134,270
Total		1,326,196,493		2,173,598,507

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

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

1 January-24 December 2010				
	Additions during the period	Left/cancellations during the period	Outstanding	Total amount
Individual	88,643	39,405	327,757	1.106,590,562
Group	43,479	28,922	159,935	383,681,045
Total	132,122	68,327	487,692	1,490,271,607

1 January-24 December 2009				
	Additions during the period	Left/cancellations during the period	Outstanding	Total amount
Individual	81,345	43,093	279,136	778,640,498
Group	59,303	29,726	145,719	266,602,997
Total	140,648	72,819	424.855	1.045,243,495

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

	24 December 2010			31 December 2009		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	88,643	116,031,338	113,190,051	81,664	84,048,158	81,953,567
Group	43,479	42,162,506	41,792,248	59,638	42,336,170	41,614,238
Total	132,122	158,193,844	154,982,299	141,302	126,384,328	123,567,805

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

	24 December 2010			31 December 2009		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	947	19,707,763	19,683,688	698	11,828,207	11,796,592
Group	8,808	18,598,254	18,592,219	1,228	8,056,615	8,030,779
Total	9,755	38,306,017	38,275,907	1,926	19,884,822	19,827,371

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

	24 December 2010			31 December 2009		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	39,405	93,616,341	93,162,651	44,029	136,201,109	135,295,881
Group	28,922	54,307,462	54,164,635	30,402	64,077,333	63,832,972
Total	68,327	147,923,803	147,327,286	74,431	200,278,442	199,128,853

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19 Trade and other payables and deferred income

	31 December 2010	31 December 2009
Payables arising from main operations	1,861,359,138	1,350,901,048
Short/long term deferred income and expense accruals ⁽²⁾	23,894,551	16,922,825
Provisions for taxes and other similar obligations	12,762,000	7,649,148
Due to related parties	2,594,839	3,809,866
Financial liabilities(Not 20), (Not 45)	570,396	548,617
Other various payables ⁽¹⁾	2,279,761	1,472,465
Total	1,903,460,685	1,381,303,969
Short term liabilities	1,903,460,685	1,380,517,815
Mid term and long term liabilities	-	-
Total	1,903,460,685	1,380,517,815

(1): As at 31 December 2010, other payables are comprised of payables to third party service providers.

(2): Deferred income and expense accruals amounting TL 23,894,551 (31 December 2009: TL 16,922,825) consist of deferred commission income amounting to TL 22,890,687 (31 December 2009: TL 15,930,946) and expense accruals amounting to TL 1,003,864 (31 December 2009: TL 991,879).

Payables arising from main operations of the Company as at 31 December 2010 and 2009 are detailed below:

	31 December 2010	31 December 2009
Payables to reinsurers (Note 10)	12,410,611	12,780,028
Payables to agencies	12,796,544	10,853,666
Payables to policyholders	21,930	21,930
Total payables arising from insurance operations	25,229,085	23,655,624
Payables arising from individual pension business (Not 18)	1,836,089,995	1,327,245,424
Payables arising from other main operations	40,058	-
Payables arising from main operations	1,861,359,138	1,350,901,048

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS

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Corporate tax provision and prepaid taxes are disclosed below:

	31 December 2010	31 December 2009
Corporate tax provision	25,725,003	18,722,731
Prepaid taxes during the period	(17,243,107)	(15,070,476)
Corporate tax payable, net	8,481,896	3,652,255

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

None.

20 Financial liabilities

As at 31 December 2010, the Company's financial liabilities consist of short term tax loans amountin to TL 570,396 (31 December 2009: TL 548,617) (Note 45).

21 Deferred taxes

As at 31 December 2010 and 2009, the detailed analysis of the items resulting deferred tax assets and liabilities are as follows:

	31 December 2010	31 December 2009
	Deferred Tax Assets/ (Liabilities)	Deferred Tax Assets/ (Liabilities)
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(777,972)	(690,579)
Equalization provision	498,241	239,959
Provision for employment termination benefits and unused vacation pay liability	313,614	256,439
Provision for personnel bonus	182,477	157,231
Discount on receivables and payables	(152,387)	(67,300)
Provisions for lawsuits	48,980	37,360
Provision for impairment in receivables from insurance activities	27,497	32,054
Provision for impairment in receivables from participants	24,538	24,538
Provision for bonus and discounts to policyholders	11,231	1,576
Other insurance technical provisions	5,555	(286,915)
Deferred tax asset/(liability), net	181,774	(295,637)

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Movement of the deferred tax assets/(liabilities) during the period is presented below:

	1 January- 31 December 2010	1 January- 31 December 2009
Beginning balance, January 1	(295,637)	160,867
Recognized in the income statement	508,610	(400,483)
Recognized in the equity	(31,199)	(56,021)
Closing balance, 31 December	181,774	(295,637)

22 Retirement benefit obligations

None.

23 Provisions for other liabilities and charges

As at 31 December 2010 and 2009; the details of the provisions for other risks are as follows:

	31 December 2010	31 December 2009
Provision for unused vacation pay liability	1,390,567	1,125,560
Provisions for lawsuits	244,900	186,800
Provisions for costs	1,635,467	1,312,360
Provision for employee termination benefits	177,503	156,635
Total provisions for other risks	1,812,970	1,468,995

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

	1 January- 31 December 2010	1 January- 31 December 2009
Provision for employee termination benefits at the beginning of the period	156,635	118,119
Interest cost	9,267	7,394
Service cost	573,400	412,166
Payments during the period	(561,799)	(381,044)
Provision for employee termination benefits at the end of the period	177,503	156,635

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24 Net insurance premium revenue

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

25 Fee revenues

Fee revenues consist of fees received from 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 2010, fees charged to saving life policyholders amounted to TL 101,936 (31 December 2009: TL 137,601)

26 Investment income

Presented in Note 4.2-Financial risk management.

27 Net realized gains on financial assets

Presented in Note 4.2-Financial risk management.

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

Presented in Note 4.2-Financial risk management.

29 Insurance rights and claims

The Company has no branch based subrogation income or expense for the period between 1 January-31 December 2010 (1 January-31 December 2009: None).

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30 Investment contract benefits

As at and for the year ended 31 December 2010 and 2009, the details of changes in life mathematical provisions recognized in the statement of income and equity from investment contracts are as follows:

	1 January- 31 December 2010	1 January- 31 December 2009
Change in life mathematical provisions for investment contracts recognized in the statement of income	(563,863)	2,696,351
Changes in shares of policy holders in unrealized gain or loss from available for sale financial asset in which the liabilities arising from investment contract benefits are invested (Note 18)	456,112	2,673,937
Change in life mathematical provisions for investment contracts	(107,751)	5,370,288

31 Other mandatory expenses

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

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NOTES TO THE FINANCIAL STATEMENTS

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(Amounts expressed in Turkish Lira [TL] unless otherwise stated).

32 Expenses by nature

For the year ended 31 December 2010 and 2009, the details of operating expenses are as follows:

	1 January- 31 December 2010	1 January- 31 December 2009
Commission expenses	(53,402,776)	(35,657,245)
<i>Commissions to intermediaries accrued during period</i>	<i>(59,563,712)</i>	<i>(44,029,564)</i>
Change in deferred commission expenses	2,021,928	1,642,512
Deferred commission expenses	4,139,008	6,729,807
Employee benefit expenses (Note 33)	(37,494,484)	(32,816,170)
Commission income from reinsurers	56,721,373	22,464,827
<i>Commission income from reinsurers accrued during period (Note 10)</i>	<i>63,681,114</i>	<i>34,656,089</i>
Change in deferred commission income	(6,959,741)	(12,191,262)
Advertising expenses	(5,337,384)	(6,031,457)
Office expenses	(6,379,589)	(5,311,857)
Information technology expenses	(4,358,777)	(3,154,721)
Taxes and duties expenses	(2,543,287)	(2,377,643)
Other expenses	(6,406,921)	(5,061,042)
Total	(59,201,845)	(67,945,308)

33 Employee benefit expenses

For the year ended 31 December 2010 and 2009, the details of employee benefit expense are as follows:

	1 January- 31 December 2010	1 January- 31 December 2009
Wages and salaries	(19,015,498)	(16,927,792)
Employer's share in social security premiums	(3,631,383)	(3,269,356)
Employee termination benefits and unused vacation expenses	(680,092)	(456,100)
Bonus, premium and commissions	(7,936,321)	(5,406,515)
Other benefits	(6,231,190)	(6,756,407)
Total (Note 32)	(37,494,484)	(32,816,170)

★ FLEXIBLE FUND

★ DOMESTIC
GOVERNMENT
DEBT
SECURITIES
INCOME FUND

★ EQUITY FUND

DECEMBER 2010



The three new funds, designed to diversify the investment options we offer and to provide investment vehicles that are better suited to the long-term nature of the system, received registration certifications from the Capital Markets Board of Turkey as of December 30, 2010.

- The new **Flexible Fund** that invests exclusively in TL-denominated securities is not exposed to foreign exchange risk.
- The new **Domestic Government Debt Securities Income Fund** that invests in longer-term securities as well as a small amount of equities.
- The new **Equity Fund** that is a suitable entry level mutual fund for participants who prefer to invest in stocks is expected to boost investor returns in the long term.

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34 Financial costs

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

35 Income tax expense

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

	1 January- 31 December 2010	1 January- 31 December 2009
Provision for corporate tax expense:	(25,725,003)	(18,722,731)
Provision for corporate tax expense:	(25,725,003)	(18,722,731)
Deferred taxes:	508,610	(400,483)
Total income tax expense presented in the statement of income	(25,216,393)	(19,123,214)

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 2010 and 2009 is as follows:

	1 January- 31 December 2010	1 January- 31 December 2009
Profit before taxes	125,765,682	93,898,886
Taxes on income per statutory tax rate: 20%	(25,153,136)	(18,779,777)
Non-deductable expenses	(773,541)	(364,629)
Others	710,284	21,192
Total income tax expense presented in the statement of income	(25,216,393)	(19,123,214)

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36 Net foreign exchange gains

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

37 Earnings per share

According to IAS 33 “Earnings per Share”, earnings per share of unquoted Companies do not disclose earnings per share. As for the Company is not listed, earnings per share is not calculated in the accompanying financial statements.

38 Dividends per share

Net profit of the Company for the year ended 31 December 2009 amounted to TL 75,176,155. As per the resolution of the General Assembly dated 5 April 2010, net profit is decided to be held as reserve in the equity (31 December 2009: Net profit of the Company for the year ended 31 December 2008 amounted to TL 63,829,221. As per the resolution of the General Assembly dated 8 April 2009, net profit is decided to be held as reserve in the equity).

39 Cash generated from operations

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

40 Convertible bond

None.

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NOTES TO THE FINANCIAL STATEMENTS

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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 2010, the probable liability amount that will arise in the situation that all the cases that Company is defendant results against the Company is TL 1,598,567 (31 December 2009: TL 750,070) in gross. The Company has recorded provision of TL 2,252,349 (31 December 2009: TL 981,501) 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 2010	31 December 2009
Less than 1 year	1,342,401	1,380,785
More than 1 year less than 5 years	157,127	954,708
More than 5 years	-	-
Total of minimum rent payments	1,499,528	2,335,493

44 Business mergers

None.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

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45 Related party transactions

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

The related party balances as of 31 December 2010 and 2009 are as follows:

	31 December 2010	31 December 2009
Garantibank-receivables from credit card collections	7,192,836	6,045,512
Turkish Derivatives Exchange collaterals	3,209,380	-
Other cash and cash equivalents (Note 14)	10,402,216	6,045,512
Garantibank-bank deposits	278,983,990	190,857,327
Cash at banks	278,983,990	190,857,327
Garanti Portföy Yönetimi AŞ-premium receivables	12,926	8,877
Garanti Faktoring A.Ş.	-	5,749
Others	-	437
Receivables from main operations	12,926	15,063
Garanti Hizmet Yönetimi A.Ş.-fund management	2,884,573	1,841,240
Others	2,630	32,486
Other receivables from related parties (Note 12)	2,887,203	1,873,726
Garanti Bankası T.A.Ş.-tax loans	570,396	548,617
Other financial liabilities (Note 19), (Note 20)	570,396	548,617
Garanti Bankası T.A.Ş.-commission payables	13,003,216	11,041,996
Others	20,962	-
Payable from main operations	13,024,178	11,041,996
Garanti Bankası T.A.Ş.-payables due to local usage	55,304	91,238
Eureko Sigorta A.Ş.-payables due to local usage and insurance policy premiums	45,223	52,460
Garanti Hizmeti Yönetimi A.Ş.-portfolio management	84,795	-
Payables to shareholders	185,322	143,698

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	31 December 2010	31 December 2009
Garanti Bankası T.A.Ş.-provision for outstanding claims	87,436	205,145
Garanti Portföy Yönetimi A.Ş.-provision for outstanding claims	-	44,862
Garanti Ödeme Sistemleri-provision for outstanding claims	-	5,454
Doğuş Holding A.Ş.	38,895	-
Doğuş Otomotiv Servis ve Ticaret A.Ş.	155,580	-
Doğuş Holding Çalışanları Döviz Endeksli Grup Sigorta	15,994	-
Volkswagen Doğuş Tüketici Finansmanı A.Ş.	106	-
Provision for outstanding claims	298,011	255,461
Garanti Portföy Yönetimi A.Ş.-management of individual pension funds	1,084,159	2,395,505
Garanti Bilişim Teknolojisi ve Ticaret T.A.Ş.-software and service expenses	952,740	1,013,082
Garanti Filo Yönetim Hizmetleri A.Ş.-automobile rent expense	74,518	70,649
Garanti Hizmet Yönetimi A.Ş.-portfolio management	-	64,265
Antur Turizm A.Ş.-travel expenses	34,594	5,974
Doğuş Yayın Grubu A.Ş.	112,019	-
Others	3,265	84,255
Payables to other related parties	2,261,295	3,633,730

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.

The transactions with related parties during the year ended 31 December 2010 and 2009 are as follows:

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

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	1 January- 31 December 2010	1 January- 31 December 2009
Garanti Bankası T.A.Ş.	2,184,791	2,281,327
Doğuş Holding A.Ş.	330,678	-
Doğuş Oto Pazarlama ve Tic A.Ş.	83,440	153,062
Doğuş Otomotiv Servis A.Ş.	76,135	153,562
Eureko Sigorta A.Ş.	55,988	56,269
Garanti Yatırım Menkul Kıymetler A.Ş.	55,483	-
Others	226,179	195,846
Written premiums	3,012,694	2,840,066
Garanti Bankası T.A.Ş.-interest income from deposits	28,364,668	23,327,406
Investment income	28,364,668	23,327,406
Garanti Bankası T.A.Ş.	105,536	218,175
Garanti Portföy Yönetim A.Ş.	105,435	47,312
Investment expense	210,971	265,487
Garanti Bankası T.A.Ş.-commissions paid	58,963,052	43,086,471
Garanti Bankası T.A.Ş.-rent,tax and other expenses	3,736,744	3,346,875
Garanti Bilişim Tekn. ve Tic. T.A.Ş.-information technology expenses	4,429,717	3,295,555
Antur Turizm A.Ş.-tourism expenses	1,652,265	1,176,060
Garanti Portföy Yönetimi A.Ş.	779,169	47,312
Garanti Yatırım Menkul Kıymetler A.Ş.-rent expenses	106,402	109,528
Garanti Filo Yönetim Hizmetleri A.Ş.-car rental expenses	872,255	804,077
Eureko Sigorta AŞ-health and automobile insurance premiums	908,633	745,850
Doğuş Yayın Grubu A.Ş.-advertising expenses	165,467	63,862
Leaspen A.Ş.-car rental expenses	23,227	92,777
Garanti Teknolojinet İletişim Hizm. ve Tic. A.Ş.-information technology expenses	164,740	113,308
Others	30,812	37,957
Operating expenses	71,832,483	52,919,632

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2010

(Amounts expressed in Turkish Lira [TL] unless otherwise stated).

46 Subsequent events

The Company's 3 new funds, "Garanti Emeklilik ve Hayat A.Ş. Gelir Amaçlı Devlet İç Borçlanma Araçları Emeklilik Yatırım Fonu" with initial amount of TL 250,000,000, "Garanti Emeklilik ve Hayat A.Ş. Esnek (TL) Emeklilik Yatırım Fonu" with initial amount of TL 250,000,000, and "Garanti Emeklilik ve Hayat A.Ş. Hisse Senedi Emeklilik Yatırım Fonu" with initial amount of TL 250,000,000 has founded with the Capital Market Board decision dated October 6, 2010 and the initial public offering of the related funds have been realized as of January 24, 2011.

"Garanti Emeklilik ve Hayat A.Ş. Emanet-Likit Emeklilik Yatırım Fonu" with initial amount of TL 100,000,000 was founded with the decision of Capital Market Board's dated October 6, 2010 but the initial public offering of the related fund has not been realized yet.

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.

GARANTİ EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2010

(Amounts expressed in Turkish Lira [TL] unless otherwise stated).

As at and for the year ended 31 December 2010 and, details of discount and provision expenses are as follows:

	31 December 2010	31 December 2009
Provision for unused vacation pay liability (Note 23)	(265,007)	(328,243)
Provision expense for receivables from main operations (Note 4.2)	22,785	(90,654)
Provision for lawsuits (Note 23)	(58,100)	(59,400)
Provision for employee termination benefits (Note 23)	(20,868)	(38,516)
Total provision expenses	(321,190)	(516,813)

	31 December 2010	31 December 2009
Discount of receivables from insurance receivables	(68,609)	(67,361)
Discount of payables to reinsurers	(276,720)	40,045
Discount of receivables from for entrance fee	(5,988)	33,224
Discount of payables to intermediaries	21,142	32,160
Other discount	(9,367)	24,375
Discount expense	(339,542)	62,443

Summary of Five-year Financial Information

Financial Indicators	2006		2007		2008		2009		2010	
	(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	299,804	213,292	572,527	491,566	897,774	593,648	1,326,196	880,784	1,834,480	1,186,598
Technical Reserves	89,645	63,777	101,150	86,846	123,510	81,670	128,357	85,247	140,772	91,056
Paid-in Capital	50,000	35,572	50,000	42,930	50,000	33,062	50,000	33,207	50,000	32,342
Shareholders' Equity	48,816	34,730	89,759	77,066	154,034	101,854	229,610	152,494	329,597	213,193
Total Assets	449,997	320,146	776,077	666,332	1,204,529	796,488	1,741,036	1,156,297	2,375,643	1,536,638
Life Insurance Premium Production (net)	95,475	67,925	104,091	89,372	108,670	71,857	116,682	77,494	140,632	90,965
Technical Income and Expense Balance	7,420	5,279	40,778	35,012	49,762	32,905	74,063	49,188	109,122	70,583
Non-operating Income and Expense Balance	12,378	8,806	9,065	7,783	30,517	20,179	19,836	13,174	16,644	10,766
Profit/Loss Before Tax	19,798	14,085	50,012	42,940	80,279	53,084	93,899	62,362	125,766	81,349

Foreign Exchange Rates (MBDA)

31.12.2005	1 USD	1,3418 TL
31.12.2006	1 USD	1,4056 TL
31.12.2007	1 USD	1,1647 TL
31.12.2008	1 USD	1,5123 TL
31.12.2009	1 USD	1,5057 TL
31.12.2010	1 USD	1,5460 TL

Contact Information

ISTANBUL REGIONAL OFFICES 1-2, EUROPE

Address: Rumeli Cad. No:48 K: 5 Nişantaşı/İstanbul
 Telephone: +90 212 219 40 91-219 40 92
 +90-219 40 93-0212 296 62 43
 Fax: +90 212 241 59 17

ISTANBUL REGIONAL OFFICE 3, EUROPE

Address: Rumeli Cad. No:48 K: 4 Nişantaşı/İstanbul
 Telephone: +90 212 219 40 90-291 49 24-225 96 91
 Fax: +90 212 219 40 94

ISTANBUL REGIONAL OFFICE 4, EUROPE AND EASTERN ANATOLIA REGIONAL OFFICE

Address: Yalçın Koreş Cad. No: 38 K: 3
 Güneşli/İstanbul
 Telephone: +90 212 410 11 87
 Fax: +90 212 410 10 67

ISTANBUL REGIONAL OFFICES 5-6, EUROPE

Address: Yalçın Koreş Cad. No: 38 K: 3
 Güneşli/İstanbul
 Telephone: +90 212 410 10 60
 Fax: +90 212 410 10 67

ISTANBUL REGIONAL OFFICE 1-2 ANATOLIA

Address: Şehit Mehmet Fatih Öngül Sok.
 Odak Plaza No:5 Kat:7 Kozyatağı/İSTANBUL
 Telephone: +90 216 445 76 49
 Fax: +90 216 445 51 49

ISTANBUL REGIONAL OFFICE 3, ANATOLIA

Address: E-5 karayolu üzeri PTT Hastanesi Karşısı
 G-6 sok. Yılmaz Kayalar İş Merkezi No:3/4
 Kozyatağı/İstanbul
 Telephone: +90 216 410 39 62-+90 216 410 40 18
 +90 216 445 56 29-+90 216 445 56 42
 Fax: +90 216 410 39 89

MEDITERRANEAN REGIONAL OFFICE

Address: Sinan Mh. 1257 Sk. Antalya 2000 İş Merkezi
 K: 10 No: 71 Antalya
 Telephone: +90 242 249 75 32-+90 242 249 75 30-
 +90 242 249 75 31
 +90 242 249 75 33-+90 242 249 75 34-
 +90 242 249 75 35
 +90 242 249 75 36
 Fax: +90 242 312 56 07

ANKARA REGIONAL OFFICE

Address: Atatürk Bulvarı 12/2 Ulus/Ankara
 Telephone: +90 312 310 01 03
 Fax: +90 312 310 08 59

ÇUKUROVA AND SOUTHEASTERN ANATOLIAN REGIONAL OFFICE

Address: Abidinpaşa Cad. No:17 Seyhan/Adana
 Telephone: +90 322 355 10 90
 Fax: +90 322 352 66 26

AEGEAN AND SOUTHERN AEGEAN REGIONAL OFFICE

Address: Mimar Kemalettin Caddesi No:75 Kat:6
 Konak/İZMİR
 Telephone: +90 232 441 50 22 (pbx)
 +90 232-441 50 23-441 23 88-441 30 88
 Fax: +90 232 441 58 30

İZMİR REGIONAL OFFICE

Address: Mimar Kemalettin Caddesi No:75 Kat:6
 Konak/İZMİR
 Telephone: +90 232 441 50 22 (pbx)
 +90 232-441 50 23-441 23 88-441 30 88
 Fax: +90 232 441 58 30

MARMARA AND WESTERN ANATOLIAN REGIONAL OFFICE

Address: Karaman Mahallesi İzmirlyolu Cad.
 Nilpark AVM No:90 K/6 Nilüfer/BURSA
 Telephone: +90 224 247 97 36-247 25 58
 +90 247 33 29-247 81 67-247 88 62
 Fax: +90 224 247 65 94

CENTRAL AND NORTHERN ANATOLIAN REGIONAL OFFICE

Address: Atatürk Bulvarı No:86 K: 8 06440
 Kızılay/Ankara
 Telephone: +90 312 419 36 28-419 37 10-419 84 03
 Fax: +90 312 425 97 96

