

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

# Millî Reasürans Türk Anonim Şirketi

31 December 2010
Consolidated Financial Statements
Together With
Independent Auditors' Report Thereon

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

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

24 May 2011

This report includes 2 pages of independent auditors' report and 85 pages of financial information together with their explanatory notes.



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

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

Telephone +90 (212) 317 74 00 Fax +90 (212) 317 73 00

Internet www.kpmg.com

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

# INDEPENDENT AUDITORS' REPORT

# To the Board of Directors of Milli Reasürans Türk Anonim Sirketi

Introduction

We have audited the accompanying consolidated balance sheet of Milli Reasürans Türk Anonim Şirketi ("the Bank") and its subsidiary (collectively "the Group") as at 31 December 2010 and the related consolidated statements of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

#### Independent Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with audit standards in force as per the insurance legislation. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

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

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



# Independent Auditors' Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Milli Reasurans Türk Anonim Şirketi and its subsidiary as at 31 December 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting principles and standards (see *Note 2*) in force as per the insurance legislation.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2009 were audited by another auditor who expressed an unqualified opinion in their report dated 26 March 2010.

Istanbul, 24 May 2011

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ

Filiz Demiröz, Certified Public Accountant

Partner

#### Additional paragraph for convenience translation to English:

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



Millî Reasürans T.A.Ş. Maçka Caddesi No: 35 34367 Şişli, İstanbul Tel: 0 (212) 231 47 30 Faks: 0 (212) 230 86 08 www.millire.com

# MİLLÎ REASÜRANS TÜRK ANONIM ŞİRKETİ CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2010

We confirm that the consolidated financial statements and related disclosures and footnotes as at 31 December 2010 which were prepared in accordance with the accounting principles and standards in force as per the regulations of T.C. Başbakanlık Hazine Müsteşarlığı are in compliance with the "Code Related to the Financial Reporting of Insurance, Reinsurance and Private Pension Companies" and the financial records of our Company.

Istanbul, 24 May 2011

Şule SOYLU Accounting Manager Kemal ÇUHACI

Semra ANIL

Executive (

Group Manager

Technical Accounting

Hasan Hulki YALÇIN Vice Chief

Chief Executive

Ertan TAN

Actuary

Erdal AKGÜ

Statutory Auditor

Engin EKŞ

Statuory Auditor (Currency: Turkish Lira (TL))

ASSETS									
I- Current Assets	Note	Audited Current Period 31 December 2010	"Restated" <sup>(*)</sup> Audited Prior Period 31 December 2009						
A- Cash and Cash Equivalents	14	992,361,647	583,896,839						
1- Cash 2- Cheques Received	14	97,363	15,606						
2- Cheques Received 3- Banks	14	869,200,967	12,488 583,868,745						
4- Cheques Given and Payment Orders	14	(2,687,054)	363,606,743						
5- Other Cash and Cash Equivalents	14	125,750,371	<del></del>						
B- Financial Assets and Financial Investments with Risks on Policyholders	11	935,380,143	510,592,376						
1- Available-for-Sale Financial Assets	11	383,304,121	241,336,226						
2- Held to Maturity Investments	11	130,409,487							
3- Financial Assets Held for Trading	11	427,464,147	269,256,150						
4- Loans and Receivables									
5- Provision for Loans and Receivables									
6- Financial Investments with Risks on Life Insurance Policyholders									
7- Company's Own Equity Shares									
8- Diminution in Value of Financial Investments	11	(5,797,612)	==						
C- Receivables from Main Operations	12	656,260,707	184,002,086						
1- Receivables from Insurance Operations	12	419,357,295							
2- Provision for Receivables from Insurance Operations	12	(3,229,103)	<del></del>						
3- Receivables from Reinsurance Operations	12	130,619,462	78,814,247						
4- Provision for Receivables from Reinsurance Operations									
5- Cash Deposited to Insurance & Reinsurance Companies	12	109,513,053	105,187,839						
6- Loans to the Policyholders									
7- Provision for Loans to the Policyholders			<u></u>						
8- Receivables from Private Pension Operations	4 2 12								
9- Doubtful Receivables from Main Operations	4.2,12	72,569,506							
10- Provision for Doubtful Receivables from Main Operations	4.2,12 12	(72,569,506)	2,311						
D- Due from Related Parties 1- Due from Shareholders	12	82,070	2,311						
2- Due from Associates			<del></del>						
3- Due from Subsidiaries									
4- Due from Joint Ventures									
5- Due from Personnel	12	82,070							
6- Due from Other Related Parties	12		2,311						
7- Rediscount on Receivables from Related Parties									
8- Doubtful Receivables from Related Parties									
9- Provision for Doubtful Receivables from Related Parties			==						
E- Other Receivables	12	3,240,230	808,443						
1- Finance Lease Receivables									
2- Unearned Finance Lease Interest Income									
3- Deposits and Guarantees Given		1,611,118	801,495						
4- Other Miscellaneous Receivables		1,629,112	6,948						
5- Rediscount on Other Miscellaneous Receivables									
6- Other Doubtful Receivables		16,621							
7- Provision for Other Doubtful Receivables		(16,621)							
F- Prepaid Expenses and Income Accruals		204,408,534	88,904,432						
1- Prepaid Expenses	17	193,865,215	88,842,304						
2- Accrued Interest and Rent Income	1212								
3- Income Accruals	4.2,12	9,759,059	62,128						
4- Other Prepaid Expenses and Income Accruals	4.2,12	784,260	10.001.011						
G- Other Current Assets		10,286,843	10,801,846						
1- Stocks to be Used in the Following Months	12	346,541	23,317						
2- Prepaid Taxes and Funds 2- Prepaid Taxes Assets	12	9,033,843	9,726,181						
3- Deferred Tax Assets	12	152.072	225.001						
4- Job Advances 5. Advances Given to Personnal	12	153,072 7,111	235,081						
5- Advances Given to Personnel 6- Inventory Count Differences	12	/,111	587,728						
· · · · · · · · · · · · · · · · · · ·	+ +	746,276	229,539						
/_ Other Miscellaneous Current Assets									
7- Other Miscellaneous Current Assets 8- Provision for Other Current Assets	+ +	740,270	227,337						

(\*) Refer to note 2.1.6.

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

ASSETS								
		"Restated"(*)						
		Audited Current Period	Audited Prior Period					
II- Non-Current Assets	Note	31 December 2010	31 December 2009					
A- Receivables from Main Operations	11020							
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 and Reinsurance Companies								
6- Loans to the Policyholders								
7- Provision for Loans to the Policyholders								
8- Receivables from Individual Pension Business 9- Doubtful Receivables from Main Operations	4.2.12	8,374,541	8.224.472					
10- Provision for Doubtful Receivables from Main Operations	4.2,12	(8,374,541)	(8,224,472)					
B- Due from Related Parties								
1- Due from Shareholders								
2- Due from Associates 3- Due from Subsidiaries			 					
4- Due from Joint Ventures			<del></del>					
5- Due from Personnel								
6- Due from Other Related Parties								
7- Rediscount on Receivables from Related Parties 8- Doubtful Receivables from Related Parties			<del></del>					
9- Provision for Doubtful Receivables from Related Parties			<del></del>					
C- Other Receivables								
1- Finance Lease Receivables								
2- Unearned Finance Lease Interest Income								
3- Deposits and Guarantees Given     4- Other Miscellaneous Receivables	+		<del></del>					
5- Rediscount on Other Miscellaneous Receivables								
6- Other Doubtful Receivables								
7- Provision for Other Doubtful Receivables								
D- Financial Assets	9	91,903,391	141,306,867					
1- Investments in Equity Shares 2- Investments in Associates	9	91,157,184	140,560,660					
3- Capital Commitments to Associates			140,500,000					
4- Investments in Subsidiaries	9	746,207	746,207					
5- Capital Commitments to Subsidiaries								
6- Investments in Joint Ventures 7- Capital Commitments to Joint Ventures			<del></del>					
8- Financial Assets and Financial Investments with Risks on Policyholders								
9- Other Financial Assets								
10- Impairment in Value of Financial Assets E- Tangible Assets		(9.051.115	40 524 500					
1- Investment Properties	6.7	68,051,115 48,325,615	<b>48,524,588</b> 41,342,839					
2- Impairment for Investment Properties	0,7	<del></del>						
3- Owner Occupied Property	6	37,812,594	31,392,945					
4- Machinery and Equipments	6	24,381,873	2.000.044					
5- Furniture and Fixtures 6- Motor Vehicles	6	11,251,611 2.050,561	2,060,044 766,102					
7- Other Tangible Assets (Including Leasehold Improvements)	6	3,533,374	700,102					
8- Tangible Assets Acquired Through Finance Leases	6	4,339,065						
9- Accumulated Depreciation (-)	6	(63,643,578)	(27,037,342)					
10- Advances Paid for Tangible Assets (Including Construction in Progress)  F- Intangible Assets	8	26,827,732	882,261					
1- Rights	8	13.485.907	1.419.973					
2- Goodwill	8	16,250,000	1,717,975					
3- Pre-operating Expenses								
4- Research and Development Costs  5. Other Intervible Access								
5- Other Intangible Assets 6- Accumulated Amortization	8	(8.600.061)	(537.712)					
7- Advances Paid for Intangible Assets	8	5,691,886	(337,712)					
G- Prepaid Expenses and Income Accruals		121,537	103,936					
1- Prepaid Expenses		2,624	103,936					
2- Income Accruals 3- Other Prepaid Expenses and Income Accruals	+	118,913						
H- Other Non-Current Assets	21	10,947,986	8,467,791					
1- Effective Foreign Currency Accounts								
2- Foreign Currency Accounts								
3- Stocks to be Used in the Following Years								
4- Prepaid Taxes and Funds 5- Deferred Tax Assets	21	10.947.986	8,467,791					
6- Other Miscellaneous Non-Current Assets	21							
7- Amortization on Other Non-Current Assets								
8- Provision for Other Non-Current Assets		107.051.561	100.005.440					
II- Total Non-Current Assets TOTAL ASSETS		197,851,761 2,999,871,935	199,285,443					
TOTAL ABBLIS		2,999,8/1,935	1,578,293,776					

<sup>(\*)</sup> Refer to note 2.1.6. The accompanying notes are an integral part of these consolidated financial statements.

LIABILITIES								
III- Short-Term Liabilities	Note	Audited Current Period 31 December 2010	"Restated"(*) Audited Prior Period 31 December 2009					
A- Financial Liabilities								
1- Borrowings from Financial Institutions								
2- Finance Lease Payables		745						
3- Deferred Leasing Costs		(745)						
4- Current Portion of Long Term Debts								
5- Principal Installments and Interests on Bonds Issued								
6- Other Financial Assets Issued								
7- Valuation Differences of Other Financial Assets Issued								
8- Other Financial Liabilities								
B- Payables Arising from Main Operations	19	137,524,121	68,264,672					
1- Payables Arising from Insurance Operations	$\bot$	75,298,789						
2- Payables Arising from Reinsurance Operations	$\bot$	34,688,733	65,401,693					
3- Cash Deposited by Insurance and Reinsurance Companies	$\bot$	1,742,574	2,862,979					
4- Payables Arising from Pension Operations								
5- Payables Arising from Other Operations		25,794,025						
6- Discount on Payables from Other Operations			<u></u>					
C-Due to Related Parties	19	131,380	118,847					
1- Due to Shareholders		73,646	86,198					
2- Due to Associates								
3- Due to Subsidiaries								
4- Due to Joint Ventures								
5- Due to Personnel	$\bot$							
6- Due to Other Related Parties		57,734	32,649					
D- Other Payables	19	11,404,337	131,130					
1- Deposits and Guarantees Received	$\bot$	1,525,812						
2- Other Miscellaneous Payables	$\bot$	9,878,525	131,130					
3- Discount on Other Miscellaneous Payables								
E-Insurance Technical Provisions	17	1,636,811,200	686,556,655					
1- Reserve for Unearned Premiums - Net	17	926,863,045	350,345,835					
2- Reserve for Unexpired Risks- Net	17	13,154,961	8,263,495					
3- Life Mathematical Provisions - Net	17	1,192,786	840,988					
4- Provision for Outstanding Claims - Net	17	695,600,408	327,106,337					
5- Provision for Bonus and Discounts – Net								
6- Provisions for Policies Investment Risks of Which Belong to Life Insurance								
Policyholders – Net								
7- Other Technical Provisions – Net								
F- Provisions for Taxes and Other Similar Obligations	19	12,080,590	599,292					
1- Taxes and Funds Payable		10,695,739	522,093					
2- Social Security Premiums Payable		1,384,851	77,199					
3- Overdue, Deferred or By Installment Taxes and Other Liabilities	1							
4- Other Taxes and Similar Payables								
5- Corporate Tax Payable	1	17,710,317	22,960,420					
6- Prepaid Taxes and Other Liabilities Regarding Current Year Income	1	(17,710,317)	(22,960,420)					
7- Provisions for Other Taxes and Similar Liabilities								
G- Provisions for Other Risks	23	2,759,998	1,429,191					
1- Provision for Employee Termination Benefits	1							
2- Provision for Pension Fund Deficits								
3- Provisions for Costs	23	2,759,998	1,429,191					
H- Deferred Income and Expense Accruals	10.10	26,486,580	965,983					
1- Deferred Income	10,19	15,731,429	718,390					
2- Expense Accruals	19	354,281	247,593					
3- Other Deferred Income and Expense Accruals	23	10,400,870						
I- Other Short Term Liabilities		628,513						
1- Deferred Tax Liabilities								
2- Inventory Count Differences	- 22							
3- Other Various Short Term Liabilities	23	628,513						
III – Total Short Term Liabilities		1,827,826,719	758,065,770					

<sup>(\*)</sup> Refer to note 2.1.6.

# Millî Reasürans Türk Anonim Şirketi Consolidated Balance Sheet As At 31 December 2010

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

LIABILITIES	<b>S</b>		
IV- Long-Term Liabilities	Note	Audited Current Period 31 December 2010	"Restated"(*) Audited Prior Period 31 December 2009
A- Financial Liabilities			_
1- Borrowings from Financial Institutions			
2- Finance Lease Payables			
3- Deferred Leasing Costs			
4- Bonds Issued			
5- Other Financial Assets Issued			
6- Valuation Differences of Other Financial Assets Issued			
7- Other Financial Liabilities			
B- Payables Arising from Operating Activities			
1- Payables Arising from Insurance Operations			
2- Payables Arising from Reinsurance Operations			
3- Cash Deposited by Insurance and Reinsurance Companies			
4- Payables Arising from Pension Operations			
5- Payables Arising from Other Operations			
6- Discount on Payables from Other Operations			
C- Due to Related Parties			
1- Due to Shareholders			
2- Due to Associates			
3- Due to Subsidiaries			
4- Due to Joint Ventures			<del></del> _
5- Due to Personnel		+	
6- Due to Other Related Parties			<u></u>
D- Other Pavables			
1- Deposits and Guarantees Received			-
2- Other Miscellaneous Payables			
3- Discount on Other Miscellaneous Payables			
E-Insurance Technical Provisions	17	38,056,103	12,383,238
1- Reserve for Unearned Premiums - Net	1,	20,030,102	12,505,250
2- Reserve for Unexpired Risks- Net			
3- Life Mathematical Provisions - Net			
4- Provision for Outstanding Claims - Net			
5- Provision for Bonus and Discounts – Net			
6- Provisions for Policies Investment Risks of Which Belongs to Life			
Insurance Policyholders – Net			
7- Other Technical Provisions – Net	17	38,056,103	12,383,238
F-Other Liabilities and Relevant Accruals	1,	20,020,103	
1- Other Liabilities			
2- Overdue, Deferred or By Installment Taxes and Other Liabilities			
3- Other Liabilities and Expense Accruals	+		
G- Provisions for Other Risks	23	30,591,814	23,406,772
1- Provisions for Employment Termination Benefits	23	9,818,559	3,990,182
2- Provisions for Pension Fund Deficits	22,23	20,773,255	19,416,590
H-Deferred Income and Expense Accruals	19	78,024	66,012
1- Deferred Income	1)		
2- Expense Accruals			
3- Other Deferred Income and Expense Accruals	19	78,024	66,012
I- Other Long Term Liabilities	17	70,024	00,012
1- Deferred Tax Liabilities			
2- Other Long Term Liabilities			<del></del> _
IV - Total Long Term Liabilities		68,725,941	35,856,022
(*) D. Conto moto 2.1 (		00,723,741	33,030,022

<sup>(\*)</sup> Refer to note 2.1.6.

# Millî Reasürans Türk Anonim Şirketi Consolidated Balance Sheet As At 31 December 2010

(Currency: Turkish Lira (TL))

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

E	QUITY		
V- Equity	Note	Audited Current Period 31 December 2010	"Restated"(*) Audited Prior Period 31 December 2009
A- Paid in Capital		525,000,000	385,000,000
1- (Nominal) Capital	2.13,15	525,000,000	385,000,000
2- Unpaid Capital			
3- Positive Capital Restatement Differences			
4- Negative Capital Restatement Differences			
B- Capital Reserves	15	(357,479)	2,073,977
1- Share Premiums			
2- Cancellation Profits of Equity Shares			
3- Profit on Sale Assets That Will Be Transferred to Capital			
4- Currency Translation Adjustments	15	(357,479)	
5- Other Capital Reserves	15		2,073,977
C- Profit Reserves		206,894,497	327,001,239
1- Legal Reserves	15	65,623,606	38,222,824
2- Statutory Reserves	15	119,566,517	94,130,134
3- Extraordinary Reserves	15	5,656,554	3,030,614
4- Special Funds	15		
5- Revaluation of Financial Assets	11,15	61,782,544	29,362,481
6- Other Profit Reserves	15	25,325,325	162,255,186
7- Transactions under common control	15	(71,060,049)	
D- Retained Earnings		23,848,806	6,457,018
1- Retained Earnings		23,848,806	6,457,018
E- Accumulated Losses		(14,299,554)	(14,299,554)
1- Accumulated Losses		(14,299,554)	(14,299,554)
F-Net Profit/(Loss) for the Year		69,206,080	78,139,304
1- Net Profit for the Year		64,569,908	78,139,304
2- Net Loss for the Year			
3- Profit not Available for Distribution		4,636,172	
G- Non-controlling interest		293,026,925	
V- Total Equity		1,103,319,275	784,371,984
TOTAL EQUITY AND LIABILITIES		2,999,871,935	1,578,293,776

<sup>(\*)</sup> Refer to note 2.1.6.

# Millî Reasürans Türk Anonim Şirketi Consolidated Statement of Income As At 31 December 2010

(Currency: Turkish Lira (TL))

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

Audited Current Period   Prior	r 2009 3,211 5,363 2,747 8,148
A- Non-Life Technical Income       1,173,842,216       850,44         1- Earned Premiums (Net of Reinsurer Share)       1,058,511,235       754,28         1.1- Written Premiums (Net of Reinsurer Share)       17       1,099,926,680       746,89	<b>3,211</b> 5,363 2,747 8,148
1- Earned Premiums (Net of Reinsurer Share)       1,058,511,235       754,28         1.1- Written Premiums (Net of Reinsurer Share)       17       1,099,926,680       746,89	5,363 2,747 8,148
1.1- Written Premiums (Net of Reinsurer Share) 17 1,099,926,680 746,89	2,747 8,148
	8,148
1.1.1- Written Premiums, gross 17 1,245,399,494 811,40	
	5,401)
1.1.2- Written Premiums, ceded 10, 17 (145,472,814) (64,51:	
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the	
	3,887
	0,400
1.2.2- Reserve for Unearned Premiums, ceded 10,17 295,540 (2,34c)	5,513)
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the	
	,271)
	,271)
1.3.2- Reserve for Unexpired Risks, ceded 6,733,129	-
2- Investment Income - Transferred from Non-Technical Section 95,759,190 77,31	1,712
3- Other Technical Income (Net of Reinsurer Share) 19,571,791 18,84	6,136
3.1- Other Technical Income, gross 19,296,407 18,84	6,136
3.2- Other Technical Income, ceded 275,384	
B- Non-Life Technical Expense (1,090,454,360) (837,890	,030)
1- Incurred Losses (Net of Reinsurer Share) (768,929,536) (617,777)	
1.1- Claims Paid (Net of Reinsurer Share) 17, 29 (759,619,330) (575,343	
1.1.1- Claims Paid, gross 17 (832,556,329) (616,436	
	2,900
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the	
Amounts Carried Forward) 17, 29 (9,310,206) (42,434)	1,145)
1.2.1- Change in Provisions for Outstanding Claims, gross 17 61,297,670 (88,795)	
	1,533
2- Change in Provision for Bonus and Discounts (Net of Reinsurer and Less the	
Amounts Carried Forward)	
2.1- Provision for Bonus and Discounts, gross	
2.2- Provision for Bonus and Discounts, ceded	
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts	
Carried Forward) 29 (6,418,575) (5,70	,495)
4- Operating Expenses 32 (315,106,249) (214,410	),757)
C- Net Technical Income-Non-Life (A – B) 83,387,856 12,55	3,181
D- Life Technical Income 15,323,781 12,06	4,548
1- Earned Premiums (Net of Reinsurer Share) 14,301,819 11,82	4,394
1.1- Written Premiums (Net of Reinsurer Share) 17 16,975,849 11,42	4,961
1.1.1- Written Premiums, gross 17 17,808,180 12,21	4,317
	9,356)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the	
	9,433
1.2.1- Reserve for Unearned Premiums, gross 17 (2,863,455) 33	0,152
	9,281
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the	
Amounts Carried Forward)	
1.3.1- Reserve for Unexpired Risks, gross	
1.3.2- Reserve for Unexpired Risks, ceded	
	0,398
3- Unrealized Gains on Investments	
4- Other Technical Income (Net of Reinsurer Share) 40,962 11	9,756

<sup>(\*)</sup> Refer to note 2.1.6.

# Millî Reasürans Türk Anonim Şirketi Consolidated Statement of Income As At 31 December 2010

(Currency: Turkish Lira (TL))

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

		Audited Current Period	"Restated" <sup>(*)</sup> Audited Prior Period
I-TECHNICAL SECTION	Note	31 December 2010	31 December 2009
E- Life Technical Expense		(14,867,439)	(9,919,503)
1- Incurred Losses (Net of Reinsurer Share)		(7,811,396)	(3,488,320)
1.1- Claims Paid (Net of Reinsurer Share)	17, 29	(5,506,322)	(3,491,548)
1.1.1- Claims Paid, gross	17	(7,247,252)	(3,621,778)
1.1.2- Claims Paid, ceded	10, 17	1,740,930	130,230
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the			
Amounts Carried Forward)	17,29	(2,305,074)	3,228
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(2,303,763)	(98,320)
1.2.2- Change in Provisions for Outstanding Claims, ceded	17	(1,311)	101,548
2- Change in Provision for Bonus and Discounts (Net of Reinsurer and Less the Amounts Carried Forward)			
2.1- Provision for Bonus and Discounts, gross			
2.2- Provision for Bonus and Discounts, ceded			
3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the			
Amounts Carried Forward)	29	(351,797)	32,524
3.1- Change in Life Mathematical Provisions, gross	29	(351,797)	32,524
3.2- Change in Life Mathematical Provisions, ceded			
4- Change in Provisions for Policies Investment Risks of Which Belongs to Life			
Insurance Policyholders (Net of Reinsurer Share and Less the Amounts Carried Forward)			
4.1- Change in Provisions for Policies Investment Risks of Which Belongs to Life			
Insurance Policyholders, gross			
4.2- Change in Provisions for Policies Investment Risks of Which Belongs to Life Insurance Policyholders, ceded			
5- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts			
Carried Forward)	29	(233,007)	(164,223)
6- Operating Expenses	32	(6,471,239)	(6,299,484)
7- Investment Expenses			
8- Unrealized Losses on Investments			
9- Investment Income Transferred to the Non-Life Technical Section			-
F- Net Technical Income- Life (D – E)		456,342	2,145,045
G- Pension Business Technical Income		-	-
1- Fund Management Income			
2- Management Fee			
3- Entrance Fee Income			1
4- Management Expense Charge in case of Suspension			
5- Income from Private Service Charges			-
6- Increase in Value of Capital Allowances Given as Advance			
7- Other Technical Expense			
H- Pension Business Technical Expense			
1- Fund Management Expense			
2- Decrease in Value of Capital Allowances Given as Advance			
3- Operating Expenses			
4- Other Technical Expenses			
I- Net Technical Income - Pension Business (G – H)			

<sup>(\*)</sup> Refer to note 2.1.6.

# Millî Reasürans Türk Anonim Şirketi Consolidated Statement of Income As At 31 December 2010

(Currency: Turkish Lira (TL))

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

		Audited Current Period	"Restated"(*) Audited Prior Period
II-NON-TECHNICAL SECTION	Note	31 December 2010	31 December 2009
C- Net Technical Income – Non-Life (A-B)		83,387,856	12,553,181
F- Net Technical Income – Life (D-E)		456,342	2,145,045
I - Net Technical Income – Pension Business (G-H)			
J- Total Net Technical Income (C+F+I)		83,844,198	14,698,226
K- Investment Income	1.2	177,157,573	180,775,370
1- Income from Financial Assets	4.2	97,318,044	137,336,772
2- Income from Disposal of Financial Assets	4.2	41,182,492	14,919,922
3- Valuation of Financial Assets	4.2	(7,911,271)	(8,122,095)
4- Foreign Exchange Gains	4.2	16,760,594	12,568,296
5- Income from Associates	4.2	7,739,881	15,458,108
6- Income from Subsidiaries and Joint Ventures			7.140.257
7- Income from Property, Plant and Equipment	4.2	17,157,777	7,140,357
8- Income from Derivative Transactions	4.2	4,910,056	1,412,383
9- Other Investments			61,627
10- Income Transferred from Life Section		(121 100 0(1)	(102.000 = 4=)
L- Investment Expense		(131,188,061)	(102,800,747)
1- Investment Management Expenses (including interest)	1.2	(2,365,957)	(7,601,717)
2- Diminution in Value of Investments	4.2	(1,019,812)	(2 200 742)
3- Loss from Disposal of Financial Assets	4.2	(5,503,835)	(2,308,742)
4- Investment Income Transferred to Non-Life Technical Section	- 10	(95,759,190)	(77,311,712)
5- Loss from Derivative Transactions	4.2	(3,404,360)	(12.222.042)
6- Foreign Exchange Losses	4.2	(14,366,199)	(13,323,043)
7- Depreciation and Amortization Expenses	6, 8	(3,975,945)	(2,255,533)
8- Other Investment Expenses		(4,792,763)	
M-Income and Expenses From Other and Extraordinary Operations	4.5	(27,849,414)	8,426,875
1- Provisions	47	(24,446,155)	(1,878,948)
2- Rediscounts	47	(2,270,808)	448,105
3- Specified Insurance Accounts			
4- Monetary Gains and Losses	2.5	1 510 420	10.210.500
5- Deferred Taxation (Deferred Tax Assets)	35	1,519,439	10,310,509
6- Deferred Taxation (Deferred Tax Liabilities)	35	(3,116,059)	(774,460)
7- Other Income		695,463	594,207
8- Other Expenses and Losses		(231,294)	(272,538)
9- Prior Year's Income			
10- Prior Year's Expenses and Losses		04.252.050	 
N- Net Profit for the Year		84,253,979	78,139,304
1- Profit for the Year  2. Corporate Tay Prayisian and Other Figure Liabilities	35	101,964,296	101,099,724
2- Corporate Tax Provision and Other Fiscal Liabilities	33	(17,710,317)	(22,960,420)
3- Net Profit for the Year		84,253,979	78,139,304
3.1-Equity Holders of the Parent		69,206,080	78,139,304
3.2-Non-controlling Interest		15,047,899	
4- Monetary Gains and Losses			

<sup>(\*)</sup> Refer to note 2.1.6.

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

# Millî Reasürans Türk Anonim Şirketi Consolidated Statement of Cash Flows For the Year Ended 31 December 2010

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

	Note	Audited Current Period 31 December 2010	"Restated" <sup>(*)</sup> Audited Prior Period 31 December 2009
A. Cash flows from operating activities			
Cash provided from insurance activities		837,420,199	-
2. Cash provided from reinsurance activities		447,335,306	208,214,386
3. Cash provided from private pension business			-
4. Cash used in insurance activities		(313,200,946)	-
5. Cash used in reinsurance activities		(119,236,619)	(199,158,475)
6. Cash used in private pension business			-
7. Cash provided from operating activities		852,317,940	9,055,911
8. Interest paid			-
9. Income taxes paid		(26,744,160)	-
10. Other cash inflows		537,433	-
11. Other cash outflows		(460,496,403)	(69,311,450)
12. Net cash provided by / (used in) operating activities		365,614,810	(60,255,539)
B. Cash flows from investing activities			
Proceeds from disposal of tangible assets		2,181,316	64,500
2. Acquisition of tangible assets		(4,086,228)	(969,624)
3. Acquisition of financial assets (**)	11, 44	(911,194,056)	(10,794,299)
4. Proceeds from disposal of financial assets		739,853,316	43,787,404
5. Interests received		171,961,523	153,638,639
6. Dividends received		7,739,881	12,381,687
7. Other cash inflows		38,828,427	9,810,840
8. Other cash outflows		(31,812,229)	(10,249,644)
9. Net cash provided by investing activities		13,471,950	197,669,503
C. Cash flows from financing activities			
1. Equity shares issued			-
2. Cash provided from loans and borrowings			-
3. Finance lease payments			-
4. Dividends paid		(51,627,390)	(45,000,000)
5. Other cash inflows			-
6. Other cash outflows			-
7. Net cash provided by financing activities		(51,627,390)	(45,000,000)
D. Effect of exchange rate fluctuations on cash and cash equivalents		1,824	(876,373)
E. Net increase in cash and cash equivalents		327,459,370	92,413,964
F. Cash and cash equivalents at the beginning of the year	14	578,795,061	487,257,470
G. Cash and cash equivalents at the end of the year	14	906,256,255	578,795,061

<sup>(\*)</sup> Refer to note 2.1.6.

<sup>(\*)</sup> Acquisition of financial assets amounting to TL 911,194,056 includes acquisition of financial assets amounting to TL 662,483,902 (Note 11) and acquisition of subsidiary amounting to TL 248,710,154 (Note 44).

# Millî Reasürans Türk Anonim Şirketi Consolidated Statement of Changes in Equity For the Year Ended 31 December 2010

(Currency: Turkish Lira (TL))

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

"Restated" Audited Changes in Equity – 31 December 2009														
	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustment	Currency Translation Adjustment	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Year	Retained Earnings	Total Equity Attributable to Equity Holders of the Company	Non- controlling Interests	Total
I - Balance at the end of the previous year - 31 December 2008		385,000,000		(27,074,577)	1	_	23,591,597	82,500,000	137,925,333	131,666,783	(66,891,719)	666,717,417	_	666,717,417
II – Correction	2.1.6		-	5,713,530	-						(11,836,115)	(6,122,585)		(6,122,585)
III - Effect of consolidation by using equity method of accounting				25,943,941			3,639,158	2,355,470	38,587,414	4,936,716	(10,498,013)	64,964,686		64,964,686
IV - Restated balances - 31 December 2008	15	385,000,000		4,582,894			27,230,755	84,855,470	176,512,747	136,603,499	(89,225,847)	725,559,518		725,559,518
A- Capital increase														
1- In cash														
2- From reserves														
B- Purchase of own shares			-		-									
C- Gains or losses that are not included in the statement of income														
D- Change in the value of financial assets				24,779,587	-							24,779,587		24,779,587
E- Currency translation adjustments			-		-		-							
F- Other gains or losses			-		-		-							
G- Inflation adjustment differences					-									
H- Net profit for the year					-					78,139,304		78,139,304		78,139,304
I – Other reserves and transfers from retained earnings					-		10,992,069	9,274,664	(9,152,970)	(91,603,499)	81,383,311	893,575		893,575
J- Dividends paid		-	-	-	1	-	-		_	(45,000,000)		(45,000,000)	_	(45,000,000)
V - Balance at the end of the year - 31 December 2009		385,000,000		29,362,481			38,222,824	94,130,134	167,359,777	78,139,304	(7,842,536)	784,371,984		784,371,984

Audited Changes in Equity – 31 December 2010														
	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustment	Currency Translation Adjustment	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Year	Retained Earnings	Total Equity Attributable to Equity Holders of the Parent	Non- controlling Interest	Total
I - Balance at the end of the previous year - 31 December 2009	15	385,000,000	-	29,362,481	-		38,222,824	94,130,134	167,359,777	78,139,304	(7,842,536)	784,371,984		784,371,984
A – Capital increase		140,000,000	-						(140,000,000)					
1 – In cash														
2 – From reserves		140,000,000							(140,000,000)			-		
B – Effects of Group structure change		-		9,059,005	-		14,114,743	1,680,746	(66,044,815)	-	25,601,246	(15,589,075)	276,677,920	261,088,845
C – Purchase of own shares		-		-	-		-	-		-				
D - Gains or losses that are not included in the statement of income		-		-	-		-	-		-				
E – Change in the value of financial assets		-		23,361,058						-		23,361,058	1,301,106	24,662,164
F – Currency translation adjustments		-			-	(357,479)	-	-		-	-	(357,479)		(357,479)
G – Other gains or losses		-		-	-		-	-		-				
H – Inflation adjustment differences		-		-	-		-	-		-				
I – Net profit for the year		-			-					69,206,080		69,206,080	15,047,899	84,253,979
J - Other reserves and transfers from retained earnings							13,286,039	23,755,637	(1,393,132)	(26,511,914)	(8,209,458)	927,172		927,172
K – Dividends paid										(51,627,390)		(51,627,390)		(51,627,390)
II – Balance at the end of the year – 31 December 2010	15	525,000,000		61,782,544		(357,479)	65,623,606	119,566,517	(40,078,170)	69,206,080	9,549,252	810,292,350	293,026,925	1,103,319,275

<sup>(\*)</sup>Refer to note 2.1.6.

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

# Millî Reasürans Türk Anonim Şirketi Consolidated Statement of Profit Distribution For the Year Ended 31 December 2010

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

1.1.   PERIOD PROFIT		Note	Audited Current Period 31 December 2010 (**)	Audited Prior Period 31 December 2009 (****)
1.1. PERIOD PROFIT	I. DISTRIBUTION OF THE PERIOD PROFIT (*)	11000	Of Becember 2010	or becomper 2009
1.2. TAXES AND DUTIES PAYABLE   35			75,598,257	111,885,061
1.2.1. Corporate Tax (Income Tax)   35	1.2. TAXES AND DUTIES PAYABLE	35		22,960,420
1.2.2. Income Tax Deductions	1.2.1. Corporate Tax (Income Tax)			22,960,420
A. CURRENT PERIOD PROFIT (1.1 - 1.2)				
1.3. ACCUMULATED LOSSES (-)   (6,029,085)	1.2.3. Other Taxes and Legal Duties			
1.3. ACCUMULATED LOSSES (-)   (6,029,085)			64,090,771	88,924,641
1.5. OTHER STATUTORY RESERVES (-)			(6,029,085)	·
B. NET PROFIT AVAILABLE FOR DISTRIBUTION   (A - (1.3 + 1.4 + 1.5)   5,2,255,517   80,032,177     1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)   5,806,169   8,892,464     1.6. 1. To owners of ordinary shares   5,806,169   8,892,464     1.6. 2. To owners of privileged shares       1.6. 3. To owners of redeemed shares       1.6. 4. To holders profit sharing bonds       1.6. 5. To holders of profit and loss sharing certificates       1.7. DIVIDENDS TO PERSONNEL (-)   943,480   1,429,190     1.8. DIVIDENDS TO FOUNDERS (-)   1,100,727   1,667,390     1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)       1.0. SECOND DIVIDEND TO SHAREHOLDERS (-)   28,000,000   41,067,536     1.10. 1. To owners of ordinary shares   28,000,000   41,067,536     1.10. 2. To owners of privileged shares       1.10. 3. To owners of privileged shares       1.10. 4. To holders profit sharing bonds       1.10. 5. To holders of profit and loss sharing certificates       1.11. LEGAL RESERVES (-)   960,038   3,380,659     1.12. STATUTORY RESERVES(-)   15,000,000   23,500,000     1.13. EXTRAORDINARY RESERVES         1.14. OTHER RESERVES         1.15. SPECIAL FUNDS         1.16. To owners of ordinary shares         2.1. APPROPRIATED RESERVES         2.2. SECOND LEGAL RESERVES (-)         2.3. DIVIDENDS TO SHAREHOLDERS (-)         2.3. DIVIDENDS TO SHAREHOLDERS (-)         2.3. DIVIDENDS TO SHAREHOLDERS (-)         2.3. DIVIDENDS TO SHAREHOLDERS (-)         2.3. DIVIDENDS TO SHAREHOLDERS (-)         2.3. DIVIDENDS TO SHAREHOLDERS (-)         2.3. DIVIDENDS TO SHAREHOLDERS (-)         2.3. DIVIDENDS TO SHAREHOLDERS (-)         2.3. DIVIDENDS TO SHAREHOLDERS (-)         2.3. DIVIDENDS TO SHAREHOLDERS (-)         2.3. DIVIDENDS TO SHAREHOLDERS (-)         2.3. DIVIDENDS TO SHAREHOLDERS (-)         2.3. DIVIDENDS TO SHAREHOLDERS (-)         2.3. DIVIDENDS TO SHAREHOLDERS (-)         2.3. DIVIDENDS TO SHAREHOLDERS (-)         2	1.4. FIRST LEGAL RESERVES (-)		5,806,169	8,892,464
1.0.1   1.0   1.	1.5. OTHER STATUTORY RESERVES (-)			
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)   5,806,169   8,892,464     1.6.1. To owners of ordinary shares   5,806,169   8,892,464     1.6.2. To owners of privileged shares       1.6.3. To owners of redeemed shares       1.6.4. To holders profit sharing bonds       1.7. DIVIDENDS TO PERSONNEL (-)   943,480   1,429,190     1.8. DIVIDENDS TO FOUNDERS (-)   1,100,727   1,667,390     1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)       1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)   28,000,000   41,067,536     1.10.1. To owners of ordinary shares   28,000,000   41,067,536     1.10.2. To owners of privileged shares       1.10.3. To owners of redeemed shares       1.10.4. To holders profit sharing bonds       1.10.5. To holders profit and loss sharing certificates       1.11. LEGAL RESERVES (-)   960,038   3,380,659     1.12. STATUTORY RESERVES(-)   15,000,000   23,500,000     1.13. EXTRAORDINARY RESERVES       1.14. OTHER RESERVES   445,103   94,937     1.15. SPECIAL FUNDS       1. DISTRIBUTION OF RESERVES       2.3. DIVIDENDS TO SHAREHOLDERS (-)       2.3. DIVIDENDS TO SHAREHOLDERS (-)       2.3. I. To owners of ordinary shares       2.3. I. To owners of ordinary shar	B. NET PROFIT AVAILABLE FOR DISTRIBUTION			
1.6.1. To owners of ordinary shares	[ (A - (1.3 + 1.4 + 1.5) ]		52,255,517	80,032,177
1.6.2. To owners of privileged shares	1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		5,806,169	8,892,464
1.6.3. To owners of redeemed shares	1.6.1. To owners of ordinary shares		5,806,169	8,892,464
1.6.4. To holders profit sharing bonds				
1.6.5. To holders of profit and loss sharing certificates	1.6.3. To owners of redeemed shares			
1.7. DIVIDENDS TO PERSONNEL (-)       943,480       1,429,190         1.8. DIVIDENDS TO FOUNDERS (-)       1,100,727       1,667,390         1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)           1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)       28,000,000       41,067,536         1.10.1. To owners of ordinary shares       28,000,000       41,067,536         1.10.2. To owners of privileged shares           1.10.3. To owners of redeemed shares           1.10.4. To holders profit sharing bonds           1.10.5. To holders of profit and loss sharing certificates           1.11. LEGAL RESERVES (-)       960,038       3,380,659         1.12. STATUTORY RESERVES(-)       15,000,000       23,500,000         1.13. EXTRAORDINARY RESERVES           1.14 OTHER RESERVES           1.15 SPECIAL FUNDS           1. APPROPRIATED RESERVES           2.1. APPROPRIATED RESERVES           2.1. APPROPRIATED RESERVES (-)           2.3. DIVIDENDS TO SHAREHOLDERS (-)           2.3.1. To owners of ordinary shares       <	1.6.4. To holders profit sharing bonds		-	
1.8. DIVIDENDS TO FOUNDERS (-)       1,100,727       1,667,390         1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)           1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)       28,000,000       41,067,536         1.10.1. To owners of ordinary shares       28,000,000       41,067,536         1.10.2. To owners of privileged shares           1.10.3. To owners of redeemed shares           1.10.4. To holders profit sharing bonds           1.10.5. To holders of profit and loss sharing certificates           1.11. LEGAL RESERVES (-)       960,038       3,380,659         1.12. STATUTORY RESERVES(-)       15,000,000       23,500,000         1.13. EXTRAORDINARY RESERVES           1.14 OTHER RESERVES       445,103       94,937         1.15 SPECIAL FUNDS           1. DISTRIBUTION OF RESERVES           2.1. APPROPRIATED RESERVES           2.2. SECOND LEGAL RESERVES (-)           2.3. DIVIDENDS TO SHAREHOLDERS (-)           2.3.1. To owners of ordinary shares           2.3.2. To owners of privileged shares <td>1.6.5. To holders of profit and loss sharing certificates</td> <td></td> <td></td> <td></td>	1.6.5. To holders of profit and loss sharing certificates			
1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)           1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)       28,000,000       41,067,536         1.10.1. To owners of ordinary shares       28,000,000       41,067,536         1.10.2. To owners of privileged shares           1.10.3. To owners of redeemed shares           1.10.4. To holders profit sharing bonds           1.10.5. To holders of profit and loss sharing certificates           1.11. LEGAL RESERVES (-)       960,038       3,380,659         1.12. STATUTORY RESERVES(-)       15,000,000       23,500,000         1.13. EXTRAORDINARY RESERVES           1.14 OTHER RESERVES       445,103       94,937         1.15 SPECIAL FUNDS           1. APPROPRIATED RESERVES           2.1. APPROPRIATED RESERVES           2.2. SECOND LEGAL RESERVES (-)           2.3. DIVIDENDS TO SHAREHOLDERS (-)           2.3.1. To owners of ordinary shares           2.3.2. To owners of privileged shares	1.7. DIVIDENDS TO PERSONNEL (-)		943,480	1,429,190
1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)   28,000,000   41,067,536	1.8. DIVIDENDS TO FOUNDERS (-)		1,100,727	1,667,390
1.10.1. To owners of ordinary shares   28,000,000   41,067,536	1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)			
1.10.2. To owners of privileged shares	1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)		28,000,000	41,067,536
1.10.3. To owners of redeemed shares	1.10.1. To owners of ordinary shares		28,000,000	41,067,536
1.10.4. To holders profit sharing bonds	1.10.2. To owners of privileged shares			
1.10.5. To holders of profit and loss sharing certificates           1.11. LEGAL RESERVES (-)       960,038       3,380,659         1.12. STATUTORY RESERVES(-)       15,000,000       23,500,000         1.13. EXTRAORDINARY RESERVES           1.14 OTHER RESERVES       445,103       94,937         1.15 SPECIAL FUNDS           11. DISTRIBUTION OF RESERVES           2.1. APPROPRIATED RESERVES           2.2. SECOND LEGAL RESERVES (-)           2.3. DIVIDENDS TO SHAREHOLDERS (-)           2.3.1. To owners of ordinary shares           2.3.2. To owners of privileged shares	1.10.3. To owners of redeemed shares			
1.11. LEGAL RESERVES (-)       960,038       3,380,659         1.12. STATUTORY RESERVES(-)       15,000,000       23,500,000         1.13. EXTRAORDINARY RESERVES           1.14 OTHER RESERVES       445,103       94,937         1.15 SPECIAL FUNDS           11. DISTRIBUTION OF RESERVES           2.1. APPROPRIATED RESERVES           2.2. SECOND LEGAL RESERVES (-)           2.3. DIVIDENDS TO SHAREHOLDERS (-)           2.3.1. To owners of ordinary shares           2.3.2. To owners of privileged shares	1.10.4. To holders profit sharing bonds			
1.12. STATUTORY RESERVES(-)   15,000,000   23,500,000     1.13. EXTRAORDINARY RESERVES         1.14 OTHER RESERVES   445,103   94,937     1.15 SPECIAL FUNDS         11. DISTRIBUTION OF RESERVES         2.1. APPROPRIATED RESERVES         2.2. SECOND LEGAL RESERVES (-)         2.3. DIVIDENDS TO SHAREHOLDERS (-)       2.3.1. To owners of ordinary shares       2.3.2. To owners of privileged shares			-	
1.13. EXTRAORDINARY RESERVES            1.14 OTHER RESERVES       445,103       94,937         1.15 SPECIAL FUNDS           II. DISTRIBUTION OF RESERVES           2.1. APPROPRIATED RESERVES           2.2. SECOND LEGAL RESERVES (-)           2.3. DIVIDENDS TO SHAREHOLDERS (-)           2.3.1. To owners of ordinary shares           2.3.2. To owners of privileged shares			960,038	3,380,659
1.14 OTHER RESERVES       445,103       94,937         1.15 SPECIAL FUNDS           II. DISTRIBUTION OF RESERVES           2.1. APPROPRIATED RESERVES           2.2. SECOND LEGAL RESERVES (-)           2.3. DIVIDENDS TO SHAREHOLDERS (-)           2.3.1. To owners of ordinary shares           2.3.2. To owners of privileged shares			15,000,000	23,500,000
1.15 SPECIAL FUNDS           II. DISTRIBUTION OF RESERVES           2.1. APPROPRIATED RESERVES           2.2. SECOND LEGAL RESERVES (-)           2.3. DIVIDENDS TO SHAREHOLDERS (-)           2.3.1. To owners of ordinary shares           2.3.2. To owners of privileged shares	1.13. EXTRAORDINARY RESERVES		1	
II. DISTRIBUTION OF RESERVES	1.14 OTHER RESERVES		445,103	94,937
2.1. APPROPRIATED RESERVES           2.2. SECOND LEGAL RESERVES (-)           2.3. DIVIDENDS TO SHAREHOLDERS (-)           2.3.1. To owners of ordinary shares           2.3.2. To owners of privileged shares				
2.2. SECOND LEGAL RESERVES (-) 2.3. DIVIDENDS TO SHAREHOLDERS (-) 2.3.1. To owners of ordinary shares 2.3.2. To owners of privileged shares			-	
2.3. DIVIDENDS TO SHAREHOLDERS (-)  2.3.1. To owners of ordinary shares  2.3.2. To owners of privileged shares			-	
2.3.1. To owners of ordinary shares 2.3.2. To owners of privileged shares	2.2. SECOND LEGAL RESERVES (-)		-	
2.3.2. To owners of privileged shares	2.3. DIVIDENDS TO SHAREHOLDERS (-)			
2.3.3. To owners of redeemed shares	2.3.3. To owners of redeemed shares			
=10.11				
2.3.5. To holders of profit and loss sharing certificates	2.3.5. To holders of profit and loss sharing certificates			
2.4. DIVIDENDS TO PERSONNEL (-)	2.4. DIVIDENDS TO PERSONNEL (-)			
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)	2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)			
III. EARNINGS PER SHARE				
			64,090,771	88,924,641
			0.122078	0.230973
3.4. TO OWNERS OF PRIVILEGED SHARES (%)				
IV. DIVIDEND PER SHARE				
4.1. TO OWNERS OF ORDINARY SHARES 33,806,169 49,960,000	4.1. TO OWNERS OF ORDINARY SHARES		33,806,169	49,960,000
			0.064393	0.129766
4.3. TO OWNERS OF PRIVILEGED SHARES				
4.4. TO OWNERS OF PRIVILEGED SHARES (%)	4.4. TO OWNERS OF PRIVILEGED SHARES (%)		=	

<sup>(\*)</sup> According to Trukish legistlation, unconsolidated current year profit is used for profit distribution. Therefore, profit distribution table presented above belongs to the Parent Company.

<sup>(\*\*)</sup> Profit distribution suggestion for the year 2010 was decided by the Board of Directors meeting dated 28 March 2011 and numbered 1152.

<sup>(\*\*\*)</sup> Refer to note 2.1.6.

# Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

# 1 General information

#### 1.1 Name of the Company and the ultimate owner of the group

As at 31 December 2010, the shareholder having direct or indirect control over the shares of Millî Reasürans Türk Anonim Şirketi ("the Company") is Türkiye İş Bankası AŞ Group ("İş Bankası") having 76.64% of the outstanding shares.

The Company was established in 26 February 1929 and has been operating since in 19 July 1929.

The Company purchased İş Bankası share in the capital of Anadolu Anonim Türk Sigorta Şirketi ("Anadolu Sigorta") with a share of 35.53% and a nominal value of TL 177,650,110 with a share price of TL 248,710,154 as at 30 September 2010. The shares were priced by the weighted average price method at the ISE Wholesale Market. After the sale, the share of the Company increased to 57.31% amounting to TL 286,550,106.

The consolidated financial statements as at 31 December 2010 comprise the Company and its subsidiary, namely Anadolu Sigorta (together referred to as the "Group").

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

The Company was registered in Turkey in 16 July 1929 and has the status of 'Incorporated Company'. The address of the Company's registered office is Maçka Cad. No: 35 34367 Şişli İstanbul.

### 1.3 Business of the Company

The Company is primarily engaged in reinsurance and retrocession businesses in domestic and international markets. In 2007, the Company opened a branch in Singapore upon the completion of the necessary local formalities according to the local legislation. Singapore branch has been operating since 2008.

The Company's subsidiary Anadolu Sigorta operates in almost all non-life insurance branches consisting of mainly accident, health, motor vehicles, air vehicles, water vehicles, transportation, fire and natural disasters, general loss, credit, financial losses, and legal protection. As at 31 December 2010, Anadolu Sigorta serves through 1,664 agencies of which 1,600 authorized and 64 unauthorized agencies.

# 1.4 Description of the main operations of the Company

The Company and its subsidiary Anadolu Sigorta conduct 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 the communiqués and other regulations in force issued by the Turkish Treasury based on the Insurance Law.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 1 General information (continued)

#### 1.4 Description of the main operations of the Company (continued)

The purpose and activities of the Company as stated at the Articles of Association of the Company are as follows.

- providing life and non-life reinsurance and other related products and services in all insurance branches and sub-branches to Turkish and foreign insurance companies,
- managing and participating in reinsurance operations of Pools,
- purchasing, selling, constructing and renting real estates
- purchasing debt instruments and shares issued by all sorts of commercial, industrial and financial
  institutions and government agencies as well as providing capital or participating in the establishment of
  such institutions to provide a consistent, secure and adequate financial income,
- providing loans by obtaining real estates as collateral,
- In addition to these, carrying out other operations upon recommendation by the Board of Directors and resolution of the General Meeting which are deemed to be beneficial and material for the Company and are not prohibited by the law.

Anadolu Sigorta was registered in Turkey and has the status of 'Incorporated Company', operates in insurance branches that is described in Note 1.3 - Business of the Company. Anadolu Sigorta's shares have been listed on the Istanbul Stock Exchange ("ISE"). In accordance with Article 50(a) in Section VII of the Capital Markets Law, insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting; therefore, the Company performs its operations accordingly.

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

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

	<b>31 December 2010</b>	31 December 2009
Senior managers	15	6
Managers	147	24
Intermediate directors	365	
Officers	315	117
Contracted personnel	176	12
Other personnel	52	51
<b>Total</b>	1,070	210

# 1.6 Wages and similar benefits provided to the senior management

For the year ended 31 December 2010, wages and similar benefits provided to the senior management including chairman, members of the board of the directors, general manager, general coordinator, and deputy general managers is amounting to TL 4,521,808 (31 December 2009: TL 3,412,734).

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 1 General information (continued)

# 1.7 Keys used in the distribution of investment income and operating expenses (personnel, administrative, research and development, marketing and selling, services rendered from third parties and other operating expenses) in the financial statements

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

In accordance with the above mentioned Communiqué, insurance and reinsurance companies are allowed to transfer technical section operating expense to insurance section through methods determined by Turkish Treasury or by the Company itself. In accordance with the approval of the Undersecretariat of Treasury, dated 6 March 2008 and numbered 10222, known and exactly distinguishable operating expenses are distributed to related branches directly and services rendered from third parties and other operating expenses in accordance with the gross premiums written for the last three years.

Income from the assets invested against non-life technical provisions is transferred to technical section from non-technical section, remaining income is transferred to the non-technical section. Expenses are distributed to the sub-branches in accordance with the percentage calculated by dividing "net cash flow" to the "total net cash flow", cash flow being net of reinsurer share and calculated by deducting net losses paid from net written premiums.

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

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

The accompanying financial statements comprise only the consolidated financial information of the Group. As further discussed in note 2.2 - Consolidation.

The consolidated financial statements of the Company's subsidiary with a 57.31% share; Anadolu Sigorta are included in the consolidated financial statements in the current period. Anadolu Sigorta owns 20% of Anadolu Hayat Emeklilik A.Ş. ("Anadolu Hayat") and this associate has been consolidated in the accompanying consolidated financial statements by using the equity method of accounting.

The activities of Anadolu Hayat involve providing individual and group insurance and reinsurance services relating to group life, individual life, retirement and related personal accident branches, establishing retirement funds, developing internal rules and regulations related to these funds, carrying out retirement, annual income insurance, portfolio management and custody contracts for the assets of the funds held in custody.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

#### 1 General information (continued)

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

Trade name of the Company : Millî Reasürans Türk Anonim Şirketi

Registered address of the head office : Maçka Cad. No:35

34367 Şişli/İstanbul

The web page of the Company : www.millire.com

There has been no change in the aforementioned information subsequent to the previous reporting date.

# 1.10 Subsequent events

According to 13th article 7<sup>th</sup> subclause paragraph A of "Circular Related to the Insurance Services (Framework and Audit) Law of the Turkish Republic of Northern Cyprus" is published in the Official Gazette of the Turkish Republic of Northern Cyprus dated 31 December 2010 and numbered 221, minimum paid-in-capital for insurance companies operating in nonlife branch should be TL 2,000,000. In accordance with the temporary 2<sup>nd</sup> Article of the aforementioned law, the insurance and reinsurance companies established or had the pre-permission before the issuance of the aforementioned law may comply with the minimum required paid-in-capital within four years by making payments in each January. The payments cannot be below one fourth of the required capital. Paid-in-capital of the Anadolu Sigorta's branch operating in the Turkish Republic of Northern Cyprus increased to TL 2,000,000 as at 24 January 2011 to comply with the aforementioned law.

In order to determine effects of the earthquake occured in Japan on 11 March 2011 over the Group's financial statements, studies are initiated.

Profit distribution suggestion for the year 2010 was decided by the Board of Directors meeting dated 28 March 2011 and numbered 1152. The decision is subject to the approval of the General Assembly.

According to Provisional Article 20 of 73th article of Law No. 5754 dated 17 April 2008, transfer of Banking and Insurance Pension Funds to Social Security Institution in three years has been decided and it is mentioned in the first paragraph of Council of Ministers resolution that, the period can be extended for two years. Related resolution of Council of Ministers related to two-year extension was published in the Official Gazette dated 9 April 2011. Accordingly the three-year period expired on 8 May 2011 has been extended to 8 May 2013 by the resolution of Council of Ministers. The principles and practices will be determined in the forthcoming Council of Ministers Decree.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 2 Summary of significant accounting policies

# 2.1 Basis of preparation

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

The Group maintains its books of account and prepares its consolidated 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 4<sup>th</sup> 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 Official Gazette dated 7 August 2007, 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 their own captions in the following sections.

Accounting for subsidiaries, associates and joint ventures is regulated with 28 December 2007 dated and 2007/26 numbered "Circular Related to the Accounting of Subsidiaries, Associates and Joint Ventures", issued by the Turkish Treasury. It is stated that, the companies will continue to apply the principles of the related standards of TFRSs for the accounting of subsidiaries, associates and joint venture until the publication of another regulation on this issue by the Turkish Treasury. "Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance, and Individual Pension Companies" issued by the Turkish Treasury in the 31 December 2008 dated and 27097 numbered (4<sup>th</sup> repeat) Official Gazette, constituted the basis of consolidation to be effective on the dates that circular specifies.

In the 12 August 2008 dated and 2008/36 numbered "Sector Announcement Related to the Accounting of Subsidiaries, Associates and Joint Ventures in the Separate Financial Statements of Insurance, Reinsurance and Individual Pension Companies" issued by the Turkish Treasury, it is stated that although, insurance, reinsurance and individual pension companies are exempted from TAS 27 – Consolidated and Separate Financial Statements, subsidiaries, associates and joint-ventures could be accounted for in accordance with TAS 39 – Financial Instruments: Recognition and Measurement or at cost in accordance with the 37<sup>th</sup> paragraph of TAS 27 – Consolidated and Separate Financial Statements.

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

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 2 Summary of significant accounting policies (continued)

# 2.1 Basis of preparation (continued)

# 2.1.1 Information about the principles and the special accounting policies used in the preparation of the financial statements (continued)

# Additional paragraph for convenience translation to English

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

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

#### Accounting in hyperinflationary countries

Financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the Turkish Lira based on "TAS 29 – *Financial Reporting in Hyperinflationary Economies*" as at 31 December 2004. *TAS 29* requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date, and that corresponding figures for previous years be restated in the same terms.

With respect to the declaration of the Turkish Treasury with the article dated 4 April 2005 and numbered 19387, financial statements as of 31 December 2004 are adjusted for the opening balances of 2005 in accordance with the section with respect to inflation accounting of the Capital Markets Board ("CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Market" published in the Official Gazette dated 15 January 2003 and numbered 25290. Inflation accounting is no longer applied starting from 1 January 2005, in accordance with the same declaration of the Turkish Treasury. Accordingly, as at 31 December 2009, non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded before 1 January 2005 are measured as restated to 31 December 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded after 1 January 2005 are measured at their nominal values.

# Other accounting policies

The Company recorded premiums, commissions and claims accruals based on the notifications sent by the insurance and reinsurance companies after the closing of their balances. Premiums, commissions and claims accruals are recorded in the accompanying financial statements with the three-month delay. Therefore, related income statement balances include last quarter results for the year ended 31 December 2009 and nine-month results as at and for the period ended 30 September 2010 and accordingly related balance sheet balances as at 31 December 2010 do not reflect the actual position. According to the letter dated 31 August 2010 and numbered B.02.1.HZN.0.10.03.01/42139 sent by the Turkish Treasury to the Company, it is stated that account statements sent by the ceding companies are subject to possible delays and the Turkish Treasury is considered special situations of the reinsurance companies in their regulations.

Information regarding other accounting polices is disclosed above in "Note 2.1.1 - *Information about the principles and the specific accounting policies used in the preparation of the financial statements*" and each under its own caption in the following sections of this report.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 2 Summary of significant accounting policies (continued)

#### 2.1.3 Functional and presentation currency

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

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

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

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

The accompanying consolidated financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2004, except for the financial assets at fair value through profit or loss, available-for-sale financial assets, derivative financial instruments and associates which are measured at their fair values unless reliable measures are available.

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

The Group has identified errors over the consolidated financial statements prepared as at 31 December 2009 and 1 January 2009; the opening balance sheet of 31 December 2009. These errors have been corrected by restating the prior year consolidated financial statements in accordance with TAS 8 - *Changes in Accounting Estimates and Errors*. The correction of error had the following impact on prior year consolidated financial statements and the opening balances.

The effects of the corrections over the equity in accordance with TAS 8 are as follows as at 1 January 2009:

	1 January 2009			
	Revaluation of financial assets	Prior year losses	Other reserves and net profit	Total equity effect
TAS 29 – Calculation of accumulated depreciation for tangible assets according to inflation accounting		(14,299,554)		(14,299,554)
TAS 39 – Correction of valuation of financial assets TAS 12 – Correction of deferred corporate tax on	(165,550)	1,967,496		1,801,946
financial assets	5,879,080	495,943		6,375,023
Total equity effect	5,713,530	(11,836,115)		(6,122,585)

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 2 Summary of significant accounting policies (continued)

# 2.1.6 Accounting policies, changes in accounting estimates and errors (continued)

The effects of the corrections over the net profit for the year, revaluation of financial assets and prior year losses are as follows as at 31 December 2009:

	31 December 2009			
	Net profit for the year	Revaluation of financial assets	Prior year losses	Total equity effect
As previously reported:  TAS 29 – Calculation of accumulated depreciation for tangible assets according to inflation accounting	61,699,643	34,099,893	<b>315,768,135</b> (14,299,554)	<b>411,567,671</b> (14,299,554)
TAS 39 – Correction of valuation of financial assets TAS 12 – Correction of deferred corporate tax on financial	2,047,656	(3,470,494)	1,967,496	544,658
assets	3,759,375	(1,266,918)	495,943	2,988,400
TAS 19 – Employee benefits  TAS 28 – Correction of consolidation by using equity method of accounting on related accounts	(1,429,191) 12,061,821		(12,061,821)	(1,429,191)
Total effects of the corrections	16,439,661	(4,737,412)	(23,897,936)	(12,195,687)
As restated	78,139,304	29,362,481	291,870,199	399,371,984

Besides the corrections presented at the above tables, some reclassifications over the consolidated financial statements as at 31 December 2009 are applied to conform to the Accounting Standards.

Critical accounting judgements used in applying the Company's accounting policies are explained in 3 – Critical accounting estimates and judgments in applying accounting policies.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 2 Summary of significant accounting policies (continued)

#### 2.2 Consolidation

"Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance and Individual Pension Companies" issued by the Turkish Treasury in the Official Gazette dated 31 December 2008 and numbered 27097 ("the Circular for Consolidation") requires that insurance, reinsurance and individual pension companies issue consolidated financial statements starting from 31 March 2009. In this context, consolidated financial statements are prepared by fully consolidated Company's subsidiary; Anadolu Sigorta and by using the equity method of accounting to consolidate Anadolu Sigorta's associate; Anadolu Hayat.

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

As at 31 December 2010 and 2009, the Company has 57.31% ve 21.78% of ownership in Anadolu Sigorta, respectively. The Company has obtained control over Anadolu Sigorta as at 30 September 2010; therefore, the financial statements of Anadolu Sigorta are included in the consolidated financial statements in the current period. Anadolu Sigorta as an associate of the Company as at 31 December 2009 is consolidated by using the equity method of accounting in the consolidated financial statements as at 31 December 2009.

Direct and indirect ownerships of the consolidated subsidiary are as follows. Information about the Company's associate Anadolu Hayat, that is consolidated by using equity method of accounting, is presented in Note 9.

Name	Indirect ownership	Direct ownership	Total Assets	Shareholders' equity	Retained earnings	Profit for the year
Anadolu Sigorta	57.31%	57.31%	1,775,397,240	672,704,055	6,874,276	41,854,789

The Company has not consolidated Miltaş Turizm A.Ş., the subsidiary of the Company, based on the exception specified in the Circular for Consolidation; as the amount of total assets of such subsidiary was below 1% of total assets of the Company. The Company accounted for this subsidiary at cost as of 31 December 2010 and 2009.

#### Transactions eliminated on consolidation

In preparing consolidated financial statements, the Group combines the financial statements of the Company and its subsidiary Anadolu Sigorta line by line by adding together like items of assets, liabilities, equity, income and expenses. The carrying amount of the Company's investment in Anadolu Sigorta and the Company's portion of equity of Anadolu Sigorta is eliminated. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions between the Company and Anadolu Sigorta are eliminated in preparing the consolidated financial statements.

The accounting policies of subsidiary have been changed when necessary to align them with the policies adopted by the Company.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 2 Summary of significant accounting policies (continued)

# 2.2 Consolidation (continued)

#### **Non-controlling interest**

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the parent's ownership interests in them. Non-controlling interests in the net assets consist of: (i) the amount of those non-controlling interests at the date of the original combination; and (ii) the non-controlling interests' share of changes in equity since the date of the combination. Non-controlling interests in the profit or loss of consolidated subsidiaries for the reporting period are identified; and presented as "non-controlling interest" in the consolidated income statement.

# 2.3 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. Since the main economic environment, where the Group operates, is Turkey, a geographical segment reporting has not been presented. Furthermore, the Group operates in life and non-life branches and detailed information for business segments has been presented in the accompanying consolidated statement of income.

#### 2.4 Foreign currency transactions

Transactions are recorded in TL, which is the Group's functional currency. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date and all exchange differences, except for those arising on the translation of the fair value change of available-forsale financial assets, are offset and are recognized as foreign exchange gains or losses.

Changes in the fair value of financial assets denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the asset and other changes in the carrying amount of the asset. Translation differences related to changes in amortised cost are recognized in profit or loss, and other changes in carrying amount are recognized in equity.

#### 2.5 Tangible assets

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

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 consolidated income statement of the related year.

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.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 2 Summary of significant accounting policies (continued)

# 2.5 Tangible assets (continued)

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible assets since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation rates and estimated useful lives are as follows:

Tangible assets	Estimated useful lives (years)	Depreciation rates (%)
Buildings	50	2.0
Machinery and equipment	3 – 16	6.3 - 33.3
Furniture and fixtures	3 – 16	6.3 - 33.3
Vehicles	5	20.0
Other tangible assets (includes leasehold improvements)	5 - 10	10.0 - 20.0
Leased assets	4 - 10	10.0-25.0

# 2.6 Invesment property

Investment properties are held either to earn rentals and/or for capital appreciation or for both.

Investment properties are measured initially at cost including transaction costs.

Subsequent to initial recognition, the Group measured all investment property based on the cost model in accordance with the cost model for property and equipment (i.e. at cost less accumulated depreciation and less impairment losses if any).

Depreciation is provided on investment properties on a straight line basis. Depreciation period for investment properties is 50 years for buildings and land is not depreciated.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of retirement or disposal.

#### 2.7 Intangible assets

The Group's intangible assets consist of computer software.

Intangible assets are recorded at cost in compliance with the "TAS 38 – Accounting for intangible assets". The cost of the intangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Amortization is charged on a straight-line basis over their estimated useful lives (3-15 years) over the cost of the asset.

Costs associated with developing or maintaining computer software programs are recognized as expense when incurred. Costs that are directly associated with the development of identifiable and unique software products that are controlled by the group and will probably provide more economic benefits than costs in one year are recognized as intangible assets. Costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding three years).

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 2 Summary of significant accounting policies (continued)

# 2.7 Intangible assets (continued)

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition. Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gain or losses on the disposal of an entity includes the carrying amount of goodwill relating to the entity disposed of.

For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocations made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arises.

The Group has acquired the health portfolio of Anadolu Hayat at 31 August 2004 with all of its rights and liabilities. The value at acquisition of the portfolio amounting to TL 16,250,000 is capitalized as goodwill by the Group.

#### 2.8 Financial assets

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

Securities are recognized and derecognized at the date of settlement.

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

Financial assets at fair value through profit or loss are presented as financial assets held for trading in the accompanying financial statements and trading securities and derivatives are included in this category. Financial assets at fair value through profit or loss measured at their fair values and gain/loss arising due to changes in the fair values of related financial assets are recorded in the consolidated 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 consolidated 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. Accounting policies of derivatives are detailed in note 2.10 – Derivative financial instruments.

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 Group 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 financial assets are the financial assets with fixed maturities and fixed or pre-determined payment schedules that the Group has the intent and ability to hold until maturity, excluding loans and receivables. Subsequent to initial recognition, held to maturity financial assets and loans and receivables are measured at amortized cost using effective interest rate method less impairment losses, if any.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 2 Summary of significant accounting policies (continued)

#### 2.8 Financial assets (continued)

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

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

The determination of fair values of financial instruments not traded in an active market is determined by using valuation techniques. Observable market prices of the quoted financial instruments which are similar in terms of interest, maturity and other conditions are used in determining the fair value.

The Group's associate Anadolu Hayat is consolidated by using equity method of accounting in the accompanying consolidated financial statements.

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 asset

#### 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 Group estimates the amount of impairment. Impairment loss incurs if, and only if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) ("loss event(s)") incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.

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

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

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

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 2 Summary of significant accounting policies (continued)

#### 2.9 Impairment on assets (continued)

#### Impairment on tangible and intangible assets

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

Rediscount and provision expenses of the year are detailed in *Note 47*.

#### 2.10 Derivative Financial Instruments

As of the reporting date, derivative financial instruments of the Group consist of TurkDEX-ISE 30 Index future contracts. These derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 – *Financial Instruments: Recognition and measurement*.

Derivative financial instruments are initially recognized at their acquisition costs and the related transaction costs are included into the acquisition costs.

The receivables and liabilities arising from the derivative transactions are recognized under the off-balance sheet accounts through the contract amounts.

Derivative financial instruments are subsequently remeasured at fair value and positive fair value differences are presented either as "financial assets held for trading" and negative fair value differences are presented as "other financial liabilities" in the accompanying financial statements. All unrealized gains and losses on these instruments are included in the consolidated statement of income.

#### 2.11 Offsetting of financial assets

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Group has a legal right to offset 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 Group's similar activities like trading transactions.

#### 2.12 Cash and cash equivalents

Cash and cash equivalents, which is the basis 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 an original maturity less than 3 months which are ready to be used by the Group or not blocked for any other purpose.

Notes to the Consolidated Financial Statements

As at 31 December 2010 (Currency: Turkish Lira (TL))

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

# 2 Summary of significant accounting policies (continued)

# 2.13 Capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group. As at 31 December 2010 and 2009, the share capital and ownership structure of the Company are as follows:

	31 December 2010		31 December 2009		
Name	Shareholding amount (TL)	Shareholding rate (%)	Shareholding amount (TL)	Shareholding rate (%)	
Türkiye İş Bankası AŞ	402,349,600	76.64	295,056,373	76.64	
Millî Reasürans TAŞ Mensupları Yardımlaşma					
Sandığı Vakfı ("Pension Fund")	55,345,689	10.54	40,586,839	10.54	
Groupama Emeklilik AŞ	30,871,507	5.88	22,639,105	5.88	
T.C. Ziraat Bankası AŞ	13,070,069	2.49	9,584,717	2.49	
T.C. Başbakanlık Hazine Müsteşarlığı	13,070,069	2.49	9,584,717	2.49	
Others	10,293,066	1.96	7,548,249	1.96	
Paid in capital	525,000,000	100.00	385,000,000	100.00	

#### Sources of the capital increases during the year

Date	Amount	Cash	Reserves
8 April 2010	140,000,000		140,000,000

As per the resolution of General Assembly held on 26 March 2010, the Company's nominal statutory share capital increased from TL 385,000,000 to TL 525,000,000 by TL 140,000,000 through TL 137,655,806 as transfer from earthquake provision recorded under other reserves in the accompanying financial statements, TL 2,073,977 as transfer from profits on sales of real states and associates that will be transferred to capital and TL 270,217 transfer from extraordinary reserves. The registration of the increase in paid-in capital was completed on 8 April 2010.

There is no capital increase in the previous year.

#### Privileges on common shares representing share capital

There are no privileges on common shares representing share capital.

The Company has 1,000 registered and bonus founder shares. The only right of Founder Shares is getting dividend. Founder Shares might be purchased back by the Company according to the decision of the General Assembly after the 5<sup>th</sup> year of the Company. After the allocation of first legal reserves, first dividend to shareholders and statutory reserves (*Note 38*), 3.5% of the remaining amount is distributed to the Founder Shares as dividend.

# Registered capital system in the Company

None.

# Repurchased own shares by the Company

None.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 2 Summary of significant accounting policies (continued)

#### 2.14 Insurance and investment contracts - classification

An insurance contract is a contract under which the Group 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 risk 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 with no 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.

The Group acts as a reinsurer when writing insurance from an insurance company (cedent) on the basis of reinsurance contracts and cedes insurance business to another retrocessionaire on the basis of retrocession contracts.

As at the reporting date, the Group does not have a contract which is classified as an investment contract.

# 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 of balance sheet date, the Goup does not have any insurance or investment contracts that contain a DPF.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 2 Summary of significant accounting policies (continued)

#### 2.16 Investment contracts with DPF

As of the reporting date, the Group does not have any insurance contracts and investment contracts without DPF.

#### 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 Group are measured at their discounted values. A financial liability is derecognized when it is extinguished.

#### 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 2010 and 2009, the Group does not have any deductible tax losses.

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

#### Deferred tax

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 Group 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 consolidated statement of income, then the related current and/or deferred tax effects are also recognized in the consolidated 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.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 2 Summary of significant accounting policies (continued)

# 2.18 Income taxes (continued)

#### 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

### Pension and other post-retirement obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee and his/her dependants will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Employees of the Company are the members of "Milli Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı ("Milli Reasürans Pension Fund") which is established in accordance with the temporary Article 20 of the Social Security Act No: 506 and employees of the Company's subsidiary Anadolu Sigorta are the members of 'Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı'.

As per the temporary sub article No: 20 of the Article 73 of the Social Security Law, pension funds should be transferred to the Social Security Institution within three years after the publication of the aforementioned Law published in the Official Gazette numbered 26870 and dated 8 May 2008. The cash value of the obligations of the pension fund for each member of the fund including members left the fund as of the transfer date will be calculated according to following assumptions:

- a) Technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and
- b) Gains and losses of the funds stems from benefits covered by the aforementioned Law taken into accounts to calculate present value of the obligations.

### **Employee termination benefits**

In accordance with existing Turkish Labour Law, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group 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 2,517 (31 December 2009: TL 2,365).

The Company accounted 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	4.66%	5.92%
Expected rate of salary/limit increase	5.10%	4.80%
Estimated employee turnover rate	2.80%	0.99%

The above expected rate of salary/limit increase is determined according to the annual inflation expectations of the government.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 2 Summary of significant accounting policies (continued)

# 2.19 Employee benefits (continued)

#### Other benefits

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

#### 2.20 Provisions

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognized in consolidated 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 consolidated 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 consolidated financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Group discloses the contingent asset.

# 2.21 Revenue recognition

#### Written premiums

Written premiums represent premiums taken from insurance and reinsurance companies as a reinsurance group and 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. Premiums ceded to retrocession companies are accounted as "written premiums, ceded" in the profit or loss statement. Written premiums are recorded upon the receipt of quarterly statements of accounts from ceding companies in treaties whereas facultative accounts are registered upon the receipt of monthly bordereaux.

# Claims paid

Claims paid represent payments of the Group as a reinsurance company when risks taken from insurance and reinsurance companies are realized. Claims are recognised as expense upon the receipt of notifications. Notifications have not specific periods and depend on the initiative of the insurance and reinsurance companies.

Claims are recognized as expense as they are paid. Outstanding claims provision is provided for both reported unpaid claims at period-end and incurred but not reported claims. Reinsurer's shares of claims paid and outstanding claims provisions are off-set against these reserves.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 2 Summary of significant accounting policies (continued)

# 2.21 Revenue recognition (continued)

# Subrogation, salvage and quasi income

According to the Circular 2010/13 dated 20 September 2010; the Company may account for income accrual for subrogation receivables without any voucher after the completion of the claim payments made to the insuree. If the amount cannot be collected from the counterparty insurance company, the Company provides provision for uncollected amounts due for six months. If the counter party is not an insurance Company, the provision is provided after four months. As at the reporting date, in accordance with the related circular the Group provided TL 23,822,786 subrogation receivables and recorded TL 31,229,166 (*Note12*) amount net subrogation and salvage receivables under receivables from main operations. Group provided allowance for uncollected subrogation receivables amounting to TL 3,229,103 (*Note 12*) in accordance with circular.

As at 31 December 2010 ve 2009, salvage and subrogation collected are as follows:

	<b>31 December 2010</b>	<b>31 December 2009</b>
Motor vehicles	41,796,163	
Third party liability for motor vehicles (MTPL)	863,681	
Fire and natural disasters	909,516	
Transportation	430,958	
General losses	85,718	
Water vehicles	122,155	
Accident	30,777	
Health	7,744	
General responsibility	11,209	
Total	44,257,921	

As at 31 December 2010 and 2009, accrued subrogation and salvage income per branches is as follows:

	31 December 2010	31 December 2009
Motor vehicles	27,711,976	
Third party liability for motor vehicles (MTPL)	1,484,232	
Fire and natural disasters	1,184,496	
Transportation	792,541	
General losses	42,403	
General responsibility	11,019	
Accident	2,499	
Water vehicles		
Total	31,229,166	

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 2 Summary of significant accounting policies (continued)

### **2.21** Revenue recognition (continued)

#### Commission income and expense

As further disclosed in Note 2.24 - Reserve for unearned premiums, commissions paid to the agencies related to the production of the insurance policies and the commissions received from the reinsurance firms related to the premiums ceded are recognized over the life of the contract by deferring commission income and expenses within the calculation of reserve for unearned premiums for the policies produced before 1 January 2008 and recognizing deferred commission income and deferred commission expense in the financial statements for the policies produced after 1 January 2008.

#### **Interest income and expense**

Interest income and expense are recognized 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 consolidated financial statements.

#### **Dividends**

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

#### 2.22 Leasing transactions

The maximum period of the lease contracts is 10 years. Tangible assets acquired by way of finance leases are recorded 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 asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expanded in lease periods at a fixed interest rate.

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

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

#### 2.23 Dividend distribution

As a result of the Ordinary General Meeting of the Company held on 26 March 2010, TL 88,924,641 of the net profit of the 2009 to be distributed through TL 49,960,000 to shareholders, TL 1,667,390 to founder shares and TL 1,429,190 after the allocation of unconsolidated legal reserves and statutory reserves from the net profit.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 2 Summary of significant accounting policies (continued)

#### 2.24 Reserve for unearned premiums

In accordance with the "Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") which was issued in 26606 numbered and 7 August 2007 dated Official Gazette and put into effect starting from 1 January 2008, the reserve for unearned premiums represents the proportions of the gross premiums written without deductions of commission or any other allowance, in a period that relate to the period of risk subsequent to the reporting date for all short-term insurance policies. Nonetheless;

- Reserve for unearned premiums are calculated on the basis of 1/8 for reinsurance and retrocession transactions that are not subject to basis of day or 1/24 due to application limitations,
- For commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves.

The Company's subsidiary Anadolu Sigorta calculates reserve for unearned premiums based on basis above.

Inline with the Communiqué on Technical Reserves, the calculation of unearned premium reserve is performed as follows by the Company: for proportional reinsurance contracts, on the basis of 1/8 over the ceded premiums for treaty and facultative contracts, for commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves and for non-proportional reinsurance contracts, on the basis on day by considering beginning and ending of the contracts. The Company calculates reserve for unearned premiums for ceded premium as retrocedant on the same basis.

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

Since the Communiqué on Technical Reserves was effective from 1 January 2008, the Turkish Treasury issued 4 July 2007 dated and 2007/3 numbered "Circular to Assure the Compliance of the Technical Reserves of Insurance, Reinsurance and Pension Companies With the Insurance Law No.5684" ("Compliance Circular") to regulate the technical provisions between the issuance date and enactment date of the Communiqué on Technical Reserves. In accordance with the Compliance Circular, it is stated that companies should consider earthquake premiums written after 14 June 2007 in the calculation of the reserve for unearned premiums while earthquake premiums were deducted in the calculation of the reserve for unearned premiums before. Accordingly, the Group has started to calculate reserve for unearned premiums for the earthquake premiums written after 14 June 2007, while the Group had not calculated reserve for unearned premiums for the earthquake premiums written before 14 June 2007.

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

According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 27655 dated 28 July 2010; there is no change in the calculation of reserve for unearned premiums for reinsurance companies.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 2 Summary of significant accounting policies (continued)

#### 2.25 Provision for outstanding claims

Claims are recorded in the year in which they occur, based on reported claims or on the basis of estimates when not reported. Provision for outstanding claims represents the estimate of the total reported costs of notified claims on an individual case basis at the reporting date as well as the corresponding handling costs.

In accordance with the "Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") which was issued in 27655 numbered and 28 July 2010 dated Official Gazette according to the Communiqué on Technical Reserves, all expenses related to the claim files including calculated or expected expertise, consultant, lawsuit and communication expenses in the calculation of provision for outstanding claims. In these calculations salvage and subrogation income are not considered. Since in the revised Communiqué, salvage and subrogation income is not considered, net TL 14,028,224 salvage and subrogation receivables are reversed in "Provisions no longer required" account.

According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 27655 dated 28 July 2010 and "Communiqué on Technical Reserves and Circular on Actuarial Chain Ladder Method" dated 20 September 2010 and numbered 2010/12, it is stated that the difference between the result of the actuarial chain ladder method and reported but not settled (IBNR calculation by ACML method) is compared to test IBNR claims and greater amount is recorded to financial statements are accepted as IBNR claims. As at 31 December 2010, 50% of the calculated negative IBNR balances per each insurance branch is taken into calculation in accordance with the Circular issued by the Turkish Treasury dated 14 January 2011 and numbered 2011/1.

Except for the life branch, provision for outstanding claims consists of claims are recorded in the year in which they occur, based on reported claims and the difference between the result of the actuarial chain ladder method whose content and application criteria stated by the Turkish Treasury and reported but not settled claims are considered as incurred but not reported ("IBNR") claims. Actuarial chain ladder method may be differentiated by the Turkish Treasury for reinsurance companies due to their special conditions.

Methods for the calculation of provision for incurred but not reported claims are determined by the Turkish Treasury in the life-branch.

In accordance with the temporary articles of the Communiqué on Technical Reserves, companies may use at least 80% and 90% of the result of the IBNR calculated by ACML method for 2010 and 2011, respectively. 100% should be accounted in the financial statements as at 2012. Test IBNR is calculated by claims incurred before the accounting periods but reported subsequent to those dates. 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 reporting date, IBNR is calculated by multiplying weighted average IBNR ratio by the premium production of last twelve months before reporting date.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

## 2 Summary of significant accounting policies (continued)

#### 2.25 Provision for outstanding claims (continued)

Actuarial chain ladder method ("ACML") calculation is announced by the Turkish Treasury by "Circular on Actuarial Chain Ladder Method (2010/12)" dated 20 September 2010. There are five methods in the actuarial chain ladder: Standard Chain Ladder, Claim/Premium, Cape Cod, Frequency/Volume and Munich Chain Method. The methods selected for each branch is provided in the following section.

Branches	Milli Reasürans	Anadolu Sigorta
	Standard Chain Ladder(Except 2009	
Fire and natural disasters	Marmara Flood)	Munich Chain Ladder
General losses	Munich Chain Ladder	Munich Chain Ladder
General liability	Standard Chain Ladder	Munich Chain Ladder
Third party liability for motor		
vehicles (MTPL)	Standard Chain Ladder	Munich Chain Ladder
Transportation	Standard Chain Ladder	Standard Chain Ladder
Water vehicles	Standard Chain Ladder	Standard Chain Ladder
Transportation vehicles (land)	Standard Chain Ladder	Munich Chain Ladder
Accident	Standard Chain Ladder	Standard Chain Ladder
Health	Standard Chain Ladder	Standard Chain Ladder
Transportation vehicles (rail)	Sector Average (Birlik 9/2010)	
Air crafts	Sector Average (Birlik 9/2010)	Standard Chain Ladder
Third party liability (water)	Sector Average (Birlik 9/2010)	
Third party liability (air)	Sector Average (Birlik 9/2010)	Standard Chain Ladder
Breach of trust	Sector Average (Birlik 9/2010)	
Financial losses	Sector Average (Birlik 9/2010)	Standard Chain Ladder
Legal protection	Sector Average (Birlik 9/2010)	
Credit	Sector Average (Birlik 9/2010)	Standard Chain Ladder
Life	Sector Average (Birlik 9/2010)	
Big claim elimination by Box		
Plox method	Not Performed	Performed

The company, as a reinsurance company, selects data, adjustments, applicable methods and development factors by itself over the data obtained from insurance companies on a branch basis via actuarial methods. According to the article 11 clause 5 of "Circular on Actuarial Report for Non-Life Insurance Branch" dated 6 November 2008, selections and results should be assess in detail in actuarial report by the actuary.

The Company does not have sufficient data for third party liability on rail, air and water, aircraft, breach of trust, financial losses, legal protection, credit and life branches. Furthermore, claim development tables have irregular distribution for the aforementioned branches. Therefore, the Company prefers to use sector average in the actuarial chain ladder method.

Due to characteristics of reinsurance transactions, business period is used rather than accident period in the actuarial chain ladder method and ACML is calculated annually according to claims paid.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 2 Summary of significant accounting policies (continued)

## 2.25 Provision for outstanding claims (continued)

Salvage and subrogation income which will be deducted in the calculation of ACML stated by the Undersecretariat should be based on collected amount (collected amount includes interest income over salvage and subrogation income, expertise, consultant and lawsuit expenses). Collections are taken into account according to their collection period.

As at the reporting date, as a result of actuarial chain ladder method; the Company recorded 80% of additional provision amounting to TL 10,490,219 (31 December 2009: TL 14,122,044) as provision for outstanding claims. The Company's subsidiary Anadolu Sigorta, result of the test IBNR is higher than IBNR calculated by ACML method as at 31 December 2010 and the Company recorded 100% of the test IBNR result amounting to TL 48,988,752 to the consolidated financial statements (31 December 2009: TL 83,020,404) as IBNR and TL 8,340,686 (31 December 2009: TL 10,245,613) as reinsurer's share of IBNR.

## 2.26 Mathematical provisions

In accordance with the Communiqué on Technical Reserves, companies operating 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. 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 Group meets in future and current value of premiums paid by policyholder in future (prospective method).

Mathematical provisions are recorded based on the data sent by ceding companies.

## 2.27 Reserve for unexpired risk

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

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 2 Summary of significant accounting policies (continued)

## 2.27 Reserve for unexpired risk (continued)

According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 27655 dated 28 July 2010; besides the net reserve for unexpired risk detailed in the above, gross reserve for unexpired risk is also calculated. The test is performed on branch basis and in case where the net and gross expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the reserve for unearned premiums of that specific branch is added to the reserves of that branch. Difference between the gross and net amount is represents reinsurer's share. Premiums paid for non-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms.

In order to eliminate the misleading effect of the revised calculation of outstanding claims reserves, reserve for unexpired risks is calculated with the revised outstanding claims reserve for the opening balance.

As at the reporting date, the Group has provided net reserve for unexpired risk amounting to TL 13,154,961 in the accompanying consolidated financial statements (31 December 2009: TL 8,263,495).

# 2.28 Equalization provision

In accordance with the Communiqué on Technical Reserves put into effect starting from 1 January 2008, the companies should provide equalization provision in credit insurance and earthquake branches to equalize the fluctuations in future possible claims and for catastrophic risks. Equalization provision, started to be provided in 2008, is calculated as 12% of net premiums written in credit insurance and earthquake branches. In the calculation of net premiums, fees paid for non-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms. The companies should provide equalization provision up to reaching 150% of the highest premium amount written in a year within the last five years. In case where claims incurred, the amounts below exemption limits as stated in the contracts and the share of the reinsurance firms cannot be deducted from equalization provisions. Claims payments are deducted from first year's equalization provisions by first in first out method. Equalization provisions are presented under "other technical reserves" in the accompanying financial statements. As at the reporting date, the Company provided equalization provision amounting to TL 32,642,498 in the accompanying unconsolidated financial statements (31 December 2009: TL 12,383,238).

#### 2.29 Related parties

For the purpose of the accompanying consolidated 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.

## 2.30 Earnings per share

Earnings per share are determined by dividing the net income by the weighted average number of shares outstanding during the year attributable to the shareholders of the Group. 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.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 2 Summary of significant accounting policies (continued)

## 2.31 Subsequent events

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

## 2.32 New standards and interpretations not yet adopted

There are a number of new standards, updates related to the existing standards and interpretations which are not adopted in the preparation of the accompanying consolidated financial statements and have not yet entered into force for the accounting period 31 December 2010

• TFRS 9 – *Financial instruments*, is published by International Accounting Standards Board in November 2009 as a part of a wider project that aims to bring new regulations to replace TAS 39 – *Financial Instruments: Recognition and Measurement*. IFRS 9 – *Financial instruments*, which is published by the Turkish Accounting Standards Board on Official Gazette dated 27 April 2010 and numbered 27564.

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

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

# New standards and interpretations not yet adopted and expected to have no effect on the Company's financials

- TAS 32 Financial Instruments: Amendment to presentation classification of rights issues,
- TAS 24 Related Party Disclosures: Amendment to definition of related parties,
- TFRS 1 *International Financial Reporting Standards:* Amendment to TFRS 1 First-time Adoption of International Financial Reporting Standards Limited Exemption from comparative TFRS 7 Disclosures for First-time Adopters,
- TFRS Comment 14 TAS 19 Amendments to The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction,
- TFRS Comment 19 Extinguishing Financial Liabilities with Equity Instruments" addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It does not address the accounting by the creditor.

Notes to the Consolidated Financial Statements

As at 31 December 2010

and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

Convenience Translation of Financial Statements

(Currency: Turkish Lira (TL))

#### 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 consolidated 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 consolidated financial statements are described in the following notes:

Note 2.24 – Reserve for unearned premiums

Note 2.25 -Provision for outstanding claims

Note 2.26 -Mathematical provisions

Note 2.27 -Reserve for unexpired risks

Note 2.28 -Equalization provision

Note 4.1 Management of insurance risk

Note 4.2 Financial risk management

Note 6 Tangible assets

Note 7 Investment properties

Note 8 Intangible assets

Note 9 Investments in subsidiaries

Reinsurance assets/liabilities Note 10

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 19 Trade and other payables, deferred income

Note 21 Deferred income taxes

Note 23 Provisions for other liabilities and charges

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 4 Management of insurance and financial risk

## 4.1 Management of insurance risk

# Objective of managing risks arising from reinsurance contracts and policies used to minimize such risks

Reinsurance risk is defined as a possibility of financial loss due to inappropriate and insufficient application of reinsurance techniques in the activities of taking insurance contract responsibility partially or completely.

Potential risks that may be exposed in transactions are described, classified and managed based on the requirements set out in the Company's "Regulative Framework on the Risk Management Activities, Risk Management Policies and Implementation Procedures and Principles of the Risk Management" issued by the approval of the Board of Directors.

The main objective of the "Regulative Framework on the Risk Management Activities, Risk Management Policies and Implementation Procedures and Principles of the Risk Management" is to determine the risk measurement, assessment, and control procedures and maintain consistency between the Group's asset quality and limitations allowed by the insurance standards together with the Company's risk tolerance of the accepted risk level assumed in return for a specific consideration. In this respect, instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.

Reinsurance risk is measured by quantitative methods and kept under pre-specified limits based on the "Limit over Acceptable Reinsurance Risk and Maximum Custody Share Limit" updated and approved annually by the Board of Directors.

Reinsurance risk is monitored regularly according to criteria described in the "Limit over Acceptable Reinsurance Risk and Maximum Custody Share Limit" policy and results are analysed by the Risk Committee and reported to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

#### Objective of managing risks arising from insurance contracts and policies used to minimize such risks

Insurance risk is defined as coverage for exposures that exhibit a possibility of financial loss due to applying inappropriate and insufficient insurance techniques. Main reasons of insurance risk exposure result from the risk selection and inaccurate calculation of insurance coverage, policy terms and fee or inaccurate calculation of coverage portion kept within the company and coverage portion transfers to policyholders and transfer conditions.

In this respect, instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 4 Management of insurance and financial risk (continued)

#### 4.1 Management of insurance risk (continued)

# Objective of managing risks arising from insurance contracts and policies used to minimize such risks (continued)

Risk tolerance is determined by the Group's Board of Directors by considering the Company's long-term strategies, equity resources, potential returns and economical expectations, and it is presented by risk limitations. Authorization limitations during policy issuing include authorizations for risk acceptances granted based on geographical regions in relation to unacceptable special risks or pre-approved acceptable special risks, insurance coverage to agencies, district offices, technical offices, assistant general managers and top management in the policy issuance period and authorizations for claim payment granted to district offices, claim management administration, automobile claims administration and Claim Committee established by the managing director and assistant managing director in the claim payment period.

Whatsoever, risk acceptance is based on technical income expectations under the precautionary principle. In determining insurance coverage, policy terms and fee, these expectations are based accordingly.

It is essential that all the authorized personnel in charge of executing policy issuance transactions, which is the initial phase of insurance process, should ensure to gather or provide all the accurate and complete information to issue policies in order to obtain evidence on the acceptable risks that the Company can tolerate from the related insurance transactions. On the other hand, decision to be made on risk acceptance will be possible by transferring the coverage to the reinsurers and/or coinsurers and considering the terms of the insurance policy.

In order to avoid destructive losses over company's financial structure, company transfers the exceeding portion of risks assumed over the Group's risk tolerance and equity resources through treaties, facultative reinsurance contracts and coinsurance agreements to reinsurance and coinsurance companies. Insurance coverage and policy terms of reinsurance are determined by assessing the nature of each insurance branch.

## Sensitivity to insurance risk

Insurance risks do not generally have significant unrecoverable losses in the course of ordinary transactions, except for risks associated with earthquake and other catastrophic risks. Therefore, there is a high sensitivity to earthquake and catastrophic risks.

The case of potential claims' arising from earthquake and other catastrophic risks exceeding the maximum limit of the excess of loss agreements, such risks are treated as the primary insurance risks and are managed based on the precautionary principle. Maximum limit of excess of loss agreements is determined based on the worst case scenario on the possibility of an earthquake that Istanbul might be exposed to in terms of its severity and any potential losses incurred in accordance with the generally accepted international earthquake models.

# 4 Management of insurance and financial risk (continued)

# 4.1 Management of insurance risk (continued)

#### **Insurance risk concentrations**

The Group's gross and net insurance risk concentrations (after reinsurance) in terms of insurance branches are summarized as below:

		31 December 2010	
Branches	Gross total claims liability (*)	Reinsurance share of total claims liability	Net total claims liability
Accident	9,351,150	(343,351)	9,007,799
Health	157,115,362	(1,946,595)	155,168,767
Motor vehicles	218,574,326	(6,135)	218,568,191
Air crafts	562,738	(168,207)	394,531
Water vehicles	28,237,926	(4,280,459)	23,957,467
Transportation	13,877,171	(905,138)	12,972,033
Fire and natural disasters	181,154,519	(58,613,986)	122,540,533
General losses	98,047,458	(5,793,688)	92,253,770
Motor vehicles liability	117,067,645	(100,272)	116,967,373
Water vehicles liability	15,862		15,862
General responsibility	7,577,175	(609,412)	6,967,763
Credit	121,830		121,830
Breach of trust	157,872	(48)	157,824
Financial losses	658,802	(169,332)	489,470
Legal protection	36,493	(375)	36,118
Life	7,247,252	(1,740,931)	5,506,321
Total	839,803,581	(74,677,929)	765,125,652

		31 December 2009	
Branches	Gross total claims liability (*)	Reinsurance share of total claims liability	Net total claims liability
Accident	6,473,279	(89,908)	6,383,371
Health	108,582,439	(3,179)	108,579,260
Motor vehicles	136,219,887	(63,554)	136,156,333
Air crafts	372,014	(93)	371,921
Water vehicles	18,800,491	(1,861,807)	16,938,684
Transportation	14,183,964	(891,743)	13,292,221
Fire and natural disasters	170,853,736	(35,693,304)	135,160,432
General losses	76,674,779	(1,880,340)	74,794,439
Motor vehicles liability	78,818,832	(135,640)	78,683,192
General responsibility	5,011,939	(421,194)	4,590,745
Credit	22,944		22,944
Breach of trust	14,551		14,551
Financial losses	403,315	(51,905)	351,410
Legal protection	4,363	(233)	4,130
Life	3,621,778	(130,230)	3,491,548
Total	620,058,311	(41,223,130)	578,835,181

<sup>(\*)</sup> Total claims liability includes outstanding claims reserve (paid)

Effects of the changes in assumptions used in the measurement of insurance assets and liabilities showing the effect of each change separately that has significant effect on financial statements

In the current year, there are no material changes in the assumptions of measurement of insurance assets and liabilities.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 4 Management of insurance and financial risk (continued)

# 4.2 Management of financial risk

#### Introduction and overview

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

- credit risk
- liquidity riski
- market riski

The Group is subject to credit risk, market risk (foreign currency risk, interest rate risk and price risk in relation with financial investments) and liquidity risk due to assets and liabilities. The Company's exposure to each of the above risks is assessed according to "Application Principles in Respect of Risk Limits".

The Group monitors its receivables by obtaining comprehensive information about the debtors and debtors' activities. The risk over investment portfolio is managed by measuring and reporting the market risk daily, reassessing the results validity and applying different scenario analyses. The Group's exposure to each of the above risks is measured by Internal Control and Risk Management Service independently, reported to Board of Directors and units of İş Bankası through the Risk Committee.

#### **Credit Risk**

Credit risk is the risk of financial loss to the Group if counterparties (parties issued financial instrument, insurance companies, reinsurance companies and other debtors) having business relationship with the Group fails to meet its contractual obligations. The Group manages this credit risk by regularly assessing reliability of the counterparties.

Credit risk is measured by both quantitative and qualitative methods and the weighted reinsurers in retrocession programs, credit ratings of them that indicate their financial strengths and their financial positions are analysed.

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

Doubtful receivables are monitored quarterly.

In addition, concentration of the investment portfolio is assessed quarterly.

The results evaluated by the Risk Committee and reported regularly to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

Notes to the Consolidated Financial Statements

As at 31 December 2010 (Currency: Turkish Lira (TL))

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

# 4 Management of insurance and financial risk (continued)

#### 4.2 Management of financial risk (continued)

Credit risk (continued)

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

	31 December 2010	31 December 2009
		_
Cash and cash equivalents (Note 14)	994,951,338	583,881,233
Financial assets and financial investments with risks on policyholders (Note 11) (*)	742,086,068	462,960,607
Receivables from main operations (Note 12)	656,260,707	184,002,086
Reinsurer share in provision for outstanding claims (Note 10), (Note 17)	87,606,721	80,867,401
Income accruals (Note 12)	10,543,319	62,128
Prepaid taxes and funds (Note 12)	9,033,843	9,726,181
Other receivables (Note 12)	3,240,230	808,443
Other current asset (Note 12)	160,183	822,809
Due from related parties (Note 12)	82,070	2,311
Total	2,503,964,479	1,323,133,199

<sup>(\*)</sup> Equity shares amounting to TL 193,294,075 are not included (31 December 2009: TL 47,631,769).

# 31 December 2010 ve 2009, the aging of the receivables from main operations and related provisions are as follows:

	31 Decem	31 December 2010		
	Gross amount	Provision	Gross amount	Provision
Not past due	388,614,663		2,372,245	
Past due 0-30 days	131,840,083		175,718,671	
Past due 31-60 days	11,582,766		2,018,797	
Past due 61-90 days	5,891,818			
More than 90 days (*)	115,642,417	(80,944,047)	12,116,845	(8,224,472)
Total (**)	653,571,747	(80,944,047)	192,226,558	(8,224,472)

<sup>(\*)</sup>As per the 3 February 2005 dated and B.02.1.HM.O.SGM.0.3.1/01/05 numbered Circular issued by the Turkish Treasury, in case where subrogation is subject to claim/legal action, related subrogation amount is recognized as doubtful receivables and allowance for doubtful receivables is provided by the same amount in the financial statements. Related amounts are presented in "More than 90 days" line in the above table.

The movements of the allowances for impairment losses for receivables from main operations during the year are as follows:

	31 December 2010	31 December 2009
	0.224.472	0.422.077
Provision for receivables from insurance operations at the beginning of the year	8,224,472	9,423,967
Collections during the period	(175,661)	(344,058)
Impairment losses provided during the period ( <i>Note 47</i> )	2,254,117	(855,437)
Impairment losses provided for subrogation – salvage receivables during the		
period (Note 47)	404,840	
The effect of group structure change	70,236,279	
Provision for receivables from insurance operations at the end of the year	80,944,047	8,224,472

<sup>(\*\*)</sup> In the consolidated financial statements, this amount also includes TL 55,632,944 (31 December 2009: none) of untransferred amount collected by intermediaries and TL 31,229,166 (31 December 2009: none) of subrogation and salvage receivables. Subrogation receivables having past over 4 months for individuals and 6 months for legal entities but not transferred to legal follow-up amounting to TL 3,229,103 (31 December 2009: none) are excluded from the table

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 4 Management of insurance and financial risk (continued)

# 4.2 Management of financial risk (continued)

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset as a result of the imbalance between the Company's cash inflows and outflows in terms of maturity and volume.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities.

In respect of this risk which is measured by quantitative methods, any liquidity deficit is observed via the maturity analysis of assets and liabilities in the statement of balance sheet. Furthermore, liquidity structure of the Group is monitored by using the following basic indicators in respect of liquidity ratios:

- Liquid Assets / Total Assets
- Liquidity Ratio
- Current Ratio
- Premium and Reinsurance Receivables / Total Assets

The results evaluated by the Risk Committee and reported regularly to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

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.

Notes to the Consolidated Financial Statements

As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 4 Management of insurance and financial risk (continued)

# 4.2 Management of financial risk (continued)

Management of the liquidity risk (continued)

Maturity distribution of monetary assets and liabilities:

31 December 2010	Carrying			3 to 6	6 to 12		
31 Deteniber 2010	amount	Up to 1 month	1 to 3 months	months	months	Over 1 year	Unallocated
<u>Assets</u>							
Cash and cash equivalents	992,361,647	879,268,856	92,884,118	10,478,298	9,730,375	==	
Financial assets and financial investments with risks on							
policyholders (*)	742,086,068	96,996,795	6,035,121	7,914,157	90,340,800	540,799,195	
Receivables from main operations	656,260,707	230,347,080	159,846,208	177,636,836	85,708,542		2,722,041
Due from related parties	82,070	13,678	27,357	27,357	13,678		
Other receivables and current assets	13,180,532	9,502,750	600,469	942,277	2,135,036		
Income accruals	10,543,319		10,543,319				
Total monetary assets	2,414,514,343	1,216,129,159	269,936,592	196,998,925	187,928,431	540,799,195	2,722,041
<u>Liabilities</u>							
Payables arising from main operations	137,524,121	61,902,341	13,000,244	54,136,773	8,321,184		163,579
Due to related parties	131,380	116,511					14,869
Other liabilities	11,404,337	7,272,393	2,472,175	133,957			1,525,812
Insurance technical provisions (**)	695,600,408	446,080,288	110,073,352	20,092,933	20,148,041	99,205,794	
Provisions for taxes and other similar obligations	12,080,590		12,080,590				
Provisions for other risks and expense accruals	49,166,287	3,500,000	7,599,187	2,061,681		36,005,419	
Total monetary liabilities	905,907,123	518,871,533	145,225,548	76,425,344	28,469,225	135,211,213	1,704,260

<sup>(\*)</sup> Equity shares amounting to TL 193,294,075 are not included

<sup>(\*\*)</sup> Provision for outstanding claims is presented as short term liabilities in the accompanying consolidated financial statements whereas maturity distribution is presented according to projected payment dated in the above table.

Notes to the Consolidated Financial Statements

As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 4 Management of insurance and financial risk (continued)

# 4.2 Management of financial risk (continued)

Management of the liquidity risk (continued)

31 December 2009	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Unallocated
31 December 2007	amount	Op to 1 month	1 to 3 months	months	montus	Over 1 year	Chanocated
Assets							
Cash and cash equivalents	583,896,839	482,880,476	85,881,536	6,470,220	8,664,607		
Financial assets (*)	462,960,607	49,798,221	70,079,151	13,038,106	54,234,407	275,810,722	
Receivables from main operations	184,002,086	181,629,841	1,581,497	790,748			
Due from related parties	2,311	2,311					
Other receivables and current assets	10,758,141	822,809	9,126,889		808,443		
Total monetary assets	1,241,619,984	715,133,658	166,669,073	20,299,074	63,707,457	275,810,722	
Liabilities							
Payables arising from main operations	68,264,672	65,638,181	656,623	1,969,868			
Due to related parties	118,847	118,847		1,707,000			
Other liabilities	131,130	131,130					
Insurance technical provisions (**)	327,106,337	327,106,337					
Provisions for other risks and expense accruals	24,835,963			1,429,191		23,406,772	
Total monetary liabilities	420,456,949	392,994,495	656,623	3,399,059		23,406,772	

<sup>(\*)</sup> Equity shares amounting to TL 47,631,769 are not included

#### 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.

<sup>(\*\*)</sup> Provision for outstanding claims not subject to consistent distribution is presented in the "up to 1 month" column.

Notes to the Consolidated Financial Statements

As at 31 December 2010 (Currency: Turkish Lira (TL))

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

Othor

# Management of insurance and financial risk (continued)

## 4.2 Management of financial risk (continued)

Market risk (continued)

Foreign currency risk

4

The Group is exposed to foreign currency risk through insurance and reinsurance transactions in foreign currencies.

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the years, foreign currency assets and liabilities evaluated by the Central Bank of the Republic of Turkey's spot purchase rates and the differences arising from foreign currency rates are recorded as foreign exchange gain or loss in the statement of operations

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

31 December 2010	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	65,443,995	28,678,165	10,216,052	104,338,212
Financial assets and financial investments with risks on policyholders	25,266,911	14,122,462		39,389,373
Receivables from main operations	94,198,376	68,497,160	78,905,920	241,601,456
Total foreign currency assets	184,909,282	111,297,787	89,121,972	385,329,041
Liabilities:				
Payables arising from main operations	(50,375,410)	(20,147,048)	(639,354)	(71,161,812)
Insurance technical provisions	(97,336,828)	(71,701,314)	(21,542,951)	(190,581,093)
Total foreign currency liabilities	(147,712,238)	(91,848,362)	(22,182,305)	(261,742,905)
Net on-balance sheet position	37,197,044	19,449,425	66,939,667	123,586,136
31 December 2009	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents Financial assets and financial investments with risks on	34,968,666	25,987,765	12,787,377	73,743,808
policyholders	19,527,359	5,051,107		24,578,466
Receivables from main operations	50,381,626	51,511,752	79,205,174	181,098,552
Total foreign currency assets	104,877,651	82,550,624	91,992,551	279,420,826
Liabilities:				
Payables arising from main operations	(8,235,171)	(10,983,319)	(72,940)	(19,291,430)
Insurance technical provisions	(35,103,711)	(54,556,863)	(10,816,505)	(100,477,079)
Total foreign currency liabilities	(43,338,882)	(65,540,182)	(10,889,445)	(119,768,509)
Net on-balance sheet position	61,538,769	17,010,442	81,103,106	159,652,317

<sup>(\*)</sup>According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 27655 dated 28 July 2010; foreign currency denominated claims provisions evaluated by the Central Bank of the Republic of Turkey's spot sales rates.

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

Notes to the Consolidated Financial Statements

As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 4 Management of insurance and financial risk (continued)

## 4.2 Management of financial risk (continued)

#### Market risk (continued)

Foreign currency rates used for the translation of foreign currency denominated assets and liabilities as at 31 December 2010 and 2009 are as follows:

	US Dollar	Euro
31 December 2010	1.5460	2.0491
31 December 2009	1.5057	2.1603

#### Exposure to foreign currency risk

A 10 percent depreciation of the TL against the following currencies as at 31 December 2010 and 2009 would have increased or decreased equity and consolidated statement of income (excluding tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. In case of a 10 percent appreciation of the TL against the following currencies, the effect will be in opposite direction.

	31 December	31 December 2010		er 2009
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	3,719,704	3,719,704	6,153,877	6,153,877
Euro	1,944,943	1,944,943	1,701,044	1,701,044
Others	6,693,967	6,693,967	8,110,311	8,110,311
Total, net	12,358,614	12,358,614	15,965,232	15,965,232

<sup>(\*)</sup> Equity effect also includes consolidated statement of income effect of 10% depreciation 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. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 4 Management of insurance and financial risk (continued)

# 4.2 Management of financial risk (continued)

Market risk (continued)

Exposure to interest rate risk (continued)

As at reporting date; the interest rate profile of the Group's interest earning financial assets and interest bearing financial liabilities are detailed as below:

	31 December 2010	31 December 2009
Financial assets:		
Financial assets with fixed interest rates:	1,364,908,835	990,107,757
Cash at banks (Note 14)	849,153,422	581,148,015
Available for sale financial assets – Government bonds – TL (Note 11)	192,182,585	142,360,122
Financial assets held for trading – Government bonds– TL (Note 11)	181,523,895	136,833,315
Financial assets held for trading – Eurobonds (Note 11)	21,874,336	16,665,711
Financial assets held for trading – Government bonds – FC (Note 11)	7,889,161	7,912,755
Cash Deposited to Insurance and Reinsurance Companies (Note 12)	109,513,053	105,187,839
Financial assets held for trading – Private debt securities (Note 11)	2,111,631	
Financial assets held for trading – reverse repos (Note 11)	660,752	
Financial assets with variable interest rate:	258,480,477	138,019,594
Held to maturity financial investments - Government bonds (Note 11)	130,409,487	
Available for sale financial assets – Government bonds – TL (Note 11)	61,873,242	65,709,666
Financial assets held for trading – Government bonds– TL (Note 11)	46,812,878	72,309,928
Financial assets held for trading - Private sector bonds - TL (Note 11)	19,384,870	
Financial liabilities:	None	None

#### Fair value information

The estimated fair values of financial instruments have been determined using available market information, and where they exist, appropriate valuation methodologies.

The Company has classified its financial assets as held for trading, available for sale or held to maturity. As at the reporting date, available for sale financial assets and financial assets held for trading are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying consolidated financial statements Held to maturity financial assets with a carrying amount of TL 130,409,487 are measured at amortised cost and their fair value amounting to TL 135,217,549 as at 31 December 2010.

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

Notes to the Consolidated Financial Statements

As at 31 December 2010 (Currency: Turkish Lira (TL))

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

# 4 Management of insurance and financial risk (continued)

## 4.2 Management of financial risk (continued)

#### Market risk (continued)

Classification relevant to fair value information

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

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

		31 Decem	ber 2010	
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets held for trading (Note 11)	423,464,147	4,000,000		427,464,147
Available for sale financial assets (*)	369,064,492		3,222,539	372,287,031
Total financial assets	792,528,639	4,000,000	3,222,539	799,751,178
		31 Decem	ber 2009	
	Level 1	Level 2	2 Level 3	Total
Financial assets:				
Financial assets held for trading (Note 11)	269,256,150	_		269,256,150
Available for sale financial assets (*)	236,699,995	_		236,699,995
Total financial assets	505,956,145			505,956,145

<sup>(\*)</sup> As at 31 December 2010, securities that are not publicly traded amounting to TL 5,219,478 have been measured at cost (31 December 2009: TL 4,636,231).

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 4 Management of insurance and financial risk (continued)

# 4.2 Management of financial risk (continued)

# Gains and losses from financial assets

Gains and losses recognized in the consolidated statement of income:	31 December 2010	31 December 2009
Interest income from bank deposits	55,563,983	50,943,015
Interest income from debt securities classified as available for sale financial assets	38,709,017	19,000,967
Interest income from debt securities classified as held for trading financial assets	21,865,580	35,167,524
Foreign exchange gains	16,760,594	12,568,296
Income from associates	7,739,881	15,458,108
Income from equity shares	6,171,276	12,982,334
Income from derivative transactions	4,910,056	1,412,383
Gain from investment funds	4,566,503	1,374,452
Interest income from shares classified as held for trading financial assets	2,633,990	
Interest income from debt securities classified as held to maturity financial assets	519,098	
Interest income from repos	306,639	14,917,914
Interest income from reverse repos	253,179	
Investment income	159,999,796	163,824,993
Foreign exchange losses	(14,366,199)	(13,323,043)
Loss from disposal of financial assets	(5,503,835)	(2,308,742)
Loss from derivative transactions	(3,404,360)	
Loss from valuation of financial assets	(1,019,812)	
Investment expenses	(24,294,206)	(15,631,785)
Investment income, net	135,705,590	148,193,208
Gains and losses recognized in the consolidated statement of equity, net:	31 December 2010	31 December 2009
Gains and iosses recognized in the consolidated statement of equity, her.	31 December 2010	31 December 2009
Fair value changes in available for sale financial assets (Note 15)	28,622,595	24,608,312
Resulted from equity accounted associate (Not 15)	1,233,321	3,577,688
Gains transferred from the statement of equity to the statement of income on	(6.404.050)	(2.406.412)
disposal of available for sale financial assets ( <i>Note 15</i> )	(6,494,858)	(3,406,413)
Effect of group structure change (Note 15)	9,059,005	
Total	32,420,063	24,779,587

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 4 Management of insurance and financial risk (continued)

## 4.2 Management of financial risk (continued)

#### 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

In accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Individual Pension Companies" issued by Turkish Treasury on 19 January 2008 dated and 26761 numbered; the Company measured its minimum capital requirement as TL 233,239,523. As at 31 December 2010 and 2009, the capital amount of the Company presented in the consolidated financial statements are TL 798,689,610 and TL 768,774,069, respectively and above the minimum capital requirement amounts calculated according to the communiqué.

# 5 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

#### **Business segment**

The Company operates in life and non-life branches and detailed information for business segments has been presented in the accompanying consolidated financial statements.

## Geographical segment

The main geographical segment which the Group operates is Turkey. Hence, the Group has not disclosed report on geographical segments.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 6 Tangible asset

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

	1 January 2010	Additions	Effect of group structure change (*)	Foreign currency translation effects (**)	Disposals	31 December 2010
Cost:						
Investment properties (Note 7)	41,342,839		6,982,776			48,325,615
Owner occupied properties	31,392,945		8,605,081		(2,185,432)	37,812,594
Furniture and fixtures	2,060,044	532,519	8,674,554	4,697	(20,203)	11,251,611
Machinery and equipment		485,848	23,896,025			24,381,873
Motor vehicles Other tangible assets (including	766,102	239,177	1,041,864	3,418		2,050,561
leasehold improvements)		96,002	3,437,372			3,533,374
Leased assets			4,339,065			4,339,065
	75,561,930	1,353,546	56,976,737	8,115	(2,205,635)	131,694,693
Accumulated depreciation:						
Investment properties (Note 7)	15,404,423	861,768	3,124,673			19,390,864
Owner occupied properties	10,054,341	659,958	1,971,233			12,685,532
Furniture and fixtures	1,425,425	400,442	7,641,309	4,502	(20,203)	9,451,475
Machinery and equipment		764,677	13,720,936			14,485,613
Motor vehicles Other tangible assets (including	153,153	212,628	424,867	2,033		792,681
leasehold improvements)		70,421	2,586,704			2,657,125
Leased assets		51,654	4,128,634			4,180,288
	27,037,342	3,021,548	33,598,356	6,535	(20,203)	63,643,578
Carrying amounts	48,524,588					68,051,115

<sup>(\*)</sup> Consolidation effect of Anadolu Sigorta.

<sup>(\*\*)</sup> Foreign currency translation effect resulted from Singapore Branch.

Notes to the Consolidated Financial Statements

As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# **6** Tangible asset (continued)

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

	1 January 2009	Additions	Foreign currency translation effects (*)	Disposals	31 December 2009
Cost:					
Investment properties (Note 7)	41,342,839				41,342,839
Owner occupied properties	31,392,945				31,392,945
Furniture and fixtures	1,837,467	223,356	(779)		2,060,044
Motor vehicles	319,948	527,793	(558)	(81,081)	766,102
	74,893,199	751,149	(1,337)	(81,081)	75,561,930
Accumulated depreciation:					
Investment properties (Note 7)	14,577,569	826,854			15,404,423
Owner occupied properties	9,426,483	627,858			10,054,341
Furniture and fixtures	1,082,486	343,162	(223)		1,425,425
Motor vehicles	125,242	106,211	(93)	(78,207)	153,153
	25,211,780	1,904,085	(316)	(78,207)	27,037,342
Carrying amounts	49,681,419				48,524,588

<sup>(\*)</sup> Foreign currency translation effect resulted from Singapore Branch.

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

There is not any revaluation on tangible assets.

As at 31 December 2010, carrying amount and fair value of the Group's operating center building located in Nişantaşı amounting TL 20,710,743 (31 December 2009: TL 21,338,710) and TL 53,944,360, respectively. Fair value is determined by expert report obtained at 31 December 2010.

# 7 Investment properties

As at 31 December 2010, inflation adjusted cost and carrying amounts of the Group's investment properties are amounting to TL 48,325,615 (31 December 2009: TL 41,342,839) and TL 28,934,751 (31 December 2009: TL 25,938,416), respectively.

As at 31 December 2010 and 2009, details of investment properties and the fair values are as follows:

	31 December 2010 Carrying amount	31 December 2009 Carrying amount	Date of expertise report	Value of expertise report
Villa Office Block	815,333	852,323	31 December 2010	12,708,120
Suadiye Fitness Center	4,355,487	4,530,899	31 December 2010	10,327,280
Tunaman Garage	1,894,248	1,961,503	31 December 2010	40,898,742
Operating Center Rental Offices	18,046,494	18,593,691	31 December 2010	54,321,071
Other Buildings	3,823,189		31 December 2008	27,000,252
Carrying amounts	28,934,751	25,938,416		145,255,465

For the year ended 31 December 2010, the Group has rental income from investment properties amounting to TL 8,293,208 (31 December 2009: TL 7,140,357).

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 8 Intangible assets

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

	1 January 2010	Additions	Effect of group structure change <sup>(*)</sup>	Foreign currency translation effects (**)	Disposals	31 December 2010
Contr						
Cost:	1 410 072	1 112465	10.020.000	24.460		12 405 007
Rights	1,419,973	1,113465	10,928,009	24,460		13,485,907
Goodwill			16,250,000			16,250,000
Advances given for intangible as	sets	1,619,217	4,072,669			5,691,886
	1,419,973	2,732,682	31,250,678	24,460		35,427,793
Accumulated amortization:						
Rights	537,712	353,703		21,923		913,338
Other intangible assets		600,694	7,086,029			7,686,723
	537,712	954,397	7,086,029	21,923		8,600,061
Carrying amounts	882,261					26,827,732

<sup>(\*)</sup> Consolidation effect of Anadolu Sigorta.

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

	1 January 2009	Additions	Foreign currency translation effects <sup>(*)</sup>	Disposal	31 December 2009
Cost:					
Other intangible assets	1,487,645	220,174	(5,209)	(282,637)	1,419,973
	1,487,645	220,174	(5,209)	(282,637)	1,419,973
Accumulated amortization:					
Other intangible assets	234,398	351,453	(775)	(47,364)	537,712
	234,398	351,453	(775)	(47,364)	537,712
Carrying amounts	1,253,247				882,261

<sup>(\*)</sup> Foreign currency translation effect resulted from Singapore Branch.

<sup>(\*\*)</sup> Foreign currency translation effect resulted from Singapore Branch.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

## 9 Investments in associates

	31 December 2010		31 Decem	ber 2009
	Carrying value	Participation rate %	Carrying value	Participation rate %
Anadolu Hayat Emeklilik A.Ş.	91,157,184	20.00		
Anadolu Sigorta			140,560,660	21.78
Associates, net	91,157,184		140,560,660	
Miltaş Turizm İnşaat Ticaret A.Ş.	746,207	77.00	746,207	77.00
Subsidiaries, net	746,207		746,207	
Total financial assets	91,903,391		141,306,867	

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the year	Audited	Period
Subsidiaries:						
Miltaş Turizm İnşaat Ticaret A.Ş.	3,783,115	3,503,806	1,896	6,108	No	31 December 2010
Associates:						21.5
Anadolu Hayat Emeklilik A.Ş. (consolidated)	5,304,131,140	455,785,920	8,287,838	72,785,213	Yes, unqualified	31 December 2010

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

The Company purchased İş Bankası share in the capital of Anadolu Sigorta with a nominal value of TL 177,650,110 with a share price of TL 248,710,154 as at 30 September 2010. The shares were priced by the weighted average price method at the ISE Wholesale Market. After the sale, the share of the Company increased to 57.31% amounting to TL 286,550,106. The Company has obtained control over Anadolu Sigorta as at 30 September 2010; therefore, the financial statements of Anadolu Sigorta are included in the consolidated financial statements in the current period.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

## 10 Reinsurance assets and liabilities

As at 31 December 2010 and 2009, outstanding reinsurance assets and liabilities of the Group in accordance with existing reinsurance contracts are as follows:

Reinsurance assets	31 December 2010	31 December 2009
Reserve for unearned premiums, ceded (Note 17)	103,318,064	3,016,194
Provision for outstanding claims, ceded (Note 4.2), (Note 17)	87,606,721	80,867,401
Cash deposited to reinsurance companies	55,835,145	68,612,412
Receivables from reinsurance companies (Note 12)	14,597,773	18,539,696
Commission income accrual from reinsurers	784,260	
Reinsurers share in the provision for subrogation and salvage receivables	17,109	
Total	262.159.072	171.035.703

There are no impairment losses recognised for reinsurance assets.

Reinsurance liabilities	31 December 2010	31 December 2009
Payables to the reinsurers related to premiums written (Note 19)	85,979,769	
Deferred commission income (Note19)	15,731,429	718,390
Commission payables to the reinsurers related to written premiums (Note 23)	2,140,643	
Cash deposited by reinsurance companies (Note 19)	1,742,574	2,862,979
Total	105,594,415	3,581,369

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

	31 December 2010	31 December 2009
Premiums ceded during the period (Note 17)	(146,305,145)	(65,304,757)
Reserve for unearned premiums, ceded at the beginning of the period (Note 17)	(3,016,194)	(5,293,426)
Reserve for unearned premiums, ceded at the end of the period (Note 17)	103,318,064	3,016,194
Effect of group structure change (Note 17)	(99,816,906)	
Premiums earned, ceded (Note 17)	(145,820,181)	(67,581,989)
Claims paid, ceded during the period (Note 17)	74,677,929	41,223,130
Provision for outstanding claims, ceded at the beginning of the period (Note 17)	(80,867,401)	(34,404,320)
Provision for outstanding claims, ceded at the end of the period (Note 17)	87,606,721	80,867,401
Effect of group structure change (Note 17)	(53,301,656)	
Claims incurred, ceded (Note 17)	28,115,593	87,686,211
Commission income accrued from reinsurers during the period ( <i>Note 32</i> )	6,921,386	1,761,109
Deferred commission income at the beginning of the period (Note 19)	718,390	802,814
Deferred commission income at the end of the period (Note 19)	(15,731,429)	(718,390)
Effect of group structure change (Note 17)	14,761,556	
Commission income earned from reinsurers (Note 32)	6,669,903	1,845,533
Total, net	(111,034,685)	21,949,755

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

Total financial assets held for trading

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

## 11 Financial assets

As at 31 December 2010 and 2009, the Group's financial assets are detailed as follows:

	31 December 2010	31 December 2009
Financial assets held for trading	427,464,147	269,256,150
Available for sale financial assets	383,304,121	241,336,226
Held to maturity financial assets	130,409,487	
Impairment loss on available for sale financial assets	(5,797,612)	
Total	935,380,143	510,592,376

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

	31 December 2010			
	Face value	Cost	Fair value	Carrying value
Debt instruments:				
Government bonds – TL	241,142,829	220,051,663	228,336,773	228,336,773
Government bonds – FC	5,000,000	5,926,077	7,889,161	7,889,161
Private sector bonds – TL	18,730,284	18,810,698	21,496,501	21,496,501
Eurobonds issued by Turkish Government	12,050,000	19,572,107	21,874,336	21,874,336
Other	660,645	660,645	660,752	660,752
	,	265,021,190	280,257,523	280,257,523
Non-fixed income financial assets:		200,021,150	200,207,620	200,207,620
Equity shares		71,061,276	69,843,393	69,843,393
Investment funds and TurkDEX-ISE 30 Index future contracts		56,261,674	77,363,231	77,363,231
		127,322,950	147,206,624	147,206,624
Total financial assets held for trading		392,344,140	427,464,147	427,464,147
		31 Decei	nber 2009	
	Face value	Cost	Fair value	Carrying value
Debt instruments:				
Government bonds – TL	209,347,600	194,301,077	209,143,243	209,143,243
Government bonds – FC	7,528,500	5,926,077	7,912,755	7,912,755
Eurobonds issued by Turkish Government	13,661,963	15,025,456	16,665,711	16,665,711
Zarooonaa isaaca oj Tarmini Oovermien	15,001,505	215,252,610	233,721,709	233,721,709
Non-fixed income financial assets:		210,202,010	200,721,702	200,721,709
Equity shares		11,381,166	14,365,331	14,365,331
Investment funds and TurkDEX-ISE 30 Index future contracts		19,542,710	21,169,110	21,169,110
The same and a same and a same and a same and a same a same a same a same a same a same a same a same a same a		30,923,876	35,534,441	35,534,441

246,176,486

269,256,150

269,256,150

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 11 Financial assets (continued)

As at 31 December 2010 and 2009, the Group's available for sale financial assets are as follows:

	31 December 2010			
	Face value	Cost	Fair value	Carrying value
Debt instruments:				
Government bonds – TL	205,092,254	215,289,270	254,055,827	254,055,827
	205,092,254	215,289,270	254,055,827	254,055,827
Non-fixed income financial assets:	,, .	-,, -	- ,,-	- //-
Equity shares	60,619,334	80,797,131	129,248,294	129,248,294
Impairment loss on equity shares			(5,797,612)	(5,797,612)
	60,619,334	80,797,131	123,450,682	123,450,682
Total available-for-sale financial assets		296,086,401	377,506,509	377,506,509
		31 Decemb	per 2009	
	Face value	Cost	Fair value	Carrying value
Debt instruments:				
Government bonds – TL	178,788,768	186,646,122	208,069,788	208,069,788
	178,788,768	186,646,122	208,069,788	208,069,788
Non-fixed income financial assets:	, ,			
Equity shares	16,781,763	19,765,506	33,266,438	33,266,438
	16,781,763	19,765,506	33,266,438	33,266,438
Total available-for-sale financial assets		206,411,628	241,336,226	241,336,226

All debt instruments presented above are traded in active markets. As at 31 December 2010, equity shares classified as available for sale financial assets with a carrying amount of TL 8,442,017 are not publicly traded (31 December 2009: TL 4,636,231).

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

There is no financial asset that is overdue but not impaired among the Group's financial investments portfolio. As at 31 December 2010, TL 5,797,612 of impairment loss is recognised for equity shares classified as available for sale in the accompanying consolidated financial statements (31 December 2009: None).

Value increases in financial assets including equity shares classified as available for sale financial assets and associates for the last 3 years (including tax effects, excluding non-controlling interest):

	Change in value	Total increase /
Year	increase / (decrease)	(decrease) in value
2010	32,420,063 (*)	61,782,544
2009	24,779,587	29,362,481
2008	(42,899,127)	4,582,894

<sup>(\*)</sup> The effect of group structure change amounting to TL 9,059,005 is included.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 11 Financial assets (continued)

As at 31 December 2010, the Group's financial assets held to maturity are as follows (31 December 2009: None):

	31 December 2010			
	Face value	Cost	Fair value	Carrying value
D. Let				
Debt instruments:				
Government bonds - TL	123,261,899	125,212,330	135,217,549	130,409,487
Total financial assets held to maturity	123,261,899	125,212,330	135,217,549	130,409,487

Movement of the financial assets during the period is presented below:

	31 December 2010				
	Trading	Available for sale	Held to maturity	Total	
Balance at the beginning of the period	269,256,150	241,336,226		510,592,376	
Unrealized exchange differences on financial assets	3,138,465			3,138,465	
Acquisitions during the period	566,033,565	95,968,654	481,683	662,483,902	
Disposals (sale and redemption)	(593,824,503)	(56,582,532)		(650,407,035)	
Effect of group structure change (*)	203,132,752	63,575,820	128,005,731	394,714,303	
Change in the fair value of financial assets	(20,378,900)	15,611,842		(4,767,058)	
Change in amortized cost of the financial assets		16,386,248	1,922,073	18,308,321	
Bonus shares acquired	106,618	1,210,251		1,316,869	
Balance at the end of the period	427,464,147	377,506,509	130,409,487	935,380,143	

<sup>(\*)</sup> Consolidation effect of Anadolu Sigorta.

Financial assets blocked in favour of the Turkish Treasury as a guarantee for the insurance activities are as follows (31 December 2009: None):

	31 December 2010			
	Face value	Cost	Fair value	Carrying value
Held to maturity financial assets (Note 17)	60,866,200	61,061,377	62,612,055	62,654,860
Total	60,866,200	61,061,377	62,612,055	62,654,860

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

## 12 Loans and receivables

	31 December 2010	31 December 2009
Receivables from main operations (Note 4.2)	656,260,707	184,002,086
Income accruals (Note 4.2), (Note 10)	10,543,319	62,128
Prepaid taxes and funds (Note 19)	9,033,843	9,726,181
Other receivables (Note 4.2)	3,240,230	808,443
Other current assets (Note 4.2)	160,183	822,809
Receivables from related parties (Note 4.2)	82,070	2,311
Total	679,320,352	195,423,958
Short-term receivables	679,320,352	195,423,958
Long and medium-term receivables		
Total	679,320,352	195,423,958

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

	31 December 2010	31 December 2009
Receivables from agencies, brokers and intermediaries	50,862,064	48,771,319
Receivables from insurance companies	30,379,236	11,503,232
Receivables from reinsurance companies (Note 10)	14,597,773	18,539,696
Total receivables from reinsurance operations, net	95,839,073	78,814,247
Receivables from agencies, brokers and intermediaries	364,975,103	
Salvage and subrogation receivables(Note 2.21)	31,229,166	
Receivables from policyholders	23,153,026	
Total receivables from insurance operations	419,357,295	-
Cash deposited to insurance and reinsurance companies ( <i>Note 4.2</i> )	109,513,053	105,187,839
Receivables from reinsurance operations	34,780,389	
Provisions for receivables from insurance operations—subrogation receivables ( <i>Note 2.21</i> )	(3,229,103)	
Doubtful receivables from main operations – premium receivables	28,285,507	8,224,472
Provisions for doubtful receivables from main operations – premium receivables	(28,285,507)	(8,224,472)
Doubtful receivables from insurance operations – subrogation receivables Provisions for doubtful receivables from insurance operations – subrogation	52,658,540	
receivables	(52,658,540)	
Receivables from main operations	656,260,707	184,002,086

As at 31 December 2010 and 2009, the details of mortgages and other guarantees for the Group's receivables are presented below:

	31 December 2010	31 December 2009
Letters of guarantees	45,215,789	2,012,000
Mortgage notes	75,663,678	2,041
Other guarantees	6,455,753	2,000
Government bonds and treasury bills	3,080,618	
Total	130,415,838	2,016,041

Notes to the Consolidated Financial Statements

As at 31 December 2010

(Currency: Turkish Lira (TL))

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

## 12 Loans and receivables (continued)

### Provisions for overdue receivables and receivables not due yet

- a) Receivables under legal or administrative follow up (due): TL 28,285,507 (31 December 2009: TL 8,224,472).
- b) Provision for premium receivables (due): None (31 December 2009: None).
- c) Provision for subrogation receivables: TL 55,887,643 (31 December 2009: None).

The Company's receivables from and payables to shareholders, associates and subsidiaries are detailed in *Note 45*.

The details of the receivables and payables denominated in foreign currencies and foreign currency rates used for the translation are presented in *Note 4.2*.

## 13 Derivative financial instruments

As at 31 December 2010, the detailed information about the Group's current derivative financial instruments is presented in *Note 11 – Financial assets* (31 December 2009: None). At the reporting date, derivative financial instruments of the Group consist of TurkDEX-ISE 30 Index future contracts with the maturity of February 2011.

## 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	97,363	15,606	15,606	13,542
Bank deposits	869,200,967	583,868,745	583,868,745	489,456,111
Cheques received		12,488	12,488	6,555
Cheques given and payment orders	(2,687,054)			
Other cash and cash equivalents (*)	125,750,371			
Cash and cash equivalents in the balance sheet	992,361,647	583,896,839	583,896,839	489,476,208
Bank deposits – blocked (**)	(81,657,906)	(23,000)	(23,000)	(500)
Interest accruals on banks deposits	(4,447,486)	(5,078,778)	(5,078,778)	(2,218,238)
Cash and cash equivalents in the statement of cash flows	906,256,255	578,795,061	578,795,061	487,257,470

<sup>(\*)</sup> As at 31 December 2010 and 2009, other cash and cash equivalents comprise credit card receivables from banks.

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	89,271,749	71,020,658
*	, ,	
- demand deposits	15,040,222	2,718,756
Bank deposits in Turkish Lira		
- time deposits	759,881,673	510,127,357
- demand deposits	5,007,323	1,974
Bank deposits	869,200,967	583,868,745

<sup>(\*\*)</sup> As at 31 December 2010, cash collateral amounting to TL 81,634,906 kept in favour of the Turkish Treasury as a guarantee for the Group's insurance activities (*Note 17*).

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 15 Equity

## Paid in Capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group having 76.64% of outstanding shares. As at 31 December 2010 and 2009, the shareholding structure of the Company is presented below:

	31 December 2010		31 December 2009	
Name	Shareholding amount (TL)	Shareholding rate (%)	Shareholding amount (TL)	Shareholding rate (%)
Türkiye İş Bankası AŞ	402,349,600	76.64	295,056,373	76.64
Millî Reasürans TAŞ Mensupları Yardımlaşma Sandığı Vakfı ("Pension Fund")	55,345,689	10.54	40,586,839	10.54
Groupama Emeklilik AŞ	30,871,507	5.88	22,639,105	5.88
T.C. Ziraat Bankası AŞ	13,070,069	2.49	9,584,717	2.49
T.C. Başbakanlık Hazine Müsteşarlığı	13,070,069	2.49	9,584,717	2.49
Other	10,293,066	1.96	7,548,249	1.96
Paid in Capital	525,000,000	100.00	385,000,000	100.00

As at 31 December 2010, the issued share capital of the Company is TL 525,000,000 (31 December 2009: TL 385,000,000) and the share capital of the Company consists of 52,500,000,000 (31 December 2009: 38,500,000,000 shares) issued shares with TL 0.01 nominal value each. There are no privileges over the shares of the Company.

The Company has 1,000 registered and bonus founder shares. The only right of Founder Shares is getting dividend. Founder Shares might be purchased back by the Company according to the decision of the General Assembly after the 5<sup>th</sup> year of the Company. After the allocation of first legal reserves, first dividend to shareholders and statutory reserves (*Note 38*), 3.5% of the remaining amount is distributed to the Founder Shares as dividend.

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

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

# Consolidation per equity method of accounting

As at 31 December 2009, the Company owns 21.78% of Anadolu Sigorta and this associate was consolidated in the prior year consolidated financial statements by using the equity method of accounting. The Company has obtained control over Anadolu Sigorta as at 30 September 2010; therefore, the financial statements of Anadolu Sigorta are included in the consolidated financial statements in the current period.

The Company has accounted its share in the equity of Anadolu Sigorta as retained earnings in the prior year consolidated financial statements rather than presented each equity item in the related equity line according to equity method of accounting to consolidate. These reclassifications have been corrected by restating opening balances of the consolidated financial statements as at 31 December 2009 as presented in Note 2.1.6.

The Group owns 20% of Anadolu Hayat and this associate has been consolidated in the accompanying consolidated financial statements by using the equity method of accounting.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 15 Equity (continued)

### Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

The movements of legal reserves are as follows:

	31 December 2010	31 December 2009	
Legal reserves at the beginning of the period	38,222,824	27,230,755	
Transfer from 2009/2008 profit	13,286,039	10,992,069	
Effect of group structure change	14,114,743		
Legal reserves at the end of the period	65,623,606	38,222,824	

As at 31 December 2010 and 2009; the details of "Other reserves and retained earnings" are as follows:

	31 December 2010	31 December 2009	
Extraordinary reserves	5,656,554	3,030,614	
Other capital reserves		2,073,977	
Other profit reserves	25,325,325	162,255,186	
Transactions under common control	(71,060,049)		
Total	(40,078,170)	167,359,777	

#### **Extraordinary Reserves**

The movement of extraordinary reserves is as follows:

	31 December 2010	31 December 2009	
Extraordinary reserves at the beginning of the period	3,030,614	1,335,739	
Transfer to share capital in 2009	(270,217)		
Transfer from 2009/2008 profit	1,362,401	1,694,875	
Effect of group structure change	606,584		
Other	927,172		
Extraordinary reserves at the end of the period	5,656,554	3,030,614	

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 15 Equity (continued)

#### Transactions under common control

The Company purchased İş Bankası share in the capital of Anadolu Sigorta with a nominal value of TL 177,650,110 and a share of 35.53% with a share price of TL 248,710,154 as at 30 September 2010. The acquired subsidiary, Anadolu Sigorta could be treated as an integrated operation of the Company by nature or by transfer of knowledge, were under common control with the Company since the beginning of their operations. The acquisition of this entity being under common control is accounted for using book values, where in its consolidated financial statements the acquirer, is permitted, but not required, to restate its comparatives as if the combination had been in existence throughout the reporting periods presented. This application is based on the management judgment that this treatment is the best way to present the economic substance of the transaction since the transaction is moving the shares of one party from one part of the group to another, there is no independent third party involvement and in particular the purchase price is not determined on an arm's length basis. Management decided not to restate its comparative information. Excess of cash paid over net assets amounting to TL 71,060,049 is recognised in "Transactions under common control" directly in equity (*Note 44*).

## Other profit reserves

In accordance with the 4 July 2007 dated and 2007/3 numbered Compliance Circular issued by the Turkish Treasury, it was stated that the companies would not further provide earthquake provision for the year 2007. However, it was also stated that earthquake provisions provided in previous periods (earthquake provision in the financial statements as at 31 December 2006) should be transferred to the reserve accounts under equity in accordance with the 5<sup>th</sup> Temporary Article of the Insurance Law. The companies had to transfer total amount of provisions, including earthquake provisions reserved as at 31 December 2006 and related gains obtained from investment of these amounts, to the account called as "549.01 – transferred earthquake provisions" which would be opened as at 1 September 2007 within Uniform Chart of Account and the reserves amount should not be subject to dividend distribution or should not be transferred to other accounts.

Accordingly, the Group initially transferred total provisions amounting to TL 162,255,186, including earthquake provisions reserved as at 31 December 2006 and related gains obtained from investment of this amount, to the reserve accounts under equity. The movements of this amount are presented below:

	31 December 2010	31 December 2009	
Other profit reserves at the beginning of the period	162,255,186	175,177,008	
Transfer to share capital	(137,655,806)		
Transfer to other reserves	(3,682,705)	(12,921,822)	
Effect of group structure change	4,408,650		
Other profit reserves at the end of the period	25,325,325	162,255,186	

## Other capital reserves

In accordance with tax legislation, 75% of profits from sales of participation shares and real states included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years. Tax exempt gain from real estate sale amounting to TL 2,073,977 as at 31 December 2009 is used in capital increase in 2010 (*Note 2.13*).

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

# 15 Equity (continued)

#### **Statutory Reserves**

After the allocation of first legal reserves and first dividend to shareholders, reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly. As at 31 December 2010, total amount of statutory reserves allocated as mentioned method is TL 94,130,134 and the Group allocated TL 23,755,637 (From the profit of 2008: TL 8,500,000) to natural disasters and catastrophe reserve from the profit of 2009. As at 31 December 2010, total statutory reserve in the consolidated financial statements amounting to TL 119,566,517 with the effect of Group structure change amounting to TL 1,680,746.

## Foreign currency translation differences

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. As at 31 December 2010, foreign currency translation reserve amounting to TL (357,479) stems from Singapore Branch whose functional currency is US Dollars.

#### Valuation of financial assets

As at 31 December 2010 and 2009, movement of fair value reserves of available for sale financial assets and associates are presented below:

	<b>31 December 2010</b>	31 December 2009
Fair value reserves at the beginning of the period	29,362,481	4,582,894
Change in the fair value during the period	22,127,737	21,201,899
Resulted from equity accounted associate (Note 4.2)	1,233,321	3,577,688
Effect of group structure change (Note 4.2)	9,059,005	
Fair value reserves at the end of the period	61,782,544	29,362,481

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

As at 31 December 2010 and 2009, other reserves are explained in detail in Note 15 – Equity above.

As at 31 December 2010 and 2009, the Group does not hold any insurance or investment contracts which contain a DPF.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

## 17 Insurance contract liabilities and reinsurance assets

Estimation of the ultimate payment for the outstanding claims is one of the most important accounting assumptions of the Group. Estimation of the insurance contract liabilities contains several ambiguities by nature. The Group makes calculation of the related insurance technical provisions accordance with the Insurance Legislation and reflects them into consolidated financial statements as mentioned in Note 2 – Summary of significant accounting policies.

As at 31 December 2010 and 2009, technical reserves of the Group are as follows:

31 December 2010		31 December 2009	
Reserve for unearned premiums, gross	1,030,181,109	353,362,029	
Reserve for unearned premiums, ceded (Note 10)	(103,318,064)	(3,016,194)	
Reserves for unearned premiums, net	926,863,045	350,345,835	
Provision for outstanding claims, gross	783,207,129	407,973,738	
Provision for outstanding claims, ceded ( <i>Note 10</i> )	(87,606,721)	(80,867,401)	
Provision for outstanding claims, net	695,600,408	327,106,337	
Provision for unexpired risks, gross	21,827,932	8,318,237	
Provision for unexpired risks, gross  Provision for unexpired risks, ceded	8,672,971	(54,742)	
Reserve for unexpired risks, net	13,154,961 8,		
Equalization provision, net	32,642,498	12,383,238	
Other provisions ( <i>Note 47</i> )	5,413,605	12,303,230	
Other technical provisions, net	38,056,103 12,38		
Life mathematical provisions	1,192,786	840,988	
Total technical provisions, net	1,674,867,303	698,939,893	
Short-term	1 626 911 200	696 556 655	
	1,636,811,200 38,056,103	686,556,655	
Medium and long-term  Total technical provisions, net	1,674,867,303	12,383,238 <b>698,939,893</b>	

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

Description uncorned promiums	31 December 2010		
Reserve for unearned premiums	Gross	Ceded	Net
Reserve for unearned premiums at the beginning of the period	353,362,029	(3,016,194)	350,345,835
Premiums written during the period	1,263,207,674	(146,305,145)	1,116,902,529
Premiums earned during the period	(1,218,633,234)	145,820,180	(1,072,813,054)
Effect of group structure change	632,244,640	(99,816,905)	532,427,735
Reserve for unearned premiums at the end of the period	1,030,181,109	(103,318,064)	926,863,045

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

## 17 Insurance liabilities and reinsurance assets (continued)

December for a second and a second	31 December 2009		
Reserve for unearned premiums	Gross	Ceded	Net
Reserve for unearned premiums at the beginning of the period	364,252,581	(5,293,426)	358,959,155
Premiums written during the period	823,622,465	(65,304,757)	758,317,708
Premiums earned during the period	(834,513,017)	67,581,989	(766,931,028)
Reserve for unearned premiums at the end of the period	353,362,029	(3,016,194)	350,345,835
		D 1 2010	
Provision for outstanding claims	31	December 2010	
	Gross	Ceded	Net

Provision for outstanding claims	31	December 2010	
1 Tovision for outstanding Claims	Gross	Ceded	Net
Provision for outstanding claims at the beginning of the period Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the	407,973,738	(80,867,401)	327,106,337
period	795,855,882	(28,115,593)	767,740,289
Claims paid during the period	(839,803,581)	74,677,929	(765,125,652)
Effect of group structure change	419,181,090	(53,301,656)	365,879,434
Provision for outstanding claims at the end of the period	783,207,129	(87,606,721)	695,600,408

Describing for such that the solutions	31 December 2009		
Provision for outstanding claims	Gross	Ceded	Net
Provision for outstanding claims at the beginning of the period Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the	319,079,740	(34,404,320)	284,675,420
period	708,952,309	(87,686,211)	621,266,098
Claims paid during the period	(620,058,311)	41,223,130	(578,835,181)
Provision for outstanding claims at the end of the period	407,973,738	(80,867,401)	327,106,337

Notes to the Consolidated Financial Statements

As at 31 December 2010 (Currency: Turkish Lira (TL))

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

### 17 Insurance liabilities and reinsurance assets (continued)

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

The Company, being a reinsurance company, has no obligation of providing guarantees. Amount of guarantee presented below belongs to Anadolu Sigorta:

		31 December 2010	
	Should be placed (**)	Placed (*)	Carrying amount
Non-life:			
Bank deposits (Note 14)		81,634,906	81,634,906
Financial assets (*) (Note 11)		62,612,055	62,654,860
Total	134,352,270	144,246,961	144,289,766

<sup>(\*)</sup> As at 31 December 2010, government bonds and treasury bills are measured at daily official prices announced by the Central Bank of Turkey in accordance with the 6<sup>th</sup> Article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies".

#### Total amount of insurance risk on a branch basis

Total amount of insurance risk on branch basis for non-life insurance branch is not kept by the Group.

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

None.

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

None.

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

None.

Pension investment funds established by the Group and their unit prices

None

Number and amount of participation certificates in portfolio and circulation

None.

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

None.

<sup>(\*\*)</sup> According to the 7<sup>th</sup> article of the "Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies" which regulates necessary guarantee amount, minimum guarantee fund for capital adequacy calculation period will be established as a guarantee in two months following the calculation period. According to "Regulations Regarding to Capital Adequacy Measurement and Assessment of Insurance, Reinsurance, and Private Pension Companies", companies must prepare their capital adequacy tables twice in a financial year at June and December periods and must sent capital adequacy tables to the Turkish Treasury Department within two months. Since the amounts that should be placed as of 31 December 2010 (31 December 2009) will be through the calculated amounts as of 30 June 2010 (30 June 2009), the settled amounts as of June is presented as "should be placed" amounts.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

### 17 Insurance liabilities and reinsurance assets (continued)

Valuation methods used in profit share calculation for saving life contracts with profit sharing

None.

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

None.

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 year

None.

Distribution of individual and group participants and their gross and net contributions which were transferred from life insurance portfolio to private pension portfolio during the year

None.

Distribution of individual and group participants which were cancelled or transferred to other insurance companies in terms of their numbers and gross and net contributions

None.

Profit share distribution rate of life insurances

None.

#### **Deferred commission expenses**

The Group capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As at 31 December 2010, short-term prepaid expenses amounting to TL 193,865,215 (31 December 2009: TL 88,842,304) consist of deferred commission expenses amounting to 183,990,768 (31 December 2009: TL 88,842,304) and other prepaid expenses amounting to TL 9,874,447 (31 December 2009: None). Long-term prepaid expenses amounting TL 2,624 (31 December 2009: TL 103,936) are composed of other prepaid expenses.

	31 December 2010	31 December 2009
Deferred commission expenses at the beginning of the period	88,842,304	93,017,473
Commissions accrued during the period (Note 32)	230,394,607	180,402,824
Commissions expensed during the period (Note 32)	(231,099,697)	(184,577,993)
Effect of group structure change	95,853,554	
Deferred commission expenses at the end of the period	183,990,768	88,842,304

#### **Individual pension funds**

None.

#### 18 Investment contract liabilities

None.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

### 19 Trade and other payables and deferred income

	31 December 2010	31 December 2009
Payables from main operations	137,524,121	68,264,672
Short/long term deferred income and expense accruals	16,163,734	1,031,995
Other payables	11,404,337	131,130
Due to related parties	131,380	118,847
Taxes and other liabilities and similar obligations	12,080,590	599,292
Total	177,304,162	70,145,936
Short-term liabilities	177,226,138	70,079,924
Long-term liabilities	78,024	66,012
Total	177,304,162	70,145,936

As at 31 December 2010, other payables amounting to TL 11,404,337 (31 December 2009: TL 131,130) consist of payables to Tarsim and DASK and outsourced benefits and services amounting to TL 9,878,525 (31 December 2009: TL 131,130) and deposits and guarantees received amounting to TL 1,525,812 (31 December 2009: None).

Short/long term deferred income and expense accruals include deferred commission income (*Note 10*) amounting to TL 15,731,429 (31 December 2009: TL 718,390).

Payables arising from main operations of the Group as at 31 December 2010 and 2009 are as follows:

	31 December 2010	<b>31 December 2009</b>
		_
Payables to reinsurance companies (Note 10)	85,979,769	65,401,693
Payables to agencies, brokers and intermediaries	19,918,336	
Payables to policyholders	4,089,417	
Total payables arising from insurance and reinsurance operations	109,987,522	65,401,693
Payables arising from other operating activities	25,794,025	
Cash deposited by insurance and reinsurance companies (Note 10)	1,742,574	2,862,979
Payables arising from main operations	137,524,121	68,264,672

Corporate tax liabilities and prepaid taxes are disclosed below:

	31 December 2010	31 December 2009
Corporate tax liabilities	17,710,317	22,960,420
Taxes paid during the period	(26,744,160)	(32,686,601)
Corporate tax liabilities / (assets), net (Note 12)	(9,033,843)	(9,726,181)

Total amount of investment incentives which will be benefited in current and forthcoming periods None.

### **20** Financial liabilities

As at 31 December 2010, the Group's financial liabilities consist of finance lease liabilities amounting to TL 745 (31 December 2009: None).

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

### 21 Deferred Taxes

As at 31 December 2010 and 2009, deferred tax assets and liabilities are attributable to the following:

	31 December 2010	31 December 2009
	Deferred tax assets / (liabilities )	Deferred tax assets / (liabilities)
Equalization provision	4,573,513	1,343,418
Provision for the pension fund deficits	4,154,651	3,636,520
Reserve for unexpired risks	2,630,993	1,652,699
Provisions for employee termination benefits and unused vacations	2,089,414	798,036
Other provisions	1,799,452	
Additional provisions for outstanding claims through actuarial chain		
ladder method	1,776,526	2,824,409
Provision for subrogation receivables	645,821	
Difference in depreciation methods on tangible and intangible assets		
between tax regulations and the Reporting Standards	(289,658)	(175,353)
Discount of receivables and payables	(822,371)	
Subrogation receivables from third parties	(1,005,988)	
Valuation differences in financial assets and liabilities	(1,887,319)	(1,575,436)
Commission accrual	(1,951,812)	<del></del>
Other	(765,236)	(36,502)
Deferred tax assets, net	10,947,986	8,467,791

### 22 Retirement benefit obligations

Employees of the Company are the members of "Milli Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı ("Milli Reasürans Pension Fund") which is established in accordance with the temporary Article 20 of the Social Security Act No: 506 and employees of the Company's subsidiary, Anadolu Sigorta are members of Anonim Türk Sigorta Sirketi Memurları Emekli Sandığı.

As per the provisional article No: 23 of the Banking Law No: 5411, pension funds of the banks which were established within the framework of Social Security Institution Law, should be transferred to the Social Security Institution within three years after the publication of the prevailing Banking Law enacted on 1 November 2005. Methods and principles related to the transfer have been determined as per the Cabinet decision no: 2006/11345 published on 30 November 2006. However, the said article of the Banking Law has been vetoed by the President on 2 November 2005 and the execution of the article was ceased based on the Supreme Court's decision numbered E.2005/39, K.2007/33 and dated 22 March 2007 effective from 31 March 2007.

Following annulment of the temporary Article 23 of the Banking Law, the new law "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" was published in the Official Gazette dated 8 May 2008 and came into force. The new law requires transfer of the participants or beneficiaries of pension funds to Social Security Institution as at the effective date of the Act within 3 years and prescribes the extension period of the transfer as maximum of two years upon the order of the Cabinet.

As per the temporary sub article No: 20 of the Article 73 of the above mentioned law also includes the following:

- technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and
- uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by the entities who transfer the funds.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

### **Retirement benefit obligations** (continued)

On the other hand, on 19 June 2008, CHP applied to the Constitutional Court for the annulment and motion for the stay of some articles, including the first paragraph of the temporary article 20 of the Banking Law, which covers provisions on transfers. As at the reporting date, no decision has been taken by the Constitutional Court in relation to abrogation of such court case.

The benefits stated in the settlement deeds of pension fund but not subject to transfer will continue to be covered by the pension funds.

An actuarial report has been obtained from registered actuary regarding calculation of the amount to be paid to the Social Security Institution by the Company in accordance with the new law. As per the calculations based on the above mentioned assumptions, actuarial and technical deficit amounting to TL 20,773,255 (31 December 2009: TL 19,416,590) is accounted as "Provision for pension fund deficits" in the accompanying consolidated financial statements.

The above mentioned actuarial audit, which was made in accordance with the principles of the related law, measures the cash value of the liability as of 31 December 2010, in other words, it measures the amount to be paid to the Social Security Institution by the Bank. CSO 1980 mortality table, 9.8% technical deficit interest rate and 33.5% premium rate were taken into account in actuarial calculations. Below table shows the cash values of premium and salary payments as of 31 December 2010, taking the health expenses within the Social Security Institution limits into account.

	31 December 2010	31 December 2009
Net present value of total liabilities other than health	(56,974,382)	(52,071,138)
Net present value of insurance premiums	10,404,495	9,670,094
Net present value of total liabilities other than health	(46,569,887)	(42,401,044)
Net present value of health liabilities	(8,596,684)	(8,980,397)
Net present value of health premiums	5,710,659	5,315,203
Net present value of health liabilities	(2,886,025)	(3,665,194)
Pension fund assets	28,682,657	26,649,648
Amount of actuarial and technical deficit	20,773,255	19,416,590

The assets of the pension fund are as follows.

	31 December 2010	<b>31 December 2009</b>
Properties	17,006,000	15,057,000
Cash and cash equivalents	7,202,421	8,210,680
Subsidiary shares	3,665,984	2,877,230
Securities portfolio	477,871	180,006
Other	330,380	324,732
Pension fund assets	28,682,656	26,649,648

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

### **Retirement benefit obligations** (continued)

Up to date, as per the actuarial calculation performed, there has not been any deficit in Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı and Anadolu Sigorta has made no payment for this purpose. It is believed that the assets of this institution are adequate enough to cover its total obligations; therefore this shall not constitute any additional liability on Anadolu Sigorta.

### 23 Provision for other liabilities and charges

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

	31 December 2010	<b>31 December 2009</b>
Provision for employee bonus	698,317	
Provision for dividends paid to employees	2,061,681	1,429,191
Provision for costs	2,759,998	1,429,191
Provision for pension fund deficits (Note 22)	20,773,255	19,416,590
Provision for employee termination benefits	9,818,559	3,990,182
Provision for unused vacation pay liability	628,513	_
Total provision for other risks	33,980,325	24,835,963

	31 December 2010	31 December 2009
Provision for personnel bonus	3,500,000	
Sliding scale commission accrual (Note 10)	2,140,643	
Provision for guarantee fund	2,060,227	
Provision for agency reward	1,700,000	
Bank expense accrual	1,000,000	
Deferred income and expense accruals	10,400,870	

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

	31 December 2010	31 December 2009
Provision at the beginning of the period	3,990,182	3,469,366
Interest cost (Note 47)	1,918,631	217,248
Service cost (Note 47)	331,946	707,152
Payments during the period (Note 47)	(577,168)	(403,584)
Actuarial differences (Note 47)	(811,754)	-
Effect of group structure change	4,966,722	
Provision at the end of the period	9,818,559	3,990,182

Notes to the Consolidated Financial Statements

As at 31 December 2010

(Currency: Turkish Lira (TL))

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

## 24 Net insurance premium

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

### 25 Fee revenue

None.

### **26** Investment income

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

### 27 Net income accrual on financial assets

Net realized gains on financial assets are presented in Note 4.2 – Financial risk management

## 28 Asset held at fair value through profit or loss

Presented in "Note 4.2 – Financial Risk Management".

## 29 Insurance rights and claims

	31	31 December 2010		December 2009
	Life	Non-Life	Life	Non-Life
Claims paid, net off reinsurers' share	(5,506,322)	(759,619,330)	(3,491,548)	(575,343,633)
Changes in provision for outstanding claims, net off			,	
reinsurers' share	(2,305,074)	(9,310,206)	3,228	(42,434,145)
Changes in reserve for unearned premium, net off				
reinsurers' share	(2,674,030)	(40,778,841)	399,433	8,213,887
Change in equalization provision	(233,007)	(6,418,575)	(164,223)	(5,701,495)
hange in life mathematical provisions, net off				
reinsurers' share	(351,797)		32,524	
Changes in reserve for unexpired risks, net off				
reinsurers' share		(636,604)		(821,271)
Total	(11,070,230)	(816,763,556)	(3,220,586)	(616,086,657)

### **30** Investment contract benefits

None.

### 31 Other expenses

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

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

## **Operating expenses**

As at and for the years ended 31 December 2010 and 2009, the operating expenses are disclosed as follows:

	31 December 2010	31 December 2009
Commission expenses (Note 17)	231,099,697	184,577,993
Commissions to the intermediaries accrued during the period		
(Note 17)	230,394,607	180,402,824
Changes in deferred commission expenses (Note 17)	705,090	4,175,169
Commission income from reinsurers ( <i>Note 10</i> )	(6,669,903)	(1,845,533)
Commission income from reinsurers accrued during the period		
(Note 10)	(6,921,386)	(1,761,109)
Change in deferred commission income (Note 10)	251,483	(84,424)
Employee benefit expenses (Note 33)	48,323,718	21,963,625
Administration expenses	23,251,074	4,653,703
Outsourced benefits and services	980,337	484,475
Advertising and marketing expenses	4,108,683	327,152
Foreign exchange gains and losses	12,504,024	4,643,566
Other expenses	7,979,858	5,905,260
Total	321,577,488	220,710,241

## 33 Employee benefit expenses

As at and for the years ended 31 December 2010 and 2009, employee benefit expenses are disclosed as follows:

	31 December 2010	31 December 2009
Wages and salaries	38,472,173	15,358,757
Employer's share in social security premiums	6,105,382	3,511,252
Pension fund benefits	2,774,080	2,422,908
Employment termination benefits ( <i>Note 47</i> )	861,655	670,708
Provision for unused vacations (Note 47)	110,428	
Total (Note 32)	48,323,718	21,963,625

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

### **34** Financial costs

Finance costs of the period are presented in "Note 4.2 – *Financial Risk Management*" above. There are no finance costs classified in production costs or capitalized on tangible assets. All financial costs are directly recognised as expense in the consolidated statement of income.

### 35 Income tax expense

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

	31 December 2010	31 December 2009
Corporate tax expense:		
Corporate tax provision	(17,710,317)	(22,960,420)
Deferred taxes:		
Origination and reversal of temporary differences	(1,596,620)	9,536,049
Total income tax expense	(19,306,937)	(13,424,371)

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 Group's effective income tax rate for the year ended 31 December 2010 and 2009 is as follows:

	31 Dec	ember 2010	31 Dec	ember 2009
		Tax Rate		Tax Rate
Profit before taxes	103,560,616	(%)	91,563,675	(%)
Taxes on income per statutory tax rate	20,712,123	20.00	18,312,735	20.00
Tax exempt income	(2,800,692)	(2.70)	(6,619,225)	(7.23)
Non-deductible expenses	1,395,506	1.35	1,730,861	1.89
Total tax expense recognized in consolidated				
profit or loss	19,306,937	18.65	13,424,371	14.66

### 36 Net foreign exchange gains

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

### 37 Earnings per share

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

	<b>31 December 2010</b>	31 December 2009
Net profit for the period	84,253,979	78,139,304
Weighted average number of shares (*)	47,833,333,333	47,833,333,333
Earnings per share (TL)	0.00187416	0.00163357

<sup>(\*)</sup> Capital increase is made through internal resources and prior period's earnings per share figure is revised by using the number of shares subsequent to the capital increase.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

### 38 Dividends per share

Dividend distribution policy of the Company stated its Articles of Association are as follows:

Net profit for the year presents remaining amount of total income of the year after deducting operating expenses, amortisation, provisions, taxes and other similar obligations and prior year losses if any.

- 10% of legal reserve,
- 10% of first dividend to shareholders,
- Reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly,
- After the allocation of first legal reserves, first dividend to shareholders and statutory reserves, 3.5% of the remaining amount is distributed to the Founder Shares and up to 3% of the remaining amount not exceeding three-wages is distributed to personnel, based on the suggestion of the Board of Directors and decision of the General Assembly.
- After the allocation of above mentioned reserves and dividends, second dividend to shareholders might be allocated, based on the suggestion of the Board of Directors and decision of the General Assembly.

As a result of the Ordinary General Meeting of the Company held on 26 March 2010, net profit of the 2009 is decided to be distributed accordingly:

	<b>Profit Distribution Table of 2009</b>
Net profit for the year (*)	88,924,641
Legal reserves	(8,892,464)
First dividend to shareholders	(8,892,464)
Statutory reserves ("Reserve for natural disasters and catastrophe")	(23,500,000)
Dividend to founder shares	(1,667,390)
Dividend to employees	(1,429,190)
Second dividend to shareholders	(41,067,536)
Other reserves allocated in accordance with Article 466 of Turkish Commercial	Code (3,380,659)
Extraordinary reserves	(94,938)
Dividend to be distributed from net profit of 2009	(49,960,000)
Number of shares as at 31 December 2009	38,500,000,000
Dividends per share (full TL)	0.00130
Dividend to be distributed from net profit of 2008	(42,278,028)
Number of shares as at 31 December 2008	38,500,000,000
Dividends per share (full TL)	0.00110

<sup>(\*)</sup> Net profit of the Group subject to profit distribution is different than the net profit for the year ended 31 December 2009 in the accompanying unconsolidated statement of income due to correction of errors in accordance with TAS 8 (refer to note 2.1.6).

### 39 Cash generated from operations

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

#### 40 Convertible bonds

None.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

## 41 Redeemable preference shares

None.

### 42 Risks

In the normal course of its operations, the Group 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 under provision for outstanding claims in the accompanying consolidated financial statements.

As at 31 December 2010, total amount of the possible liability that the Group may face, if it fails in all claims is estimated as TL 288,034,000 in gross (31 December 2009: TL 55,399). The Group provided provision for outstanding claims in the consolidated financial statements by considering collateral amounts.

### 43 Commitments

In the normal course of its operations, the Group provides guarantee to ceding companies in the non-life branch as a reinsurance company and transfers insurance risks through treaties, facultative reinsurance contracts and coinsurance agreements to reinsurance and coinsurance companies. The details of the guarantees that are given by the Group for the operations in non-life branches are presented in *Note 17*.

The future aggregate minimum lease payments under operating leases are as follows:

	31 December 2010	31 December 2009
Within one year	4,813,567	400,367
Between two to five years	14,548,391	
More than 5 years		
Total of minimum rent payments	19,361,958	400,367

#### 44 Business combinations

The Company purchased İş Bankası share in the capital of Anadolu Sigorta with a share of 35.53% and a nominal value of TL 177,650,110 with a share price of TL 248,710,154 as at 30 September 2010. After the sale, the share of the Company increased to 57.31% from 21.78%.

The acquired subsidiary, Anadolu Sigorta could be treated as an integrated operation of the Company by nature or by transfer of knowledge, were under common control with the Company since the beginning of their operations. The acquisition of this entity being under common control is accounted for using book values, where in its consolidated financial statements the acquirer, is permitted, but not required, to restate its comparatives as if the combination had been in existence throughout the reporting periods presented. This application is based on the management judgment that this treatment is the best way to present the economic substance of the transaction since the transaction is moving the shares of one party from one part of the group to another, there is no independent third party involvement and in particular the purchase price is not determined on an arm's length basis. Management decided not to restate its comparative information. Excess of cash paid over net assets is recognised in "Transactions under common control" directly in equity.

In the three months to 31 December 2010, the subsidiary contributed profit of TL 20,201,355. If the acquisition had occurred on 1 January 2010, management estimates that consolidated profit for the period would have been TL 72,394,361.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

### 44 Business combinations (continued)

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

		Recognised values on
Net assets acquired	Note	acquisition
Cash and cash equivalents		542,680,116
Financial assets		482,497,123
Receivables from main operations		382,524,524
Prepaid expenses and income accruals		117,601,897
Tangible assets	6	23,378,381
Intangible assets	8	24,164,649
Other receivables and other assets		91,452,173
Payables arising from main operations		(84,403,053)
Insurance technical provisions		(907,480,204)
Deferred income and expense accruals		(24,553,748)
Provision for other risks		(4,966,722)
Other payables and liabilities		(8,488,136)
Total net asset value		634,407,000
The Company's share on not assets acquired (25.529/)		225 404 807
The Company's share on net assets acquired (35.53%) Effect of business combination on equity items	15	225,404,807
Effect of business combination on equity items	13	(47,754,702) 177,650,105
Transactions under common control	15	, ,
	13	71,060,049
Total consideration, satisfied by cash		248,710,154
Cash consideration paid		248,710,154
Cash and cash equivalents acquired		(542,680,116)
Net cash inflow from acquisition		(293,969,962)

Pre-acquisition carrying amounts were determined based on applicable TASs immediately before acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their historical cost.

Excess of net assets over cash paid is recognised in "Transactions under common control" directly in equity.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

## 45 Related party transactions

For the purpose of the accompanying consolidated 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.

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

	31 December 2010	31 December 2009
The second of th	74.567.070	10.500.010
Investment funds founded by Türkiye İş Bankası A.Ş.	74,567,978	10,520,910
Investment funds founded by Türkiye Sınai ve Kalkınma Bankası	2,338,085	
Investment funds founded by İş Yatırım Menkul Değerler A.Ş.	2,201,000	10,648,200
Investment funds founded by İşbank GmbH	561,789	
Financial Assets	79,668,852	21,169,110
T.C. Ziraat Bankası A.Ş.	598,101,123	53,120,088
Türkiye İş Bankası A.Ş.	178,151,337	479,974,339
İş Yatırım Menkul Değerler A.Ş.	35,043,514	
Other	465,452	
Banks	811,761,426	533,094,427
Türkiye İş Bankası A.Ş.	33,701,772	
Axa Sigorta AŞ	4,515,213	70,460
Ergo Sigorta AŞ	2,667,904	18,101
Allianz Sigorta AŞ	354,821	1,838,905
Anadolu Hayat Emeklilik AŞ	112,174	36,181
İstanbul Umum Sigorta AŞ	62,101	65,876
AvivaSa Emeklilik AŞ	·	71,914
Anadolu Sigorta		77,955
Receivables from main operations	41,413,985	2,179,392
Türkiye İş Bankası A.Ş.	4,457,941	
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	1,230,022	8,668,984
Groupama Sigorta AŞ	617,450	
AvivaSa Emeklilik AŞ	121,275	
Axa Sigorta AŞ	54,410	65,463
İstanbul Umum Sigorta AŞ	43,874	51,219
Allianz Sigorta AŞ	42,118	
Ergo Sigorta AŞ	,	4,931,042
Anadolu Sigorta		2,744,002
Groupama Sigorta AŞ		1,761,635
Payables from main operations	6,567,090	18,222,345

No guarantees have been taken against receivables from related parties.

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

No guarantees, commitments, guarantee letters, advances and endorsements given in favour of shareholders, associates and subsidiaries.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

## **Related party transactions** (continued)

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

Frgo Sigorta AS         445,056,043         40,272,580           Allianz Sigorta AS         26,491,982         53,773,843           Axa Sigorta AS         15,582,588         16,890,675           Groupana Sigorta AS         63,281,165         9,700,709           Anadolh Hayat Emcklilik AS         467,232         580,592           Groupana Sigorta AS (Güven Sigorta TAS)         112,663         9,234,124           Anadolu Sigorta AS (Güven Sigorta TAS)         112,663         9,234,124           Premiums received         94,660,561         205,261,325           Ergo Sigorta AS         61,885         274,186           Groupama Sigorta AS (Güven Sigorta TAS)         15,014         33,657           Groupama Sigorta AS (Güven Sigorta TAS)         5         26           Groupama Sigorta AS (Güven Sigorta TAS)         5         26           Axa Sigorta AS (Güven Sigorta TAS)         15,014         33,657           Istanbul Umum Sigorta AS (Güven Sigorta TAS)         5         26           Groupama Sigorta AS (Güven Sigorta TAS)         19,115         752,600           Groupama Sigorta AS (Güven Sigorta TAS)         18,758         35,760           Axa Sigorta AS (Güven Sigorta TAS)         10,818         30,760           Axa Sigorta AS (Güven Sigorta TAS)		31 December 2010	31 December 2009
Axa Sigorta AŞ         15,582,588         16,890,675           Groupama Sigorta AŞ         6,328,165         9,700,709           Anadolu Hayat Emeklilik AŞ         621,888         456,976           AvivaSa Emeklilik AŞ         467,232         580,592           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         112,663         9,234,124           Anadolu Sigorta         - 74,351,826         74,351,826           Premiums received         94,660,561         205,261,325           Ergo Sigorta AŞ         61,885         274,186           Groupama Sigorta AŞ         27,165         63,548           Axa Sigorta AŞ         15,014         33,657           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         5         26           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         5         26           Alliamz Sigorta AŞ         19,115         752,600           Groupama Sigorta AŞ         24,779         750           Alliamz Sigorta AŞ         18,758         35,600           Groupama Sigorta AŞ         18,758         35,600           Groupama Sigorta AŞ         18,758         35,00           Groupama Sigorta AŞ         18,758         36,00           Ara Sigorta AŞ         18,758         36,00 <tr< td=""><td>Ergo Sigorta AŞ</td><td>45,056,043</td><td>40,272,580</td></tr<>	Ergo Sigorta AŞ	45,056,043	40,272,580
Groupama Sigorta AŞ         6,328,165         9,700,709           Anadolu Hayat Emcklilik AŞ         621,888         456,976           ArvivaSa Emcklilik AŞ         467,232         580,592           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         112,663         9,234,124           Anadolu Sigorta         -         74,351,826           Premiums received         94,660,561         205,261,325           Ergo Sigorta AŞ         61,885         274,186           Groupama Sigorta AŞ         15,014         33,657           Groupama Sigorta AŞ         15,014         33,657           Groupama Sigorta AŞ         (4)         27           Anadolu Sigorta         -         369,585           Premiums ceded         109,115         752,600           Groupama Sigorta AŞ         24,779         750           Ergo Sigorta AŞ         18,788         35,760           Axa Sigorta AŞ         18,788         35,760           Groupama Sigorta AŞ         18,788         35,760           Axa Sigorta AŞ         18,788         35,760           Axa Sigorta AŞ         1,791         (1)         (1)           Groupama Sigorta AŞ         7,914         7,914         7,914           Axi Si	Allianz Sigorta AŞ	26,491,982	53,773,843
Anadolu Hayat Emeklilik AŞ         621,888         456,976           Avivaša Emeklilik AŞ         467,232         380,592           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         112,663         9,234,124           Anadolu Sigorta         94,660,561         205,261,325           Ergo Sigorta AŞ         61,885         274,186           Groupama Sigorta AŞ         27,165         63,548           Axa Sigorta AŞ         15,014         33,657           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         5         26           Allianz Sigorta AŞ         6         2           Allianz Sigorta AŞ         6         2           Allianz Sigorta AŞ         6         2           Premiums Ceded         109,115         752,600           Groupama Sigorta AŞ         24,779         750           Ergo Sigorta AŞ         10,858         35,760           Axa Sigorta AŞ         10,858         35,760           Axa Sigorta AŞ         10,858         36,260           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         11,911         (1)           Lisanbul Umum Sigorta AŞ         1,70         (198           Allianz Sigorta AŞ         7,914,157         6,190,583           Allianz Sigorta AŞ	Axa Sigorta AŞ	15,582,588	16,890,675
AvivaSa Emeklilik AŞ         467,232         \$80,592           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         112,663         9,234,124           Anadolu Sigorta         —         74,351,826           Premiums received         94,660,561         205,261,325           Ergo Sigorta AŞ         61,885         274,186           Groupama Sigorta AŞ         27,165         63,548           Axa Sigorta AŞ         15,014         33,657           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         5         26           Allianz Sigorta AŞ         4         27           Anadolu Sigorta         -         369,855           Premiums ceded         109,115         752,600           Groupama Sigorta AŞ         24,779         750           Ergo Sigorta AŞ         18,758         35,760           Axa Sigorta AŞ         18,758         35,760           Axa Sigorta AŞ         18,758         35,760           Axa Sigorta AŞ         18,758         35,760           Axa Sigorta AŞ         18,758         35,760           Axa Sigorta AŞ         18,758         35,760           Axa Sigorta AŞ         1,70         (1)           Ilianz Sigorta AŞ         7,914,57         (1)88 </td <td>Groupama Sigorta AŞ</td> <td>6,328,165</td> <td>9,700,709</td>	Groupama Sigorta AŞ	6,328,165	9,700,709
Groupama Sigorta AŞ (Güven Sigorta TAŞ)         112,663         9,234,124           Anadolu Sigorta         7         74,351,826           Premiums received         94,660,561         205,261,325           Ergo Sigorta AŞ         61,885         274,186         63,488           Axa Sigorta AŞ         15,014         33,657         Groupama Sigorta AŞ (Güven Sigorta TAŞ)         5,050         11,571           İstanbul Umum Sigorta AŞ         4         27         Anadolu Sigorta         4         27           Anadolu Sigorta         4         27         369,885         Premiums ceded         109,115         752,600           Groupama Sigorta AŞ         24,779         750         750           Ergo Sigorta AŞ         24,779         750         750           Groupama Sigorta AŞ         24,779         750	Anadolu Hayat Emeklilik AŞ	621,888	456,976
Anadolu Sigorta         — 74,351,826           Premiums received         94,660,561         205,261,325           Ergo Sigorta AŞ         61,885         274,186           Groupama Sigorta AŞ         27,165         63,548           Axa Sigorta AŞ         15,014         33,657           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         5,050         11,571           Istanbul Umum Sigorta AŞ         6         9,255           Allianz Sigorta AŞ         4         9,25           Anadolu Sigorta         2         4,779         750           Groupama Sigorta AŞ         24,779         750           Ergo Sigorta AŞ         18,758         35,760           Groupama Sigorta AŞ         18,758         35,760           Groupama Sigorta AŞ         18,758         35,760           Axa Sigorta AŞ         18,758         35,760           Axa Sigorta AŞ         18,758         35,760           Axa Sigorta AŞ         18,250         19           Allianz Sigorta AŞ         1,10         (1)         (1)           Istanbul Umum Sigorta AŞ         7,914,157         6,190,583           Ergo Sigorta AŞ         7,914,157         6,190,583           Allianz Sigorta AŞ         7,914,157<	AvivaSa Emeklilik AŞ	467,232	580,592
Premium received         94,660,561         205,261,325           Ergo Sigorta AŞ         61,885         274,186           Groupama Sigorta AŞ         27,165         63,548           Axa Sigorta AŞ         15,014         33,657           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         5         26           Allianz Sigorta AŞ         4(4)         27           Anadolu Sigorta AŞ         4(4)         27           Anadolu Sigorta AŞ         24,779         750           Bremiums ceded         109,115         752,600           Groupama Sigorta AŞ         24,779         750           Ergo Sigorta AŞ         18,758         35,760           Axa Sigorta AŞ         10,858         802           Groupama Sigorta AŞ         10,858         802           Groupama Sigorta AŞ         10,858         802           Groupama Sigorta AŞ         10,10         (1)           İstanbul Umum Sigorta AŞ         1,01         (1)           İstanbul Umum Sigorta AŞ         7,914,157         6,190,583           Allianz Sigorta AŞ         7,914,157         6,190,583           Allianz Sigorta AŞ         7,914,157         6,190,583           Allianz Sigorta AŞ         1,700,148 <td< td=""><td>Groupama Sigorta AŞ (Güven Sigorta TAŞ)</td><td>112,663</td><td>9,234,124</td></td<>	Groupama Sigorta AŞ (Güven Sigorta TAŞ)	112,663	9,234,124
Ergo Sigorta AŞ         61,885         274,186           Groupama Sigorta AŞ         27,165         63,548           Axa Sigorta AŞ         15,014         33,657           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         5,050         11,571           İstanbul Umum Sigorta AŞ         64         27           Anadolu Sigorta AŞ         (4)         27           Anadolu Sigorta AŞ         109,115         752,600           Groupama Sigorta AŞ         24,779         750           Ergo Sigorta AŞ         18,758         35,760           Axa Sigorta AŞ         10,858         802           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         4,570         (198)           Allianz Sigorta AŞ         4,570         (198)           Allianz Sigorta AŞ         4,570         (198)           Allianz Sigorta AŞ         7,914,157         6,190,583           Allianz Sigorta AŞ         7,914,157         6,190,583           Allianz Sigorta AŞ         7,914,157         6,190,583           Allianz Sigorta AŞ         7,914,157         6,190,583           Allianz Sigorta AŞ         7,914,157         6,190,583           Allianz Sigorta AŞ         3,943         8,053           Groupama Sigorta AŞ		<del></del>	
Groupama Sigorta AŞ         27,165         63,548           Axa Sigorta AŞ         15,014         33,657           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         5,050         11,571           İstanbul Umum Sigorta AŞ         6         26           Allianz Sigorta AŞ         (4)         27           Anadolu Sigorta         109,115         752,600           Premiums ceded         109,115         752,600           Groupama Sigorta AŞ         24,779         750           Groupama Sigorta AŞ         18,758         35,760           Axa Sigorta AŞ         10,858         802           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         4,570         (198)           Allianz Sigorta AŞ         (1)         (1)         (1)           İstanbul Umum Sigorta AŞ         (2)         1,00         1         (1)         (	Premiums received	94,660,561	205,261,325
Groupama Sigorta AŞ         27,165         63,548           Axa Sigorta AŞ         15,014         33,657           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         5,050         11,571           İstanbul Umum Sigorta AŞ         6         26           Allianz Sigorta AŞ         (4)         27           Anadolu Sigorta         109,115         752,600           Premiums ceded         109,115         752,600           Groupama Sigorta AŞ         24,779         750           Groupama Sigorta AŞ         18,758         35,760           Axa Sigorta AŞ         10,858         802           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         4,570         (198)           Allianz Sigorta AŞ         (1)         (1)         (1)           İstanbul Umum Sigorta AŞ         (2)         1,00         1         (1)         (	Ergo Sigorta AŞ	61,885	274,186
Groupama Sigorta AŞ (Güven Sigorta TAŞ)         5,050         11,571           İstanbul Umum Sigorta AŞ         5         26           Allianz Sigorta AŞ         (4)         27           Anadolu Sigorta          369,585           Premiums ceded         109,115         752,600           Groupama Sigorta AŞ         18,758         35,760           Axa Sigorta AŞ         10,858         802           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         4,570         (198)           Allianz Sigorta AŞ         (1)         (1)           İstanbul Umum Sigorta AŞ         (1)         (1)           İstanbul Umum Sigorta AŞ         (2)         7,02           Anadolu Sigorta         -         39,502           Commissions received         58,964         76,613           Ergo Sigorta AŞ         7,914,157         6,190,583           Allianz Sigorta AŞ         6,340,757         13,590,078           Axa Sigorta AŞ         1,700,148         525,659           Anadolu Hayat Emeklilik AŞ         135,917         133,200           AvivaSa Emeklilik AŞ         135,917         133,200           AvivaSa Emeklilik AŞ         39,543         880,653           Groupama Sigorta AŞ <t< td=""><td></td><td>27,165</td><td>63,548</td></t<>		27,165	63,548
Istanbul Umum Sigorta AŞ         5         26           Allianz Sigorta AŞ         (4)         27           Anadolu Sigorta         —         369,585           Premiums ceded         109,115         752,600           Groupama Sigorta AŞ         24,779         750           Ergo Sigorta AŞ         18,758         35,760           Axa Sigorta AŞ         10,858         802           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         10,858         802           Groupama Sigorta AŞ         (1)         (1)           Allianz Sigorta AŞ         (1)         (1)           Interpretation of the properties of the prop	Axa Sigorta AŞ	15,014	33,657
Allianz Sigorta AŞ         (4)         27           Anadolu Sigorta          369,585           Premiums ceded         109,115         752,600           Groupama Sigorta AŞ         24,779         750           Ergo Sigorta AŞ         18,758         35,760           Axa Sigorta AŞ         10,858         802           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         4,570         (198)           Allianz Sigorta A.Ş         (1)         (1)           İstanbul Umum Sigorta A.Ş         -         (2)           Anadolu Sigorta         -         (3)           Commissions received         58,964         76,613           Ergo Sigorta AŞ         7,914,157         6,190,583           Allianz Sigorta AŞ         6,340,757         13,590,078           Axa Sigorta AŞ         1,700,148         525,059           Anadolu Hayat Emeklilik AŞ         135,917         133,200           Aviva Sa Emeklilik AŞ         135,917         133,200           Aviva Sa Emeklilik AŞ         39,543         880,653           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         17,941         1,867,411           Anadolu Sigorta AŞ         20,040         42,064,468           Ergo Sigorta AŞ <td< td=""><td>Groupama Sigorta AŞ (Güven Sigorta TAŞ)</td><td>5,050</td><td>11,571</td></td<>	Groupama Sigorta AŞ (Güven Sigorta TAŞ)	5,050	11,571
Allianz Sigorta AŞ         (4)         27           Anadolu Sigorta          369,585           Premiums ceded         109,115         752,600           Groupama Sigorta AŞ         24,779         750           Ergo Sigorta AŞ         18,758         35,760           Axa Sigorta AŞ         10,858         802           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         4,570         (198)           Allianz Sigorta A.Ş         (1)         (1)           İstanbul Umum Sigorta A.Ş         -         (2)           Anadolu Sigorta         -         (3)           Commissions received         58,964         76,613           Ergo Sigorta AŞ         7,914,157         6,190,583           Allianz Sigorta AŞ         6,340,757         13,590,078           Axa Sigorta AŞ         1,700,148         525,059           Anadolu Hayat Emeklilik AŞ         135,917         133,200           Aviva Sa Emeklilik AŞ         135,917         133,200           Aviva Sa Emeklilik AŞ         39,543         880,653           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         17,941         1,867,411           Anadolu Sigorta AŞ         20,040         42,064,468           Ergo Sigorta AŞ <td< td=""><td>İstanbul Umum Sigorta AŞ</td><td>5</td><td>26</td></td<>	İstanbul Umum Sigorta AŞ	5	26
Anadolu Sigorta          369,885           Premiums ceded         109,115         752,600           Groupama Sigorta AŞ         24,779         750           Ergo Sigorta AŞ         18,758         35,760           Axa Sigorta AŞ         10,858         802           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         4,570         (198)           Allianz Sigorta AŞ         (1)         (1)           İstanbul Umum Sigorta AŞ          (2)           Anadolu Sigorta          39,502           Commissions received         58,964         76,613           Ergo Sigorta AŞ         7,914,157         6,190,583           Allianz Sigorta AŞ         7,914,157         6,190,583           Allianz Sigorta AŞ         4,978,843         3,220,403           Groupama Sigorta AŞ         1,700,148         525,659           Anadolu Hayat Emeklilik AŞ         135,917         133,200           AvivaSa Emeklilik AŞ         39,543         880,653           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         17,941         1,867,411           Anadolu Sigorta          15,656,481           Commisions given         21,127,306         42,064,468           Ergo Sigorta AŞ <td></td> <td>(4)</td> <td>27</td>		(4)	27
Groupama Sigorta AŞ         24,779         750           Ergo Sigorta AŞ         18,758         35,760           Axa Sigorta AŞ         10,858         802           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         4,570         (198)           Allianz Sigorta A.Ş.         (1)         (1)           İstanbul Umum Sigorta A.Ş.          (2)           Anadolu Sigorta          39,502           Commissions received         58,964         76,613           Ergo Sigorta AŞ         7,914,157         6,190,583           Allianz Sigorta AŞ         7,914,157         6,190,583           Allianz Sigorta AŞ         4,978,843         3,220,403           Groupama Sigorta AŞ         1,700,148         525,659           Anadolu Hayat Emeklilik AŞ         135,917         133,200           AvivaSa Emeklilik AŞ         39,543         880,653           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         17,941         1,867,411           Anadolu Sigorta          15,656,481           Commisions given         21,127,306         42,064,468           Ergo Sigorta AŞ         30,9626         404,715           Groupama Sigorta AŞ         317,883         360,937           Axa S			369,585
Ergo Sigorta AŞ         18,758         35,760           Axa Sigorta AŞ         10,858         802           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         4,570         (198)           Allianz Sigorta A.Ş.         (1)         (1)           İstanbul Umum Sigorta A.Ş.          (2)           Anadolu Sigorta          39,502           Commissions received         58,964         76,613           Ergo Sigorta AŞ         7,914,157         6,190,583           Allianz Sigorta AŞ         6,340,757         13,590,078           Axa Sigorta AŞ         4,978,843         3,220,403           Groupama Sigorta AŞ         1,700,148         525,659           Anadolu Hayat Emeklilik AŞ         135,917         133,200           AvivaSa Emeklilik AŞ         39,543         880,653           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         17,941         1,867,411           Anadolu Sigorta          15,656,481           Commisions given         21,127,306         42,064,468           Ergo Sigorta AŞ         30,626         404,715           Groupama Sigorta AŞ         30,943         360,937           Axa Sigorta AŞ         200,940         186,474           Groupama S	Premiums ceded	109,115	752,600
Ergo Sigorta AŞ         18,758         35,760           Axa Sigorta AŞ         10,858         802           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         4,570         (198)           Allianz Sigorta A.Ş.         (1)         (1)           İstanbul Umum Sigorta A.Ş.          (2)           Anadolu Sigorta          39,502           Commissions received         58,964         76,613           Ergo Sigorta AŞ         7,914,157         6,190,583           Allianz Sigorta AŞ         6,340,757         13,590,078           Axa Sigorta AŞ         4,978,843         3,220,403           Groupama Sigorta AŞ         1,700,148         525,659           Anadolu Hayat Emeklilik AŞ         135,917         133,200           AvivaSa Emeklilik AŞ         39,543         880,653           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         17,941         1,867,411           Anadolu Sigorta          15,656,481           Commisions given         21,127,306         42,064,468           Ergo Sigorta AŞ         30,626         404,715           Groupama Sigorta AŞ         30,943         360,937           Axa Sigorta AŞ         200,940         186,474           Groupama S	Groupama Sigorta AS	24.779	750
Axa Sigorta AŞ         10,858         802           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         4,570         (198)           Allianz Sigorta A.Ş.         (1)         (1)           İstanbul Umum Sigorta A.Ş.          (2)           Anadolu Sigorta          39,502           Commissions received         58,964         76,613           Ergo Sigorta AŞ         7,914,157         6,190,583           Allianz Sigorta AŞ         6,340,757         13,590,078           Axa Sigorta AŞ         4,978,843         3,220,403           Groupama Sigorta AŞ         1,700,148         525,659           Anadolu Hayat Emeklilik AŞ         135,917         133,200           AvivaSa Emeklilik AŞ         39,543         880,653           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         17,941         1,867,411           Anadolu Sigorta          15,656,481           Ergo Sigorta AŞ         320,626         404,715           Groupama Sigorta AŞ         317,883         360,937           Axa Sigorta AŞ         200,940         186,474           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         90,435         81,820           İstanbul Umum Sigorta AŞ         9,648         7,037 <tr< td=""><td>1 0 ,</td><td></td><td></td></tr<>	1 0 ,		
Groupama Sigorta AŞ (Güven Sigorta TAŞ)         4,570         (198)           Allianz Sigorta A.Ş.         (1)         (1)           İstanbul Umum Sigorta A.Ş.          (2)           Anadolu Sigorta          39,502           Commissions received         58,964         76,613           Ergo Sigorta AŞ         7,914,157         6,190,583           Allianz Sigorta AŞ         6,340,757         13,590,078           Axa Sigorta AŞ         4,978,843         3,220,403           Groupama Sigorta AŞ         1,700,148         525,659           Anadolu Hayat Emeklilik AŞ         135,917         133,200           AvivaSa Emeklilik AŞ         39,543         880,653           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         17,941         1,867,411           Anadolu Sigorta          15,656,481           Commisions given         21,127,306         42,064,468           Ergo Sigorta AŞ         320,626         404,715           Groupama Sigorta AŞ         317,883         360,937           Axa Sigorta AŞ         200,940         186,474           Groupama Sigorta AŞ         90,435         81,820           İstanbul Umum Sigorta AŞ         11,577         8,862			
Allianz Sigorta A.Ş.         (1)         (1)           İstanbul Umum Sigorta A.Ş.          (2)           Anadolu Sigorta          39,502           Commissions received         58,964         76,613           Ergo Sigorta AŞ         7,914,157         6,190,583           Allianz Sigorta AŞ         6,340,757         13,590,078           Axa Sigorta AŞ         4,978,843         3,220,403           Groupama Sigorta AŞ         1,700,148         525,659           Anadolu Hayat Emeklilik AŞ         135,917         133,200           AvivaSa Emeklilik AŞ         39,543         880,653           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         17,941         1,867,411           Anadolu Sigorta          15,656,481           Commisions given         21,127,306         42,064,468           Ergo Sigorta AŞ         317,883         360,937           Axa Sigorta AŞ         30,943         486,745           Groupama Sigorta AŞ         200,940         186,474           Groupama Sigorta AŞ         90,435         81,820           İstanbul Umum Sigorta AŞ         90,435         81,820           Allianz Sigorta AŞ         9,648         7,037           Anadolu Sigor			
İstanbul Umum Sigorta A.Ş.         —         (2)           Anadolu Sigorta         —         (2)           Commissions received         58,964         76,613           Ergo Sigorta A.Ş         7,914,157         6,190,583           Allianz Sigorta A.Ş         6,340,757         13,590,078           Axa Sigorta A.Ş         4,978,843         3,220,403           Groupama Sigorta A.Ş         1,700,148         525,659           Anadolu Hayat Emeklilik A.Ş         135,917         133,200           AvivaSa Emeklilik A.Ş         39,543         880,653           Groupama Sigorta A.Ş (Güven Sigorta TA.Ş)         17,941         1,867,411           Anadolu Sigorta         21,127,306         42,064,468           Ergo Sigorta A.Ş         320,626         404,715           Groupama Sigorta A.Ş         317,883         360,937           Axa Sigorta A.Ş         317,883         360,937           Axa Sigorta A.Ş         200,940         186,474           Groupama Sigorta A.Ş (Güven Sigorta TA.Ş)         90,435         81,820           İstanbul Umum Sigorta A.Ş         9,648         7,037           Anadolu Sigorta         9,648         7,037           Anadolu Sigorta         -         891,065			` '
Anadolu Sigorta          39,502           Commissions received         58,964         76,613           Ergo Sigorta AŞ         7,914,157         6,190,583           Allianz Sigorta AŞ         6,340,757         13,590,078           Axa Sigorta AŞ         4,978,843         3,220,403           Groupama Sigorta AŞ         1,700,148         525,659           Anadolu Hayat Emeklilik AŞ         135,917         133,200           AvivaSa Emeklilik AŞ         39,543         880,653           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         17,941         1,867,411           Anadolu Sigorta          15,656,481           Commisions given         21,127,306         42,064,468           Ergo Sigorta AŞ         320,626         404,715           Groupama Sigorta AŞ         317,883         360,937           Axa Sigorta AŞ         200,940         186,474           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         90,435         81,820           İstanbul Umum Sigorta AŞ         11,577         8,862           Allianz Sigorta AŞ         9,648         7,037           Anadolu Sigorta          891,065			
Commissions received         58,964         76,613           Ergo Sigorta AŞ         7,914,157         6,190,583           Allianz Sigorta AŞ         6,340,757         13,590,078           Axa Sigorta AŞ         4,978,843         3,220,403           Groupama Sigorta AŞ         1,700,148         525,659           Anadolu Hayat Emeklilik AŞ         135,917         133,200           AvivaSa Emeklilik AŞ         39,543         880,653           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         17,941         1,867,411           Anadolu Sigorta          15,656,481           Commisions given         21,127,306         42,064,468           Ergo Sigorta AŞ         320,626         404,715           Groupama Sigorta AŞ         317,883         360,937           Axa Sigorta AŞ         200,940         186,474           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         90,435         81,820           İstanbul Umum Sigorta AŞ         11,577         8,862           Allianz Sigorta AŞ         9,648         7,037           Anadolu Sigorta          891,065		<del></del>	
Allianz Sigorta AŞ       6,340,757       13,590,078         Axa Sigorta AŞ       4,978,843       3,220,403         Groupama Sigorta AŞ       1,700,148       525,659         Anadolu Hayat Emeklilik AŞ       135,917       133,200         AvivaSa Emeklilik AŞ       39,543       880,653         Groupama Sigorta AŞ (Güven Sigorta TAŞ)       17,941       1,867,411         Anadolu Sigorta        15,656,481         Commisions given       21,127,306       42,064,468         Ergo Sigorta AŞ       320,626       404,715         Groupama Sigorta AŞ       317,883       360,937         Axa Sigorta AŞ       200,940       186,474         Groupama Sigorta AŞ (Güven Sigorta TAŞ)       90,435       81,820         İstanbul Umum Sigorta AŞ       11,577       8,862         Allianz Sigorta AŞ       9,648       7,037         Anadolu Sigorta        891,065		58,964	
Allianz Sigorta AŞ       6,340,757       13,590,078         Axa Sigorta AŞ       4,978,843       3,220,403         Groupama Sigorta AŞ       1,700,148       525,659         Anadolu Hayat Emeklilik AŞ       135,917       133,200         AvivaSa Emeklilik AŞ       39,543       880,653         Groupama Sigorta AŞ (Güven Sigorta TAŞ)       17,941       1,867,411         Anadolu Sigorta        15,656,481         Commisions given       21,127,306       42,064,468         Ergo Sigorta AŞ       320,626       404,715         Groupama Sigorta AŞ       317,883       360,937         Axa Sigorta AŞ       200,940       186,474         Groupama Sigorta AŞ (Güven Sigorta TAŞ)       90,435       81,820         İstanbul Umum Sigorta AŞ       11,577       8,862         Allianz Sigorta AŞ       9,648       7,037         Anadolu Sigorta        891,065	Ergo Sigorta AS	7.914.157	6.190.583
Axa Sigorta AŞ       4,978,843       3,220,403         Groupama Sigorta AŞ       1,700,148       525,659         Anadolu Hayat Emeklilik AŞ       135,917       133,200         AvivaSa Emeklilik AŞ       39,543       880,653         Groupama Sigorta AŞ (Güven Sigorta TAŞ)       17,941       1,867,411         Anadolu Sigorta        15,656,481         Commisions given       21,127,306       42,064,468         Ergo Sigorta AŞ       317,883       360,937         Axa Sigorta AŞ       200,940       186,474         Groupama Sigorta AŞ (Güven Sigorta TAŞ)       90,435       81,820         İstanbul Umum Sigorta AŞ       11,577       8,862         Allianz Sigorta AŞ       9,648       7,037         Anadolu Sigorta        891,065			
Groupama Sigorta AŞ         1,700,148         525,659           Anadolu Hayat Emeklilik AŞ         135,917         133,200           AvivaSa Emeklilik AŞ         39,543         880,653           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         17,941         1,867,411           Anadolu Sigorta          15,656,481           Commisions given         21,127,306         42,064,468           Ergo Sigorta AŞ         320,626         404,715           Groupama Sigorta AŞ         317,883         360,937           Axa Sigorta AŞ         200,940         186,474           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         90,435         81,820           İstanbul Umum Sigorta AŞ         11,577         8,862           Allianz Sigorta AŞ         9,648         7,037           Anadolu Sigorta          891,065			
Anadolu Hayat Emeklilik AŞ       135,917       133,200         AvivaSa Emeklilik AŞ       39,543       880,653         Groupama Sigorta AŞ (Güven Sigorta TAŞ)       17,941       1,867,411         Anadolu Sigorta        15,656,481         Commisions given       21,127,306       42,064,468         Ergo Sigorta AŞ       320,626       404,715         Groupama Sigorta AŞ       317,883       360,937         Axa Sigorta AŞ       200,940       186,474         Groupama Sigorta AŞ (Güven Sigorta TAŞ)       90,435       81,820         İstanbul Umum Sigorta AŞ       11,577       8,862         Allianz Sigorta AŞ       9,648       7,037         Anadolu Sigorta        891,065			
AvivaSa Emeklilik AŞ       39,543       880,653         Groupama Sigorta AŞ (Güven Sigorta TAŞ)       17,941       1,867,411         Anadolu Sigorta        15,656,481         Commisions given       21,127,306       42,064,468         Ergo Sigorta AŞ       320,626       404,715         Groupama Sigorta AŞ       317,883       360,937         Axa Sigorta AŞ       200,940       186,474         Groupama Sigorta AŞ (Güven Sigorta TAŞ)       90,435       81,820         İstanbul Umum Sigorta AŞ       11,577       8,862         Allianz Sigorta AŞ       9,648       7,037         Anadolu Sigorta        891,065	* *	135,917	
Groupama Sigorta AŞ (Güven Sigorta TAŞ)       17,941       1,867,411         Anadolu Sigorta        15,656,481         Commisions given       21,127,306       42,064,468         Ergo Sigorta AŞ       320,626       404,715         Groupama Sigorta AŞ       317,883       360,937         Axa Sigorta AŞ       200,940       186,474         Groupama Sigorta AŞ (Güven Sigorta TAŞ)       90,435       81,820         İstanbul Umum Sigorta AŞ       11,577       8,862         Allianz Sigorta AŞ       9,648       7,037         Anadolu Sigorta        891,065			· ·
Anadolu Sigorta          15,656,481           Commisions given         21,127,306         42,064,468           Ergo Sigorta AŞ         320,626         404,715           Groupama Sigorta AŞ         317,883         360,937           Axa Sigorta AŞ         200,940         186,474           Groupama Sigorta AŞ (Güven Sigorta TAŞ)         90,435         81,820           İstanbul Umum Sigorta AŞ         11,577         8,862           Allianz Sigorta AŞ         9,648         7,037           Anadolu Sigorta          891,065	· · · · · · · · · · · · · · · · · · ·		1,867,411
Ergo Sigorta AŞ       320,626       404,715         Groupama Sigorta AŞ       317,883       360,937         Axa Sigorta AŞ       200,940       186,474         Groupama Sigorta AŞ (Güven Sigorta TAŞ)       90,435       81,820         İstanbul Umum Sigorta AŞ       11,577       8,862         Allianz Sigorta AŞ       9,648       7,037         Anadolu Sigorta        891,065			
Groupama Sigorta AŞ       317,883       360,937         Axa Sigorta AŞ       200,940       186,474         Groupama Sigorta AŞ (Güven Sigorta TAŞ)       90,435       81,820         İstanbul Umum Sigorta AŞ       11,577       8,862         Allianz Sigorta AŞ       9,648       7,037         Anadolu Sigorta        891,065	Commisions given	21,127,306	42,064,468
Groupama Sigorta AŞ       317,883       360,937         Axa Sigorta AŞ       200,940       186,474         Groupama Sigorta AŞ (Güven Sigorta TAŞ)       90,435       81,820         İstanbul Umum Sigorta AŞ       11,577       8,862         Allianz Sigorta AŞ       9,648       7,037         Anadolu Sigorta        891,065	Ergo Sigorta AS	320.626	404,715
Axa Sigorta AŞ       200,940       186,474         Groupama Sigorta AŞ (Güven Sigorta TAŞ)       90,435       81,820         İstanbul Umum Sigorta AŞ       11,577       8,862         Allianz Sigorta AŞ       9,648       7,037         Anadolu Sigorta        891,065			,
Groupama Sigorta AŞ (Güven Sigorta TAŞ)         90,435         81,820           İstanbul Umum Sigorta AŞ         11,577         8,862           Allianz Sigorta AŞ         9,648         7,037           Anadolu Sigorta          891,065			
İstanbul Umum Sigorta AŞ       11,577       8,862         Allianz Sigorta AŞ       9,648       7,037         Anadolu Sigorta        891,065	<del>-</del>	•	
Allianz Sigorta AŞ       9,648       7,037         Anadolu Sigorta        891,065		· · · · · · · · · · · · · · · · · · ·	
Anadolu Sigorta 891,065		•	
		<del></del>	· ·
	Reinsurance's share of claims paid	951,109	1,940,910

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

## 45 Related party transactions (continued)

	31 December 2010	31 December 2009
Allianz Sigorta AŞ	30,188,363	33,217,811
Ergo Sigorta AŞ	37,179,390	41,116,867
Groupama Sigorta AŞ	6,599,074	15,182,213
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	3,439,890	17,056,761
Axa Sigorta AŞ	5,668,168	9,883,924
Anadolu Hayat Emeklilik AŞ	1,711,429	
AvivaSa Emeklilik AŞ	556,196	79,365
Anadolu Sigorta		53,967,052
Claims paid	85,342,510	170,503,993
Ergo Sigorta AŞ	479,476	88,403
Allıanz Sigorta AŞ	151,837	271,745
Axa Sigorta AŞ	57,287	66,987
Groupama Sigorta AŞ	10,347	61,814
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	8,305	51,717
İstanbul Umum Sigorta AŞ	2,769	1,576
AvivaSa Emeklilik AŞ	623	989
Anadolu Hayat Emeklilik AŞ	(90)	22,657
Anadolu Sigorta		(145,765)
Other income	710,554	420,123
Ergo Sigorta AŞ	224,382	88,490
Allianz Sigorta AŞ	174,173	273,868
Groupama Sigorta AŞ	133,696	139,960
Axa Sigorta AŞ	44,708	28,604
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	3,125	9,436
AvivaSa Emeklilik AŞ	768	2,009
Anadolu Hayat Emeklilik AŞ	698	18,103
İstanbul Umum Sigorta AŞ	570	3,695
Anadolu Sigorta		119,071
Other expenses	582,120	683,236

# 46 Subsequent events

Subsequent events are disclosed in note 1.10 - *subsequent events*.

Notes to the Consolidated Financial Statements As at 31 December 2010

(Currency: Turkish Lira (TL))

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

### 47 Other

Items and amounts classified under the "other" account in financial statements either exceeding 20% of the total amount of the group to which they relate or 5% of the total assets in the balance sheet

They are presented in the related notes above.

Payables to employees and receivables from employees presented under accounts, "other receivables" and "other short or long term payables", and which have balance more than 1% of the total assets

None

**Subrogation recorded in "Off-Balance Sheet Accounts"** 

None.

Real rights on immovable and their values

None.

Explanatory note for the amounts and nature of previous years' income and losses

None

As at and for the year ended 31 December 2010 and 2009, details of discount and provision expenses are as follows

	31 December 2010	31 December 2009
Reversal of income accrual of subrogation and salvage receivables ( <i>Note</i> 2.25)	(14,028,224)	
Other provision expenses ( <i>Note 17</i> )	(5,413,605)	 
Provision expenses for doubtful receivables ( <i>Note 4.2</i> ) (*)	(2,675,578)	25,750
Provision for pension fund deficits ( <i>Note 23</i> )	(1,356,665)	(1,233,990)
Provision for employee termination benefits ( <i>Note 33</i> )	(861,655)	(670,708)
Provision expenses for unused vacation pay (Note 33)	(110,428)	
Provision expenses	(24,446,155)	(1,878,948)

<sup>(\*)</sup> Provision expense stems from provision expense on doubtful receivables from main operations amounting to TL 2,658,957 and provision expense on doubtful receivables from other receivables amounting to TL 16,621.

	31 December 2010	<b>31 December 2009</b>
Rediscount income / (expense) from insurance receivables	(1,601,420)	423,395
Rediscount income / (expense) due to reinsurance payables	(669,388)	24,710
Total of rediscounts	(2,270,808)	448,105