Annual Report 2009

81st year

Local Leader, Global Partner

>>>

MİLLİ RE

since 1929

# Contents

## Vision

To maintain and further strengthen the key position in the local market and transform into a prominent reinsurance company in international markets.

## Mission

- Provide quality service and effective solutions with best practice standards.
- Further strengthen its strong capital structure and financial adequacy.
- Ensure ethical, transparent conduct and high standards in its relations and to create value for all counterparties.
- Further enhance the development and the performance of employees aligned with the company-wide strategic targets.

# Corporate Profile

**Milli Re fulfills alone nearly 25% of the industry's need for reinsurance coverage.**

**Milli Re is a key actor in the formation and development of the Turkish insurance industry.**
Commencing operations on July 19, 1929, Milli Reasürans (Milli Re) was set up by Türkiye İş Bankası (İşbank) to operate the compulsory reinsurance system. As the world's only private company operating a compulsory reinsurance system, another feature that distinguishes Milli Re from other compulsory reinsurance operators is that it accepts compulsory cessions in all insurance branches.

A key actor in the formation and development of the Turkish insurance industry, Milli Re contributed numerous benefits while operating the compulsory reinsurance system, including:

- Nationalization of the Turkish insurance industry,
- Generation of continuous revenues for the Turkish Treasury,
- Significant reduction in the outflow of foreign currencies,
- Execution of training and education programs in insurance business,
- Conducting top-notch international relations.

Leading the sector for more than eighty years, Milli Re ranked at the 58th place among the 150 largest reinsurance companies in terms of net premiums generated, according to the ranking made by Standard & Poor's (S&P).

Milli Re managed the Turkish Reinsurance Pool from 1963 to 1985, the Economic Cooperation Organization (ECO) Pool from 1975 to 1995, and the Turkish Catastrophe Insurance Pool (TCIP, whose formation it spearheaded) from 2000 to 2005. The Company has also been managing the Federation of Afro-Asian Insurers and Reinsurers (FAIR) Reinsurance Pool since its establishment in 1974.

Accepting business on a voluntary basis from the Turkish insurance companies since 1991, Milli Re currently fulfills alone nearly 25% of the industry's need for reinsurance coverage.

In line with the strategy adopted several years ago, Milli Re started to focus intensively on writing business from overseas markets. Aiming to increase global expansion and to diversify the portfolio, this strategy also encompasses balancing company's local acceptances with international business. In foreign acceptances, main focus is on emerging Asian and African countries along with Middle Eastern and East European countries.

A.M. Best has affirmed Milli Re's financial strength rating (FSR) as B++ (Stable) on August 11, 2009. According to A.M. Best, this rating reflects Milli Re's strong capitalization and dominant position in the local market.

Standard & Poor's (S&P) upgraded national scale rating of Milli Re from "trA" to ""trA+", effective from September 23, 2009.

In the coming period, Milli Re is committed to continue to work in an effort to create increasing added value for the industry and the national economy thanks to its robust financial structure and operational performance, its undisputed leadership in the Turkish market, and improving and growing overseas transactions.

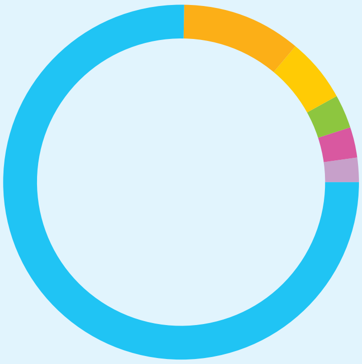
**Milli Re Singapore Branch**

As part of Milli Re's efforts to expand its presence into foreign markets, the Company, like many other internationally operating reinsurance companies, carefully evaluated the benefits of opening regional branches. Accordingly, a decision was taken to open a branch in Singapore, primarily in view of the relative weight of the Far East in the global insurance market, as well as its potential business volume and geographical location.

Having received the license for operation from the Monetary Authority of Singapore (MAS) in November 2007, the Singapore Branch rapidly pressed ahead with setting up basic infrastructure including the establishment of a data processing system and employment of personnel, and began to accept business from April 1, 2008. The Singapore Branch is expected to play an important role in the international portfolio in near future.


**Milli Re's Singapore Branch provides service with an experienced and professional team of 9 people.**

# Milli Re Shareholder Structure



| | (%) |
|---|---|
| İşbank | 76.64 |
| Milli Re Staff Pension Fund | 10.54 |
| Groupama Insurance Company | 5.88 |
| Ziraat Bank | 2.49 |
| Undersecretariat of Turkish Treasury | 2.49 |
| Other | 1.96 |

| Shareholder | Value of Stake (TL) | Stake (%) |
|---|---|---|
| İşbank | 295,056,373.15 | 76.64 |
| Milli Re Staff Pension Fund | 40,586,838.60 | 10.54 |
| Groupama Insurance Company | 22,639,104.95 | 5.88 |
| Ziraat Bank | 9,584,717.45 | 2.49 |
| Undersecretariat of Turkish Treasury | 9,584,717.45 | 2.49 |
| Other | 7,548,248.40 | 1.96 |
| **Total** | **385,000,000.00** | **100.00** |

Note: Shareholders controlling 1% or greater stakes in the Company are shown.

**Changes Made in the Articles of Association during the Year 2009**

In the Ordinary General Meeting dated March 25, 2009, Article 15 of the Company's Articles of Association, under the section headed "Powers and Duties of Board of Directors", was amended; some of the powers of the Board of Directors were transferred to the General Manager, while Article 4 under the section "Headquarters and Branches" was amended to take into account of the change in the address made by the Municipality.

# Key Financial Indicators

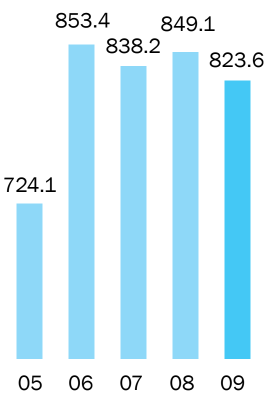


| Financial Results (TL mn) | 2008 | 2009 | Change (%) |
|---|---|---|---|
| Total Assets | 1,389.3 | 1,572.6 | 13.2 |
| Shareholders' Equity | 666.7 | 781.0 | 17.1 |
| Technical Income | 1,458.6 | 1,698.9 | 16.5 |
| Technical Profit/Loss | 39.9 | 14.7 | (63.2) |
| Financial Income | 164.8 | 125.2 | (24.0) |
| Financial Profit/Loss | 91.8 | 74.2 | (19.2) |
| Profit/Loss for the Period | 131.7 | 88.9 | (32.5) |

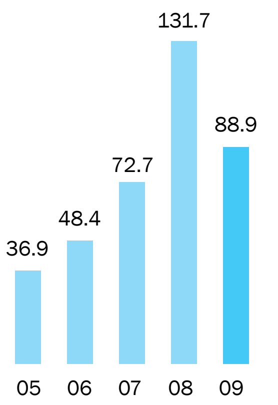
**In accordance with Milli Re's technical results, the total volume of premium income declined by 3% while losses paid and provisions for outstanding losses increased by 16% and 28%, respectively.**

| Ratios (%) | 2008 | 2009 |
|---|---|---|
| Liquidity Ratio | 142 | 141 |
| Current Ratio | 163 | 166 |
| Gross Premiums/Shareholders' Equity | 127 | 105 |
| Shareholders' Equity/Total Assets | 48 | 50 |
| Liquid Assets/Total Assets | 71 | 67 |
| Loss Ratio (Net) | 84 | 81 |

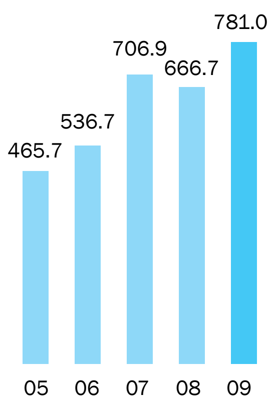
**Premium Income**
(TL mn)




**Profit for the Period**
(TL mn)




**Shareholders' Equity**
(TL mn)




**Milli Re generated TL 823.6 million of premiums and TL 74.2 million of financial profit in 2009. The Company wrote a net operating profit after tax of TL 88.9 million.**

# Milestones

**1929**
Milli Re is founded by İşbank with a capital of TL 1,000,000 to operate the compulsory reinsurance system.

1929

**1963**
The management of "Turkish Reinsurance Pool" established to accept international business was handed over to Milli Re in accordance with the agreement with Turkish insurance companies

**1967**
The management of "RCD Fire Reinsurance Pool" established under an agreement entitled "Cooperation for Regional Development" between Turkey, Iran and Pakistan, was handed to Milli Re.

**1970**
The management of the system known as "Decree Pool" established according to Decree no. 17 set out by the Ministry of Finance on the Protection of the Value of Turkish Currency was handed to Milli Re.

"Türk Sigorta Enstitüsü Vakfı" (Turkish Insurance Institute Foundation) was established by Milli Re and the Association of the Insurance and Reinsurance Companies of Turkey.

1970

TSEV
TÜRK SİGORTA ENSTİTÜSÜ VAKFI

FEDERATION OF AFRO-ASIAN INSURERS AND REINSURERS
F.A.I.R.

1974

**1974**
The management of "Fair Reinsurance Pool" established by the Federation of Afro-Asian Insurers & Reinsurers (FAIR) was handed to Milli Re.

**1982**
Compulsory reinsurance cessions to Milli Re on quota share basis were changed to surplus basis.

**1986**
MİLTAŞ Sports Facilities, built under the efforts of Milli Re, and which hosts the traditional "International Insurers Tennis Tournament" organization, was brought into the service of the sector.

1986



1991

**1991**
Milli Re began to offer reinsurance capacity on voluntary basis to the sector, by drawing up its first contracts besides "Compulsory Business" and "Decree Pool".

"Reasürör" magazine, which is a scientific resource with full academic content including compilations, translations, interviews, and statistical information in a variety of branches, was first published.

# 1993

**1993**
Milli Re moved to its new head office in Teşvikiye.

# 1994

**1994**
Milli Reasürans Art Gallery, a corporate gallery where works by prominent local and foreign artists are exhibited, and renowned for its publications, was opened.

# 1996

**1996**
Milli Reasürans Chamber Orchestra was established. The orchestra is made up of artists, most of whom also continue their solo music careers, and the orchestra performs with the participation of locally and internationally known conductors and musicians.

# 2000

**2000**
The Turkish Catastrophe Insurance Pool (TCIP) set up alongside the "Compulsory Earthquake Insurance" system established by the Undersecretariat of Turkish Treasury became operational under the management of Milli Re.

**2001**
The risk-based Compulsory Reinsurance System was discontinued.

**2005**
Milli Re became the only active and local reinsurance company in the Turkish market after purchasing Destek Reasürans T.A.Ş.

**2006**
Milli Re began to actively accept business from outside Turkey.

**2007**
Milli Re continued its operations as a free market reinsurer, after the Decree Pool was discontinued.

The Singapore Branch, which is expected to play an important role for Milli Re in expanding its presence in foreign markets, was opened.

# 2007

# 2009

**2009**
In its 81st year of operation, Milli Re's shareholder equity stood at TL 781 million with total assets of TL 1.573 billion. The Company's premium volume, meanwhile, reached TL 823.6 million in 2009, with 20% of this amount consisting of foreign business.

# Chairman's Message

**Cahit Kocaömer**
Chairman of the Board of Directors

Like the rest of the world, our country has gone through a period where all economic and social rules and practices have been reshaped. In the global competitive environment, enterprises need to respond to changes with swift and correct decisions and to grasp any unexpected opportunities introduced by new circumstances. In this new period, the "future" will belong to those corporations which concentrate on their targets by precisely determining their business and establish their strategies, accordingly.

Even when the global economy was going through such a challenging period with the valuable contributions of all our employees, our Company was relatively unaffected by the negative impacts of the crisis. Backed by the strengths of an 81 years history, which set our Company apart, we were able to fulfill our responsibilities when it came to the development of the insurance sector and raising service standards.

## Our Company maintained its share in the Turkish reinsurance sector

Despite the impact of the economic crisis and the intense competition, which has persisted in the insurance market for a long time and reducing premium income, and also the withdrawals or share reductions in some loss producing branches our Company was able to maintain its market share in the Turkish reinsurance market, where some of world's leading reinsurance companies operate. Our Company was able to lead the reinsurance agreements of more than half of the local market players.

As mentioned in our "Vision" and "Mission", our goal to maintain our key position in the local market, our robust capital and financial adequacy, our transparency, ethical and principled behavior in our relations, our efforts to produce high-quality services and effective solutions at international standards, greatly supported us in achieving this result.

**As well as being a strong local reinsurance company, Milli Re is progressing towards being a sought after reinsurer in international market as well.**

## Milli Re is also considered a highly reliable reinsurer in international markets

As well as being a strong local reinsurance company, Milli Re is progressing towards being a preferred reinsurer in international market as well. Our Company, which had, until a few years ago, generated 99% of its premium revenues from the local market, today attains a considerable portion of its premium income - up to 20% - from international clients. This is, without doubt, the proof of the fact that Milli Re is considered a highly reliable reinsurer in international markets as well.

In 2006, when our Company started to accept business from abroad for its own account, our Company turned its attention to countries in Asia and Africa, supported by the experience that it gained from the pooling experience of the Federation of Afro-Asian Insurers & Reinsurers (FAIR), an organization managed by our Company for many years. Our Company has today become a reinsurer which accepts business from almost all countries around the world.

Moreover, in common with prominent global insurers and reinsurers, our Company began to make use of the opportunities in the Far East by opening a branch in Singapore, one of the most important finance centers in the Far East. With our Company poised to reap the rewards of this decision, it will also be able to move forward in the same vein when it comes to establishing a presence in other key global locations, as it gains international experience.

**Milli Re will keep supporting insurance companies in every matter going forward**

It is expected that the insurance sector will start recovering in 2010 and to grow on a limited extent in 2011. However, companies operating in our market must meticulously determine the adverse impacts of competition, which may potentially become fiercer in the wake of the long lasting global economic crisis, and concentrate on technical pricing also taking into account the fact that financial earnings will not be at the same levels as they were before the crisis.

Milli Re, by closely and carefully evaluating the environment characterized by present circumstances, will continue to support insurance companies in every matter going forward, continuing its best tradition of 81 years. I would like to take this opportunity to extend my warmest thanks to all our partners, especially İşbank, whose strength and support we have always felt, our insurance companies and our employees who have always contributed to our achievements.

**Cahit Kocaömer**
Chairman of the Board of Directors

**Our Company maintained its share in the Turkish reinsurance industry in 2009, and was able to lead the reinsurance agreements of more than half of the local market players.**

# General Manager's Message

**Hasan Hulki Yalçın**
Board Member and General Manager

Having assumed and successfully fulfilled a range of basic duties in the Turkish insurance sector since its foundation, Milli Re has succeeded to be a strong and dependable corporation and to post a remarkable financial performance, thanks to its staff who strive for excellence, and its modern management approach. Our Company is working with all its power to press ahead and improve on this success.

Milli Re has always provided the reinsurance capacity needed by the Turkish insurance industry with the best terms and conditions, and has rapidly and effectively contributed towards meeting the liabilities of insurance companies against their policy holders, by effecting prompt settlements.

### The impact of the economic crisis begins to ease

The economic crisis which shook the whole world in the past two years first began to impact countries and then corporations systematically as a natural result of globalization, while all major developed and emerging economies continued to feel this impact in 2009, too.

With the support of monetary and financial measures taken, the impact of the crisis began to ease beginning from the third quarter of 2009, while financial markets started to recover more swiftly than had been expected. Thus, in its "World Economic Outlook Report" published in October, the IMF revised its forecasts for global economic growth upwards, while projecting a 1.1% contraction for 2009 and 3.1% growth for 2010.

Macroeconomic indicators and the developments towards the end of 2009, in particular, strengthen the view that the global measures taken to tackle the crisis now mean that the recession is likely to be shorter than initial projections.

### The Turkish economy started to climb out of recession

The Turkish economy started to feel the pressure from the crisis in global markets in the second half of 2008, while the direct impact of the crisis was reflected to macroeconomic figures from the last quarter of 2008.

The most serious impact of the crisis was on real sector in Turkey; bearing the brunt of the crisis, there was a significant jump in unemployment.

The Turkish economy started to climb out of recession in 4Q 2009. Despite the contraction in the real sector, the structural strength of the Turkish finance sector, and the banking sector in particular, played a major role in overcoming the crisis while ensuring a minimum of damage at the macroeconomic level.

**The impact of the global crisis was combined with the effects of the largely price-based competition which has been a feature of our insurance sector for many years; as a result, premium production in the industry did not increase as strongly as expected this year.**

### Developments in the insurance sector

The shockwaves which reverberated from the global crisis and affected all global financial markets and economies by 4Q 2008 were seriously felt in our country and our sector in 2009.

These impacts were combined with the effects of competition which is essentially price-based and has been continuing among the insurance companies in our market for many years; as a result, this situation was an impediment for the growth of premium to the level expected for 2009.

Moreover, floods occurring in various regions and throughout the year as a result of torrential rain had a considerable impact in the industry; the floods in the Marmara Region in September, in particular, caused massive damage amounting to nearly TL 640 million insured loss, which was an unprecedented and unforeseeable catastrophe. Despite the losses sustained from the flood, 2010 renewals were relatively smooth for proportional and non proportional treaties ceded by the local market.

### Milli Re was successful in maintaining its market share in the sector in 2009

In the Turkish insurance market, where some of the world's leading reinsurers are compete for market share, Milli Re itself fulfills nearly 25% of the industry's need for reinsurance coverage.

Milli Re's premium income declined by 3% year-on-year in 2009 to TL 823.6 million. The reason that the premium income is not as high as expected is mainly due to the recent proliferation of foreign insurance companies in our market and our Company's decision to withdraw or share reductions in motor and health branches, which have been generating loss for some time. Having generated a profit of TL 89 million in 2009, which includes revenues from our financial operations, our Company's total assets stood at TL 1.573 million at the end of the year, with shareholders' equity reaching TL 781 million.

**Having generated a profit of TL 89 million in 2009, our Company's total assets stood at TL 1.573 million and shareholders' equity reached TL 781 million by the end of the year.**

### Milli Re is expanding in international markets

Milli Re has recently concentrated on writing business from abroad in an effort to diversify its risks geographically and opened a branch in Singapore towards the end of 2007. In line with our targets, premiums related to foreign businesses reached 20% of the total premiums written by our Company in 2009, thanks to the contributions of business accepted from insurance markets of Asian, African and European countries and Singapore Branch.

Attentive to the risk-reward balance, our aim is to further increase the volume of premiums from international businesses, which are producing positive results.

### Milli Re will continue to provide the capacity required by insurance companies

Milli Re has been contributing to the development of the Turkish insurance sector for 81 years and intends to enthusiastically contribute further in the coming years, share its capacity in providing reinsurance coverage and prompt settlements, and continue to offer support backed by its technical know-how.

**At Milli Re, we believe that we will confidently realize our forward-looking targets with the support of our values, our human resources and our well-planned business strategies.**

As the insurance sector moves at a pace broadly in parallel with that of the global economy and the Turkish economy, a slow economic recovery would mean a late recovery in the insurance sector. Therefore, provided that there are no negative shocks in the global or domestic economy, the Turkish insurance sector is poised to start its recovery in 2010, but to grow in real sense from 2011 onwards.

As Milli Re, we believe that we will confidently realize our forward-looking targets with the support of our values, our human resources and our well-planned business strategies.

I would like to take this opportunity to extend my deepest thanks to our shareholders, business partners and employees, who have played such an important role in the achievements of our Company and in shaping the future.

Hulki Yalçın

**Hasan Hulki Yalçın**
Board Member and General Manager

# The Turkish Economy and Outlook

**GDP declined by 4.7% in real terms in 2009 compared to the same period of the previous year.**

The global crisis spread from developed markets to the whole world during the last quarter of 2008, and continued to take its toll on the economy – albeit to a diminishing extent - during the third quarter of 2009. Data releases regarding the global financial system and economic activity during this period implied an ongoing recovery.

However, budget deficits — especially in developed economies — continue to climb, while problems across credit markets linger and employment remains in a precarious state, all suggesting that it may take a long time for the global economy to completely recover.

## Contraction in the Turkish economy

The weakness in domestic demand and slowing foreign demand, a result of the global credit crisis, negatively affected economic activity. The Turkish economy contracted by 14.7% year-on-year in the first quarter of the year. In the second quarter of the year, the year-on-year contraction was pared down to 7.9% as the economy exhibited signs of recovery, a trend sustained in the third quarter, when the rate of economic contraction eased to 3.3%. In 2009 as a whole, GDP declined by 4.7% year-on-year in real terms.

**The annual rate of inflation, which stood at 10.06% for the CPI and 8.11% for the PPI at the end of 2008, fell to 6.53% and 5.93% by the end of 2009, respectively.**

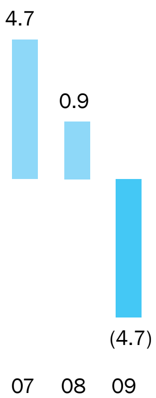
## Falling inflation

The annual rate of inflation, which stood at 10.06% for the CPI and 8.11% for the PPI at the end of 2008, fell further to 6.53% and 5.93% by the end of 2009, respectively.

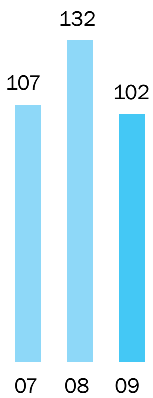
As of December 2009, the sharpest annual increase in the CPI was the 20.91% jump in prices of alcoholic beverages and tobacco (when compared to the same month of the previous year). Other segments recording steep increases in prices were miscellaneous goods and services (13.75%), food and non-alcoholic beverages (9.26%), recreation and culture (8.92%), transportation (7.89%), and hotels, cafes and restaurants (7.31%).

In December, the monthly rates of PPI inflation were 1.90% for agriculture and 0.36% for industry. The PPI for the agricultural segment increased by 14.22% when compared to December of the previous year and by 2.34% on a twelve month rolling basis. The PPI increase in the industrial sector was 4.14% when compared to December of the previous year and 1.02% on a twelve month rolling basis.

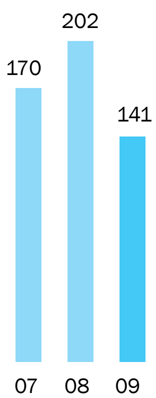
**GDP Growth Rate**
On the basis of Fixed Prices (%)




**Exports**
(USD billion)




**Imports**
(USD billion)



**Total Imports (CIF) decreased by 30.3% in 2009 to USD 140.9 billion while Total Exports (FOB) decreased by 22.6% to USD 102.1 billion.**

### Foreign trade balance
The foreign trade balance recorded a deficit of USD 38.7 billion in 2009 full year, with exports coverage of 72.5%

Imports (CIF) - including gold imports – for the full 2009 year declined by 30.3% year-on-year to USD 140.9 billion while exports (FOB) declined by 22.6% year-on-year to USD 102.1 billion. Income from the shuttle trade decreased by 22.9% to USD 4.78 billion.

### Monetary policy developments
Having predicted a rapid decline in inflation beginning from the last quarter of 2008, Turkey's Central Bank focused on limiting the potential damage to the economy and while rapidly pulling down short-term interest rates on one hand, and eliminating the blockage in the loan market on the other by pursuing a balancing liquidity policy.

Within this framework, the policy interest rate was cut by 10.25 percentage points between November 2008 and November 2009, bringing Turkey's policy interest rate closer in line with the average among those developing countries applying inflation targeting.

### Current account
In the month of December 2009, the current deficit rose by 4.5% year-on-year from USD 3,078 million in December 2008 to USD 3,217 million in 2009. Despite a number developments in items such as the services balance, the income balance and current transfers which would bring the deficit down, the 30.1% year-on-year increase in foreign trade to USD 3,432 million in December 2009 played a significant role in the widening current deficit.

For the full year, however, the current deficit plunged by 67% year-on-year, from USD 41,497 million in 2008 to USD 13,854 million in 2009.

**The Current Account Deficit narrowed by 67% from USD 41.9 billion in 2008 to USD 13.9 billion in 2009.**

### Looking to the future
Both the global economy and the Turkish economy are now in a comparably more stable state as we enter 2010. While there are figures showing a sustainable recovery, the coming period is also likely to be marked by problems such as a mounting debt burden in the public sectors of developed countries, the need – at some point – to cut back on the excessively expansive monetary and financial policies applied during the crisis, uncertainties in respect to regulating the financial system and the danger of increasing protectionism, to name but a few.

From Turkey's point of view, in 2010, the country stands to enjoy a considerably high rate of growth, predominantly due to the base effect; however, a contraction in foreign financing and public finance will continue, which is expected to be a significant barrier in preventing a strong macroeconomic outlook in 2010.

Source: TURKSTAT, Deloitte Turkey, CBRT

# An Overview of The Turkish Insurance Industry in 2009

**According to figures released by the Association of Turkish Insurance and Reinsurance Companies (TSRŞB), total premiums rose by 5.6% year-on-year to TL 12.4 billion in 2009. This growth rate was only about one percentage point short of the announced inflation rate of 6.5% for 2009.**

**Demand for Life Insurance increased, as these policies offer security in the future, and people grow more concerned about the future in times of crisis.**

### The impact of the global crisis, which first emerged in the USA and then spread to other countries, was felt in our country and the Turkish insurance sector in 2009

Although the 2009 figures for the industry have not yet been published, premium production in the insurance industry did not grow in real terms, as in 2008, when the figures provided by the Association of Turkish Insurance and Reinsurance Companies (TSRŞB) are taken into account.

According to figures released by the TSRŞB, total premiums rose by 5.6% year-on-year to TL 12.4 billion in 2009, a rate of growth about one percentage point lower than the announced inflation rate in our country for 2009, which was 6.5%. The impact of the global crisis was combined with the effects of competition, which is largely price-based and has been a feature of the Turkish insurance market for many years; this prevented the sector's premium production from growing in real terms in 2009, while at the same time precipitating a dramatic fall in technical profits. Moreover, the insured loss to be paid out in connection with the floods in the Marmara Region – especially Thrace and Istanbul – in September saddled the Turkish insurance market with the highest amounts to be paid out since the devastating earthquake in 1999.

There were considerable losses paid out in connection with agricultural insurance policies, due to hail and frost incidents during the year. Again, negative results are expected in the motor and health branches.

### Rising demand for Life Insurance

Demand in Life Insurance products increased in 2009; the primary cause for this was that these insurance policies offer products which secure the future, and people focus on the future in times of crisis.

**Breakdown of Total Premium Income by Branches**

| | (%) |
|---|---|
| Accident | 26 |
| Motor TPL (Traffic) | 18 |
| Fire | 16 |
| Life | 15 |
| Health | 11 |
| Engineering | 5 |
| Personal Accident | 4 |
| Marine | 3 |
| Agriculture | 1 |
| Other | 1 |
| Total | 100 |

Turkish insurance market first started to attract foreign investor attention some years ago due to the massive potential in Turkey; this increased considerably in 2008 as the insurance sector reached its saturation point in developed countries. However, this trend did not continue in 2009, given the lack of companies suitable for purchase as well as the impact of the financial crisis.

**Foreign investor interest in the Turkish insurance market was relatively subdued in 2009, as fewer companies were suitable for purchase, and also because of the impacts of the financial crisis.**

### Other important developments in the Turkish insurance sector in 2009:

- The "Institute Cargo Clauses" dated January 1, 2009, and which also entered effect on January 1, 2009 was a key development in the Marine Insurance market during the year. To encourage switching to the Turkish flag, Motor Vehicles Tax was abolished, while the rates of Value Added Tax and Special Consumption Tax were cut.
- Amendments were made to the Compulsory Earthquake Insurance Tariff and Instructions as of January 1, 2009.
- The General Conditions for Travel Vehicle Support Insurance entered into effect after approval by the Undersecretariat of Turkish Treasury, on February 1, 2009.
- The "Communiqué on Amendments to the Communiqué on Life Insurances" entered into effect on March 1, 2009.
- The Amendment was made on the Compulsory Highway Transportation Liability Insurance Tariff and Intructions, which entered into effect on July 1, 2009.
- The General Conditions for Fire Insurance and Additional Coverage Clauses were rearranged on September 1, 2009, which entered into effect after being approved by the Under secretariat of Turkish Treasury.
- The Insurance Industry Training Center (SEGEM) provided "Technical Personnel Training" to insurance agents in various cities throughout Turkey from May, in line with Provisional Article 1 of the Insurance Agencies Regulation.
- An Insurance Arbitration Committee was set up in accordance with Article 30 of Law no. 5684 with the aim of ensuring the easy and rapid settlement of disputes by arbitrators arising in connection with insurance contracts entered into between policyholders or those benefiting from insurance policies and insurance companies which are members of the system. The Committee initiated its operations in August.

**An Insurance Arbitration Committee was set up in line with Article 30 of Law no. 5684, which initiated operations in August.**

# An Overview of The Global Reinsurance Market in 2009

**Industry capital increased by 16.6% in accordance with 3rd Quarter figures and is anticipated to fully offset the 16.9% decline throughout 2008 and to reach USD 398 billion at the end of 2009.**

### The reinsurance market displayed an outstanding performance throughout 2009

Unlike other financial and real sector institutions which showed significant contraction and required government aid, new capital flows or recapitalizations to survive through the credit and liquidity crisis, the reinsurance market displayed an outstanding performance throughout 2009.

In general reinsurers were able to retain their core economic capital to provide coverage and liquidity to cedants mainly due to their relatively sound risk management strategies and conservative investment policies.

### Reinsurance capital returned to the peak levels experienced in 2007

Industry capital increased by 16.6% in accordance with 3rd Quarter figures and is anticipated to fully offset the 16.9% decline throughout 2008 and to reach USD 398 billion at the end of 2009. Minimum natural catastrophe activity, relatively disciplined underwriting, reserve releases and improving financial markets which led to increased profitability and investment gains helped reinsurance capital return to the peak levels experienced in 2007.

### Considerable share repurchases are expected, coupled with further consolidation

**The developments did not lead to an increase in reinsurance appetite, mainly due to the lack of a major loss activity and recent adjustments in catastrophe loss models that resulted in declines in predicted losses for earthquake and wind perils.**

On the demand side, no major growth was experienced despite the continuing decline in primary pricing and short-term growth is expected to remain at low single digits. Although there was an increased focus on Enterprise Risk Management and risk tolerance in accordance with the capital requirements imposed by Solvency II and regulators and investment returns showed a considerable reduction throughout 2009, these developments did not lead to an increase in reinsurance appetite, mainly due to the lack of a major loss activity and recent adjustments in catastrophe loss models that resulted in declines in predicted losses for earthquake and wind perils. In line with this development, considerable share repurchases are expected, coupled with further consolidation.

Capacity growth outpacing demand growth, combined with the impact of increased levels of price competition among primary insurers exerting considerable pressure on their reinsurance cost budgets, contributed to a slow January renewal and further softening in reinsurance pricing.

### Pro-rata commissions for most markets remained stable

Although most observers agree that the market has softened, many argue that it should not be considered a "soft market" in the sense that reinsurers have generally maintained a relatively disciplined underwriting attitude, with rates related to the exposures and loss activity if any.

Nevertheless, major loss free peak zones enjoyed 5-15% rate reductions. Loss impacted programmes in regions such as France, Italy and Spain, Central and Eastern Europe, mid-US and Asia Pacific experienced around 2-10% rate increases, in some instances even up to 30-40%. While the cost of risk layers closely reflected the loss activity, pro-rata commissions for most markets remained stable.

Retrocession showed a modest increase in terms of capacity and a relative decline in demand. The market remained considerably firm with around 5% price reduction on average.

### As regards natural catastrophes, loss activity fell to the lowest level within three years

Despite the fact that there were at least 850 "destructive natural hazard events" as compared to 750 in 2008 and 770 per year over the decade, total insured losses were around USD 22 billion as opposed to USD 50 billion during the previous year. The most costly event was Windstorm Klaus, affecting France, Italy and Spain causing an insured loss of USD 3.3 billion. The 7.6 magnitude earthquake hitting Indonesia and Typhoon Marakot affecting Taiwan, China and the Philippines, led to only USD 40 million and USD 100 million insured losses respectively. There were 33 hurricanes, typhoons and cyclones, 19 major storms and 12 landfalling hurricanes, typhoons and cyclones.

### The reinsurance industry enjoyed one of its most profitable years in 2009

Consequently, the reinsurance industry enjoyed one of its most profitable years, partly because of the benign loss activity but primarily due to the recovery in the asset side of reinsurer portfolios benefiting from the recovery of capital markets and improved investment yields. Mergers and acquisition activity regained some momentum in 2009, as insurers and reinsurers turned to capital markets for their strategic and tactical needs.

**Loss impacted programmes in regions such as France, Italy and Spain, Central and Eastern Europe, mid-US and Asia Pacific experienced around 2-10% rate increases.**

**The reinsurance industry enjoyed one of its most profitable years, partly because of the benign loss activity but primarily due to the recovery in the asset side of reinsurer portfolios benefiting from the recovery of capital markets and improved investment yields.**

**Due to the significant level of issuance during the last quarter; total catastrophe bond capacity reached USD 12.9 billion at year end.**

### ILS instruments as at the end of 2009 represented 10% of total catastrophe capacity offered to reinsurance buyers

Catastrophe bond issuance started to grow again after the first quarter 2009 and due to the significant level of issuance during the last quarter; total catastrophe bond capacity reached USD 12.9 billion at year end. Improving analytics, growing investor base showing increasing interest to ILS instruments which are not correlated with the rest of their financial investments and structural innovation contributed to a great extent to the resurgence of ILS as an attractive asset class. ILS instruments as at the end of 2009 represented 10% of total catastrophe capacity offered to reinsurance buyers. In addition, changes in collateral standards following the bankruptcy of Lehman Brothers helped reduce the reliance of investors on counterparties. This trend is expected to continue throughout 2010.

On the other hand, sidecar market has not shown a similar trend. A few sidecars were renewed in 2009 and were generally reduced in size. The demand for sidecar capacity is expected to further reduce in 2010 due to the fact that most reinsurers will have restored more capital than they can deploy in the reinsurance market.

### For the first time since 2005 downgrades outpaced upgrades

On rating side, most of the rating changes were for local subsidiaries of large global groups and for the first time since 2005 downgrades outpaced upgrades. In Europe, ten group companies were downgraded by AM Best, while only two received upgrades. In Asia Pacific on the other hand there have been four downgrades as opposed to eight upgrades.

**In Europe, ten group companies were downgraded, while only two received upgrades. In Asia Pacific on the other hand there have been four downgrades as opposed to eight upgrades.**

It is expected that Solvency II will increase the regulatory capital requirement of composite insurers by 20% - 40%. The recent Consultation Papers by Committee of European Insurance and Occupational Pensions Supervisors show a more conservative view after the crisis, and capital requirements have increased substantially since QIS 4, especially on the asset side of the balance sheet. Another major concern is about long-tail classes, where by some observers the pricing is regarded insufficient in the face of the increase in inflationary pressures as well as the claim frequency, the impact of which would be more dramatic given the release of previous years' reserves and the low interest rates.

# Turkish Reinsurance Market and Milli Re in 2009



Milli Re is a reliable and consistent local reinsurer for both local and foreign-capital companies operating in the Turkish market. Controlling a market share of 25% in 2009, unchanged from the previous year, Milli Re has the necessary experience and financial strength to maintain its market share, even at a time when the share of foreign capital in the reinsurance market is increasing.

**Insurance companies in the Turkish market did not encounter a major difficulty in 2010 renewals of proportional and non-proportional reinsurance contracts realized at the end of 2009.**

### Premiums related to proportional reinsurance contracts in the Turkish reinsurance market in 2009 fall short of expectations

The most striking feature of the Turkish reinsurance market in 2009 was that premiums related to proportional reinsurance contracts were not as high as had been estimated, due to the unexpected increase in the negative impacts of non-technical pricing, which has been going on in the insurance market for some time because of the economic crisis.

Moreover, the fact that September's floods in the Marmara Region causing around TL 640 million of insured loss, emerged as another important factor for insurance companies. Despite this, insurance companies in our market did not encounter any significant difficulty during 2010 renewals of proportional and non-proportional reinsurance contracts.

The most important issue in 2010 renewals of proportional reinsurance contracts was the decline in estimated premiums. This was the result of the optimism in previous year's renewals being replaced by more realistic perceptions in 2009, also taking into account the repressive impact of competition on prices.

### A fall in average coverage costs

There was no significant change in the terms and conditions of non-proportional reinsurance contracts as compared to 2009. There was an increase in the rates of lower layers of catastrophe excess of loss contracts, reflecting the impact of September's floods in the Marmara Region on these layers, but there was no increase in the top layers, and average coverage costs declined due to the fact that reinsurance companies obtained more coverage than in the previous year.

**Total amount of coverage obtained by the Turkish insurance market in 2010 against catastrophe risks amounts to nearly EUR 5.2 billion, with a corresponding premium reaching approximately EUR 144 million.**

In 2010, the total amount of coverage bought by the Turkish insurance market, including Milli Re and Compulsory Earthquake Insurance scheme (TCIP), against catastrophe risks amounts to nearly EUR 5.2 billion, with a corresponding premium of approximately EUR 144 million.

**Milli Re's share in the catastrophe excess of loss programmes in the Turkish market rose from 15% to 18%.**

### Milli Re maintained its 12% market share in the catastrophe excess of loss programmes in 2009

Milli Re leads more than half of the proportional reinsurance contracts in the Turkish reinsurance market, in which world's leading reinsurers operate. Providing 100% coverage for risk and cat excess of loss contracts, Milli Re maintained its market share in the catastrophe excess of loss treaties in the market at 12% in 2009, broadly unchanged from its 2008 levels.

However, excluding some global catastrophe excess of loss reinsurance programmes, Milli Re's share in stand-alone Turkey catastrophe excess of loss programmes rose from 15% to 18%

The Combined Ratio, which was 94% due to the relatively low loss ratios in business accepted during 2008, reached 111% in 2009 due to the impact of floods in the Marmara Region, which had caused particularly severe damage in Thrace and Istanbul, as well as hail and frost incidents that occurred in various places throughout Turkey during the year.

### Milli Re's premium production decreased by 3% in 2009 when compared to the previous year

**Milli Re's technical profit totaled TL 14.7 million in 2009 with the positive impact of financial income and expenses transferred to Life and Non-Life Technical Accounts, corresponding to the Company's technical operations in Life and Non-Life Insurances.**

Although the technical results of Milli Re's foreign business in 2009 were positive, local business yielded negative technical results. In accordance with the provisions set forth in the "Communiqué regarding the Insurance Chart of Accounts and Prospects" and in line with practices applied in previous years, Milli Re's technical profit totaled TL 14.7 million in 2009 thanks to the positive impact of financial income and expenses.

The main reason behind this year's technical profit figure being lower than in the previous year was the impact of the global crisis and the fierce competition, which resulted in lower prices in the local market, as well as the intensity of losses that occurred during the year. Thus, a look at the figures related to the technical results reveals that that premium production decreased by 3% this year when compared to the previous year's premium production, while paid losses increased by 16% and provisions for outstanding claims increased by 28%.

Milli Re's premium production totaled TL 823.6 million in 2009, while it generated a financial profit of TL 74.2 million and a net operating profit of TL 88.9 million.

### A higher level of premiums from international transactions

In line with the principles set out by the Board of Directors in October 2005, which spelt out the target of writing more business from international markets in addition to maintaining its local business, an International Marketing Department was established within the Company; Milli Re actively started accepting business from a variety of developing countries in Asia and Africa; subsequently included select accounts from continental Europe and Lloyd's markets; and a branch office was opened in Singapore. These efforts and the contribution of business accepted via the Singapore Branch began to bear fruit. The amount of premiums accounted from the international market reached 20% of Milli Re's total premium production.

Milli Re's financial strength rating, which bears great significance in international reinsurance relations, was reaffirmed as B++ (Stable) by A.M. Best on August 11, 2009. The Company's national scale rating, on the other hand, was raised from "tr A" to "tr A+" by Standard & Poor's (S&P) on September 23, 2009.

Milli Re remains to be a reliable local reinsurer for foreign-capital companies operating in the sector prefer to work with. As in the past, the Company will continue to develop its relations with local and foreign companies both in Turkey and in international markets in the period ahead.

### Qualified and successful human resources

Milli Re is aware that its employees are a key factor behind its success in reaching its targets. Backed by a highly qualified staff who are devoted to their work and corporation and are open to learning and development at all times, Milli Re stands out as one of the best models in the industry with respect to human resources practices.

Milli Re had 210 employees on its payroll at the end of 2009.

**The amount of premiums related to foreign business reached 20% of Milli Re's total premium production in 2009.**

# Corporate Social Responsibility

Considering social responsibility projects as an effort to create an added value to the insurance industry and the community, Milli Re undertakes such duties particularly in the fields of education, culture, art and sport, and demonstrates its commitment to society in the most effective manner through concrete projects and sponsorships.

## The Milli Re Art Gallery

The Milli Re Art Gallery is a pioneering institutional gallery set up within the framework of a corporate gallery management approach and widely known for its exhibitions and publications.

The story of the Milli Re Art Gallery started in 1994 when Milli Re has reserved a section of its business complex in Teşvikiye for cultural activities, and it set aside room for a library, an auditorium and a gallery in this section.

During the past sixteen years, the Milli Re Art Gallery has organized more than 100 exhibitions, all of which were well received in art circles and followed with interest. The gallery has published approximately eighty books and catalogues with texts by famous Turkish and foreign authors and art critics.

The Milli Re Art Gallery also organizes exhibitions abroad (in countries such as Germany, Slovenia, Bosnia-Herzegovina, Georgia and Finland) and the “Rural Architecture in the Eastern Black Sea Region” exhibition has been on display at many universities and international museums both in Turkey and abroad since 2005.

**Offering music-lovers universal polyphonic music, which enriches our cultural life through concerts and recitals, the Milli Re Chamber Orchestra performs at the concert hall in the Milli Re building between September and May every year.**

## Milli Re Chamber Orchestra

The Milli Re Chamber Orchestra, which is constituted of artists most of whom also follow their solo music careers, was established in 1996.

Having performed its first concert on April 10, 1996, the Milli Re Chamber Orchestra has organized a number of successful concerts since its foundation with famous conductors and musicians from Turkey and abroad.

Offering music-lovers a range of polyphonic universal music and enriching our cultural life through concerts and recitals, the Milli Re Chamber Orchestra performs at the concert hall in the Milli Re building between September and May every year.

In addition to the regularly performed concerts, the Orchestra, which has joined various national and international festivals, published the following CDs: “Romantic Era Strings Music” and “Şensoy Plays Tura”.

Milli Re’s sponsorship in the 34th, 36th and 38th International Istanbul Music Festivals, held in 2006, 2008 and 2010 respectively, is another example of its devoted support for art.

## Miltaş Sports Complex

The Miltaş Sports Complex has been serving the insurance sector since 1986 with its facilities in various sports, particularly tennis. The International Insurance Tennis Tournament has been held every June at this Complex since 1986, providing a unique environment for local and foreign reinsurers and brokers. Tennis and basketball courses are also organized every year for youngsters in this Complex.

## Milli Re Library

The Milli Re Library is a specialized library in which publications, periodicals and other materials concerning the insurance industry and matters related to the insurance industry are collected, organized and put to the service of users under a modern information and document management approach.

Milli Re Library is the sector's most extensive library in terms of books and periodicals. The library also supports the libraries of Insurance Vocational Schools of Higher Education, which were established or are in the process of being established in Turkey, by sending books and periodicals.

## Reasürör Magazine

Published every three months since 1991, the Reasürör Magazine provides full academic content including compilations, translations, interviews, and statistical information in a variety of branches. The Reasürör Magazine can be considered as a valuable scientific resource, where the industry and students at various levels receiving education in the insurance field benefit in their studies.

## Turkish Insurance Institute Foundation (TII)

The Turkish Insurance Institute Foundation (TII) was established jointly by Milli Re and the Association of Turkish Insurance and Reinsurance Companies on May 29, 1970. To serve the insurance industry in the best possible manner, the Institute's Board is composed of two representatives of Milli Re and two representatives from the Association of Turkish Insurance and Reinsurance Companies, as well as one representative from the Insurance General Directorate of the Undersecretariat of Turkish Treasury, one academician and one individual from the sector deemed to have knowledge and experience.

The TII performs activities aimed at increasing the competitive strength of the insurance industry and to support its development. Since its foundation, the TII has established an education program in cooperation with universities aimed at meeting the vocational training needs of the insurance industry, it has conducted studies in insurance-related matters, published auxiliary works such as compilations and translations and established relations with local and foreign education institutions aimed at widening insurance education and raising insurance awareness.

**Having placed significant importance on education at all times, Milli Re has shown extensive efforts to provide material and moral support to TII's training activities, and will continue to do so in the future.**

Fulfilling the education duty assigned to it with the "Certificate Program", the TII has so far trained 2,758 students for the Turkish Insurance Industry.

Working in close cooperation with leading training institutions in the global insurance industry, the TII provides an excellent library for the use of researchers, has a large collection of publications received from these institutions.

Apart from training services, the TII provides significant contributions to widening insurance knowledge through seminars and panels, which enjoy high levels of participation and popularity in the industry.

Having always attached significant importance to education, Milli Re has shown extensive efforts to provide, material and moral support, to TII's education activities - and will continue to do so going forward.

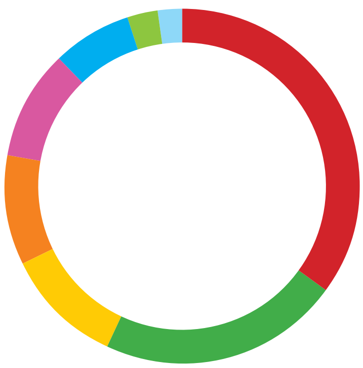
# Milli Re's Technical Results in 2009

**Milli Re's premium production totaled TL 823,622,465 in 2009, with a technical profit of TL 14,698,225 by the end of the year.**

Milli Re's premium production totaled TL 823,622,465 in 2009, marking a decline of 3% year-on-year. The impact of the global crisis which first emerged in the USA in 2008 and then spread to other countries was felt strongly in our country and in the Turkish insurance sector in 2009; this was combined with the effects of price-based competition, which has been a feature of the insurance market in Turkey for many years. Neither the sectors nor Milli Re's premium production increased as expected in 2009.

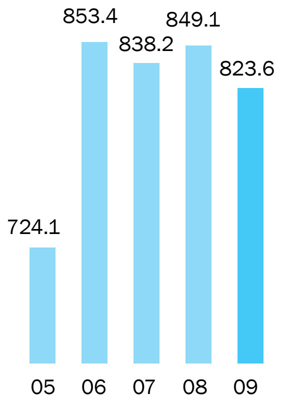
The Company's premium income did not increase as expected because of the recent concentration of foreign capital in the Turkish market and the non-renewal of some reinsurance contracts for poorly performing branches, particularly motor and health.

**2009 Premium Production**

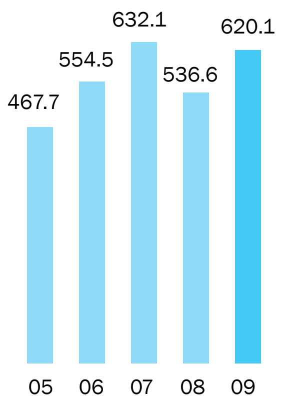


| | (%) |
|---|---|
| Fire | 35 |
| Accident | 22 |
| Engineering | 11 |
| Motor TPL (Traffic) | 10 |
| Health | 10 |
| Marine | 7 |
| Agriculture | 3 |
| Life | 2 |

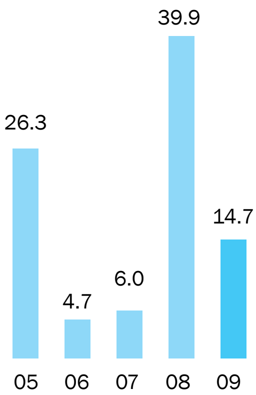
**Premium Income**
(TL mn)




**Losses Paid**
(TL mn)




**Technical Profit/Loss**
(TL mn)



| Technical Profitability Ratios (%) | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Loss Ratio (Gross) | 68 | 74 | 75 | 80 | 85 |
| Loss Ratio (Net) | 73 | 77 | 78 | 84 | 81 |
| Expense Ratio | 22 | 23 | 23 | 14 | 26 |
| Combined Ratio | 90 | 97 | 98 | 94 | 111 |

| Technical Results (TL) | 2008 | 2009 | Change (%) |
|---|---|---|---|
| **I- TECHNICAL INCOME** | **1,458,553,309.78** | **1,698,923,035.74** | **16.48** |
| A) Premiums | 849,062,261.95 | 823,622,465.42 | (3.00) |
| B) Commissions | 1,096,279.23 | 1,845,532.85 | 68.35 |
| C) Retrocessionaires' Share in Losses Paid | 20,171,838.19 | 41,223,130.37 | 104.36 |
| D) Technical Provisions Brought Forward (Net) | 479,282,523.93 | 651,950,310.62 | 36.03 |
| a) Provision for Unearned Premiums | 247,511,432.36 | 358,959,154.68 | 45.03 |
| b) Provision for Outstanding Losses | 223,795,505.23 | 282,838,661.87 | 26.38 |
| c) Provision for Unexpired Risks | 6,273,327.49 | 7,442,223.72 | 18.63 |
| d) Mathematical Reserves (Life) | 1,138,141.78 | 873,512.40 | (23.25) |
| e) Provision for Outstanding Indemnities (Life) | 564,117.07 | 1,836,757.95 | 225.60 |
| E) Retrocessionaires' Share in Technical Provisions | 39,697,745.58 | 83,883,595.05 | 111.31 |
| a) Provision for Unearned Premiums | 5,293,425.32 | 3,016,193.69 | (43.02) |
| b) Provision for Outstanding Losses | 33,618,285.47 | 79,979,818.18 | 137.91 |
| c) Mathematical Reserves (Life) | 786,034.79 | 887,583.18 | 12.92 |
| F) Other Income | 14,663,137.40 | 18,965,891.68 | 29.34 |
| G) Investment Income Transferred from Non-Technical Account | 53,937,213.35 | 77,311,711.75 | 43.34 |
| H) Investment Income (Life) | 642,310.15 | 120,398.00 | (81.26) |
| **II- TECHNICAL EXPENSES** | **1,418,640,086.40** | **1,684,224,810.28** | **18.72** |
| A) Premiums Ceded to Retrocessionaires | 53,533,512.87 | 65,304,757.13 | 21.99 |
| B) Commissions Paid | 96,579,396.14 | 184,577,992.49 | 91.12 |
| C) Losses Paid | 536,569,621.80 | 620,058,311.14 | 15.56 |
| D) Technical Provisions | 698,165,575.98 | 776,305,967.67 | 11.19 |
| a) Provision for Unearned Premiums | 364,252,580.00 | 353,362,028.82 | (2.99) |
| b) Provision for Outstanding Losses | 316,456,947.34 | 405,252,625.65 | 28.06 |
| c) Change in Other Technical Provisions (Net of Reinsurance) (+/-) | 6,517,519.78 | 5,865,717.89 | (10.00) |
| d) Provision for Unexpired Risks | 7,442,223.72 | 8,263,494.82 | 11.04 |
| e) Mathematical Reserves (Life) | 873,512.40 | 840,988.17 | (3.72) |
| f) Provision for Outstanding Indemnities (Life) | 2,622,792.74 | 2,721,112.32 | 3.75 |
| E) Other Expenses | 9,358,113.62 | 9,929,213.84 | 6.10 |
| F) Investment Expenses Transferred to Non-Life Technical Account | 23,842,966.07 | 27,482,529.54 | 15.26 |
| G) Operating Expenses (Life) | 590,899.92 | 566,038.47 | (4.21) |
| **III- TECHNICAL PROFIT/LOSS (I-II)** | **39,913,223.38** | **14,698,225.46** | **(63.17)** |

# Fire

**Milli Re wrote TL 290,782,337 premiums in the Fire branch in 2009, marking nearly 11% growth compared to the previous year.**

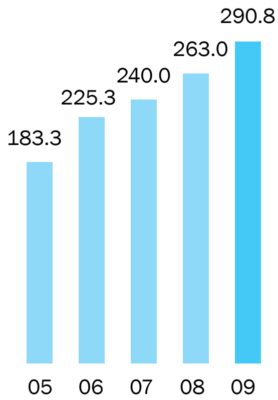
Amendments were made in the Compulsory Earthquake Insurance (TCIP) Tariff and Instructions and Fire Insurance General Conditions and its additional clauses on covers, which entered into effect on January 1, 2009 and September 1, 2009, respectively.

Although 2009 figures for the industry have not yet been published in the Turkish insurance market, according to the figures provided by the Association of Turkish Insurance and Reinsurance Companies, premium production in the Fire branch, excluding Compulsory Earthquake Insurance (TCIP) premiums, is estimated to have amounted to nearly TL 1.7 billion in 2009, an increase of nearly 5% year-on-year. In terms of number of insurance policies, on the other hand, there was a 20% increase, excluding Compulsory Earthquake Insurance policies. Compulsory Earthquake Insurance premiums rose by 18% year-on-year to TL 323 million in 2009, while the number of Compulsory Earthquake Insurance policies increased by 24%. The real increase observed in the number of policies and premium production in Compulsory Earthquake Insurance policies resulted from the increasing interest in such insurance policies in response to the earthquakes of various magnitudes which occurred throughout the world during the year.

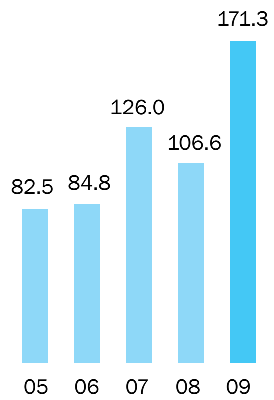
Milli Re wrote TL 290,782,337 of premiums in 2009 in the Fire branch, an increase of nearly 11% - exceeding the average increase in the sector. Some 34% of this total was from international markets, marking a continuation of the gradual increase in the share of business received from abroad in the Fire branch in the Company's total portfolio. Milli Re's loss ratio (gross) meanwhile, rose from 58% in 2008 to 81% in 2009 due to the impact of insured loss, which emerged as the result of the floods which hit the Marmara Region, particularly in Thrace and Istanbul. The insured loss associated with the floods represented the highest amounts ever encountered by the Turkish insurance market since the devastating earthquake of 1999. Despite a series of floods and losses in the Southern Aegean and Mediterranean regions, as well as Istanbul, in the second half of December due to heavy rain, the corresponding insured loss was not as high as it was in September.

The technical profit generated from international and local business in this branch was TL 24,502,163 and TL 33,490,720, respectively; the retained account displayed a positive result of TL 57,992,883 – well above the result of the previous year.

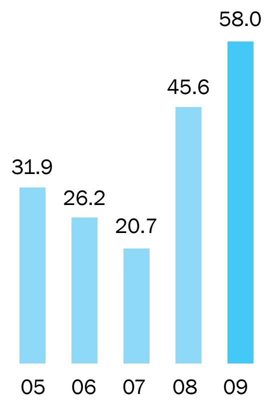
**Premium Income**
(TL mn)




**Losses Paid**
(TL mn)




**Technical Profit/Loss**
(TL mn)



| Profitability Ratios in the Fire Branch (%) | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Loss Ratio (Gross) | 41 | 53 | 53 | 58 | 81 |
| Loss Ratio (Net) | 49 | 59 | 62 | 66 | 62 |
| Expense Ratio | 23 | 22 | 23 | 14 | 28 |
| Combined Ratio | 64 | 75 | 76 | 72 | 109 |

| Fire Branch Technical Results (TL) | 2008 | 2009 | Change (%) |
|---|---|---|---|
| **I- TECHNICAL INCOME** | **450,427,259.55** | **647,671,013.47** | **43.79** |
| A) Premiums | 263,012,488.12 | 290,782,336.91 | 10.56 |
| B) Commissions | 366,996.99 | 487,852.85 | 32.93 |
| C) Retrocessionaires' Share in Losses Paid | 8,270,876.85 | 35,745,208.23 | 332.18 |
| D) Technical Provisions Brought Forward (Net) | 126,432,163.66 | 201,717,767.04 | 59.55 |
| a) Provision for Unearned Premiums | 49,755,781.65 | 111,839,867.58 | 124.78 |
| b) Provision for Outstanding Losses | 76,391,518.12 | 89,877,899.46 | 17.65 |
| c) Provision for Unexpired Risks | 284,863.89 | 0.00 | - |
| E) Retrocessionaires' Share in Technical Provisions | 14,045,734.11 | 57,241,963.13 | 307.54 |
| a) Provision for Unearned Premiums | 2,392,164.81 | 849,085.87 | (64.51) |
| b) Provision for Outstanding Losses | 11,653,569.30 | 56,392,877.26 | 383.91 |
| F) Other Income | 13,277,526.55 | 17,728,714.79 | 33.52 |
| G) Investment Income Transferred from Non-Technical Account | 25,021,473.27 | 43,967,170.52 | 75.72 |
| **II- TECHNICAL EXPENSES** | **404,807,161.35** | **589,678,130.27** | **45.67** |
| A) Premiums Ceded to Retrocessionaires | 31,667,317.73 | 43,371,842.93 | 36.96 |
| B) Commissions Paid | 28,804,288.20 | 71,304,646.90 | 147.55 |
| C) Losses Paid | 106,625,496.72 | 171,257,051.02 | 60.62 |
| D) Technical Provisions | 222,258,743.50 | 286,800,995.98 | 29.04 |
| a) Provision for Unearned Premiums | 114,232,032.39 | 122,871,890.57 | 7.56 |
| b) Provision for Outstanding Losses | 101,531,468.76 | 158,358,096.88 | 55.97 |
| c) Change in Other Technical Provisions (Net of Reinsurance) (+/-) | 6,495,242.35 | 5,571,008.53 | (14.23) |
| E) Other Expenses | 8,443,867.51 | 8,149,184.03 | (3.49) |
| F) Investment Expenses Transferred to Non-Life Technical Account | 7,007,447.69 | 8,794,409.41 | 25.50 |
| **III- TECHNICAL PROFIT/LOSS (I-II)** | **45,620,098.20** | **57,992,883.20** | **27.12** |

# Marine

**Milli Re wrote TL 54,736,134 of premiums in the Marine branch in 2009, nearly 42% of which came from international markets**

Although official figures for the industry's premium production have not yet been published, according to figures provided by the Association of Turkish Insurance and Reinsurance Companies, premium production in the Marine branch in Turkey is estimated to have decreased by 9% in 2009 to approximately TL 374 million.

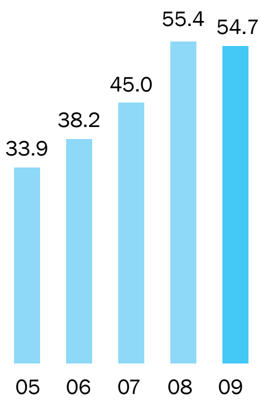
The contraction in domestic and foreign demand, resulting from the global economic crisis, precipitated a decline in both exports and imports, in turn, leading to reduced premiums in Cargo Insurance policies, which have significant volume in Marine branch. Moreover, falling commodity prices led to lower insured values, thus causing loss of premium.

Likewise, there was a decline in Hull premiums as freight prices and Hull prices fell amid the global crisis. As regards Shipbuilder's Risks, on the other hand, there were policy cancellations and a decline in premiums due to difficulties encountered in obtaining loans and due to falling freight volumes. In contrast with the Commercial Hull and Shipbuilding Risk, demand for Yacht Insurances gained pace, and premium production in this branch increased when compared to the previous year, as the Motor Tax was abolished, while Value Added Tax and Private Consumption Tax were cut this year to encourage vessels to switch to the Turkish flag.

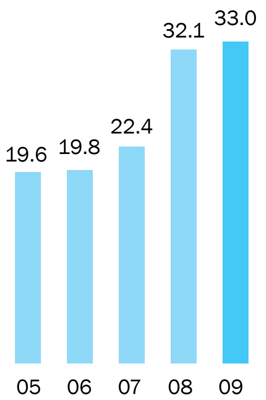
Incorporated in policies as special conditions, Institute Cargo Clauses dated January 1, 1982 were updated and revised as Institute Cargo Clauses dated January 1, 2009, and were brought into effect as of January 1, 2009. Although there was no primary change in the meaning and context of the 1982 clauses, which have been in effect for 27 years, some additions and amendments were made and the language used in clauses was updated due to the developments in market conditions and transportation.

Milli Re wrote TL 54,736,134 premium in the Marine branch in 2009, almost around its 2008 levels. Some 42% of this amount was from business received from international markets. International business in the Marine branch within the Company's overall portfolio has rapidly increased. In 2009, business received from international and local market in this branch produced a profit of TL 1,100,625 and TL 2,987,482, respectively; the retained account, which had been a loss last year, showed a positive result of TL 4,088,107.

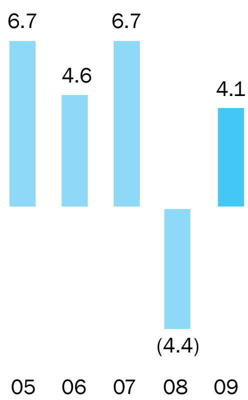
**Premium Income**
(TL mn)




**Losses Paid**
(TL mn)




**Technical Profit/Loss**
(TL mn)



| Profitability Ratios in the Marine Branch (%) | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Loss Ratio (Gross) | 44 | 71 | 60 | 80 | 69 |
| Loss Ratio (Net) | 51 | 55 | 52 | 92 | 74 |
| Expense Ratio | 28 | 27 | 28 | 23 | 28 |
| Combined Ratio | 72 | 98 | 88 | 103 | 97 |

| Marine Branch Technical Results (TL) | 2008 | 2009 | Change (%) |
|---|---|---|---|
| **I- TECHNICAL INCOME** | **99,132,509.13** | **116,860,985.18** | **17.88** |
| A) Premiums | 55,404,622.26 | 54,736,134.12 | (1.21) |
| B) Commissions | 763,238.28 | 894,550.44 | 17.20 |
| C) Retrocessionaires' Share in Losses Paid | 4,472,579.64 | 2,753,549.38 | (38.43) |
| D) Technical Provisions Brought Forward (Net) | 22,506,058.04 | 41,705,825.17 | 85.31 |
| a) Provision for Unearned Premiums | 6,771,096.54 | 15,346,638.23 | 126.65 |
| b) Provision for Outstanding Losses | 15,734,961.50 | 26,174,853.47 | 66.35 |
| c) Provision for Unexpired Risks | 0.00 | 184,333.47 | + |
| E) Retrocessionaires' Share in Technical Provisions | 11,019,430.51 | 9,553,365.88 | (13.30) |
| a) Provision for Unearned Premiums | 1,040,375.30 | 949,937.97 | (8.69) |
| b) Provision for Outstanding Losses | 9,979,055.21 | 8,603,427.91 | (13.79) |
| F) Other Income | 489,791.69 | 344,549.02 | (29.65) |
| G) Investment Income Transferred from Non-Technical Account | 4,476,788.71 | 6,873,011.17 | 53.53 |
| **II- TECHNICAL EXPENSES** | **103,547,039.80** | **112,772,878.26** | **8.91** |
| A) Premiums Ceded to Retrocessionaires | 5,415,916.98 | 5,213,823.15 | (3.73) |
| B) Commissions Paid | 11,790,369.28 | 14,103,145.88 | 19.62 |
| C) Losses Paid | 32,085,989.38 | 32,984,455.49 | 2.80 |
| D) Technical Provisions | 52,725,255.68 | 58,116,736.56 | 10.23 |
| a) Provision for Unearned Premiums | 16,387,013.53 | 18,006,203.30 | 9.88 |
| b) Provision for Outstanding Losses | 36,153,908.68 | 40,059,907.06 | 10.80 |
| c) Provision for Unexpired Risks | 184,333.47 | 50,626.20 | (72.54) |
| E) Other Expenses | 203,839.56 | 659,045.10 | 223.32 |
| F) Investment Expenses Transferred to Non-Life Technical Account | 1,325,668.92 | 1,695,672.08 | 27.91 |
| **III- TECHNICAL PROFIT/LOSS (I-II)** | **(4,414,530.67)** | **4,088,106.92** | **+** |

# Accident

**Milli Re wrote TL 181,945,520 premiums in the Accident branch in 2009, with nearly 14% of this amount derived from international business.**

The cuts in Special Consumption Tax and V.A.T. in the automotive sector in 2009, implemented as a measure to tackle the economic crisis, stimulated vehicle sales and there was a rise in the number of policies in the motor vehicle branch; however, because of price competition in the industry, the Company's premium production in this branch declined by approximately 6% year-on-year. Moreover, this branch was also impacted by increasing loss payments.

As in previous years, Theft and Plate-Glass coverage was provided under Fire Package Policies at very low rates in 2009, resulting in an increase in the loss ratios for these branches.

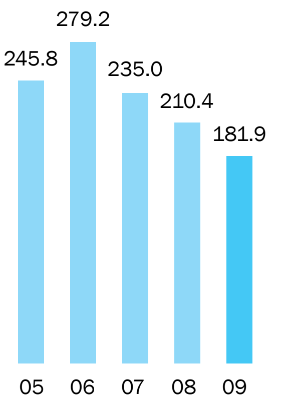
Liability branch followed a positive trend, which began last year and continued throughout the reporting period, owing to the legal obligation for compulsory insurance for some professions in line with Turkey's EU accession process and increasing awareness of the necessity of liability coverage. The increase in premium production in this branch is expected to continue in the coming years. The economic crisis also affected housing loans; there was a decline in Personal Accident Insurance policies, which banks write for customers they supply loans to.

The General Conditions for Travel Vehicle Support Insurance came into effect after being approved by Undersecretariat of Turkish Treasury on February 1, 2009.

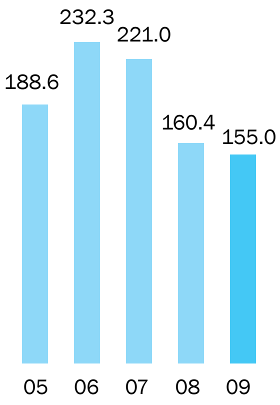
Milli Re wrote TL 181,945,520 of premiums in 2009 in the Accident branch, down nearly 14% year-on-year, with 14% of the amount coming from international business. The primary reason behind the decline in premium production was that our Company completely withdrew from some accounts or reduced its share in others, which have been providing loss due to the excessively low rates applied in the local market.

In 2009, losses paid by the Company declined by nearly 3% to TL 155,044,394 while provisions for claims outstanding increased by 11% to TL 77,837,286. The retained account related to Accident Insurances showed a negative result of TL 9,447,666 in total, with foreign business demonstrating a positive result of TL 5,025,081 and local business demonstrating a negative result of TL 14,472,747.

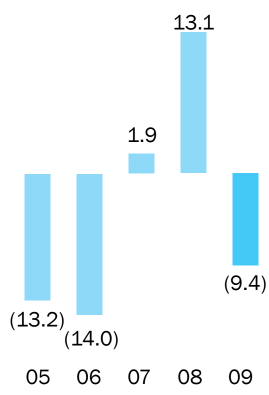
**Premium Income**
(TL mn)




**Losses Paid**
(TL mn)




**Technical Profit/Loss**
(TL mn)



| Profitability Ratios in the Accident Branch (%) | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Loss Ratio (Gross) | 88 | 89 | 84 | 84 | 86 |
| Loss Ratio (Net) | 89 | 89 | 84 | 83 | 86 |
| Expense Ratio | 19 | 19 | 22 | 14 | 26 |
| Combined Ratio | 107 | 108 | 106 | 98 | 112 |

| Accident Branch Technical Results (TL) | 2008 | 2009 | Change (%) |
|---|---|---|---|
| **I- TECHNICAL INCOME** | **371,846,252.58** | **361,496,806.80** | **(2.8)** |
| A) Premiums | 210,437,762.09 | 181,945,520.46 | (13.54) |
| B) Commissions | (442,160.67) | (223,231.53) | 49.51 |
| C) Retrocessionaires' Share in Losses Paid | 2,149,509.67 | 901,174.62 | (58.08) |
| D) Technical Provisions Brought Forward (Net) | 144,144,514.49 | 163,480,447.95 | 13.41 |
| a) Provision for Unearned Premiums | 88,142,825.79 | 96,663,092.28 | 9.67 |
| b) Provision for Outstanding Losses | 55,616,235.68 | 65,615,567.85 | 17.98 |
| c) Provision for Unexpired Risks | 385,453.02 | 1,201,787.82 | 211.79 |
| E) Retrocessionaires' Share in Technical Provisions | 4,721,369.07 | 4,735,144.14 | 0.29 |
| a) Provision for Unearned Premiums | (45,044.86) | 94,180.63 | + |
| b) Provision for Outstanding Losses | 4,766,413.93 | 4,640,963.51 | (2.63) |
| F) Other Income | 382,225.96 | 584,035.13 | 52.80 |
| G) Investment Income Transferred from Non-Technical Account | 10,453,031.97 | 10,073,716.03 | (3.63) |
| **II- TECHNICAL EXPENSES** | **358,732,941.69** | **370,944,473.07** | **3.40** |
| A) Premiums Ceded to Retrocessionaires | (60,313.78) | 187,506.81 | + |
| B) Commissions Paid | 23,094,534.94 | 38,765,189.61 | 67.85 |
| C) Losses Paid | 160,431,579.86 | 155,044,393.57 | (3.36) |
| D) Technical Provisions | 168,224,094.45 | 169,540,137.73 | 0.78 |
| a) Provision for Unearned Premiums | 96,618,047.42 | 90,465,482.60 | (6.37) |
| b) Provision for Outstanding Losses | 70,381,981.78 | 77,837,286.36 | 10.59 |
| c) Change in Other Technical Provisions (Net of Reinsurance) (+/-) | 22,277.43 | 35,785.47 | 60.64 |
| d) Provision for Unexpired Risks | 1,201,787.82 | 1,201,583.30 | (0.02) |
| E) Other Expenses | 104,743.06 | 415,689.82 | 296.87 |
| F) Investment Expenses Transferred to Non-Life Technical Account | 6,938,303.16 | 6,991,555.53 | 0.77 |
| **III- TECHNICAL PROFIT/LOSS (I-II)** | **13,113,310.89** | **(9,447,666.27)** | **-** |

# Motor Third Party Liability (Traffic)

**Milli Re's loss ratio (gross) in the Motor Third Party Liability (Traffic) branch, which was 116% in 2008, improved to 91% in 2009.**

Revisions to the Traffic Insurances Tariff on January 1, 2009 led to an average increase of 28% in limits of coverage when compared to 2008. The "10% bonus and 20% malus" interval set out in the "Regulation on Tariff Implementation Principles of Compulsory Motor TPL Insurance", which has been in effect since July 1, 2008 was redefined as"100% bonus and 10% malus" interval taking effect as of July 1, 2009 in the declaration 2009/18 made by the Undersecretariat of Turkish Treasury. On the other hand, flexibility was granted to insurance companies to set tariff premiums as long as they do not exceed these intervals.

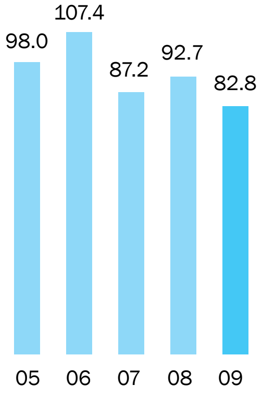
Technical profit/loss account for the Traffic branch, which accounts for approximately 18% of the industry's premium production, was negative - although this branch maintained its second position in the premium production ranking during 2009.

Although Compulsory Highway Transport Liability Insurance was introduced in 2004, developments did not meet expectations due to problems encountered in the carrier licenses issued by the relevant Ministry.

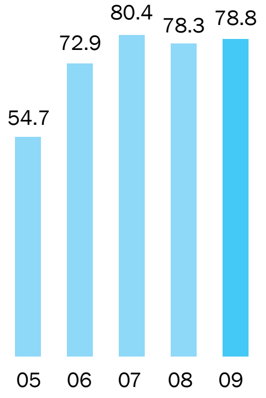
Milli Re generated TL 82,782,059 premium in this branch in 2009, registering a year-on-year decrease by 11%, while 1% of this amount was derived from international business. Given the limited contribution of international markets in this branch, the primary reason behind the decline in premium production was because of Milli Re's withdrawal or share reductions from some accounts in Traffic Insurance policies, which had generated losses due to the excessively low rates applied in the local market.

The Company's loss ratio (gross) in this branch, which had been 116% in 2008, improved to 91% in 2009, while its retained account showed a negative result of TL 788,893, with foreign business demonstrating a negative result of TL 601,100 and local business demonstrating a negative result of TL 187,793.

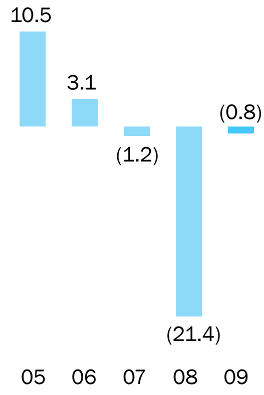
**Premium Income**
(TL mn)




**Losses Paid**
(TL mn)




**Technical Profit/Loss**
(TL mn)



| Profitability Ratios in the Motor TPL (Traffic) Branch (%) | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Loss Ratio (Gross) | 67 | 72 | 89 | 116 | 91 |
| Loss Ratio (Net) | 67 | 73 | 87 | 116 | 91 |
| Expense Ratio | 25 | 27 | 21 | 8 | 18 |
| Combined Ratio | 92 | 99 | 110 | 124 | 109 |

| Motor TPL (Traffic) Branch Technical Results (TL) | 2008 | 2009 | Change (%) |
|---|---|---|---|
| **I- TECHNICAL INCOME** | **169,152,840.71** | **190,789,711.07** | **12.79** |
| A) Premiums | 92,684,253.00 | 82,782,059.44 | (10.68) |
| B) Commissions | (4,710.41) | (2,661.61) | 43.50 |
| C) Retrocessionaires' Share in Losses Paid | 557,678.27 | 135,640.49 | (75.68) |
| D) Technical Provisions Brought Forward (Net) | 72,651,862.94 | 104,815,761.37 | 44.27 |
| a) Provision for Unearned Premiums | 34,941,004.96 | 45,002,424.94 | 28.80 |
| b) Provision for Outstanding Losses | 37,710,857.98 | 55,229,689.98 | 46.46 |
| c) Provision for Unexpired Risks | 0.00 | 4,583,646.45 | + |
| E) Retrocessionaires' Share in Technical Provisions | 220,205.50 | 310,049.42 | 40.80 |
| a) Provision for Unearned Premiums | (332.76) | 0.00 | + |
| b) Provision for Outstanding Losses | 220,538.26 | 310,049.42 | 40.59 |
| F) Other Income | 98,579.55 | 50,683.22 | (48.59) |
| G) Investment Income Transferred from Non-Technical Account | 2,944,971.86 | 2,698,178.74 | (8.38) |
| **II- TECHNICAL EXPENSES** | **190,515,582.22** | **191,578,603.68** | **0.56** |
| A) Premiums Ceded to Retrocessionaires | 219,887.07 | 254,472.83 | 15.73 |
| B) Commissions Paid | 4,040,276.82 | 11,914,285.29 | 194.89 |
| C) Losses Paid | 78,286,518.91 | 78,818,832.59 | 0.68 |
| D) Technical Provisions | 105,035,966.87 | 97,474,530.09 | (7.20) |
| a) Provision for Unearned Premiums | 45,002,092.18 | 40,802,411.77 | (9.33) |
| b) Provision for Outstanding Losses | 55,450,228.24 | 55,857,456.89 | 0.73 |
| c) Provision for Unexpired Risks | 4,583,646.45 | 814,661.43 | (82.23) |
| E) Other Expenses | 183,838.57 | 156,614.44 | (14.81) |
| F) Investment Expenses Transferred to Non-Life Technical Account | 2,749,093.98 | 2,959,868.44 | 7.67 |
| **III- TECHNICAL PROFIT/LOSS (I-II)** | **(21,362,741.51)** | **(788,892.61)** | **(96.31)** |

# Engineering

**Milli Re wrote TL 91,172,548 of premiums in 2009 in the Engineering branch, out of which 13% was derived from international business.**

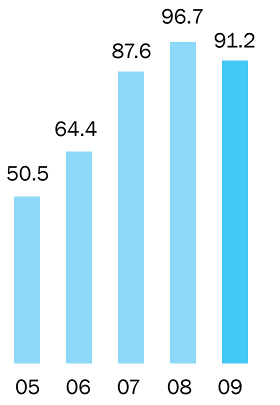
Despite the economic difficulties in 2009 and the year-on-year decline in the number of policies according to figures provided by the Association of Turkish Insurance and Reinsurance Companies, premium production in the engineering branch is estimated to have increased by nearly 17% year-on-year in 2009. The CAR and EA policies written in relation to some large scale construction projects this year played the key role in the increase in premiums.

Price competition in the Engineering branch in the market became increasingly fierce during 2009, especially in the Machinery Breakdown branch, causing this type of insurance to be included as an additional coverage in Fire Insurance package policies. This branch suffered from the flood losses following the devastating rain storms in the Marmara Region in September, with especially severe losses in the Electronic Equipment branch, which took a heavy toll on the technical profitability in this branch.

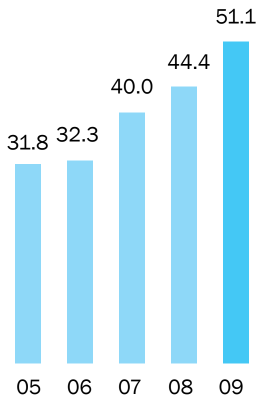
Milli Re's premium production in the engineering branch was TL 91,172,548 in 2009, exhibiting a decrease of nearly 6% year-on-year, with 13% of this amount derived from business accepted from international markets. Losses paid out for this branch during the reporting period by Milli Re rose by 15% year-on-year, amounting to TL 51,046,033. Outstanding losses, on the other hand, also went up by 37% when compared to 2008, to reach TL 59,849,716. The loss ratio (gross) was materialized as 70% in 2009, compared to 64% in 2008.

Local business resulted negatively as TL 6,818,989, mainly due to the high level of outstanding losses from CAR policies which have long tail liabilities. While businesses accepted from abroad resulted positively as TL 2,901,461, the retained account of the Engineering branch showed a negative result of TL 3,917,528.

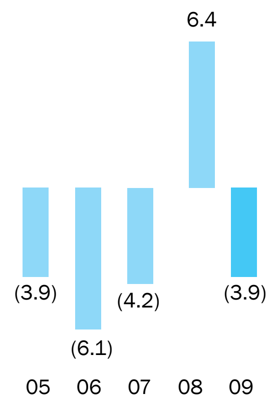
**Premium Income**
(TL mn)




**Losses Paid**
(TL mn)




**Technical Profit/Loss**
(TL mn)



| Profitability Ratios in the Engineering Branch (%) | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Loss Ratio (Gross) | 66 | 69 | 58 | 64 | 70 |
| Loss Ratio (Net) | 70 | 74 | 65 | 76 | 78 |
| Expense Ratio | 33 | 31 | 34 | 19 | 35 |
| Combined Ratio | 99 | 100 | 92 | 83 | 105 |

| Engineering Branch Technical Results (TL) | 2008 | 2009 | Change (%) |
|---|---|---|---|
| **I- TECHNICAL INCOME** | **174,989,837.83** | **196,260,653.12** | **12.16** |
| A) Premiums | 96,715,718.71 | 91,172,548.02 | (5.73) |
| B) Commissions | 401,888.13 | 523,134.61 | 30.17 |
| C) Retrocessionaires' Share in Losses Paid | 3,694,397.78 | 1,541,110.00 | (58.29) |
| D) Technical Provisions Brought Forward (Net) | 57,173,227.32 | 81,606,466.21 | 42.74 |
| a) Provision for Unearned Premiums | 25,024,586.94 | 44,880,635.30 | 79.35 |
| b) Provision for Outstanding Losses | 30,974,079.75 | 36,725,830.91 | 18.57 |
| c) Provision for Unexpired Risks | 1,174,560.63 | 0.00 | - |
| E) Retrocessionaires' Share in Technical Provisions | 8,623,415.68 | 10,732,991.46 | 24.46 |
| a) Provision for Unearned Premiums | 1,647,070.80 | 789,114.60 | (52.09) |
| b) Provision for Outstanding Losses | 6,976,344.88 | 9,943,876.86 | 42.54 |
| F) Other Income | 290,608.22 | 108,160.66 | (62.78) |
| G) Investment Income Transferred from Non-Technical Account | 8,090,581.99 | 10,576,242.16 | 30.72 |
| **II- TECHNICAL EXPENSES** | **168,568,668.61** | **200,178,181.05** | **18.75** |
| A) Premiums Ceded to Retrocessionaires | 15,654,758.58 | 15,488,768.84 | (1.06) |
| B) Commissions Paid | 15,791,328.99 | 28,777,103.88 | 82.23 |
| C) Losses Paid | 44,356,436.86 | 51,046,033.23 | 15.08 |
| D) Technical Provisions | 90,229,881.89 | 101,500,128.35 | 12.49 |
| a) Provision for Unearned Premiums | 46,527,706.10 | 41,490,697.74 | (10.83) |
| b) Provision for Outstanding Losses | 43,702,175.79 | 59,849,715.97 | 36.95 |
| c) Change in Other Technical Provisions (Net of Reinsurance) (+/-) | 0.00 | 94,701.04 | + |
| d) Provision for Unexpired Risks | 0.00 | 65,013.60 | + |
| E) Other Expenses | 202,035.92 | 279,858.69 | 38.52 |
| F) Investment Expenses Transferred to Non-Life Technical Account | 2,334,226.37 | 3,086,288.06 | 32.22 |
| **III- TECHNICAL PROFIT/LOSS (I-II)** | **6,421,169.22** | **(3,917,527.93)** | **-** |

# Agriculture

**Milli Re wrote TL 26,246,093 premium in 2009 in the Agriculture branch, recording an increase of 25% year-on-year, exceeding the average rate of growth in the industry.**

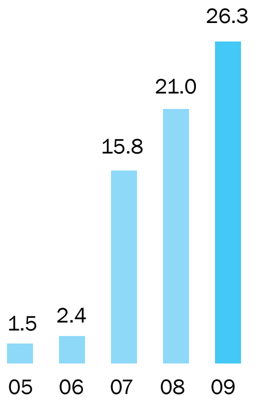
Based on the figures released by the Association of Turkish Insurance and Reinsurance Companies for 2009, this branch is estimated to have recorded growth in real terms, with TL 151 million of premiums in total, marking a rise of approximately 21% year-on-year.

Milli Re wrote TL 26,246,093 premium in 2009 in the Agriculture branch, an increase of around 25% year-on-year and exceeding the average increase in the industry. Some 94% of total premium production in this branch was derived from business in Turkey accepted by Government Supported Agricultural Insurance policies managed by the Agricultural Insurance Pool (TARSIM) which was established within the scope of “Agricultural Insurances Code” no. 5363 and which involved the setting up of an insurance mechanism in order to provide insurance against risks threatening the national agriculture sector, and which began its operations in 2006.

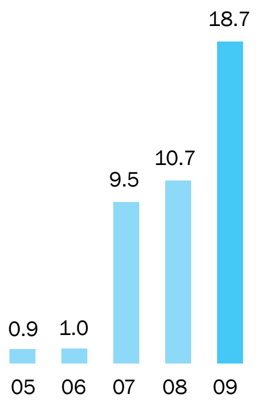
The amount of losses paid by Milli Re increased by nearly 76% year-on-year to TL 18,703,328, while provisions allocated for Outstanding Losses climbed by nearly 69% to TL 3,002,392, due to hail and frost incidents during the year. Therefore, the Company’s loss ratio (gross) materialized at 102% in 2009, compared to 74% in 2008, and its retained account exhibited a negative result of TL 5,252,590. The 86% increase in Unearned Premiums, from TL 7,828,345 in 2008 to TL 14,591,922 in 2009, played an important role in the negative result for this year’s retained account.

It is compulsory to allocate provisions for Unearned Premiums by using the 1/8 system for business received from the Agricultural Insurances Pool however this caused insurance companies to allocate excessively high levels of provisions and had an adverse effect on technical results in this branch in which insurance contracts are generally on short term and begin and end in the same reporting period. Ultimately, this situation was recognized by Undersecretariat of Turkish Treasury and it was notified to all companies upon the Sector Announcement no. 2009/35 published on December 24, 2009 that provisions allocated for Unearned Premiums which shall be calculated on a pro rata basis taking effect as of January 1, 2010 shall be received from TARSIM and used. The positive results of this practice will be seen beginning by next year.

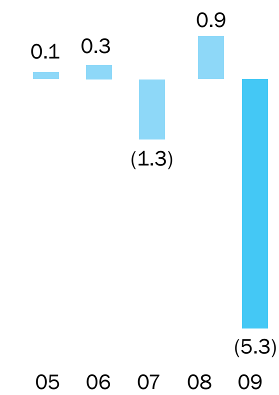
**Premium Income**
(TL mn)




**Losses Paid**
(TL mn)




**Technical Profit/Loss**
(TL mn)



| Profitability Ratios in the Agricultural Branch (%) | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Loss Ratio (Gross) | 60 | 54 | 73 | 74 | 102 |
| Loss Ratio (Net) | 59 | 47 | 74 | 73 | 102 |
| Expense Ratio | 19 | 18 | 33 | 23 | 30 |
| Combined Ratio | 79 | 72 | 106 | 97 | 132 |

| Agricultural Branch Technical Results (TL) | 2008 | 2009 | Change (%) |
|---|---|---|---|
| **I- TECHNICAL INCOME** | **27,333,933.99** | **40,434,656.00** | **47.93** |
| A) Premiums | 21,016,453.97 | 26,246,092.59 | 24.88 |
| B) Commissions | (9,579.01) | (22,784.19) | 137.86 |
| C) Retrocessionaires' Share in Losses Paid | 288,153.25 | 13,037.44 | (95.48) |
| D) Technical Provisions Brought Forward (Net) | 3,066,982.01 | 11,060,462.65 | 260.63 |
| a) Provision for Unearned Premiums | 2,113,604.53 | 7,828,709.49 | 270.40 |
| b) Provision for Outstanding Losses | 953,377.48 | 1,759,297.18 | 84.53 |
| c) Provision for Unexpired Risks | 0.00 | 1,472,455.98 | + |
| E) Retrocessionaires' Share in Technical Provisions | 21,853.61 | 8,828.04 | (59.60) |
| a) Provision for Unearned Premiums | (363.87) | 0.00 | + |
| b) Provision for Outstanding Losses | 22,217.48 | 8,828.04 | (60.27) |
| F) Other Income | 15,885.76 | 5,626.34 | (64.58) |
| G) Investment Income Transferred from Non-Technical Account | 2,934,184.40 | 3,123,393.13 | 6.45 |
| **II- TECHNICAL EXPENSES** | **26,388,711.61** | **45,687,246.12** | **73.13** |
| A) Premiums Ceded to Retrocessionaires | 1,177.70 | (4.95) | - |
| B) Commissions Paid | 4,265,469.32 | 7,037,033.49 | 64.98 |
| C) Losses Paid | 10,652,179.45 | 18,703,328.25 | 75.58 |
| D) Technical Provisions | 11,082,316.26 | 19,174,453.06 | 73.02 |
| a) Provision for Unearned Premiums | 7,828,345.62 | 14,591,922.22 | 86.40 |
| b) Provision for Outstanding Losses | 1,781,514.66 | 3,002,391.95 | 68.53 |
| c) Provision for Unexpired Risks | 1,472,455.98 | 1,580,138.89 | 7.31 |
| E) Other Expenses | 10,850.00 | 66,135.24 | 509.54 |
| F) Investment Expenses Transferred to Non-Life Technical Account | 376,718.88 | 706,301.03 | 87.49 |
| **III- TECHNICAL PROFIT/LOSS (I-II)** | **945,222.38** | **(5,252,590.12)** | **-** |

# Health

**Milli Re wrote TL 83,743,457 premiums in the Health branch in 2009, nearly 96% of which was derived from the local market.**

According to figures released by the Association of Turkish Insurance and Reinsurance Companies for 2009, the industry's premium production in the Health branch grew by nearly 7% year-on-year to reach TL 1.4 billion. When adjusted for inflation, this branch demonstrated growth in real terms, albeit rather limited.

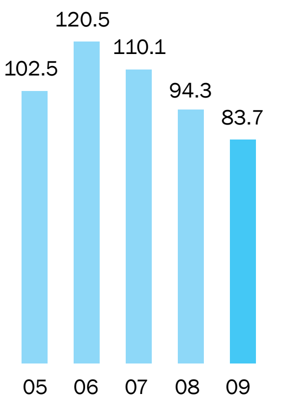
Milli Re's premium production in the Health branch declined by approximately 11% on an annual basis to TL 83,743,457 in 2009, with about 96% of the premium production was derived from the local market. The reason behind the decline was that measures taken several years ago aimed at minimizing the impact of negative results experienced in the Health Insurance market on Milli Re continued into 2009; another factor was the Company's decision not to renew some of the reinsurance contracts, or to reduce its share in some contracts.

However, since these measures do not prevent indemnity payments related to business which was previously accepted the amount of indemnity payments have increased. Thus, indemnities paid out in 2009 rose by 12% year-on-year to TL 108,582,439 and the loss ratio (gross) was materialized as 116% in 2009, compared to 99% in 2008. Besides the high level of indemnities paid, run-off effects of reinsurance contracts which were not renewed in 2009 played a determinant role in the increased loss ratio (gross).

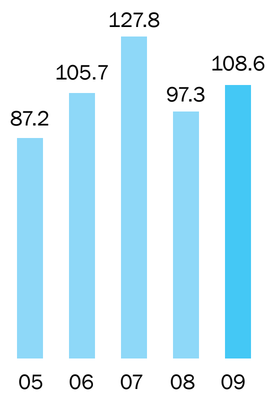
Business that the Company received from local and international market in this branch showed negative results as TL 119,806 and TL 30,001,327, respectively. Consequently, the retained account in the Health branch showed a negative result of TL 30,121,133 in total. Losses for reinsurance contracts which were not renewed and high outstanding loss retained by the Company played role in the negative resulting of the retained account.

Results, for this branch in the Turkish insurance market are generally negative almost every year which affect companies' financial structures adversely. Consequently the Undersecretariat of Turkish Treasury published a circular to warn companies for taking measures in this matter in the industry beginning by 2010. The positive results of this circular will only be seen beginning by next year.

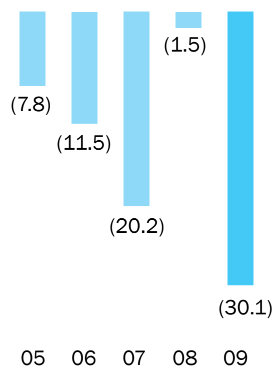
**Premium Income**
(TL mn)




**Losses Paid**
(TL mn)




**Technical Profit/Loss**
(TL mn)



| Profitability Ratios in the Health Branch (%) | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Loss Ratio (Gross) | 92 | 91 | 111 | 99 | 116 |
| Loss Ratio (Net) | 92 | 92 | 112 | 99 | 116 |
| Expense Ratio | 18 | 22 | 12 | 7 | 12 |
| Combined Ratio | 110 | 113 | 123 | 106 | 128 |

| Health Branch Technical Results (TL) | 2008 | 2009 | Change (%) |
|---|---|---|---|
| **I- TECHNICAL INCOME** | **144,038,437.98** | **125,121,540.45** | **(13.13)** |
| A) Premiums | 94,274,277.21 | 83,743,456.87 | (11.17) |
| B) Commissions | (4,373.00) | (801.79) | 81.66 |
| C) Retrocessionaires' Share in Losses Paid | 717,626.73 | 3,179.73 | (99.56) |
| D) Technical Provisions Brought Forward (Net) | 48,970,312.80 | 41,271,543.75 | (15.72) |
| a) Provision for Unearned Premiums | 38,127,388.13 | 33,816,020.73 | (11.31) |
| b) Provision for Outstanding Losses | 6,414,474.72 | 7,455,523.02 | 16.23 |
| c) Provision for Unexpired Risks | 4,428,449.95 | 0.00 | - |
| E) Retrocessionaires' Share in Technical Provisions | (4,890.97) | 79,795.18 | 1,531.48 |
| a) Provision for Unearned Premiums | (5,037.38) | 0.00 | + |
| b) Provision for Outstanding Losses | 146.41 | 79,795.18 | 54,401.18 |
| F) Other Income | 69,304.06 | 24,366.71 | (64.84) |
| G) Investment Income Transferred from Non-Technical Account | 16,181.15 | 0.00 | - |
| **II- TECHNICAL EXPENSES** | **145,509,755.85** | **155,242,673.81** | **6.69** |
| A) Premiums Ceded to Retrocessionaires | (20,481.95) | (1,008.68) | 95.08 |
| B) Commissions Paid | 3,870,877.23 | 6,914,226.51 | 78.62 |
| C) Losses Paid | 97,264,047.28 | 108,582,438.88 | 11.64 |
| D) Technical Provisions | 41,266,652.78 | 36,456,454.69 | (11.66) |
| a) Provision for Unearned Premiums | 33,810,983.35 | 21,617,212.75 | (36.06) |
| b) Provision for Outstanding Losses | 7,455,669.43 | 10,287,770.54 | 37.99 |
| c) Provision for Unexpired Risks | 0.00 | 4,551,471.40 | + |
| E) Other Expenses | 17,153.44 | 42,127.42 | 145.59 |
| F) Investment Expenses Transferred to Non-Life Technical Account | 3,111,507.07 | 3,248,434.99 | 4.40 |
| **III- TECHNICAL PROFIT/LOSS (I-II)** | **(1,471,317.87)** | **(30,121,133.36)** | **+** |

# Life

**Milli Re's retained account in the Life branch surged by 102% year-on-year with a positive result of TL 2,145,046.**

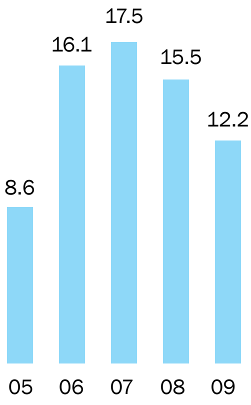
2009 saw significant measures taken in the Life branch:

- The "Communiqué regarding the Amendment to the Life Insurances Regulation" entered force on March 1, 2009;
- Detariffication in Life Insurance policies apart from Annuity Life Insurance policies, as well as Personal Accident, Health and Disease Insurance policies as of March 1, 2009;
- The delivery of technical principles in Life Insurance policies other than Annuity Life Insurance policies and changes related to such principles, as well as the Actuary Reports, which are prepared at the end of year in written form to the Undersecretariat of Turkish Treasury, was terminated; Actuary departments shall, instead, submit such reports pertaining to the company they work for to the Life Insurance Data Center (HAYMER) under the Insurance Information Center by electronic means; and
- In response to the "Sector Announcement regarding the Implementation of the Legislation related to Technical Provisions" no. 2009/9 and dated March 27, 2009, the Undersecretariat of Turkish Treasury declared that the Life branch would be required to establish equalization reserves to cover death and disability incidents which may occur as a result of earthquakes.

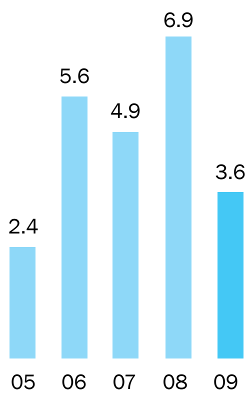
Based on figures compiled by the Association of Turkish Insurance and Reinsurance Companies for 2009, premium production in the Life branch is estimated to have expanded by nearly 16% year-on-year to TL 1.8 billion; as such, there was real growth in the Life branch in 2009. The primary reason behind the increase in Life Insurance policies in the sector this year was that these insurance policies offer products which secure the future, while demand for these products rises as people become more concerned about the future during times of crisis.

While the Company's total premium production in this branch is derived from the local market, Milli Re's premium income from this branch contracted by nearly 21% year-on-year to TL 12,214,317 in 2009. The reason behind the decrease in the Company's premium production, in spite of the industry-wide increase in premium production, was that this branch does not need reinsurance coverage to the extent of the other branches, and that the number of foreign-capital players in the market has been increasing in recent years. The Company's retained account went up 102% year-on-year, showing a positive result of TL 2,145,046.

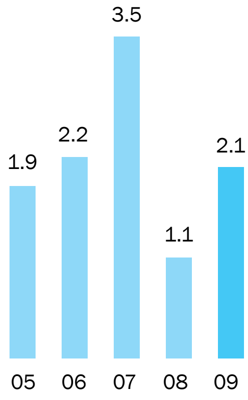
**Premium Income**
(TL mn)




**Indemnities Paid**
(TL mn)




**Technical Profit/Loss**
(TL mn)



| Profitability Ratios in the Life Branch (%) | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Loss Ratio (Gross) | 33 | 42 | 26 | 59 | 30 |
| Loss Ratio (Net) | 36 | 34 | 29 | 58 | 30 |
| Expense Ratio | 36 | 50 | 48 | 35 | 50 |
| Combined Ratio | 69 | 92 | 74 | 94 | 80 |

| Life Branch Technical Results (TL) | 2008 | 2009 | Change (%) |
|---|---|---|---|
| **I- TECHNICAL INCOME** | **21,632,238.01** | **20,287,669.65** | **(6.2)** |
| A) Premiums | 15,516,686.59 | 12,214,317.01 | (21.28) |
| B) Commissions | 24,978.92 | 189,474.07 | 658.54 |
| C) Retrocessionaires' Share in Losses Paid | 21,016.00 | 130,230.48 | 519.67 |
| D) Technical Provisions Brought Forward (Net) | 4,337,402.67 | 6,292,036.48 | 45.06 |
| a) Provision for Unearned Premiums | 2,635,143.82 | 3,581,766.13 | 35,92 |
| b) Mathematical Reserves (Life) | 1,138,141.78 | 873,512.40 | (23.25) |
| c) Provision for Outstanding Indemnities (Life) | 564,117.07 | 1,836,757.95 | 225.60 |
| E) Retrocessionaires' Share in Technical Provisions | 1,050,628.07 | 1,221,457.80 | 16.26 |
| a) Provision for Unearned Premiums | 264,593.28 | 333,874.62 | 26.18 |
| b) Provision for Outstanding Indemnities (Life) | 786,034.79 | 887,583.18 | 12.92 |
| F) Other Income | 39,215.61 | 119,755.81 | 205.38 |
| G) Investment Income (Life) | 642,310.15 | 120,398.00 | (81.26) |
| **II-TECHNICAL EXPENSES** | **20,570,225.27** | **18,142,624.02** | **(11.8)** |
| A) Premiums Ceded to Retrocessionaires | 655,250.54 | 789,356.20 | 20.47 |
| B) Commissions Paid | 4,922,251.36 | 5,762,360.93 | 17.07 |
| C) Losses Paid | 6,867,373.34 | 3,621,778.11 | (47.26) |
| D) Technical Provisions | 7,342,664.55 | 7,242,531.21 | (1.36) |
| a) Provision for Unearned Premiums | 3,846,359.41 | 3,516,207.87 | (8.58) |
| b) Change in Other Technical Provisions (Net of Reinsurance) (+/-) | 0.00 | 164,222.85 | + |
| c) Mathematical Reserves (Life) | 873,512.40 | 840,988.17 | (3.72) |
| d) Provision for Outstanding Indemnities (Life) | 2,622,792.74 | 2,721,112.32 | 3.75 |
| E) Other Expenses | 191,785.56 | 160,559.10 | (16.28) |
| F) Operating Expenses (Life) | 590,899.92 | 566,038.47 | (4.21) |
| **III-TECHNICAL PROFIT/LOSS (I-II)** | **1,062,012.74** | **2,145,045.63** | **101.98** |

# An Evaluation of 2009 Financial Results

**Milli Re's interest income declined by 40.75% year-on-year in 2009. However, as a result of the increased profit shares received from the subsidiaries, Milli Re's profit share income grew by 19.93%.**

In accordance with the new Uniform Chart of Accounts For The Insurance Industry, which came into effect on January 1, 2005, a proportion of the income and expense items for the year 2009 were transferred to the technical accounts for the related branches. Detailed information on this application is presented in the section entitled "Notes to the Financial Statements for 2009" of this Annual Report.

The Company generated TL 125,203,588 of financial income in 2009, marking a year-on-year decline of 24.03%. Interest income fell by 40.75% year-on-year in 2009 due to declining interest rates compared with 2008 and transfers made from financial income items to technical income accounts. Profit share income, on the other hand, grew by 19.93%, largely due to the increased profit shares we received from the subsidiaries.

In parallel with the increase in share prices for Istanbul Stock Exchange listed stocks in 2009, sales profits generated from stocks held in our investment portfolio for trading purposes rose by 313.95% year-on-year. The Company's rental income increased by 31.93% year-on-year in 2009 as the car park, which we had previously operated, was rented to another individual. As exchange rates were relatively stable in 2009 when compared to the high volatility in 2008, the Company's exchange rate gains declined by 68.70% year-on-year. "Other Income" rose by 660.83% year-on-year due to Deferred Taxes, which were calculated for the first time in compliance with Turkish Accounting Standards.

The Company recorded financial expenses of TL 42,492,295, marking a drop of 32.14% in 2009 when compared to 2008. There was significant decline in losses from the sale of stocks and provisions for doubtful receivables and social benefit fund deficits, as well as in the Company's exchange rate losses and tax obligations. On the other hand, there was a 541.38% year-on-year increase in the other expenses item, due to Deferred Tax Liabilities, calculated for the first time in compliance with Turkish Accounting Standards.

The Company's general expenses were reduced by 18.65% year-on-year in 2009 to TL 8,484,876, as taxes and other obligations declined.

At the bottom line, the Company's financial profit amounted to TL 74,226,416 in 2009, with a 19.10% decline compared to the 2008 figure of TL 91,753,559.

| FINANCIAL RESULTS (TL) | 2008 | 2009 | Change (%) |
|---|---|---|---|
| **I- FINANCIAL INCOME** | **164,799,000.10** | **125,203,587.68** | **(24.03)** |
| A) Interest Income | 89,797,846.56 | 53,205,372.06 | (40.75) |
| B) Profit Share Income | 25,532,391.98 | 30,621,194.94 | 19.93 |
| C) Sales Profits | 3,151,058.05 | 13,043,960.44 | 313.95 |
| D) Rental Income | 4,946,858.15 | 6,526,467.47 | 31.93 |
| E) Currency Translation Gains | 40,156,604.74 | 12,568,294.97 | (68.70) |
| F) Other Income | 1,214,240.62 | 9,238,297.80 | 660.83 |
| **II- FINANCIAL EXPENSES** | **62,614,799.24** | **42,492,295.51** | **(32.14)** |
| A) Sales Losses | 6,287,187.59 | 2,308,742.27 | (63.28) |
| B) Currency Translation Losses | 14,392,745.40 | 13,323,042.70 | (7.43) |
| C) Impairment Provisions | 7,924,633.79 | 1,208,240.20 | (84.75) |
| D) Tax Provisions | 33,590,534.96 | 22,960,420.08 | (31.65) |
| E) Other Expenses | 419,697.50 | 2,691,850.26 | 541.38 |
| **III- GENERAL EXPENSES** | **10,430,641.46** | **8,484,876.52** | **(18.65)** |
| A) Personnel Expenses | 1,187,800.81 | 1,104,043.91 | (7.05) |
| B) Administrative Expenses | 1,037,553.21 | 731,672.19 | (29.48) |
| C) Taxes and Other Obligations | 5,861,400.35 | 3,722,919.66 | (36.48) |
| D) Amortization Expenses | 2,021,917.09 | 2,255,532.76 | 11.55 |
| E) Provision for Employment Termination Benefits | 321,970.00 | 670,708.00 | 108.31 |
| **IV- FINANCIAL PROFIT/LOSS (I-II-III)** | **91,753,559.40** | **74,226,415.65** | **(19.10)** |

# Annual Report – Opinion for Compliance

To the Shareholders of Milli Reasürans Türk A.Ş.

We have audited compatibility of the financial information of Milli Reasürans Türk A.Ş. (the "Company") presented in the annual report as of December 31, 2009, with the independent audit report for the period then ended. The annual report is the responsibility of the Company's management. As an independent auditor, our responsibility is to express an opinion on the annual report based on our audits.

We conducted our audit in compliance with the procedures required by the Insurance Companies' Law numbered 5684 for preparing and announcing annual report, and in compliance with independent audit standards. Those procedures require that we plan and perform the audit to obtain reasonable assurance about whether the annual report is free of material misstatement. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial information in the annual report referred to above presented fairly, in all material respects, the financial position of Milli Reasürans Türk A.Ş. as of December 31, 2009, in accordance with the Insurance Companies' Law numbered 5684. The financial information includes the summary of Board of Directors report and the opinion of independent auditor, and is compatible with the audited financial statements.

M.G.I. BAĞIMSIZ DENETİM VE
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.

YUSUF KENAN ÖZSARAÇ
Managing Partner
İstanbul, February 5, 2010

# Management and Corporate Governance

# Board of Directors and Statutory Auditors


**(1) Cahit KOCAÖMER**
**Chairman**
Cahit Kocaömer is a graduate of the İstanbul Academy of Economic and Commercial Sciences. He began his career in 1947 at Türkiye İş Bankası, where he served as the Bank's General Manager from 1976 to 1982. Concurrent with that position and subsequently, he also served as Chairman of the Boards of Directors of TSKB (1976-1979), of Sınai Yatırım Bankası (1976-2002), and of T. Şişe Cam Fabrikaları (1980-1986); from 1982 to 1990 he was a member of the Board of Directors of Türkiye İş Bankası and the Chairman of TSKB's Board of Directors between 2002-2009. Cahit Kocaömer has been the Chairman of Milli Re's Board of Directors since March 25, 2009.

**(2) Cahit NOMER**
**Vice Chairman**
Cahit Nomer holds a degree in Law from Istanbul University. He began his career at Milli Re, serving in various capacities at the company and also pursued professional studies in Switzerland and the UK. In 1994-1996 he served as a member of CEA (Comité Européen des Assurances) Presidential Council, and between 1981 and 2005 he served as Vice Chairman and then Chairman of the Association of the Insurance and Reinsurance Companies of Turkey for 24 years altogether. Appointed as the General Manager on January 21, 1981, Cahit Nomer served in this position until January 16, 2009, at which date he is elected as Vice Chairman of the Board of Directors.

**(3) Mahmut MAGEMİZOĞLU**
**Director**
Mahmut Magemizoğlu is a graduate of Middle East Technical University, Faculty of Administrative Sciences, Department of Business Administration. He holds a master's degree in investment analysis from the University of Stirling (UK). Mahmut Magemizoğlu began his career at İşbank in 1982 on the Board of Inspectors and served in a number of the Bank's units. He has been functioning as Deputy Chief Executive of İşbank since his appointment on May 18, 2005. Mahmut Magemizoğlu has been a member of the Board of Directors at Milli Re since March 25, 2009.

**(4) Atty. Nail GÜRMAN**
**Director**
Atty. Nail Gürman holds a degree in law from Ankara University. He has offered service to many prominent companies and banks as a legal practitioner and is the only attorney-at-law in the Republic era to lay attachment on a bank in 1984. Elected to a seat on İşbank's Board of Directors in 2003 and 2005, Atty. Nail Gürman has been a member of the Board of Directors at Milli Re since April 30, 2008.


**(5) Seyfettin UNCULAR**
**Director**
Seyfettin Uncular is a graduate of business administration from department of Political Sciences at Ankara University, and started his career as a member of the Board of Inspectors at İşbank in 1976. After his 9-year term of office as an inspector, he was appointed to the İşbank Organization Directorate where he served in various projects. Having founded and managed the Ankara 1st Regional Directorate between 1994-1996, Seyfettin Uncular has served as a manager in various branches of İşbank and as an Auditor and Board Member in some of its subsidiaries. Currently serving as the Manager of İşbank's Ankara Branch, Seyfettin Uncular has been a member of the Board of Directors at Milli Re since March 25, 2009.

**(6) Emre DURANLI**
**Director**
Emre Duranlı holds a degree in management from Hacettepe University. He started his career as an Assistant Inspector in İşbank's Board of Inspectors. Currently the Insurance and Capital Market Unit Manager in the Equity Participations Department at İşbank, he serves as a member of the Board of Directors responsible for Internal Systems in Anadolu Anonim Türk Sigorta Şirketi, for Risk Management in Anadolu Hayat Emeklilik A.Ş., İş Yatırım Menkul Değerler A.Ş. and İş Portföy Yönetimi A.Ş., as a board member at Yatırım Finansman Menkul Değerler A.Ş. and İş Girişim Sermayesi Yatırım Ortaklığı. He has been functioning as a member of the Board of Directors at Milli Re since March 24, 2008.

**(7) Hasan Hulki YALÇIN**
**Director and General Manager**
Hasan Hulki Yalçın holds a degree in Economics from the Middle East Technical University and a Master's Degree in International Banking and Finance from the University of Birmingham (UK). After serving in various positions and capacities with İşbank for fourteen years, he joined Milli Re in 2003 and subsequently took part in a number of professional training programs abroad. He has been appointed as a member of Board of Directors and General Manager on January 16, 2009. Hasan Hulki Yalçın is also serving as a member of Board of Directors in the Association of the Insurance and Reinsurance Companies of Turkey.

**(8) Mustafa TOKSÖZ**
**Statutory Auditor**
Mustafa Toksöz graduated with a degree in Public Administration, from the Faculty of Economics and Administrative Sciences, at Gazi University in 1992 and started his career in the same year at İşbank, where he served on the Board of Inspectors for nearly 10 years. He was then appointed as an assistant manager to the Bank's Corporate Marketing Department, where he served as a unit manager. Currently serving as the Manager of İşbank's Çorlu branch, Mustafa Toksöz has worked as a general meeting auditor at Milli Re since March 24, 2008.

**(9) Ergün YORULMAZ**
**Statutory Auditor**
Ergün Yorulmaz graduated with a degree in Business Administration from Atatürk University and started his career in 1983 at İşbank, where he took office in a variety of branches and units. Mr. Yorulmaz has been serving as the Manager of Retail Loans Monitoring and Follow-Up Department at İşbank since November 2008. He has worked as a general meeting auditor at Milli Re since March 25, 2009.

**(10) Semra ANIL**
**Reporter**
Please see Senior Management page for Mrs. Anıl's CV.

# Senior Management


**(1) Hasan Hulki YALÇIN**
**Director and General Manager**
Please see Board of Directors and Statutory Auditors page for Mr. Yalçın's CV.

**(2) Barbaros YALÇIN**
**Assistant General Manager**
Barbaros Yalçın holds a degree in Law from Istanbul University and began his career at Milli Re in the Fire Department. He has pursued professional studies in Switzerland and the UK. He is currently Milli Re's Assistant General Manager responsible for technical affairs and also serves as the Vice President of the Turkish Earthquake Foundation and of the Turkish Insurance Institute Foundation and as the President of Fire Insurance Study and Research Committee under the Association of the Insurance and Reinsurance Companies of Turkey. He has been appointed as Assistant General Manager on September 1, 1988.

**(3) Semra ANIL**
**Assistant General Manager**
Semra Anıl holds a degree in Law from Istanbul University. She began her career in the Accounting Department of Milli Re and later served as a Company Attorney in the Legal Department. She became a Legal Adviser in 1993, a position that she still holds. She has been Assistant General Manager responsible for Administrative Affairs and Personnel since 1997, and presently also serves as Board of Directors' Reporter.


**(4) Hüseyin YUNAK**
**Assistant General Manager**
Hüseyin Yunak holds a degree in Business Administration from Istanbul University and began his career in insurance with Milli Re in 1980. He studied Marine Insurance abroad and served as Manager of Marine Department and Coordinator of TCIP. He is currently Assistant General Manager responsible for Technical Affairs. He is also the President of the Marine Insurance Study and Research Committee under the Association of the Insurance and Reinsurance Companies of Turkey, the Board Member of Turkish Lloyd Foundation, and a lecturer at the Turkish Insurance Institute. He has been appointed as Assistant General Manager on March 1, 2003.

**(5) Kemal ÇUHACI**
**Group Manager**
Mr. Çuhacı graduated with a B.A. in Political Science from Ankara University and started his business career in Milli Re's Marine Department in 1986. He attended the diploma courses in Chartered Insurance Institute in the UK in 1987 and was awarded the title of 'Associate' in 1988. During his employment in the Marine Department, he participated in various marine seminars and conferences in the UK and Switzerland. He has been serving as the Group Manager Responsible for Local Treaty Reinsurance Acceptances at Milli Re since December 24, 2008.

**(6) Özlem CİVAN**
**Group Manager**
Having completed her secondary and high school education at Robert College, Özlem Civan graduated with a B.A. degree in Business Administration in English from the Faculty of Business Administration at Istanbul University. Between 1990 and 1993, she worked in the Treasury and Fund Management departments of several banks, embarking on her career in the insurance sector in 1994 at the Reinsurance Department of Güneş Sigorta. Leaving her position as Group Manager in charge of Reinsurance, Casualty and Credit Insurance in September 2006, Civan joined Milli Re in October 2006, and has worked as Group Manager responsible for Retrocession and Rating since December 24, 2008. She has participated in a number of training programs and seminars on insurance and reinsurance, organized by leading international reinsurance and brokerage companies.

# Participation of the Members of the Board of Directors in Meetings During the Fiscal Period

The company's Board of Directors convenes as and when necessitated by the company's business affairs and upon the Chairman's invitation, with the participation of half of the total number of directors on the Board plus one. Meeting agendas are drawn up in line with the proposals of the General Management. During the meetings, various topics which are not covered in the agenda but raised by the members are also discussed. Meeting agenda letters and files relating to the agenda items are sent to all Board members 7 days in advance of the meeting date.

The Board of Directors met on 12 occasions during 2009, with all members attending six of these meetings, whereas one member was excused from each of the remaining six meetings. Full participation of statutory auditors was achieved in ten of these meetings, whereas one statutory auditor participated in each of the remaining two meetings.

## Internal Systems Managers

**Internal Audit Manager: Adil Horasan**

**Term of Office**

5 years

**Professional Experience**

36 years

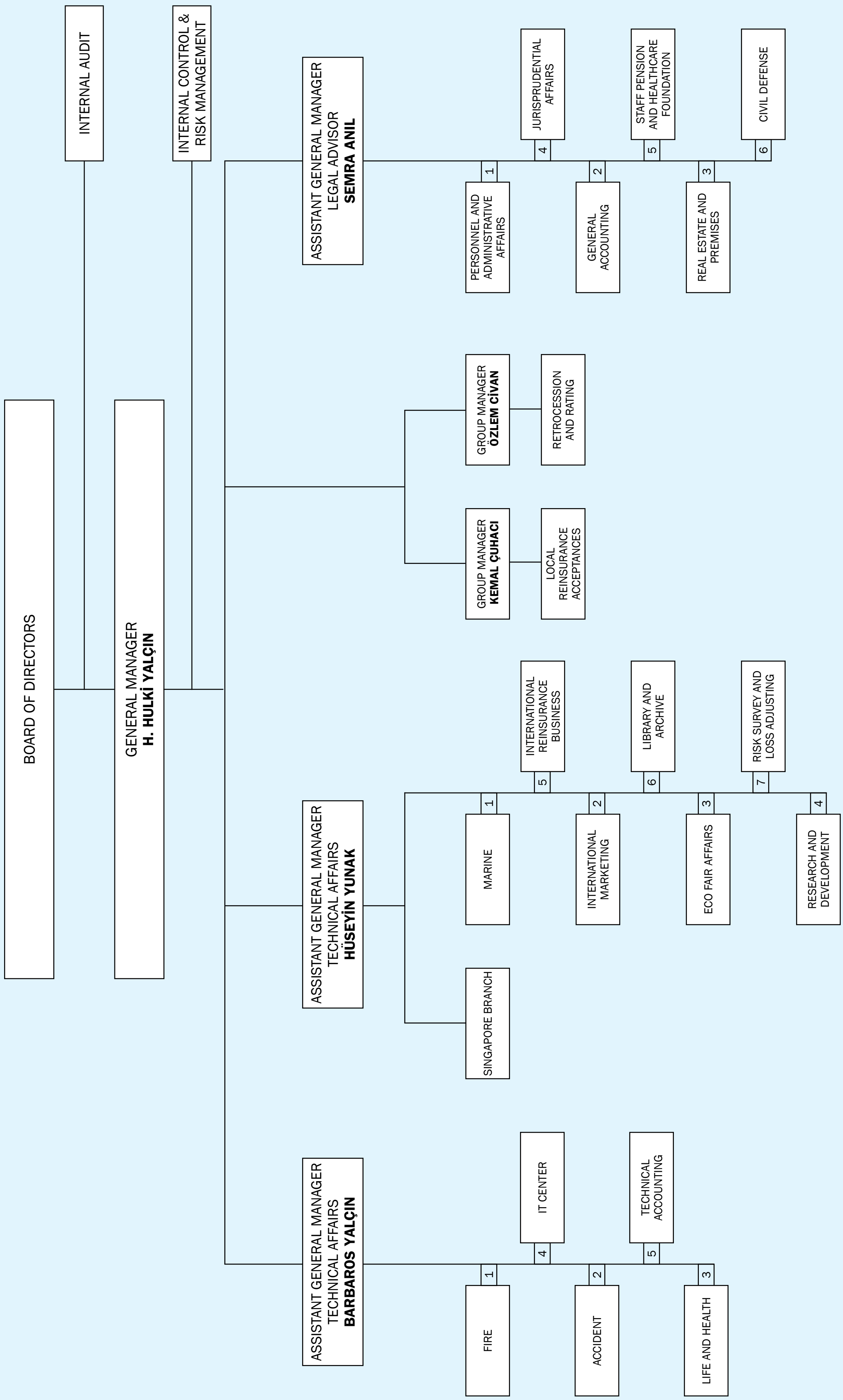
**Departments Previously Served in**

Turkish Reinsurance Pool, Technical Accounting Department

**Academic Background**

Bachelor's degree

# Organization Chart



# Human Resources Applications

Milli Re gives great priority to cultivating a working environment that contributes to the talent and expertise of its staff under unified targets and goals. The Company therefore strives to recruit candidates who would share our vision and adapt to the common goals with their talents.

### Recruitment of Staff

The following qualifications are sought in candidates for employment at Milli Re:

a) Turkish citizenship
b) Completion of 18 years of age and not being over 40 years of age
c) Not to have been dismissed, or considered to have withdrawn from the Company
d) No disability or old age pension entitlements from any fund, institution providing social security or from a similar establishment
e) Minimum high school diploma for officers and primary school diploma for other staff
f) No prior conviction for embezzlement, defalcation, malversation, bribery, theft, fraud, forgery, breach of confidence, indirect bankruptcy, or other infamous acts, even if subsequently pardoned
g) Fulfilled military service
h) Unimpaired health conditions suitable for the applied position

### Job application

Job applications are made via **personel@millire.com** on our corporate website and other communication means and stored in a pool.

When needed, applications are examined and candidates who are seen appropriate for the positions are contacted.

### Promotions

Ever since its inception, Milli Re has always spent its efforts towards promotion from within.

Promotions are made in line with the Personnel Regulation and the principles set forth in the collective agreement, done with the Workers' Trade Union.

# Transactions Carried Out With Milli Re's Risk Group

Being a member of İşbank group, Milli Re carries out its relations with its risk group on an arm's length basis.

Relations with group companies are concentrated mostly in reinsurance activities, banking services and portfolio management.

Risk management activities are carried out in compliance with Consolidated Risk Policies of the risk group. Possible risks and findings from their measurement are regularly monitored through reporting systems set up within the group.

Detailed information on the Company's transactions with its risk group is presented in the notes to the Financial Statements.

## Annual General Meeting Agenda

1. Opening and roll call,

2. Election of the Presiding Board and authorizing the Presiding Board to sign the minutes of the General Meeting,

3. Reading and deliberation of the Board of Directors' report; the Statutory Auditors' report, and the report of the independent audit firm pertaining to the accounts and transactions in 2009,

4. Reading, deliberation and approval of the Company's Balance Sheet and Income Statements for 2009; individual acquittal of the members of the Board of Directors and Statutory Auditors of their fiduciary responsibilities,

5. Determination of the manner and date of distribution of profit share,

6. Election to the seats on the Board of Directors,

7. Election of Auditors,

8. Determination of the remuneration to be paid to the members of the Board of Directors and Statutory Auditors,

9. Amendment of capital related article no: 6 of the Company's articles of association as attached,

10. Wishes.

## 2009 Annual Report Compliance Opinion

We hereby represent that Milli Re 2009 Annual Report issued for its 81st year of operation has been drawn up in line with the principles and procedures enforced by the “Regulation on the Financial Structures of Insurance, Reinsurance and Pension Companies” published in the Official Gazette issue 26606 dated August 7, 2007 by the Undersecretariat of Turkish Treasury.

February 26, 2010

Şule Soylu
Accounting Manager

Semra Anıl
Assistant General Manager
Legal Advisor

Hasan Hulki Yalçın
General Manager

Cahit Kocaömer
Chairman of the Board
of Directors

## Summary Report By The Board Of Directors

Distinguished Shareholders,

We respectfully present for your Esteemed Assembly's perusal and approval the balance sheet, income statement, profit distribution chart, statement of changes in equity, and cash flow statement showing the results achieved in 2009 marking the Company's 81st year of operation, which are tabulated in line with the provisions of the Turkish Treasury's Regulation on the Financial Reporting of Insurance, Reinsurance and Pension Companies published in the Official Gazette issue 26582 dated July 14, 2007.

As known, the overall results of the Company's balance sheet and profit and loss accounts are basically derived from three main sections, namely Technical Profit and Loss of Reinsurance Business, financial results arising from the investment of income on reinsurance business, and the amount of general expenses incurred for the execution of work.

The steps taken in the three sections described above and the conclusions reached are presented herein below individually for each one.

### THE COMPANY'S REINSURANCE BUSINESS

The Company's Reinsurance Business is analyzed under the following headings apart from the prior year's report:

1. Local Acceptances
2. Foreign Acceptances

In previous year's report, Company's Reinsurance Business was analyzed under four headings: Voluntary Acceptances, New Capacity Business, Foreign Acceptances, and Decree Pool and Other Business. However since all businesses conducted under the three headings other than Foreign Acceptances is accepted from the Turkish insurance market, they are collected under one single heading, Local Acceptances.

Due to the fact that it was considered by the Company that local business would eventually reach saturation in addition to maintaining the existing involvement in the local market. Milli Re has started actively accepting business from international markets. Consequently the International Marketing Department was set up to write business from developing countries in Asia and Africa and Milli Re has subsequently entered in to reinsurance agreements with continental European Companies and some Lloyd's syndicates, and also opened a branch in Singapore in line with the principles set forth by the Board of Directors.

The fact that most of our premium income is derived from business accepted from the local market, and geographical concentration was considered as an important operational risk by international rating agencies, was the most effective factor in taking this decision. All business received from foreign markets, including those coming through our Singapore Branch, were addressed under the Foreign Acceptances heading.

#### 1. Local Acceptances

This section covers business accepted from the Turkish insurance market, including business accepted from the Fire, Marine, Accident, Engineering, Health and Life Insurance treaties of insurance companies known as Voluntary Acceptances and facultative business taken on voluntary basis, as well as additional capacities provided to insurance companies in Fire, Marine, Accident and Engineering branches to compensate for the business from terminated Compulsory Cessions, the run-offs of Compulsory Business accepted prior to 2002, (terminated on December 31, 2001), and business from the Decree Pool portfolio terminated as of December 31, 2006 and business from Destek Re followed-up on run-off basis, which was acquired by Company as of May 31, 2005.

Business gathered under the Decree Pool and Other Business heading in the previous year are followed-up on runoff basis and lost their importance within our portfolio over time.

The Company's premium production from local acceptances decreased by 11.1% year-on-year to TL 659.4 million in 2009, from TL 741.5 million in 2008. Despite the positive results in the Fire, Personal Accident and Life Insurance branches, the Company's domestic businesses suffered a loss of TL 51.3 million in 2009 with the impact of negative results in other branches. The impacts of the global crisis, which first emerged in the USA towards the end of 2008 and then spread to other countries, were strongly felt in our country and the Turkish insurance industry in 2009. Increase in premium production in the market, and in our Company, did not materialize within expected levels, while technical profits dramatically declined particularly due to the negative repercussions of the crisis and the price-based competition, which has been a feature of the insurance market for many years.

Our Company's premium income did not increase as expected, primarily due to the fact that our Company's resistance to compete fiercely in some businesses, and decrease in its acceptances in the Motor and Health insurance segments, which had been loss producing for a long period of time. Moreover, the loss payments, due to the floods which hit the Marmara Region in September 2009, particularly Thrace and Istanbul, were the highest loss encountered by the Turkish insurance market ever since the devastating Marmara Earthquake of 1999.

### 2. Foreign Acceptances

As mentioned above, this section covers business accepted from foreign insurance markets, as well as business received within the scope of agreements entered into with several Lloyd's syndicates and business produced by the Singapore Branch. This is in line with the decision taken by our Board of Directors, based on the fact that the volume of business received from the local market has reached saturation, and also to necessity of geographical diversification of the portfolio. The premium (including FAIR Pool business) that amounted to TL 107.6 million last year in this line of business materialized as TL 164.2 million this year, signifying a year-on-year increase of 53%. Foreign acceptances, which produced a negative result of TL 17 million, last year, yielded a positive result of TL 16.6 million this year despite the negative results in Marine and Motor.

As a result of our efforts to increase the share of foreign acceptance within our portfolio, the share of premium income generated from foreign markets had reached 20% of our total premium production by the end of 2009.

## TECHNICAL RESULTS

Consequently, the total premium production for the business followed-up under the headings Local Acceptances and Foreign Acceptances accounts decreased nearly 3% year-on year, materializing as TL 823.6 million in 2009, as opposed to the 2008 figure of TL 849.1 million. When the retroceded premiums in the amount of TL 65.3 million are taken into consideration, our retention in 2009 was TL 758.3 million in non-life and life branches combined. This figure corresponds to a retention rate of 92.1%, down 1.6 points as compared to the prior year.

In 2009, our technical accounts yielded a profit of TL 14.7 million with the transfer of the profit in the amount of TL 49.4 million from the financial income and expenses into technical accounts pursuant to the Turkish Treasury's "Communiqué on Insurance Chart of Accounts" published in the Official Gazettes of December 30, 2004 and September 17, 2005, and respectively numbered 25686 and 25939, and to the provisions of the communiqué amending the former.

## FINANCIAL RESULTS

The Company's cash and bank holdings as at December 31, 2009 stand at TL 583.9 million, excluding those that belong to ECO and FAIR Pools.

The value of the securities portfolio is TL 475.9 million as at end-2009, consisting of TL 14.4 million in stocks, TL 417.2 million in government bonds, TL 23.1 million in FX-indexed government bonds and TL 21.2 million in mutual funds. The total value of affiliates and associates is TL 159 million.

While TL 130.6 million income has been derived during the year from bank interests and the securities followed-up in the securities portfolio, the interest income corresponding to the financial accounts materialized as TL 53.2 million after deduction of TL 77.4 million transferred to technical income from financial income within the frame of the provisions of the communiqué mentioned in the previous section. Dividend income, currency translation gains, profit on sales and other revenues totaled TL 72 million.

Net rental income was TL 6.5 million, which is TL 7.1 million rental income generated from the real properties owned less TL 0.6 million recognized as various expenses. Consequently, upon deduction of TL 19.5 million expenses from the income amount of TL 125.2 million in financial accounts, the financial account yielded a net income of TL 105.7 million. A net income of TL 82.7 million was posted in the financial account after setting off TL 23 million as tax provision, which constitutes the corporate tax payable in 2010 on the Company's 2009 revenues.

Net income generated from financial operations declined by 19.1% year-on-year, despite the high share of income generated from the subsidiaries in 2009 as the Company's exchange income fell, largely due to the fact that exchange rates had not shown any significant change compared to 2008, and the fact that interest rates were lower throughout 2009 than their in 2008.

## GENERAL EXPENSES

Covering personnel expenses and administration expenses, tax and other obligations, amortization costs, provisions and other expense items as of year-end 2009, general expenses amounted to TL 36.5 million; however, the year-end balance of the Company's general expenses account materialized as TL 8.5 million after deduction of TL 28 million, which is the amount transferred to technical expenses from financial expenses within the frame of the provisions of the communiqué mentioned above.

## CONCLUSION

The Company posted TL 111.9 million in pre-tax profit as at year-end 2009, which is TL 14.7 million profit in technical accounts plus TL 105.7 million profit in financial accounts, adding up to TL 120.4 million less general expenses in the amount of TL 8.5 million. After the tax provision in the amount of TL 23 million is set aside, the remaining TL 88.9 million represents the after-tax profit for 2009.

## Proposal for Distribution of 2009 Profit

| | |
|---|---|
| Out of<br>TL 88,924,641.11 | that constitutes the net profit reported in the 2009 balance sheet, |
| which is<br>TL 111,885,061.19 | the 2009 pretax profit |
| Less<br>TL 22,960,420.08 | to be set aside as provision for taxes provided that if there is a balance after assessment of taxes, such balance will be added to optional reserves; |
| Yielding<br>TL 88,924,641.11 | which is the net profit reported in the 2009 balance sheet, |
| TL 8,892,464.11 | which is 10% of such net profit, be set aside for legal reserves as per section 27/a of the articles of association; |
| from the remaining amount of<br>TL 80,032,177.00, | |
| TL 8,892,464.11 | which is 10% of net profit, be distributed to shareholders as first dividends as per section 27/b of the articles of association, |
| and from the remaining amount of<br>TL 71,139,712.89, | |
| TL 23,500,000.00 | be set aside as natural disaster and catastrophe funds as per section 27/c of the articles of association; |
| and from the remaining amount of<br>TL 47,639,712.89, | as per section 27/d of the articles of association, |
| | TL 1,667,389.95 set aside for founders' shares and |
| | TL 1,429,191.39 for distribution to personnel, adding up to |
| TL 3,096,581.34; | |
| and from the remaining amount of<br>TL 44,543,131.55, | |
| a total of<br>TL 41,067,535.89 | be set aside for second dividends as per section 27/e of the articles of association, and |
| and from the remaining amount of<br>TL 3,475,595.66, | |
| TL 3,380,658.13 | be set aside as statutory reserves as per Article 466 of the Turkish Commercial Code |
| the entirety of the remaining amount of<br>TL 94,937.53 | be transferred to optional reserves. |

Provided that the proposal presented above is approved by your Esteemed Assembly, profit share distribution will take place on March 30, 2010.

We extend our thanks to our business partners and our employees who contributed to the positive results achieved in 2009.

BOARD OF DIRECTORS

# Financial Information and Assessment on Internal Systems

# Statutory Auditors' Report

TO:
MİLLİ REASÜRANS TÜRK ANONİM ŞİRKETİ
General Assembly of Shareholders

In the capacity of statutory auditors of the Assembly, we have reviewed the 2009 accounts and transactions of Milli Reasürans Türk Anonim Şirketi as per section 18 of the Company's articles of association.

The reviews and audits performed reveal that the balance sheet, income statement, cash flow statement and statement of changes in equity drawn up and presented to the Assembly by the Board of Directors of Milli Reasürans Türk Anonim Şirketi conform to the Company's records, that the transactions during the year have been carried out in accordance with the provisions of applicable legislation and the articles of association, and that positive results have been achieved.

We hereby respectfully request the approval of the balance sheet, income statement, cash flow statement and statement of changes in equity for 2009, and of the proposal for distribution of profit.

| | |
|---|---|
| Statutory Auditor<br>Mustafa Toksöz | Statutory Auditor<br>Ergün Yorulmaz |

# Internal Audit Practices



The impact of the global crisis continued in 2009 in the insurance and reinsurance industries as in all sectors. In such difficult times as global crises, it is of great importance that the Company's operations are conducted efficiently and productively. The Internal Audit Department's policy, which steps in at this point, is to provide independent and objective verification and guidance with the aim of developing the Company's activities and adding value, rather than adopting an approach that focuses on strict audit and error-finding. To ensure that its activities are conducted independently and objectively, the Internal Audit Department reports directly to the Board of Directors.

The purpose of internal audit is to ensure that the work and transactions of the Company are carried out in accordance with the current laws, regulations, communiqués, resolutions, circulars, general terms, and other applicable legislation, as well as the Company's internal guidelines, its management strategy and policy; and to detect and to prevent any irregularities, mistakes, or fraud through continuous monitoring.

Internal audit activities cover on-site inspection of all assets, accounts and records, documents and employees, and other elements that might affect the reliability of the Company. The scope of these activities also include examining whether managers and staff are successful in relation to their given targets; inquiring from employees explanation on the monitored, audited and controlled issues; as well as warning departments of the Company when necessary.

All conclusions should be based on material proofs to the extent possible. In cases where material proofs cannot be obtained, the policy is to explain the reasons why that conclusion is drawn. It is important to be objective and reasonable.

In 2009, the Internal Audit Department has completed on-site inspection of all departments of the Company and the Singapore Branch carrying out the reinsurance business in the Asia-Pacific region, by way of observation, interview and data analysis. All audit results have been stated in a report and all reports have been submitted to the Board of Directors following the receipt of the comments and justifications made by the concerned department and the related Assistant General Manager. Audit performed revealed no issues that might have an adverse impact on the Company's financial structure.

The Internal Audit Department works to increase the effectiveness of the internal audit practices in the company every year with the support and approval of the management and cooperation of the employees in fulfilling the purpose of developing the Company's activities and adding value to them.

# Internal Control and Risk Management Practices

According to the Turkish Treasury's "Regulation on the Internal Systems of Insurance, Reinsurance and Pension Companies", published in the Official Gazette on June 21, 2008 with an issue number 26913, "Internal Control and Risk Management Department", which will report to the General Manager of the Company and perform its activities under his directorship, was established.

The Internal Control and Risk Management Department is a double-functioning department responsible for the execution of Internal Control and Risk Management activities in the Company. Practices of this department within the scope of respective regulations, policies, procedures and principles are summarized under two headings.

## Internal Control Practices

Internal Control System has an important role in ensuring the sound performance in the Company's operations, within the framework of such principles as efficiency, productivity, compliance and reliability, in order to protect it against undesired situations and to minimize negative impacts, if any, given that any event in the world may affect all countries and economies at the same time, due to the nature of globalization.

In respect to the Internal Control System, "Regulative Framework on the Internal Control Activities", "Internal Control Policies" and "Implementation Procedures and Principles of the Internal Control" were approved at the Board of Directors meeting dated February 26, 2009 (with meeting number, 1119)

To ensure the sound performance of the Internal Control operations, the "Control Center" was set up with the establishment of the "Internal Control and Risk Management Department" and the "Control Environment" was created with the commissioning of the Company's staff within the scope of these operations.

The purpose of the Internal Control Policies is to ensure that the Company's assets are well-protected; its activities are carried out efficiently and effectively and in adherence to the Company regulations and policies, and also to the Customs of Insurance Industry. Reliability, consistency and integrity of accounting and financial reporting systems and prompt accessibility of the information within the organization are also aimed by the overall internal control scheme and associated policies. In conjunction with this overall purpose, internal control activities encapsulate the Company's core operational activities and any processes related to those operational activities; communication channels and information systems; financial reporting systems; and internal consistency and compatibility of the Company.

The Internal Control Group consists of 21 people, out of whom 2 are located in the Control Centre and 19 are in the control environment. Internal control activities include daily, weekly, monthly, quarterly and annual checks and controls in the core control areas.

Responsibilities, authorities and limit delegations of staff are all documented in the relevant implementation procedures, flowcharts, and job descriptions. These documents are continuously reviewed and updated according to the changing needs, requirements, circumstances and identified risks.

The compliance of the main and other activities of underwriting departments, technical and financial accounting, payments and expenses, financial tables and reports within the cession and retrocession performed by treaty and voluntary methods to the legal liabilities, Company policies and application principles are mentioned.

The Internal Control and Risk Management Department, subordinated to the General Manager, is responsible to share the outcomes of Risk Notification Reports, which are generated as a consequence of internal control activities as described above, and make necessary co-assessments with the pertinent staff involved in the relevant departments. In this way, preemptive and complementary actions can be taken rapidly and also developmental longer-term solutions and methods to introduce better practices can be identified, with an objective to increase overall Company performance. The evaluations that include a summary of views and suggestions of the Internal Control and Risk Management Department are reported to the General Manager with the "Internal Control Report". The evaluations and outcomes as of such internal control activities are also reviewed regularly by the Board of Directors.

## Risk Management Practices
Volatilities in financial markets both in Turkey and across the world in recent years as well as catastrophic disasters have made effective risk management vital for the insurance industry worldwide. As insurance is a risk-based business, the implementation of the risk management systems and processes in insurance and reinsurance companies has become important for the purpose of monitoring possible risks systematically and closely.

In respect to the Risk Management System, "Regulative Framework on the Risk Management Activities", "Risk Management Policies" and "Implementation Procedures and Principles of the Risk Management" were approved at the Board of Directors meeting dated February 26, 2009 (with meeting number, 119).

The aim of the risk management system is to define the risks arising from the Company's balance-sheet and off-balance-sheet activities, to determine related limits, to measure, monitor, control the risks effectively, to take necessary precautions and to do the necessary reporting to related parties, as well as to protect Milli Re's reputation and to ensure that liabilities to insurance companies are fulfilled accurately and on time.

The function of the Risk Committee, which is established for the purpose of determining risk management strategies and policies that the Company will follow and submitting them to the Board of Directors for approval, is to evaluate the activities of Risk Management Function within the Internal Control and Risk Management Department based on the "Application Principles In Respect of Risk Limits" and to monitor the implementation of these guidelines throughout the Company.

The "Risk Catalogue", which aims to form a common terminology within the Company and in which possible risks are classified and defined by examples and the "Risk Management Guide", which includes the organization of the Risk Management function, possible risks and their measurement methods, are updated in accordance with the activities of the Company and submitted to the Board of Directors for approval.

Moreover, types and definitions of the risks that the Company may be exposed to, measurement methods of these risks, risk limits and plans in case of limit violations are detailed in the "Application Principles In Respect of Risk Limits" which is approved by the Board of Directors and updated consistently.

The duties and responsibilities of the Internal Control and Risk Management Department, which is a separate body, independent of the executive functions, are as follows in respect of risk management:

- To determine, define, measure, monitor and control risks
- To determine the risk management principles, procedures and policies predicated on the risk management strategies and to submit them to the Risk Committee
- To declare risk management principles, procedures and policies throughout the Company
- To provide the implementation of the policies and compliance with them
- To develop risk management techniques and methods, to ensure that risks are within the determined limits and to monitor limit violations, if any, and
- To carry out reporting and announcement activities in respect of risk management

## Basic Risks and Measuring Methods
Risks that the Company is and/or may be exposed to are classified under two headings - financial and non-financial risks and explanations regarding the definitions and assessment methods of basis risks are stated below.

## FINANCIAL RISKS

### Reinsurance Risk
This risk arises from the inaccurate and inefficient application of reinsurance techniques in the process of making profit by underwriting and retrocession activities.

In order to keep it under control, which cannot be expressed as a numerical value, the Application Principles In Respect of Risk Limits where underwriting limits, related implementations and retention limits are stated, is revised regularly.

Underwriting limits, risk profiles and accumulation that may occur in the event of a catastrophe risk are taken into consideration when preparing retrocession agreements for the purpose of covering the liabilities arising from underwritten business. The largest risk faced by the Company is the earthquake risk stemming from domestic acceptances. In respect of this risk, the results of the dynamic financial analysis performed by using the Company's internal modeling are assessed. It is ensured that, the difference between the estimated gross loss amount obtained as a result of the financial analysis and the coverage limit of retrocession agreement is in compliance with the limits.

**Credit Risk**

This risk expresses the probability of loss arising from the full or partial default of the counterparties (security issuers, insurance / reinsurance companies, debt owners) with which the Company has a business relationship.

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

On the other hand, over-due receivables and the distribution of Company's investment portfolio in terms of counterparties are monitored regularly.

**Market Risk**

This risk refers to the probability of loss which may occur in the value of the Company's positions in respect of financial borrowing instruments of which the returns are associated with interest rates, stocks, other securities, derivative contracts based on these instruments, as well as Company's all FX denominated assets and liabilities in various currencies stated in the balance sheet and off-balance sheet items, due to volatilities in interest rates, stock prices and exchange rates.

Market Risk is measured by using a numerical method named Value at Risk (VaR). This method measures the expected "severe" loss amount of the portfolio appearing on a "day of crisis". The VaR of a portfolio represents the maximum loss which may arise in value of this portfolio that is retained for a definite period, as a result of volatilities arising in interest rates, exchange rates and stock prices, using a determined confidence level. While calculating Value at Risk of the Company's portfolio, Historical Simulation Method, which creates different scenarios by using the past data, is applied and a historical data of 250 working days, a confidence level of 99% and a holding period of one day are taken as basis.

Value at Risk is calculated on a daily basis and the results of the measurement are verified by Back Tests. In addition, the Stress Tests which are applied quarterly are the supporting factors of Value at Risk method in calculating the loss caused by unexpected and extraordinary situations and also by Scenario Analysis different scenarios are created for the purpose of monitoring the sensitivity of the Company portfolio to the changes in basic risk factors.

Market Risk limits are determined by the ratio of VaR to the Investment Portfolio Value and to Shareholders' Equity and stated in "Application Principles In Respect of Risk Limits" ". Limit violations are monitored regularly.

**Liquidity Risk**

This risk denotes the imbalance between the Company's cash inflows and outflows in terms of maturity and volume. Liquidity Risk takes place if the Company is not able to access enough funds in order to fulfill its commitments and liabilities when big losses occur and to pay the insurance companies' immediate cash claims.

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 balance sheet. (Asset / Liability Duration Matching) Moreover, the Company's liquidity structure is monitored by using the following basic indicators determined by the Undersecretariat of Turkish Treasury in respect to Liquidity Ratios:

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

Developments of these ratios in comparison to the previous year are monitored regularly.

## NON-FINANCIAL RISKS

### Operational Environment Risk

This risk is defined as the negative impact on the operational ability of the company, due to the external factors in Company's operating areas such as political, economic, demographic conditions.

Qualitative methods are used to measure the level of this risk. On the basis of "Self Assessment Methodology", "Questionnaire" and/or "Interview" methods are used to determine the impact and probability level of the risk as "High", "Reasonable" or "Low".

Moreover, underwriting portfolio is monitored regularly during the year to see if there is an acceptance from a country that is defined as "unapproved" territory.

### Strategy Risk

This risk arises due to the inefficient managerial and organizational structure of the Company, inability of the management to develop effective strategies or non-disclosure and/or lack of implementation of these strategies, erroneous business decisions, improper application of decisions or noncompliance with the changing market dynamics.

Qualitative methods are used to measure the level of this risk. On the basis of "Self Assessment Methodology", "Questionnaire" and/or "Interview" methods are used to determine the impact and probability level of the risk as "High", "Reasonable" or "Low".

### Model Risk

This risk expresses the probability of loss that may occur if the models used within the Company's scope of business and/or risk measurement processes is inappropriately designed or not properly implemented, or the conclusions derived by the models are inadequate or incorrect.

The probability of loss, due to production of inaccurate and inadequate results in Company's current models which are used to calculate the Market Risk and the Catastrophe Risk, is considered under this risk category.

In the measurement and evaluation of Model Risk, "Questionnaire" and/or "Interview" methods are used on the basis of "Self Assessment Methodology", to determine the impact and probability level of the risk as "High", "Reasonable" or "Low".

### Operational Risk

This risk expresses the probable losses arising from inappropriate or inoperative business processes, human errors, technological or infrastructural interruptions, business interruption, changes in management or processes, inaccurate internal / external reporting or external factors occurring while the Company conducts its basic functions necessary for the continuation of business.

Qualitative and quantitative methods are used together in measuring the operational risks.

Factor Based Standard Approach, which is developed under Solvency II framework, is applied as a quantitative method. In this method, the required capital for operational risks is calculated via multiplying Gross Technical Provisions and Gross Earned Premiums by the factors in respect of the branches they are related to.

"Self Assessment Methodology", which allows the risks related to activities conducted, to be determined via participation of staff who is performing such activities, is applied as a qualitative method. The level of the operational risk that the Company is exposed to is subsequently classified as "High", "Requiring Precautionary Measures" or "Acceptable", depending on the result of the assessments.

### Reputation Risk

This risk can be defined as the probable loss of confidence of counterparties or damage to the "Company Reputation" resulting from failures in the performance of the Company or noncompliance with the current regulations.

Qualitative methods are used to measure the level of this risk. On the basis of "Self Assessment Methodology", "Questionnaire" and/or "Interview" methods are used to determine the impact and probability level of the risk as "High", "Reasonable" or "Low".

All findings obtained as a result of measuring the above-mentioned risks, all analyses and assessments regarding these findings, are reported to the General Manager, Risk Committee and Board of Directors, as well as to the Directorate of Subsidiaries and Directorate of Risk Management of İşbank by the Internal Control and Risk Management Department regularly.

If the impact and probability level of the risks is found "high", the Board of Directors determines an action plan regarding the necessary transactions.

### Assessment of the Capital Adequacy

The Company's capital adequacy is measured according to the provisions of "Regulation In Respect of Measurement and Assessment of Capital Adequacy of Insurance, Reinsurance and Pension Companies", which was published by Undersecretariat of Turkish Treasury and assessments regarding the results are first submitted to the Risk Committee via the "Risk Assessment Report" and after the approval of the committee, submitted to the Board of Directors. The factor-based method, used according to the said regulation, is a method which determines the amount of capital defined in the regulation as per each type of risk and thus allows the calculation of the total required capital.

# Financial Strength Figures



## Financial Ratios

| (%) | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| **1. Capital Adequacy Ratios** | | | | | |
| Gross Premiums/Shareholders' Equity | 155 | 159 | 119 | 127 | 105 |
| Shareholders' Equity/Total Assets | 47 | 47 | 58 | 48 | 50 |
| Shareholders' Equity/Net Technical Provisions | 95 | 96 | 149 | 101 | 112 |
| **2. Asset Quality and Liquidity Ratios** | | | | | |
| Liquid Assets/Total Assets | 58 | 68 | 69 | 71 | 67 |
| Liquidity Ratio | 136 | 158 | 166 | 142 | 141 |
| Current Ratio | 151 | 174 | 184 | 163 | 166 |
| Receivables from Technical Operations/Total Assets | 7 | 7 | 6 | 10 | 12 |
| **3. Operational Ratios** | | | | | |
| Retention Ratio | 88 | 87 | 91 | 94 | 92 |
| Paid Claims/Paid Claims+Outstanding Claims | 70 | 67 | 70 | 63 | 60 |
| **4. Profitability Ratios** | | | | | |
| Loss Ratio (Gross) | 68 | 74 | 75 | 80 | 85 |
| Loss Ratio (Net) | 73 | 77 | 78 | 84 | 81 |
| Expense Ratio | 22 | 23 | 23 | 14 | 26 |
| Combined Ratio | 90 | 97 | 98 | 94 | 111 |
| Profit Before Tax/Gross Premiums | 8 | 8 | 11 | 19 | 14 |
| Gross Financial Profit/Gross Premiums | 4 | 7 | 11 | 15 | 12 |
| Technical Profit/Gross Premiums | 4 | 1 | 1 | 5 | 2 |

| Capital Adequacy* (TL mn) | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Required Capital | 177.6 | 189.0 | 177.4 | 197.3 | 197.1 |
| Shareholders' Equity Computed | 562.2 | 637.2 | 643.5 | 588.8 | 692.6 |
| Surplus | 384.6 | 448.2 | 466.1 | 391.5 | 495.5 |

* Beginning with 2008, Capital Adequacy is prepared in accordance with the principles set out in the Regulation on the Measurement and Evaluation of Capital Adequacy in Insurance, Reinsurance and Pension companies published in the Official Gazette issue 27156 dated March 1, 2009 .

## Evaluation of the Financial Strength, Profitability and Solvency Margin

Financial analysis ratios as reference to the evaluation regarding the financial strength of the Company have results conforming to the evaluation criteria of the Regulation.

The shareholders' equity of the Company is sufficient to fulfill its ongoing obligations and the Company's capital adequacy has yielded a positive result of TL 495.5 million.

# Key Financial Figures

| (TL) | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and Cash Equivalents | 267,895,204.47 | 366,211,357.10 | 311,941,657.75 | 489,476,208.32 | 583,896,838.74 |
| Securities | 314,034,502.11 | 406,379,771.46 | 537,759,472.39 | 496,207,491.90 | 475,875,034.68 |
| Affiliates and Subsidiaries | 138,420,403.32 | 129,358,928.61 | 143,230,060.84 | 87,023,240.53 | 158,975,388.31 |
| Fixed Assets | 120,899,723.80 | 85,441,669.48 | 83,060,996.66 | 65,234,219.12 | 63,706,402.78 |
| Doubtful Receivables (Net) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Assets | 995,743,137.60 | 1,132,446,702.13 | 1,222,852,210.59 | 1,389,269,171.83 | 1,572,572,174.91 |
| **Liabilities** | | | | | |
| Technical Provisions | 488,780,518.08 | 556,400,818.43 | 473,009,196.44 | 658,467,830.40 | 698,939,892.40 |
| Shareholders' Equity* | 465,702,249.22 | 536,666,853.19 | 706,923,351.68 | 666,717,416.60 | 780,969,847.14 |
| **Income and Expenses Items** | | | | | |
| Technical Income | 1,204,177,461.25 | 1,409,813,980.59 | 1,443,738,234.31 | 1,458,553,309.78 | 1,698,923,035.74 |
| Technical Expenses | 1,177,867,202.10 | 1,405,097,993.67 | 1,437,779,295.32 | 1,418,640,086.40 | 1,684,224,810.28 |
| Technical Profit/Loss | 26,310,259.15 | 4,715,986.92 | 5,958,938.99 | 39,913,223.38 | 14,698,225.46 |
| Financial Income | 82,665,716.46 | 96,418,078.71 | 131,590,904.48 | 164,799,000.10 | 125,203,587.68 |
| Financial Expenses | 36,013,569.38 | 33,770,321.52 | 45,994,434.75 | 62,614,799.24 | 42,492,295.51 |
| General Expenses | 36,041,280.99 | 18,950,609.02 | 18,879,748.83 | 10,430,641.46 | 8,484,876.52 |
| Financial Profit/Loss | 10,610,866.09 | 43,697,148.17 | 66,716,720.90 | 91,753,559.40 | 74,226,415.65 |
| Profit/Loss for the Period | 36,921,125.24 | 48,413,135.09 | 72,675,659.89 | 131,666,782.78 | 88,924,641.11 |

* Including Profit for the Period

# Independent Auditor's Report

Independent Audıtor's Report For The Perıod 1 January – 31 December 2009

**To the Board of Directors' of Milli Reasürans T.A.Ş.,**

1. We have audited the accompanying balance sheet of Milli Reasürans T.A.Ş. ("The Company") as at December 31, 2009 and the income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued based on insurance laws and regulations which require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements give true and fair presentation.

Our independent audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the financial statements prepared by the management 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

4. In our opinion, in all material respects; the financial statements give a true and fair view of the financial position of Milli Reasürans T.A.Ş. as of December 31, 2009 and of its financial performance and its cash flows for the year then ended in accordance with current accounting principles and standards (pls. refer to Note 2) within the related legislation.

MGI BAĞIMSIZ DENETİM VE
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.

Y. KENAN ÖZSARAÇ,YMM
Managing Partner
İstanbul, 02 February 2010

# Millî Reasürans T.A.Ş.

## Detailed Balance Sheet as of 31 December 2009

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

| ASSETS<br>I- Current Assets | | Note | Audited<br>Current Period<br>31.12.2009 | Audited<br>Previous Period<br>31.12.2008 |
|---|---|---|---|---|
| **A-** | **Cash and Cash Eguivalents** | | **583,896,838.74** | **489,476,208.32** |
| 1- | Cash | 14 | 15,605.84 | 13,542.12 |
| 2- | Cheques Received | 14 | 12,488.00 | 6,555.00 |
| 3- | Banks | 4.2.3,12.4 | 583,868,744.90 | 489,456,111.20 |
| 4- | Cheques Given and Payment Orders (-) | | 0.00 | 0.00 |
| 5- | Other Cash and Cash Equivalents | | 0.00 | 0.00 |
| **B-** | **Financial Assets and Financial Investments at Insureds' Risk** | | **475,875,034.68** | **496,207,491.90** |
| 1- | Financial Assets Available for Sale | | 208,069,788.09 | 56,041,916.98 |
| 2- | Financial Assets Held to Maturity | | 0.00 | 115,445,787.51 |
| 3- | Financial Assets Held for Trading | 4.2.3,11.1 | 267,805,246.59 | 324,719,787.41 |
| 4- | Loans | | 0.00 | 0.00 |
| 5- | Provisions for Loans (-) | | 0.00 | 0.00 |
| 6- | Financial Investments at Life Insurance Policyholders's Risk | | 0.00 | 0.00 |
| 7- | Company's Share | | 0.00 | 0.00 |
| 8- | Provision for Diminution in Value of Financial Assets (-) | | 0.00 | 0.00 |
| **C-** | **Receivables from Technical Operations** | | **184,002,085.65** | **143,642,210.55** |
| 1- | Receivables from Insurance Operations | | 0.00 | 0.00 |
| 2- | Provision for Receivables from Insurance Operations (-) | | 0.00 | 0.00 |
| 3- | Receivables from Reinsurance Operations | 2.1.1.e,f,12,45.2 | 78,814,246.54 | 77,872,737.00 |
| 4- | Provisions for Receivables from Reinsurance Operations (-) | | 0.00 | 0.00 |
| 5- | Reserves with Insurance and Reinsurance Companies | 12 | 105,187,839.11 | 65,769,473.55 |
| 6- | Loans and Mortgages to Insureds | | 0.00 | 0.00 |
| 7- | Provisions for Loans and Mortgages to Insureds (-) | | 0.00 | 0.00 |
| 8- | Receivables from Pension Operations | | 0.00 | 0.00 |
| 9- | Doubtful Receivables from Operations | | 0.00 | 0.00 |
| 10- | Provision for Doubtful Receivables from Operations (-) | | 0.00 | 0.00 |
| **D-** | **Receivables from Related Parties** | | **2,310.77** | **17,647.03** |
| 1- | Receivables from Shareholders | | 0.00 | 0.00 |
| 2- | Receivables from Affiliates | | 0.00 | 0.00 |
| 3- | Receivables from Subsidiaries | | 0.00 | 0.00 |
| 4- | Receivables from Joint-Ventures | | 0.00 | 0.00 |
| 5- | Receivables from Personnel | | 0.00 | 0.00 |
| 6- | Receivables from Other Related Parties | 47.1.a | 2,310.77 | 17,647.03 |
| 7- | Rediscount on Receivables from Related Parties (-) | | 0.00 | 0.00 |
| 8- | Doubtful Receivables from Related Parties | | 0.00 | 0.00 |
| 9- | Provisions for Doubtful Receivables from Related Parties (-) | | 0.00 | 0.00 |
| **E-** | **Other Receivables** | | **808,443.47** | **618,856.25** |
| 1- | Financial Leasing Receivables | | 0.00 | 0.00 |
| 2- | Unearned Financial Leasing Interests Income (-) | | 0.00 | 0.00 |
| 3- | Deposits and Guarantees Given | 47.1.a | 801,495.06 | 608,264.46 |
| 4- | Miscellaneous Receivables | | 6,948.41 | 10,591.79 |
| 5- | Rediscount for Miscellaneous Receivables (-) | | 0.00 | 0.00 |
| 6- | Other Doubtful Receivables | | 0.00 | 0.00 |
| 7- | Provisions for Other Doubtful Receivables (-) | | 0.00 | 0.00 |
| **F-** | **Prepaid Expenses for Future Months and Income Accruals** | | **89,810,768.47** | **93,492,123.67** |
| 1- | Prepaid Expenses for Future Months | 4.1.2.4 | 88,842,304.49 | 93,017,472.74 |
| 2- | Accrued Interest and Rental Incomes | | 0.00 | 0.00 |
| 3- | Income Accruals | | 968,463.98 | 474,650.93 |
| 4- | Other Prepaid Expenses for Future Months and Other Income Accruals | | 0.00 | 0.00 |
| **G-** | **Other Current Assets** | | **4,881,796.68** | **9,518,417.55** |
| 1- | Inventories | | 23,317.26 | 45,095.05 |
| 2- | Prepaid Taxes and Funds | 47.1.a | 3,806,131.48 | 8,118,109.76 |
| 3- | Deferred Tax Assets | | 0.00 | 0.00 |
| 4- | Work Advances | 47.1.a | 235,081.22 | 2,451.70 |
| 5- | Advances to Personnel | | 587,727.54 | 0.00 |
| 6- | Inventory Shortages | | 0.00 | 0.00 |
| 7- | Other Current Assets | 47.1.a | 229,539.18 | 1,352,761.04 |
| 8- | Provisions for Other Current Assets (-) | | 0.00 | 0.00 |
| **I-** | **Total Current Assets** | | **1,339,277,278.46** | **1,232,972,955.27** |

# Millî Reasürans T.A.Ş.

## Detailed Balance Sheet as of 31 December 2009

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

| ASSETS<br>II- Non-Current Assets | | Note | Audited<br>Current Period<br>31.12.2009 | Audited<br>Previous Period<br>31.12.2008 |
|---|---|---|---|---|
| **A-** | **Receivables from Technical Operations** | | **0.00** | **0.00** |
| 1- | Receivables from Insurance Operations | | 0.00 | 0.00 |
| 2- | Provision for Receivables from Insurance Operations (-) | | 0.00 | 0.00 |
| 3- | Receivables from Reinsurance Operations | | 0.00 | 0.00 |
| 4- | Provision for Receivables from Reinsurance Operations (-) | | 0.00 | 0.00 |
| 5- | Reserves with Insurance and Reinsurance Companies | | 0.00 | 0.00 |
| 6- | Loans and Mortgages to Insureds | | 0.00 | 0.00 |
| 7- | Provision for Loans and Mortgages to Insureds (-) | | 0.00 | 0.00 |
| 8- | Receivables from Pension Operations | | 0.00 | 0.00 |
| 9- | Doubtful Receivables from Operations | 12.1,45.3 | 8,224,472.41 | 9,423,967.33 |
| 10- | Provisions for Doubtful Receivables from Operations (-) | 12.1,45.3 | -8,224,472.41 | -9,423,967.33 |
| **B-** | **Receivables from Related Parties** | | **0.00** | **0.00** |
| 1- | Receivables from Shareholders | | 0.00 | 0.00 |
| 2- | Receivables from Affiliates | | 0.00 | 0.00 |
| 3- | Receivables from Subsidiaries | | 0.00 | 0.00 |
| 4- | Receivables from Joint-Ventures | | 0.00 | 0.00 |
| 5- | Receivables from Personnel | | 0.00 | 0.00 |
| 6- | Receivables from Other Related Parties | | 0.00 | 0.00 |
| 7- | Rediscount on Receivables from Related Parties (-) | | 0.00 | 0.00 |
| 8- | Doubtful Receivables from Related Parties | | 0.00 | 0.00 |
| 9- | Provisions for Doubtful Receivables from Related Parties (-) | | 0.00 | 0.00 |
| **C-** | **Other Receivables** | | **0.00** | **0.00** |
| 1- | Financial Leasing Receivables | | 0.00 | 0.00 |
| 2- | Unearned Financial Leasing Interest Income (-) | | 0.00 | 0.00 |
| 3- | Deposits and Guarantees Given | | 0.00 | 0.00 |
| 4- | Miscellaneous Receivables | | 0.00 | 0.00 |
| 5- | Rediscount for Miscellaneous Receivables (-) | | 0.00 | 0.00 |
| 6- | Other Doubtful Receivables | | 0.00 | 0.00 |
| 7- | Provision for Other Doubtful Receivables (-) | | 0.00 | 0.00 |
| **D-** | **Financial Assets** | | **158,975,388.31** | **87,023,240.53** |
| 1- | Long Term Securities | | 0.00 | 0.00 |
| 2- | Affiliaties | 9,11.4,45.4 | 158,229,181.64 | 86,277,033.86 |
| 3- | Capital Commitments to Affiliates (-) | | 0.00 | 0.00 |
| 4- | Subsidiaries | 11.4,45.4 | 746,206.67 | 746,206.67 |
| 5- | Capital Commitments to Subsidiaries (-) | | 0.00 | 0.00 |
| 6- | Joint Ventures | | 0.00 | 0.00 |
| 7- | Capital Commitments to Joint Ventures (-) | | 0.00 | 0.00 |
| 8- | Financial Assets and Financial Investments at Insureds' Risk | | 0.00 | 0.00 |
| 9- | Other Financial Assets | | 0.00 | 0.00 |
| 10- | Provisions for Diminution in Value of Financial Assets (-) | | 0.00 | 0.00 |
| **E-** | **Tangible Assets** | | **62,824,141.93** | **63,980,971.61** |
| 1- | Real Estate Investments | 2.6,7 | 41,342,838.97 | 41,342,838.97 |
| 2- | Provisions for Diminution in Value of Real Estate Investments (-) | | 0.00 | 0.00 |
| 3- | Company Occupied Real Estate | 6.3 | 31,392,944.97 | 31,392,944.97 |
| 4- | Machinery and Equipments | | 0.00 | 0.00 |
| 5- | Fixtures and Furniture | 6.3 | 2,060,044.35 | 1,837,466.83 |
| 6- | Motor Vehicles | 6.3 | 766,101.99 | 319,949.23 |
| 7- | Other Tangible Assets (Including Leasehold Improvements) | | 0.00 | 0.00 |
| 8- | Leased Assets | | 0.00 | 0.00 |
| 9- | Accumulated Depreciations (-) | 6.3 | -12,737,788.35 | -10,912,228.39 |
| 10- | Advances Given for Tangible Assets (Including Construction in Progress) | | 0.00 | 0.00 |
| **F-** | **Intangible Assets** | | **882,260.85** | **1,253,247.51** |
| 1- | Rights | 8 | 1,419,973.30 | 1,487,645.49 |
| 2- | Goodwill | | 0.00 | 0.00 |
| 3- | Start-up Costs | | 0.00 | 0.00 |
| 4- | Research and Development Expenses | | 0.00 | 0.00 |
| 5- | Other Intangible Assets | | 0.00 | 0.00 |
| 6- | Accumulated Amortizations (-) | 8 | -537,712.45 | -234,397.98 |
| 7- | Advances Given for Intangible Assets | | 0.00 | 0.00 |
| **G-** | **Prepaid Expenses for Future Years and Income Accruals** | | **103,936.71** | **80,721.90** |
| 1- | Prepaid Expenses for Future Years | | 103,936.71 | 80,721.90 |
| 2- | Income Accruals | | 0.00 | 0.00 |
| 3- | Other Prepaid Expenses for Future Years and Other Income Accruals | | 0.00 | 0.00 |
| **H-** | **Other Non-Current Assets** | | **10,509,168.65** | **3,958,035.01** |
| 1- | Effective Foreign Currency Accounts | | 0.00 | 0.00 |
| 2- | Foreign Currency Accounts | | 0.00 | 0.00 |
| 3- | Inventories for Future Years | | 0.00 | 0.00 |
| 4- | Prepaid Taxes and Funds | | 0.00 | 0.00 |
| 5- | Deferred Tax Assets | 35 | 10,509,168.65 | 3,958,035.01 |
| 6- | Miscellaneous Non-Current Assets | | 0.00 | 0.00 |
| 7- | Miscellaneous Non-Current Assets Amortization (-) | | 0.00 | 0.00 |
| 8- | Provision for Decrease in Value of Other Miscellaneous Non-Current Assets (-) | | 0.00 | 0.00 |
| **II-** | **Total Non-Current Assets** | | **233,294,896.45** | **156,296,216.56** |
| | **TOTAL ASSETS (I+II)** | | **1,572,572,174.91** | **1,389,269,171.83** |

# Millî Reasürans T.A.Ş.

## Detailed Balance Sheet as of 31 December 2009

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

| LIABILITIES<br>III- Short-Term Liabilities | | Note | Audited<br>Current Period<br>31.12.2009 | Audited<br>Previous Period<br>31.12.2008 |
|---|---|---|---|---|
| **A-** | **Financial Liabilities** | | **0.00** | **0.00** |
| 1- | Due to Credit Institutions | | 0.00 | 0.00 |
| 2- | Financial Leasing Payables | | 0.00 | 0.00 |
| 3- | Deferred Financial Leasing Costs (-) | | 0.00 | 0.00 |
| 4- | Current Maturities of Long Term Credits and Accrued Interests | | 0.00 | 0.00 |
| 5- | Current Maturities of Issued Bonds and Accrued Interests | | 0.00 | 0.00 |
| 6- | Other Financial Assets Issued | | 0.00 | 0.00 |
| 7- | Value Difference of Other Financial Assets Issued (-) | | 0.00 | 0.00 |
| 8- | Other Financial Payables (Liabilities) | | 0.00 | 0.00 |
| **B-** | **Payables from Operations** | | **68,264,671.71** | **28,507,185.86** |
| 1- | Payables from Insurance Operations | | 0.00 | 0.00 |
| 2- | Payables from Reinsurance Operations | 2.1.1.f,19.1,45.2 | 65,401,692.98 | 27,625,774.37 |
| 3- | Reserves of Insurance and Reinsurance Companies | 19.1 | 2,862,978.73 | 881,411.49 |
| 4- | Payables from Pension Operations | | 0.00 | 0.00 |
| 5- | Payables from Other Operations | | 0.00 | 0.00 |
| 6- | Rediscount on Other Notes Payables (-) | | 0.00 | 0.00 |
| **C-** | **Due to Related Parties** | | **118,846.95** | **78,750.05** |
| 1- | Due to Shareholders | 12.2,45.2 | 86,197.94 | 22,604.69 |
| 2- | Due to Affiliates | | 0.00 | 0.00 |
| 3- | Due to Subsidiaries | | 0.00 | 0.00 |
| 4- | Due to Joint Ventures | | 0.00 | 0.00 |
| 5- | Due to Personnel | | 0.00 | 0.00 |
| 6- | Due to Other Related Parties | 19.1 | 32,649.01 | 56,145.36 |
| **D-** | **Other Payables** | | **131,129.86** | **237,963.84** |
| 1- | Deposits and Guarantees Received | | 0.00 | 0.00 |
| 2- | Miscellaneous Payables | 19.1,47.1 | 131,129.86 | 237,963.84 |
| 3- | Rediscount of Miscellaneous Payables (-) | | 0.00 | 0.00 |
| **E-** | **Insurance Technical Provisions** | | **698,939,892.40** | **658,467,830.40** |
| 1- | Provision for Unearned Premiums - Net | 2.1.1.c | 350,345,835.13 | 358,959,154.68 |
| 2- | Provision for Unexpired Risks - Net | 2.1.1.c | 8,263,494.82 | 7,442,223.72 |
| 3- | Mathematical Reserves (Life) - Net | 2.1.1.c | 840,988.17 | 873,512.40 |
| 4- | Provision for Outstanding Losses and Indemnities - Net | 2.1.1.c | 327,106,336.61 | 284,675,419.82 |
| 5- | Provision for Bonus and Reduction - Net | | 0.00 | 0.00 |
| 6- | Provision for Investment Risk at Life Insurance Policyholders - Net | | 0.00 | 0.00 |
| 7- | Other Technical Provisions - Net | 2.1.1.c | 12,383,237.67 | 6,517,519.78 |
| **F-** | **Taxes Payable and Other Fiscal Liabilities and Provisions** | | **-5,320,758.19** | **10,365,326.10** |
| 1- | Taxes and Fund Payable | 23.1 | 522,093.01 | 854,337.92 |
| 2- | Social Security Withholdings Payable | 23.1 | 77,199.15 | 70,050.11 |
| 3- | Overdue. Deferred or Restructured Taxes and Other Fiscal Liabilities | | 0.00 | 0.00 |
| 4- | Other Taxes and Fiscal Liabilities | | 0.00 | 0.00 |
| 5- | Provisions for CorporateTax and Other Legal Liabilities | 35 | 22,960,420.08 | 33,590,534.96 |
| 6- | Prepaid Corporate Tax and Other Fiscal Liabilities on Profit (-) | 35 | -28,880,470.43 | -24,149,596.89 |
| 7- | Provisions for Other Taxes and Fiscal Liabilities | | 0.00 | 0.00 |
| **G-** | **Provisions for Other Risks** | | **0.00** | **0.00** |
| 1- | Provision for Employment Termination Benefits | | 0.00 | 0.00 |
| 2- | Provision for Social Benefit Fund Deficits | | 0.00 | 0.00 |
| 3- | Provision for Costs | | 0.00 | 0.00 |
| **H-** | **Income Related to Future Months and Expense Accruals** | | **965,983.52** | **3,353,449.65** |
| 1- | Income Related to Future Months | 4.1.2.4,19.1 | 718,390.28 | 3,123,819.67 |
| 2- | Expense Accruals | 19.1 | 247,593.24 | 229,629.98 |
| 3- | Other Income Related to Future Months and Expense Accruals | | 0.00 | 0.00 |
| **I-** | **Other Short Term Liabilities** | | **0.00** | **0.00** |
| 1- | Deferred Tax Liabilities | | 0.00 | 0.00 |
| 2- | Inventory Overages | | 0.00 | 0.00 |
| 3- | Other Miscellaneous Short Term Liabilities | | 0.00 | 0.00 |
| **III–** | **Total Short Term Liabilities** | | **763,099,766.25** | **701,010,505.90** |

# Millî Reasürans T.A.Ş.

## Detailed Balance Sheet as of 31 December 2009

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

| LIABILITIES<br>IV- Long-Term Liabilities | | Note | Audited<br>Current Period<br>31.12.2009 | Audited<br>Previous Period<br>31.12.2008 |
|---|---|---|---|---|
| **A-** | **Financial Liabilities** | | **0.00** | **0.00** |
| 1- | Due to Credit Institutions | | 0.00 | 0.00 |
| 2- | Financial Leasing Payables | | 0.00 | 0.00 |
| 3- | Deferred Financial Leasing Costs (-) | | 0.00 | 0.00 |
| 4- | Bonds Issued | | 0.00 | 0.00 |
| 5- | Other Financial Assets Issued | | 0.00 | 0.00 |
| 6- | Value Difference of Other Financial Assets Issued (-) | | 0.00 | 0.00 |
| 7- | Other Financial Payables (Liabilities) | | 0.00 | 0.00 |
| **B-** | **Payables from Operations** | | **0.00** | **0.00** |
| 1- | Payables from Insurance Operations | | 0.00 | 0.00 |
| 2- | Payables from Reinsurance Operations | | 0.00 | 0.00 |
| 3- | Reserves of Insurance and Reinsurance Companies | | 0.00 | 0.00 |
| 4- | Payables from Pension Operations | | 0.00 | 0.00 |
| 5- | Payables from Other Operations | | 0.00 | 0.00 |
| 6- | Rediscount on Other Notes Payables (-) | | 0.00 | 0.00 |
| **C-** | **Due to Related Parties** | | **0.00** | **0.00** |
| 1- | Due to Shareholders | | 0.00 | 0.00 |
| 2- | Due to Affiliates | | 0.00 | 0.00 |
| 3- | Due to Subsidiaries | | 0.00 | 0.00 |
| 4- | Due to Joint Ventures | | 0.00 | 0.00 |
| 5- | Due to Personnel | | 0.00 | 0.00 |
| 6- | Due to Other Related Parties | | 0.00 | 0.00 |
| **D-** | **Other Payables** | | **0.00** | **0.00** |
| 1- | Deposits and Guarantees Received | | 0.00 | 0.00 |
| 2- | Miscellaneous Payables | | 0.00 | 0.00 |
| 3- | Rediscount of Other Miscellaneous Payables (-) | | 0.00 | 0.00 |
| **E-** | **Insurance Technical Provisions** | | **0.00** | **0.00** |
| 1- | Provision for Unearned Premiums - Net | | 0.00 | 0.00 |
| 2- | Provision for Unexpired Risks - Net | | 0.00 | 0.00 |
| 3- | Mathematical Reserves (Life) - Net | | 0.00 | 0.00 |
| 4- | Provision for Outstanding Losses and Indemnities - Net | | 0.00 | 0.00 |
| 5- | Provision for Bonus and Reduction - Net | | 0.00 | 0.00 |
| 6- | Provision for Investment Risk at Life Insurance Policyholders - Net | | 0.00 | 0.00 |
| 7- | Other Technical Provisions - Net | | 0.00 | 0.00 |
| **F-** | **Other Liabilities and Provisions** | | **0.00** | **0.00** |
| 1- | Other Liabilities | | 0.00 | 0.00 |
| 2- | Overdue. Deferred or Restructured Taxes and Other Fiscal Liabilities | | 0.00 | 0.00 |
| 3- | Provisions for Other Debts and Expenses | | 0.00 | 0.00 |
| **G-** | **Provisions for Other Risks** | | **23,406,772.02** | **21,502,073.46** |
| 1- | Provision for Employment Termination Benefits | 2.19,22 | 3,990,182.00 | 3,319,474.00 |
| 2- | Provision for Social Benefit Fund Deficits | 22,23.1 | 19,416,590.02 | 18,182,599.46 |
| **H-** | **Income Related to Future Years and Expense Accruals** | | **66,011.57** | **39,175.87** |
| 1- | Incomes Related to Future Years | | 0.00 | 0.00 |
| 2- | Expense Accruals | | 0.00 | 0.00 |
| 3- | Other Income Related to Future Years and Expense Accruals | | 66,011.57 | 39,175.87 |
| **I-** | **Other Long Term Liabilities** | | **5,029,777.93** | **0.00** |
| 1- | Deferred Tax Liabilities | | 5,029,777.93 | 0.00 |
| 2- | Other Long Term Liabilities | | 0.00 | 0.00 |
| **IV–** | **Total Long Term Liabilities** | | **28,502,561.52** | **21,541,249.33** |

# Millî Reasürans T.A.Ş.

## Detailed Balance Sheet as of 31 December 2009

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

| SHAREHOLDERS' EQUITY<br>V- Shareholders' Equity | | Note | Audited<br>Current Period<br>31.12.2009 | Audited<br>Previous Period<br>31.12.2008 |
|---|---|---|---|---|
| **A-** | **Paid-up Capital** | | **385,000,000.00** | **385,000,000.00** |
| 1- | Nominal Capital | 1.1,2.13,15 | 385,000,000.00 | 385,000,000.00 |
| 2- | Unpaid Capital (-) | | 0.00 | 0.00 |
| 3- | Inflation Adjustment of Paid-up Capital (+) | | 0.00 | 0.00 |
| 4- | Inflation Adjustment of Paid-up Capital (-) | | 0.00 | 0.00 |
| **B-** | **Capital Reserves** | | **2,073,977.38** | **269,527.49** |
| 1- | Share Premiums | | 0.00 | 0.00 |
| 2- | Share Cancellation Profits | | 0.00 | 0.00 |
| 3- | Sale Profits to be Transferred to Share Capital | | 0.00 | 0.00 |
| 4- | Currency Translation Differences | | 0.00 | 0.00 |
| 5- | Other Capital Reserves | 15.2 | 2,073,977.38 | 269,527.49 |
| **C-** | **Profit Reserves** | | **304,971,228.65** | **216,672,825.69** |
| 1- | Legal Reserves | 15.2 | 30,583,364.31 | 23,591,597.43 |
| 2- | Statutory Reserves | 15.2 | 91,000,000.00 | 82,500,000.00 |
| 3- | Extraordinary Reserves | | 3,372,422.66 | 0.00 |
| 4- | Special Reserves | | 0.00 | 0.00 |
| 5- | Valuation of Financial Assets | 15.2,16.5 | 42,359,636.06 | -27,074,577.36 |
| 6- | Other Profit Reserves | 15.2,47.1 | 137,655,805.62 | 137,655,805.62 |
| **D-** | **Retained Earnings** | | **0.00** | **4,389,807.00** |
| 1- | Retained Earnings | 2.1.1.b,47.4 | 0.00 | 4,389,807.00 |
| **E-** | **Losses of Previous Years (-)** | | **0.00** | **-71,281,526.36** |
| 1- | Losses of Previous Years | 2.1.1.b,47.4 | 0.00 | -71,281,526.36 |
| **F-** | **Net Profit of the Period** | | **88,924,641.11** | **131,666,782.78** |
| 1- | Net Profit of the Period | 15.2 | 88,924,641.11 | 131,666,782.78 |
| 2- | Net Loss of the Period (-) | | 0.00 | 0.00 |
| 3- | Non-Distributable Period Profit | | 0.00 | 0.00 |
| **V–** | **Total Shareholders' Equity** | | **780,969,847.14** | **666,717,416.60** |
| | **TOTAL LIABILITIES (III+IV+V)** | | **1,572,572,174.91** | **1,389,269,171.83** |

# Millî Reasürans T.A.Ş.

## Detailed Income Statement as of 01.01.2009- 31.12.2009

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

| I- TECHNICAL ACCOUNT | | Note | Audited Current Period (01.01-31.12.2009) | Audited Previous Period (01.01-31.12.2008) |
|---|---|---|---|---|
| **A-** | **Non-Life Technical Income** | | **850,443,210.67** | **737,558,451.93** |
| 1- | Earned Premiums (Net of Reinsurance) | | 754,285,363.05 | 668,997,316.79 |
| 1.1- | Written Premiums (Net of Reinsurance) | 2.1.1.d,24 | 746,892,747.48 | 780,667,313.03 |
| 1.1.1- | Written Premiums (Gross) (+) | 2.21 | 811,408,148.41 | 833,545,575.36 |
| 1.1.2- | Premiums Ceded to Retrocessionaires (-) | 17 | -64,515,400.93 | -52,878,262.33 |
| 1.2- | Change in Provision for Unearned Premiums (Net of Reinsurance) (+/-) | | 8,213,886.67 | -110,501,100.01 |
| 1.2.1- | Provision for Unearned Premiums (-) | 2.1.1.c | 10,560,399.64 | -108,737,952.19 |
| 1.2.2- | Retrocessionaires' Share in Provision for Unearned Premiums (+) | 17 | -2,346,512.97 | -1,763,147.82 |
| 1.3- | Change in Provision for Unexpired Risks (Net of Reinsurance) (+/-) | | -821,271.10 | -1,168,896.23 |
| 1.3.1- | Provision for Unexpired Risks (-) | 2.1.1.c | -821,271.10 | -1,168,896.23 |
| 1.3.2- | Retrocessionaires' Share in Provision for Unexpired Risks (+) | | 0.00 | 0.00 |
| 2- | Investment Income Transferred from Non-Technical Accounts | 1.7 | 77,311,711.75 | 53,937,213.35 |
| 3- | Other Technical Income (Net of Reinsurance) | | 18,846,135.87 | 14,623,921.79 |
| 3.1- | Other Technical Income (Gross) (+) | | 18,846,135.87 | 14,623,921.79 |
| 3.2- | Retrocessionaires' Share in Other Technical Income (-) | | 0.00 | 0.00 |
| **B-** | **Non-Life Technical Expenses (-)** | | **-837,890,030.84** | **-698,707,241.29** |
| 1- | Losses Incurred (Net of Reinsurance) | | -617,777,778.74 | -568,594,582.91 |
| 1.1- | Losses Paid (Net of Reinsurance) | 4.1.2.2 | -575,343,633.14 | -509,551,426.27 |
| 1.1.1- | Losses Paid (Gross) (-) | 4.1.2.2 | -616,436,533.03 | -529,702,248.46 |
| 1.1.2- | Retrocessionaires' Share in Losses Paid (+) | 4.1.2.2,17.16 | 41,092,899.89 | 20,150,822.19 |
| 1.2- | Change in Provision for Outstanding Losses (+/-) | | -42,434,145.60 | -59,043,156.64 |
| 1.2.1- | Provision for Outstanding Losses (-) | 2.1.1.c | -88,795,678.31 | -50,005,453.68 |
| 1.2.2- | Retrocessionaires' Share in Provision for Outstanding Losses (+) | 17 | 46,361,532.71 | -9,037,702.96 |
| 2- | Change in Provision for Bonus and Reduction (Net of Reinsurance) (+/-) | | 0.00 | 0.00 |
| 2.1- | Provision for Bonus and Reduction (-) | | 0.00 | 0.00 |
| 2.2- | Retrocessionaires' Share in Provision Bonus and Reduction (+) | | 0.00 | 0.00 |
| 3- | Change in Other Technical Provisions (Net of Reinsurance) (+/-) | 2.1.1.c | -5,701,495.04 | -6,517,519.78 |
| 4- | Operating Expenses (-) | 32.1 | -214,410,757.06 | -123,595,138.60 |
| **C-** | **Balance on Non-Life Technical Account (A-B)** | | **12,553,179.83** | **38,851,210.64** |

# Millî Reasürans T.A.Ş.

## Detailed Income Statement as of 01.01.2009- 31.12.2009

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

| I- TECHNICAL ACCOUNT | | Note | Audited Current Period (01.01-31.12.2009) | Audited Previous Period (01.01-31.12.2008) |
|---|---|---|---|---|
| **D-** | **Life Technical Income** | | **12,064,547.50** | **14,596,339.50** |
| 1- | Earned Premiums (Net of Reinsurance) | | 11,824,393.69 | 13,914,813.74 |
| 1.1- | Written Premiums (Net of Reinsurance) | 2.1.1.d,24 | 11,424,960.81 | 14,861,436.05 |
| 1.1.1- | Written Premiums (Gross) (+) | 2.21 | 12,214,317.01 | 15,516,686.59 |
| 1.1.2- | Premiums Ceded to Retrocessionaires (-) | 17 | -789,356.20 | -655,250.54 |
| 1.2- | Change in Provision for Unearned Premiums (Net of Reinsurance) (+/-) | | 399,432.88 | -946,622.31 |
| 1.2.1- | Provision for Unearned Premiums (-) | 2.1.1.c | 330,151.54 | -1,099,480.51 |
| 1.2.2- | Retrocessionaires' Share in Provision for Unearned Premiums (+) | 17 | 69,281.34 | 152,858.20 |
| 1.3- | Change in Provision for Unexpired Risks (Net of Reinsurance) (+/-) | | 0.00 | 0.00 |
| 1.3.1- | Provision for Unexpired Risks (-) | | 0.00 | 0.00 |
| 1.3.2- | Retrocessionaires' Share in Provision for Unexpired Risks (+) | | 0.00 | 0.00 |
| 2- | Investment Income | | 120,398.00 | 642,310.15 |
| 3- | Unrealized Profits on Investments | | 0.00 | 0.00 |
| 4- | Other Technical Income (Net of Reinsurance) | | 119,755.81 | 39,215.61 |
| **E-** | **Life Technical Expenses** | | **-9,919,501.87** | **-13,534,326.76** |
| 1- | Claims Incurred (Net of Reinsurance) | | -3,488,318.82 | -8,118,998.22 |
| 1.1- | Claims Paid (Net of Reinsurance) | 4.1.2.2 | -3,491,547.63 | -6,846,357.34 |
| 1.1.1- | Claims Paid (Gross) (-) | 4.1.2.2 | -3,621,778.11 | -6,867,373.34 |
| 1.2.2- | Retrocessionaires' Share in Claims Paid (+) | 4.1.2.2.17.16 | 130,230.48 | 21,016.00 |
| 1.2- | Change in Provision for Outstanding Indemnities (Net of Reinsurance) (+/-) | | 3,228.81 | -1,272,640.88 |
| 1.2.1- | Provision for Outstanding Indemnities (-) | 2.1.1.c | -98,319.58 | -1,621,011.99 |
| 1.2.2- | Retrocessionaires' Share in Provision for Outstanding Indemnities (+) | 17 | 101,548.39 | 348,371.11 |
| 2- | Change in Provision for Bonus and Reduction (Net of Reinsurance) (+/-) | | 0.00 | 0.00 |
| 2.1- | Provision for Bonus and Reduction (-) | | 0.00 | 0.00 |
| 2.2- | Retrocessionaires' Share in Provision Bonus and Reduction (+) | | 0.00 | 0.00 |
| 3- | Change in Mathematical Reserves (Net of Reinsurance) (+/-) | | 32,524.23 | 264,629.38 |
| 3.1- | Mathematical Reserves (-) | 2.1.1.c | 32,524.23 | 264,629.38 |
| 3.2- | Retrocessionaires' Share in Mathematical Reserves (+) | | 0.00 | 0.00 |
| 4- | Change in Provision for Investment Risk at Life Insurance Policyholders (Net of Reinsurance) (+/-) | | 0.00 | 0.00 |
| 4.1- | Provision for Investment Risk in respect of Life Insurance Policyholders (-) | | 0.00 | 0.00 |
| 4.2- | Retrocessionaires' Share in Provision for Investment Risk in respect of Life Insurance Policyholders (+) | | 0.00 | 0.00 |
| 5- | Change in Other Technical Provisions (Net of Reinsurance) (+/-) | | -164,222.85 | 0.00 |
| 6- | Operating Expenses (-) | 32.1 | -6,299,484.43 | -5,679,957.92 |
| 7- | Investment Expenses (-) | | 0.00 | 0.00 |
| 8- | Unrealized Losses on Investments (-) | | 0.00 | 0.00 |
| 9- | Investment Income Transferred to Non-Technical Account (-) | | 0.00 | 0.00 |
| **F-** | **Balance on Life Technical Account (D - E)** | | **2,145,045.63** | **1,062,012.74** |
| **G-** | **Pension System Technical Income** | | **0.00** | **0.00** |
| 1- | Fund Management Income | | 0.00 | 0.00 |
| 2- | Management Expenses Deduction | | 0.00 | 0.00 |
| 3- | Entrance Fee Income | | 0.00 | 0.00 |
| 4- | Management Expenses Deduction for Temporary Suspension | | 0.00 | 0.00 |
| 5- | Special Service Fees | | 0.00 | 0.00 |
| 6- | Capital Allocation Advance Appreciation Income | | 0.00 | 0.00 |
| 7- | Other Technical Income | | 0.00 | 0.00 |
| **H-** | **Pension System Technical Expenses (-)** | | **0.00** | **0.00** |
| 1- | Fund Management Expenses (-) | | 0.00 | 0.00 |
| 2- | Capital Allocation Advance Depreciation Expenses (-) | | 0.00 | 0.00 |
| 3- | Operating Expenses(-) | | 0.00 | 0.00 |
| 4- | Other Technical Expenses (-) | | 0.00 | 0.00 |
| **I-** | **Balance on Pension SystemTechnical Account (G - H)** | | **0.00** | **0.00** |

# Millî Reasürans T.A.Ş.

## Detailed Income Statement as of 01.01.2009- 31.12.2009

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

| | II- NON - TECHNICAL ACCOUNT | Note | Audited Current Period (01.01-31.12.2009) | Audited Previous Period (01.01-31.12.2008) |
|---|---|---|---|---|
| **C-** | **Balance on Non-Life Technical Account (A - B)** | | **12,553,179.83** | **38,851,210.64** |
| **F-** | **Balance on Life Technical Account (D - E)** | | **2,145,045.63** | **1,062,012.74** |
| **I-** | **Balance on Pension System Technical Account (G - H)** | | **0.00** | **0.00** |
| **J-** | **Balance on Technical Account (C + F + I)** | | **14,698,225.46** | **39,913,223.38** |
| **K-** | **Investment Income** | | **193,890,891.53** | **218,251,647.63** |
| 1- | Income from Financial Investments | 26 | 137,336,772.19 | 112,273,090.74 |
| 2- | Profit from Realization of Financial Investments | 26 | 14,919,922.06 | 14,349,038.04 |
| 3- | Valuation of Financial Investment | 26 | -10,169,659.91 | 17,721,805.99 |
| 4- | Currency Translation Gains | 36 | 12,568,294.97 | 40,156,604.74 |
| 5- | Income from Affiliates | 2.21,26 | 30,621,194.94 | 25,532,391.98 |
| 6- | Income from Subsidiaries and Joint-Ventures | | 0.00 | 0.00 |
| 7- | Income from Lands and Buildings | 26 | 7,140,357.37 | 8,082,466.14 |
| 8- | Income from Derivatives | 26 | 1,412,383.08 | 24,000.00 |
| 9- | Other Investments | | 61,626.83 | 112,250.00 |
| 10- | Investment Income Transferred from Life Technical Account | | 0.00 | 0.00 |
| **L-** | **Investment Expenses (-)** | | **-101,371,555.14** | **-85,455,492.60** |
| 1- | Investment Management Expenses-Including Interests (-) | 32.1 | -6,172,525.66 | -8,816,429.17 |
| 2- | Decrease in Value of Investments (-) | | 0.00 | 0.00 |
| 3- | Losses from Realization of Financial Investments | | -2,308,742.27 | -6,287,187.59 |
| 4- | Investment Income Transferred to Non-Life Technical Account (-) | 1.7 | -77,311,711.75 | -53,937,213.35 |
| 5- | Losses from Derivatives | | 0.00 | 0.00 |
| 6- | Currency Translation Losses (-) | 36 | -13,323,042.70 | -14,392,745.40 |
| 7- | Amortization Expenses (-) | 6.1 | -2,255,532.76 | -2,021,917.09 |
| 8- | Other Investment Expenses (-) | | 0.00 | 0.00 |
| **M-** | **Income and Profits and Expenses and Losses from Other and Extraordinary Operations (+/-)** | | **4,667,499.34** | **-7,452,060.67** |
| 1- | Provisions Account (+/-) | 47.1.b | -1,878,948.20 | -8,246,603.79 |
| 2- | Rediscounts Account (+/-) | 2.1.1.f,47.1.b | 448,104.70 | -219,601.83 |
| 3- | Speciality Insurances Account (+/-) | | 0.00 | 0.00 |
| 4- | Inflation Adjustment Account (+/-) | | 0.00 | 0.00 |
| 5- | Deferred Tax Assets Account (+/-) | 2.1.1.j,35 | 6,551,133.64 | 959,257.15 |
| 6- | Deferred Tax Liability Expenses (-) | | -774,459.91 | 0.00 |
| 7- | Other Income and Profits | 47.1.b | 594,207.14 | 102,180.53 |
| 8- | Other Expenses and Losses (-) | 47.1.b | -272,538.03 | -47,292.73 |
| 9- | Prior Years Income and Profits | | 0.00 | 0.00 |
| 10- | Prior Expenses and Losses(-) | | 0.00 | 0.00 |
| **N-** | **Net Profit or Loss for the Period** | | **88,924,641.11** | **131,666,782.78** |
| 1- | Profit and Loss for the Period | | 111,885,061.19 | 165,257,317.74 |
| 2- | Provision for Corporation Tax and Other Statutory Liabilities (-) | 35 | -22,960,420.08 | -33,590,534.96 |
| 3- | Net Profit or Loss for the Period | | 88,924,641.11 | 131,666,782.78 |
| 4- | Inflation Adjusment | | | |

# Millî Reasürans T.A.Ş.

## Statement of Changes in Equity (31.12.2009)

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

| Audited | | Capital | Equity Shares Owned by the Company (-) | Revaluation of Financial Assets | Inflation Adjustment on Capital |
|---|---|---|---|---|---|
| **PRIOR PERIOD** | | | | | |
| **I-** | **Closing Balance of Prior Period (30/09/2008)** | **385,000,000.00** | **0.00** | **-18,703,431.69** | **0.00** |
| **II-** | **Effect of changes in accounting policy** | **0.00** | **0.00** | **0.00** | **0.00** |
| **III-** | **As restated ( I + II) (01/10/2008)** | **385,000,000.00** | **0.00** | **-18,703,431.69** | **0.00** |
| **A-** | **Capital Increase (A1 + A2)** | **0.00** | **0.00** | **0.00** | **0.00** |
| 1- | Cash | 0.00 | 0.00 | 0.00 | 0.00 |
| 2- | Internal Sources | 0.00 | 0.00 | 0.00 | 0.00 |
| **B-** | **Equity shares purchased by the company** | **0.00** | **0.00** | **0.00** | **0.00** |
| **C-** | **Income / (expense) recognized directly in the equity** | **0.00** | **0.00** | **-8,371,145.67** | **0.00** |
| **D-** | **Reveluation of Financial Assets** | **0.00** | **0.00** | **0.00** | **0.00** |
| **E-** | **Translation reserves** | **0.00** | **0.00** | **0.00** | **0.00** |
| **F-** | **Other income / (expense)** | **0.00** | **0.00** | **0.00** | **0.00** |
| **G-** | **Inflation adjustment on capital** | **0.00** | **0.00** | **0.00** | **0.00** |
| **H-** | **Period net profit (or loss)** | **0.00** | **0.00** | **0.00** | **0.00** |
| **I-** | **Dividends distributed** | **0.00** | **0.00** | **0.00** | **0.00** |
| **IV-** | **Closing Balance as at (31.12.2008) (III+A+B+C+D+E+F+G+H+I)** | **385,000,000.00** | **0.00** | **-27,074,577.36** | **0.00** |
| **CURRENT PERIOD** | | | | | |
| **I-** | **Closing Balance of Prior Period (30/09/2009)** | **385,000,000.00** | **0.00** | **28,760,144.04** | **0.00** |
| **A-** | **Capital Increase** | **0.00** | **0.00** | **0.00** | **0.00** |
| 1- | Cash | 0.00 | 0.00 | 0.00 | 0.00 |
| 2- | Internal Sources | 0.00 | 0.00 | 0.00 | 0.00 |
| **B-** | **Equity shares purchased by the company** | **0.00** | **0.00** | **0.00** | **0.00** |
| **C-** | **Income / (expense) recognized directly in the equity** | **0.00** | **0.00** | **0.00** | **0.00** |
| **D-** | **Reveluation of Financial Assets** | **0.00** | **0.00** | **13,599,492.02** | **0.00** |
| **E-** | **Translation reserves** | **0.00** | **0.00** | **0.00** | **0.00** |
| **F-** | **Other income / (expense)** | **0.00** | **0.00** | **0.00** | **0.00** |
| **G-** | **Inflation adjustment on capital** | **0.00** | **0.00** | **0.00** | **0.00** |
| **H-** | **Net profit for the period (or loss)** | **0.00** | **0.00** | **0.00** | **0.00** |
| **I-** | **Dividends distributed** | **0.00** | **0.00** | **0.00** | **0.00** |
| **II-** | **Closing Balance as at (31.12.2009) (I+A+B+C+D+E+F+G+H+I)** | **385,000,000.00** | **0.00** | **42,359,636.06** | **0.00** |

# Millî Reasürans T.A.Ş.

## Statement of Changes in Equity (31.12.2009)

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

| Translation Reserves | Legal Reserves | Statutory Reserves | Other Reserves and Retained Earnings | Net Profit/(Loss) for the Period | Previous Years' Profits/Losses (-) | Total |
|---|---|---|---|---|---|---|
| 0.00 | 23,591,597.43 | 82,500,000.00 | 140,331,266.30 | 110,558,248.45 | -13,879,905.80 | 709,397,774.69 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 23,591,597.43 | 82,500,000.00 | 140,331,266.30 | 110,558,248.45 | -13,879,905.80 | 709,397,774.69 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | -2,405,933.19 | 0.00 | -53,011,813.56 | -63,788,892.42 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 21,108,534.33 | 0.00 | 21,108,534.33 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 23,591,597.43 | 82,500,000.00 | 137,925,333.11 | 131,666,782.78 | -66,891,719.36 | 666,717,416.60 |
| | | | | | | |
| 0.00 | 30,583,364.31 | 91,000,000.00 | 143,102,205.66 | 91,717,426.40 | 0.00 | 770,163,140.41 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 13,599,492.02 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 0.00 | 0.00 | 0.00 | -2,792,785.29 | 0.00 | -2,792,785.29 |
| 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 0.00 | 30,583,364.31 | 91,000,000.00 | 143,102,205.66 | 88,924,641.11 | 0.00 | 780,969,847.14 |

# Millî Reasürans T.A.Ş.

## Cash Flow Statement

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

| | | Note | Audited Current Period (01.01-31.12.2009) | Audited Previous Period (01.01-31.12.2008) |
|---|---|---|---|---|
| **A.** | **CASH FLOWS FROM THE OPERATING ACTIVITIES** | | | |
| 1. | Cash inflows from insurance operations | | 0.00 | 0.00 |
| 2. | Cash inflows from reinsurance operations | | 208,214,386.13 | 169,653,941.00 |
| 3. | Cash inflows from pension operations | | 0.00 | 0.00 |
| 4. | Cash outflows due to the insurance operations (-) | | 0.00 | 0.00 |
| 5. | Cash outflows due to the reinsurance operations (-) | | 199,158,475.46 | 137,461,907.05 |
| 6. | Cash outflows due to the pension operations (-) | | 0.00 | 0.00 |
| 7. | Cash generated from the operating activities (A1+A2+A3-A4-A5-A6) | | 9,055,910.67 | 32,192,033.95 |
| 8. | Interest payments (-) | | 0.00 | 0.00 |
| 9. | Income tax payments (-) | | 0.00 | 0.00 |
| 10. | Other Cash inflows | | 0.00 | 326,706.65 |
| 11. | Other Cash outflows (-) | | 69,311,450.43 | 82,610,776.60 |
| 12. | Net Cash generated from the operating activities | 39 | -60,255,539.76 | -50,092,036.00 |
| **B.** | **CASH FLOWS FROM THE INVESTING ACTIVITIES** | | | |
| 1. | Sale of tangible assets | | 64,500.00 | 20,278,590.00 |
| 2. | Purchase of tangible assets (-) | | 969,624.48 | 2,186,507.36 |
| 3. | Acquisition of financial assets (-) | | 17,194,299.00 | 2,732,825.20 |
| 4. | Sale of financial assets | | 43,787,404.00 | 61,135,065.28 |
| 5. | Interest received | | 153,638,638.63 | 128,271,229.34 |
| 6. | Dividends received | | 12,381,686.73 | 5,149,250.06 |
| 7. | Other Cash inflows | | 8,885,587.24 | 6,230,197.54 |
| 8. | Other Cash outflows (-) | | 10,249,643.59 | 521,482.76 |
| 9. | Net Cash generated from the investing activities | 39 | 190,344,249.53 | 215,623,516.90 |
| **C.** | **CASH FLOWS FROM THE FINANCING ACTIVITIES** | | | |
| 1. | Issue of equity shares | | 0.00 | 0.00 |
| 2. | Cash inflows from the loans to policyholders | | 0.00 | 0.00 |
| 3. | Payments of financial leases (-) | | 0.00 | 0.00 |
| 4. | Dividends Paid (-) | | 43,697,533.24 | 30,747,662.22 |
| 5. | Other Cash inflows | | 6,022,800.00 | 13,610,700.00 |
| 6. | Other Cash outflows (-) | | 0.00 | 0.00 |
| 7. | Net Cash generated from the financing activities | 39 | -37,674,733.24 | -17,136,962.22 |
| **D.** | **EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS** | | **-876,372.62** | **25,845,030.62** |
| **E.** | **NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A12+B9+C7+D)** | | **91,537,603.90** | **174,239,549.30** |
| **F.** | **CASH AND CASH EQUIVALENTS IN THE BEGINNING OF THE PERIOD** | | **487,257,470.01** | **313,017,920.71** |
| **G.** | **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E+F)** | **14** | **578,795,073.91** | **487,257,470.01** |

# Millî Reasürans T.A.Ş.

## Statement of Profit Distribution

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

| | | Notes | Audited Current Period (31.12.2009) | Audited Previous Period (31.12.2008) |
|---|---|---|---|---|
| **I.** | **DISTRIBUTION OF PERIOD PROFIT** | | | |
| 1.1. | PERIOD PROFIT | | 111,885,061.19 | 165,257,317.74 |
| 1.2. | TAXES AND DUTIES PAYABLE | | 22,960,420.08 | 33,590,534.96 |
| 1.2.1. | Corporate Tax (Income Tax) | | 22,960,420.08 | 33,590,534.96 |
| 1.2.2. | Income Witholding Tax | | | |
| 1.2.3. | Other Taxes and Duties | | | |
| **A** | **NET PERIOD PROFIT (1,1, – 1,2,)** | | **88,924,641.11** | **131,666,782.78** |
| 1.3. | PRIOR PERIODS' LOSES (-) | | 0.00 | 66,891,719.36 |
| 1.4. | FIRST LEGAL RESERVES | | 8,892,464.11 | 6,297,061.35 |
| 1.5. | COMPULSORY LEGAL FUNDS TO BE RETAINED AND INVESTED IN THE COMPANY (-) | | 0.00 | 1,804,449.89 |
| **B** | **NET PROFIT AVAILABLE FOR DISTRIBUTION [ (A - (1,3, + 1,4, + 1,5,) ]** | | **80,032,177.00** | **56,673,552.18** |
| 1.6. | FIRST DIVIDEND TO SHAREHOLDERS (-) | | 8,892,464.11 | 6,297,061.35 |
| 1.6.1. | To Holders of Ordinary Shares | | 8,892,464.11 | 6,297,061.35 |
| 1.6.2. | To Holder of Preferred Shares | | | |
| 1.6.3. | To Holder of Participating Redeemed Shares | | | |
| 1.6.4. | To Holders of Bonds Participating to Profit | | | |
| 1.6.5. | To Holders of Profit and Loss Sharing Certificates | | | |
| 1.7. | DIVIDENDS TO PERSONNEL (-) | | 1,429,191.39 | 1,256,294.73 |
| 1.8. | DIVIDENDS TO SHAREHOLDERS (-) | | 1,667,389.95 | 1,465,677.18 |
| 1.9. | DIVIDENDS TO BOARD OF DIRECTORS (-) | | 0.00 | 0.00 |
| 1.10. | SECOND DIVIDEND TO SHAREHOLDERS (-) | | 41,067,535.89 | 35,980,966.74 |
| 1.10.1. | To Holders of Ordinary Shares | | 41,067,535.89 | 35,980,966.74 |
| 1.10.2. | To Holder of Preferred Shares | | | |
| 1.10.3. | To Holder of Participating Redeemed Shares | | | |
| 1.10.4. | To Holders of Bonds Participating to Profit | | | |
| 1.10.5. | To Holders of Profit and Loss Sharing Certificates | | | |
| 1.11. | SECOND LEGAL RESERVES (-) | | 3,380,658.13 | 2,575,000.00 |
| 1.12. | STATUTORY RESERVES (-) | | 23,500,000.00 | 8,500,000.00 |
| 1.13. | EXTRA ORDINARY RESERVES | | 0.00 | 0.00 |
| 1.14. | OTHER RESERVES | | 94,937.53 | 598,552.18 |
| 1.15. | SPECIAL FUNDS | | 0.00 | 0.00 |
| **II.** | **DISTRIBUTION OF RESERVES** | | | |
| 2.1. | DISTRIBUTED RESERVES | | | |
| 2.2. | SECOND LEGAL RESERVES (-) | | | |
| 2.3. | DIVIDENDS TO SHAREHOLDERS (-) | | | |
| 2.3.1. | To Holders of Ordinary Shares | | | |
| 2.3.2. | To Holder of Preferred Shares | | | |
| 2.3.3. | To Holder of Participating Redeemed Shares | | | |
| 2.3.4. | To Holders of Bonds Participating to Profit | | | |
| 2.3.5. | To Holders of Profit and Loss Sharing Certificates | | | |
| 2.4. | DIVIDENDS TO PERSONNEL (-) | | | |
| 2.5. | DIVIDENDS TO BOARD OF DIRECTORS (-) | | | |
| **III.** | **EARNINGS PER SHARE** | | | |
| 3.1. | TO OWNERS OF ORDINARY SHARES | | 88,924,641.11 | 131,666,782.78 |
| 3.2. | TO OWNERS OF ORDINARY SHARES (%) | | 23.0973 | 34.20 |
| 3.3. | TO OWNERS OF PREFERRED SHARES | | | |
| 3.4. | TO OWNERS OF PREFERRED SHARES (%) | | | |
| **IV.** | **DIVIDEND PER SHARE** | | | |
| 4.1. | TO OWNERS OF ORDINARY SHARES | | 49,960,000.00 | 42,278,028.09 |
| 4.2. | TO OWNERS OF ORDINARY SHARES (%) | | 12.9766 | 10.98 |
| 4.3. | TO OWNERS OF PREFERRED SHARES | | | |
| 4.4. | TO OWNERS OF PREFERRED SHARES (%) | | | |

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

## 1. General Information

### 1.1 Name of the Company and the ultimate ownership (Group)
Milli Reasürans T.A.Ş. ("the Company"), operating since 19 July 1929, is the subsidiary of Türkiye İş Bankası A.Ş. and its ultimate shareholder structure is detailed below:

| | 31 December 2009 | | 31 December 2008 | |
|---|---|---|---|---|
| | **Share Value TL** | **Share %** | **Share Value TL** | **Share %** |
| T. İş Bankası A.Ş. | 295,056,373 | 76.64 | 295.056.373 | 76.64 |
| Milli Reasürans T.A.Ş. Staff Pension Fund | 40,586,839 | 10.54 | 40,586,839 | 10.54 |
| Other | 49,356,788 | 12.82 | 49,356,788 | 12.82 |
| **Total** | **385,000,000** | **100** | **385,000,000** | **100** |

### 1.2 Business Address, Legal Form, Registered Office
Milli Reasürans T.A.Ş. is a joint stock company, which was established in accordance with the requirements of Turkish Commercial Code, is located at Maçka Cad. No: 35, 34367 – Şişli/İstanbul and operates under the Law for Insurance Companies' Audit numbered 5684.

### 1.3 Main Operation of the Company
The Company's core business is local and international reinsurance and retrocession. A branch office was opened in Singapore in 2007 upon the completion of the necessary local formalities according to the local legislation. Singapore Branch did not operate in 2007 and started active underwriting in 2008.

### 1.4 Nature of operations and field of activities
Main functions of the Company are; 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. In addition to these, carrying out other operations upon recommendation by the Board and resolution of the General Meeting which are deemed to be beneficial and material for the company and are not prohibited by the law.

### 1.5 Breakdown of staff

| | 31 December 2009<br>Number of Staff | 31 December 2008<br>Number of Staff |
|---|---|---|
| EXECUTIVE MANAGEMENT PERSONNEL | 6 | 8 |
| MANAGEMENT | 24 | 25 |
| OFFICERS | 117 | 109 |
| CONTRACT EMPLOYEES | 12 | 9 |
| OTHER | 51 | 52 |
| **TOTAL** | **210** | **203** |

### 1.6 Remuneration and fringe benefits provided to Executive Management:
As of 31 December 2009, the total remuneration and fringe benefits provided to executive management including as the Chairman and Members of the Board, Managing Director and Assistant General Directors is TL 3,412,734.24. (31 December 2008: TL 3,125,762.57)

### 1.7 Criteria used in the distribution of investment income and operating expenses (personnel expenses, administration expenses, research and development expenses, marketing and selling expenses and outsourced services and other operating expenses)

#### Investment income transferred from the non-technical account to the technical account
Expenses relating to administration, research and development, marketing, selling and advertising for the current period have been allocated to related technical branches. The amount of TL 77,311,711.75 (31 December 2008:

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

TL 53,937,213.35) followed under Investment Income Transferred from the Non-Technical Account has been transferred to related technical accounts in accordance with the "Circular for the Preparation of Financial Statements under Insurance Uniformed Chart of Accounts" issued on 4 January 2008, ref 2008/1.

Investment income based on non-life technical provisions are transferred from the non-technical account to the technical account. Other investment income remains in the non-technical account. Transfers were done to each branch under technical accounts in the proportion corresponding to the percentage of the "net cash flow" for the related branch to the "total net cash flow", cash flow being net of reinsurer share and calculated by deducting net paid losses from net written premiums. In the event that the net cash flow is negative for a specific branch, no investment income is transferred to that branch.

Investment income based on mathematical reserves and reserves set aside for investment risk life insurance policyholders are followed under technical accounts. Rest of the income is transferred to non technical accounts.

### Transfer of operating expenses

In accordance with the approval of the Undersecretariat of Treasury, dated 06.03.2008 ref 10222, the transfer of the personnel, administration, research and development, marketing and selling, outsourced services and other operating expenses which cannot be allocated to related technical branches directly, will be done on the basis of the gross premiums written for the last three years. The amount of the expenses distributed to technical branches is TL 27,482,529.54. (31 December 2008: TL 23,842,966.07)

### 1.8 Solo or consolidated financial statements

Financial statements attached include non consolidated financial information.

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

| | |
|---|---|
| Name/Trade name | : Milli Reasürans T.A.Ş |
| Headquarter address | : Maçka Cad. No: 35, 34367 Şişli/İstanbul |
| Phone | : 0212 231 47 30 |
| Fax | : 0212 219 38 34 |
| Web page address | : www.millire.com |
| E-mail address | : info@millire.com |

There has been no change in the above information since the previous balance sheet date.

### 1.10 Events after the Balance Sheet Date

There has been no change in the Company's operations, documentation and records or principles after the balance sheet date.

## 2. Summary of Accounting Principles

### 2.1 Preparation

### 2.1.1 Preparation of Financial Statements and Specific Accounting Principles Used

Insurance and reinsurance companies are subject to the regulations as regards supervision, accounting, financial statements and reporting standards under the specific law. Consequently, financial statements for Milli Reasürans have been prepared in accordance with the principles and regulations imposed by the Undersecretariat of Treasury for Insurance and Reinsurance Companies.

The Decree on "Financial Reporting of Insurance and Reinsurance and Pension Companies" was published on the Official Gazette No: 26852 on 14 July 2007 and come into effect as at 1 January 2008.

Article 4 (1) of the Decree on "Financial Reporting of Insurance, Reinsurance and Pension Companies" imposes that excluding decrees issued by the Undersecretariat of Treasury regarding issues under Article (2) the accounting procedures as regards Company's operations are carried out in accordance with the regulations of financial statements requirements in the Decree and the Turkish Accounting Standards Board (TASB). Article 4 (2) of the Decree imposes that principles and procedures governing insurance contracts, accounting procedures of subsidiaries, associates and captives, consolidated financial statements, publicly available financial statements and the related disclosures and notes are in accordance with the decrees issued by the Undersecretariat of Treasury.

Below requirements are set out as regards Article 4 (2) of the Decree in the Sectoral Announcement ref 2008/9 issued on 18 February 2008:

1. TFRS 4 (Turkish Financial Reporting Standards) on "Insurance Contracts" is applicable for the accounting periods beginning on or after 31 December 2005. The Standard is effective as of 25 March 2006; however, it is not applicable for the current period since International Accounting Standards Board has not yet completed the second phase of the project. Principles and procedures on the preparation of notes and disclosures in relation to insurance contracts will be determined by a decree to be issued by the Undersecretariat of Treasury in case of need.

2. Accounting principles for subsidiaries, entities under common control and associates are determined by the Circular no:2007/33 issued by the Undersecretariat of Treasury. In this respect, accounts for subsidiaries, entities under common control and associates should be followed in accordance with the specific criteria determined by the TASB until a related decree is issued by the Undersecretariat of Treasury.

Comparative consolidated financial statements are to be presented effective from 31.03.2009, in accordance with the Communique on the "Preparation of Consolidated Financial Statements of Insurance, Reinsurance and Pension Companies" which was published in Official Gazette No: 27097 on 31 December 2008.

**a. Adjustment of Financial Statements in Hyperinflationary Periods**

In accordance with the statement issued by the Undersecretariat of the Treasury on 4 April 2005 no: 19387, the Company's financial statements as of 31 December 2004 were adjusted and 01.01.2005 figures were prepared on the basis of the requirements set out in "the Preparation of Financial Statements in Hyperinflationary Periods" specified in the CMB's Decree Volume: XI, No:25 "Accounting Standards in Capital Markets" which was published in the Official Gazette No: 25290 on 15 November 2003. In addition, the preparation of financial statements in hyperinflationary periods has not been applied in accordance with the statement of the Undersecretariat of Treasury.

**b. Comparative Information and Readjustment of Financial Statements for previous periods.**

The Company's financial statements as of 31 December 2009 are presented with comparative figures, 31 December 2008.

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

The following readjustment were made in accordance with the Sectoral Announcement dated 14.05.2008 ref 2008/24 on "Questions Relating to Decrees on Capital Adequacy, Technical Reserves and Financial Reporting under Insurance Law ref 5684":

| **Adjustment** | **31 December 2009** | **31 December 2008** |
|---|---|---|
| Profit for the Previous Period | | |
| Deferred Tax for Pension Fund Asset Deficit Reserves | - | 2,120,616.68 |
| Discount on Retirement Benefit Provision | - | 1,391,029.14 |
| Deferred Tax for Retirement Benefit Readjustment | - | 599,500.80 |
| Deferred Tax for Pension Fund Additional Asset Deficit | - | 278,660.38 |
| **Total** | **-** | **4,389,807.00** |

| **Adjustment** | **31 December 2009** | **31 December 2008** |
|---|---|---|
| Loss for the Previous Period | | |
| Pension Fund Asset Deficit Provision | - | 10,603,083.38 |
| Unexpired Risk Reserve | - | 6,273,327.49 |
| Social Service Fund Asset Additional Deficit Provision (with 9,8% technical interest) | | 1,393,301.93 |
| Adjustment of Merger Premium according to the TAS | - | 53,011,813.56 |
| **Total** | **-** | **71,281,526.36** |

Details for the adjustments to the profit and loss for the previous periods other than the ones indicated in the Sectoral Announcement above can be found under note 47.4.

### c. Technical Reserves

Technical reserves in financial statements such as, unearned premium reserve, outstanding claims reserve, unexpired risks reserve, equalization reserve, bonuses and reductions reserve and reinsurers' share in these reserves have been included in records in accordance with the Insurance Law No: 5684 effective at 14 June 2007 and the requirements set out in the Decree "Technical Provisions of Insurance and Reinsurance Companies and Pension Funds and Assets Held for Such Provisions "issued in the Official Gazette No: 26606 on 7 August 2007.

### Unearned Premium Reserve

Unearned Premiums Reserve is calculated for the annual premiums of the insurance contracts other than the ones mathematical reserves provided for and the long-term contracts the guarantees of which renewed annually. Unearned premium reserve is the proportion of the accrued premiums of the insurance contracts in force that are carried forward to the following period(s) calculated gross and daily pro rata basis, without deduction of commission or any other charge deduction. Since reinsurance and retrocession transactions cannot be calculated on daily pro rata basis or 1/24 basis, unearned premium reserves can be calculated on 1/8 basis. The Company being a reinsurance company, calculates its unearned premium reserves on 1/8 basis. Unearned premium reserve for marine policies without definite expiration dates should be calculated on the basis of estimated expiration dates according to statistical data. In case this calculation is not possible, 50% of the accrued premiums during the last three months are retained as unearned premium reserves.

Reinsurers' share in unearned premium reserves is calculated in accordance with the terms of the reinsurance contracts in force.

Parts of brokerage paid to the intermediaries, commissions received on premiums ceded to reinsurers, shares in acquisition costs and premiums paid for non-proportional reinsurance treaty agreements which pertain to future periods are followed under deferred income and deferred expense accounts. Incentives, profit commissions and other similar commissions which are not explicitly provided in the contract are not taken into consideration in the calculation of deferred income and expense.

### Unexpired Risk Reserve

Insurance companies are obliged to retain unexpired risk reserves for branches where the liability assumed over the contract period and the corresponding earned premiums are inconsistent, and also provided that the unearned premium reserve is inadequate for the Company's liabilities and estimated expenses. Insurance companies should apply an adequacy test for the last 12 months of each period to determine whether the claims from existing insurance contracts exceed unearned premium reserves for these contracts. This test is done by multiplying net unearned premium reserves by estimated net loss ratios. Estimated net loss ratio is calculated by dividing the incurred claims (outstanding claims (net) + paid claims (net) – outstanding claims carried forward (net)) by earned premiums (premiums written (net) + unearned premiums reserve carried forward (net) – unearned premiums reserve (net)).Given that the loss ratio exceeds 95% in branches determined by the Undersecretariat of Treasury, the amount exceeding 95% will be multiplied with net unearned premiums to calculate unexpired risk reserve. This ratio is determined as 100% for 2008.

As the result of the adequacy test applied on 31 December 2009 figures the amount of unexpired risk reserve is calculated as net TL 8,263,494.82. (31 December 2008: net TL 7,442,223.72) On the other hand, by the article 1 of the sectoral announcement of the Undersecretariat of Treasury no 2008/33 issued on 28 July 2008 which requires the inclusion of unexpired risk reserve in the opening balance sheet and indication of its impact in retained earnings/ accumulated losses, the Company calculated TL 6,273,327.49 as unexpired risk reserve as at 31 December 2007 and this reserve was reflected in the financial statements as of 31 December 2008 as prior year profit/loss and carried forward unexpired risks reserve.

### Outstanding Claims Reserve

Companies are obliged to retain an outstanding loss reserve for claims incurred and calculated but have not been paid during the current or previous accounting periods or for claims incurred but not reported. Any recovery, salvage and all other income items should be deducted from outstanding claims reserves.

Incurred but not reported claims should be determined on the basis of the last 12 months. Claims incurred before this period but reported after that is considered as incurred but not reported claims. Insurance and reinsurance companies calculate the weighted average ratio determined by dividing the incurred claims prior to the related periods but reported after the related periods for the last 5 years or over, which is net of recovery, salvage and other related incomes, to the premium for each related period. The incurred but not reported claims for the current accounting period are measured by multiplying the weighted average ratio by the total premium for the last 12 months.

No information is available for incurred but not reported losses and claims (IBNR) from ceding companies in accordance with the standards in the legislation, hence the Company is not able to calculate the outstanding claims reserve for incurred but not reported claims. In this situation, the Company needs to calculate the outstanding claims reserve by using the actuarial chain ladder method which is required for the reinsurance companies by the legislation. Outstanding claims reserve for the current accounting period cannot be less than the amount determined by the Undersecretariat of Treasury by the actuarial chain ladder method.

Actuarial chain ladder method is used to estimate the reserves to be provided for the current period based on the data for the incurred claims in the past. If the reserve calculated based on this method is higher than outstanding claims reserve, then the difference is provided for as additional reserve. No information is received from ceded companies in relation to the necessary format and content in order to make calculation by using the actuarial chain method However although according to the Decree “Technical Provisions of Insurance and Reinsurance Companies and Pension Funds and Assets Held for Such Provisions” published in the Official Gazette No: 26606 on 7 August 2007, article no: 7/14, outstanding claim reserves and incurred, but not reported claims are to be calculated on the basis of contract, in case the reinsurance companies do not receive information from the insurance companies based on the contracts, the data given to the reinsurance companies by the insurance companies may be used. The Company added net amount of TL 14,122,044.00 to the outstanding claims reserves, calculated using actuarial chain ladder method based on the data obtained from the insurance companies.(31 December 2008: TL 8,413,622.00)

Insurance companies are required to prepare an adequacy table for their outstanding claim reserves for each branch at the end of each period using the format determined by the Undersecretariat of Treasury. This table should exhibit the outstanding claim reserve adequacy ratio, which is the proportion of outstanding claim reserves retained for the last five years to the total actual paid claims including all related expenses. If the average outstanding claim adequacy ratio, for the last 5 years excluding the current year, is below 95%, the difference between 95% and the ratio is multiplied by the current year’s outstanding claims reserve to determine the difference in o/s loss adequacy. The ultimate outstanding claims reserve for the current year is calculated by adding the adequacy ratio difference separately for each branch. Since there is no information available from ceding companies to make this calculation possible, the Company is not able to calculate the outstanding claims reserve adequacy.

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

If the paid loss amount is more or less than the reserve the difference is reflected to the income statement for the related period.

In the calculation of reinsurers' share in outstanding claim reserve, the terms of in force reinsurance contracts are taken into consideration.

Although it is required to calculate the outstanding claim reserve and the incurred but not reported claims on contract base, in the case where reinsurance companies are not in a position to receive contract based information from insurance companies, reinsurance companies can use the data provided to them by insurance companies. The Company uses the information provided ceding companies for the calculation of outstanding claims reserve.

### Mathematical Reserves

Mathematical Reserves are calculated for each in force contract in accordance with the technical specifications under the tariff, namely the sum of actuarial mathematical reserves being the difference between premiums for the risks undertaken and cash value of the liabilities to the policy holders and beneficiaries and dividend payable to the policyholders from investment income from these reserves, if undertaken. Mathematical reserves indicated in the financial statements are provided to the Company by ceding companies.

### Equalisation Reserves

Insurance companies are required to retain equalisation reserves for credit insurances and earthquake in order to equalise possible fluctuations in the loss amounts rates and to cover the catastrophic risks in the related accounting periods.

Equalisation reserves correspond to 12% of the net premiums for earthquake and credit for each annual period. Net premiums are calculated by deducting premiums paid for non-proportional reinsurance contracts. Companies are obliged to retain these reserves until the total exceed 150% of net written premiums for the last 5 accounting periods. Claims are paid from the equalisation reserves on first-in first-out basis. The equalisation reserve of the Company as of 31 December 2009 is TL 5.865.717,89. (31 December 2008: TL 6,517,519.78). Total Equalisation Reserves as of 31.12.2009 amounts to TL 12,383,237.67 in the balance sheet.

The technical reserves of the Company as of 31 December 2009:

| | **31 December 2009** | **31 December 2008** |
|---|---|---|
| Unearned Premium Reserves (NET) | -350,345,835.13 | -358,959,154.68 |
| Unearned Premiums Reserve Carried Forward (NET) | 358,959,154.68 | 247,511,432.36 |
| Outstanding Claims Reserve (NET) | -325,272,807.47 | -282,838,661.87 |
| Outstanding Claim Reserve Carried Forward (NET) | 282,838,661.87 | 223,795,505.23 |
| Life Mathematical Reserve (NET) | -840,988.17 | -873,512.40 |
| Life Mathematical Reserve Carried Forward (NET) | 873,512.40 | 1,138,141.78 |
| Life Outstanding Claim Reserve (NET) | -1,833,529.14 | -1,836,757.95 |
| Life Outstanding Claim Reserve Carried Forward (NET) | 1,836,757.95 | 564,117.07 |
| Equalisation Reserve (NET) | -5,865,717.89 | -6,517,519.78 |
| Unexpired Risk Reserve (NET) | -8,263,494.82 | -7,442,223.72 |
| Unexpired Risks Reserve Carried Forward (NET) | 7,442,223.72 | 6,273,327.49 |
| **TOTAL TECHNICAL RESERVES** | **-40,472,062.00** | **-179,185,306.47** |

Reserves indicated as "net" are net of reinsurers' shares.

### d. Premium Income and Losses

Premium income represents premiums received from insurance and reinsurance companies in the related accounting period. Premiums and losses are booked for treaty agreements upon the receipt of quarterly statements of account and for facultative acceptances upon the receipt of the monthly bordereaux.

Interest income for deposits of insurance companies (ceding) are booked as income and the interest income for deposits of reinsurance companies are booked as expense quarterly.

### e. Receivables from Insurance Activities

The Company has set up a provision for doubtful receivables that are subject to administrative and legal follow-up, due to the nature and the extent of such receivables, in accordance with Article 323 of the Tax Procedure Law. As of 31 December 2009, the amount of doubtful receivables is TL 8,224,472.41. (31 December 2008: 9,423,967.33 TL). Doubtful receivables in foreign currencies are evaluated on the basis of T.C. Central Bank's buying rate of exchange at the date of the current balance sheet and the translation gains and losses are specified in the income statement.

### f. Discount of Receivables and Payables

Receivables and payables are carried at book values in the financial statements and are subject to discount. As of the balance sheet date, 16% of discount rate is used to discount receivables and payables in TL. (31 December 2008: 18%) The rates used to discount receivables and payables in foreign currencies vary on the currency type.

### g. Subsequent Events

Subsequent events cover the events between the balance sheet date and the issuance of the financial statements, even if they occur after any announcement made on profit or other selected financial information.

The Company adjusts its financial statements following the occurrence of any subsequent event, when necessary.

### h. Provisions, Contingent Liabilities and Assets

Provisions are set when the Company has an ongoing liability as a result of a past event, or there is a probability that the Company will be required to assume that liability, and a reliable estimate can be made of the amount of the liability.

Taking into account the risk and uncertainty regarding the liabilities, the provision is determined on the basis of all expenses to fulfill these liabilities at the date of the balance sheet.

In the event that the estimation of the current liability is measured on the basis of cash flows, the book value of the provision is equal to the present value of the cash flows

When some or all of the economic benefits required to settle a provision are expected to be paid by third parties, the receivable is recognised as an asset provided that payment will be received and the amount of the receivable can be measured reliably.

### i. Change in Accounting Policies, Accounting Estimations and Errors

Changes in accounting policies or corrections on accounting errors are applied retroactively and previous year financial statements are adjusted accordingly. If estimated changes in accounting policies pertain to a single period, changes are applied on the current year however estimated changes involve following periods, changes are applied both on the current and following years prospectively.

### j. Taxation and Deferred Taxes

Taxation and Deferred Taxes are composed of the sum of Current Tax and Deferred Tax.

#### Current Tax

Current tax is applicable on taxable profit for the year. Taxable profit differs from profit reported in the income statement in the sense that it excludes items of income or expense that are subject to tax or exemption and pertain to future years and items that are not subject to tax or exemption. The Company's current tax liability is calculated using present tax rates that prevail at balance sheet date.

#### Deferred Tax

Deferred tax is recognised on differences between the carrying values of assets and liabilities indicated in the financial statements and the corresponding tax bases which are used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all temporary taxable differences whereas deferred tax assets are recognised for all tax exemptions temporary differences given that these tax redemptions can be utilized to provide taxable profit. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from (other than mergers) other assets and liabilities that appear in financial statements for the first time.

Deferred tax liabilities are recognised for temporary taxable differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from temporary differences regarding exemptions associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

### 2.1.2 Other related accounting principles for the understanding of financial statements
All accounting principles are listed in note 2.1.1.

### 2.1.3 Functional Currency
The Company's financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of the Company are expressed in Turkish Lira, which is the functional and reporting currency of the Company.

### 2.1.4 Rounding Degree used in the financial statements
All the balances presented in the financial statements are expressed in full in Turkish Lira (TL).

### 2.1.5 Valuation method(s) used in the presentation o financial statements
Financial statements, except for revaluation of financial instruments, are prepared on the basis of historical cost method.

### 2.1.6 Adoption of New and Revised Standards
In the current year, the Company has adopted all of the new and revised Standards and Interpretations within the framework of operations issued by Turkish Accounting Standards Board (TASB) and are in force as of 1 January 2008.

### 2.2 Consolidation
According to Circular on Accounting of Subsidiaries, Jointly Controlled Companies, and Associates by the Undersecretariat of Treasury, numbered 2007/26 issued on 28 December 2007, the accounting of subsidiaries, jointly controlled companies, and associates will be done in accordance with related regulation announced by Turkey Accounting Standards Board ("TASB"), until the time Undersecretariat of Treasury announces a Communiqué regarding the subject.

On the other hand, according to provisional clause No: 3 of Communiqué on "Preparation of Consolidated Financial Statements of Insurance, Reinsurance and Pension Companies" that was published in the Official Gazette No: 27097 on 31 December 2008, the consolidated financial statements may not include comparatives, till 31 March 2010. Therefore, the associates in the attached balance sheet are valued by using cost method, and the financial statements only include financial information regarding Milli Reasürans Türk Anonim Şirketi.

### 2.3 Segment Reporting
The Company has no operation or geographical segments other than its main lines of operations and business; therefore no segment reporting is required.

### 2.4 Reserves in Foreign Currencies
Transactions in currencies other than TL (foreign currencies) are recognised at exchange rates prevailing at the transaction date. The monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising from currency transactions are recognised in the income statement. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

### 2.5 Tangible Fixed Assets (property, plant and equipment)
Property, plant and equipment purchased prior to 1 January 2005 are carried at readjusted cost based on the effects of the inflation as of 31 December 2004 and property, plant and equipment purchased subsequent to 1 January 2005 are carried at cost, less any accumulated depreciation and impairment losses.

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

Assets held for use in the construction, or leasing, administrative or any other purchases are carried at cost, less any impairment (in accordance the useful life denoted in Tax Procedure Code) are depreciated with straight line method.

Gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as profit or loss.

Depreciation periods of property, plant and equipment are:

| | Economic Life | Rate (%) |
|---|---|---|
| Buildings | 50 years | 2 |
| Vehicles | 5 years | 20 |
| Furniture and Office Equipments | 3 - 15 years | 6.67 – 33.33 |
| Leasehold Improvements | 5 years | 20 |

## 2.6 Real Estate Investment

In the recognition of real estate investment after the initial accounting, TAS “40 – real estate investment” Standard allows companies the choice between accounting at fair value at the date of balance sheet or accounting at cost. The Company accounts for investment property at cost.

Real estate investment is held to earn rentals and/or for capital appreciation is registered at cost less accumulated depreciation and any accumulated impairment losses. Carrying amount includes the cost of replacing part of an existing real estate investment at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of a real estate investment.

Depreciation is provided on real estate investment on a straight line basis. Depreciation paid for real estate investment is nil for land, and 50 years for buildings.

Real estate investments are removed from financial statements in the event of their disposal or withdrawal from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of a real estate investment are recognised in profit or loss in the year of retirement or disposal.

## 2.7 Intangible Assets

### Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful life.

Acquired computer software licenses are capitalised on the basis of the costs incurred from the date of the acquisition to the date to bring the software in use. These costs are amortised over their estimated useful lives (3-15 years).

## 2.8 Financial Assets

Financial investments are initially measured at fair value, net of transaction costs except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value. Financial investments are recognised and removed from the financial statements on the transaction date where the purchase or sale of an investments were made under a contract whose terms are based on time frame established by the market concerned.

Financial assets are classified in the following specified categories: financial assets as at “fair value reflected to profit or loss”, “held-to-maturity investments”, “available-for-sale” and “loans and receivables”.

### Effective interest method

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

**Financial assets at fair value through profit or loss (Held-for-Trading financial assets)**
Income related to the financial assets excluding the financial assets at fair value reflected to profit and loss, is calculated by using the effective interest method.

Financial assets at fair value reflected to profit or loss are trading financial assets. A financial asset can be classified as financial asset at fair value reflected to profit or loss, if it is acquired principally for the purpose of selling in the short term. Derivatives are also classified as held for trading unless they are designed as hedging instruments. Financial assets at fair value reflected to profit or loss are classified as current assets.

**Financial assets held-to-maturity**
Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as financial assets held-to-maturity. Financial assets held-to-maturity are recognised at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

**Financial assets available-for-sale**
Financial assets available-for-sale are a)financial assets other than held-to-maturity and b) financial assets other than held-for-trading financial assets, and are measured at fair value except available-for-sale investments that do not have quoted prices in an active market and their fair values that cannot be reliably measured are stated at cost. Gains and losses arising from financial assets available for sale are included in profit or loss for the period. For financial assets available-for-sale, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale can subsequently be removed from financial statements to decrease in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

**Loans and receivables (from core business)**
Tradable and other loans and receivables that are not quoted in an active market and that have determinable and fixed payments are classified in this category. Receivables from reinsurance activities are also classified in this group. These assets are recognized in the balance sheet with their book value. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Independent indicators related to impairment of receivables are separately evaluated.

Therefore, provision for doubtful receivables and for other doubtful receivables according to Article 323 of the Tax Procedure Code are calculated and booked within the best estimation of the Company management by taking the expected collections into account.

**Affiliates**
The difference between carrying value and fair value of shares booked as affiliates are recognized in shareholders' equity and assets that have fair value (to the extent that it is measured reliably) are carried at fair value while other assets are carried at book value.

## 2.9 Impairment of Assets

**Impairment of non-financial assets**
Assets that have indefinite useful life such as land and goodwill are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less sales costs or value in use. Non-financial assets other than goodwill that suffered impairment are reviewed for possible removal of the impairment at each reporting date.

### Impairment of financial assets

The Company evaluates its financial assets or group of financial assets, other than those at fair value reflected to profit or loss, at each balance sheet date to determine whether there is any impairment indicator for those financial assets or group of financial assets. A financial asset or portfolio of financial assets is impaired and an impairment loss is incurred provided that there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount of future cash flows as regards the asset. Independent indicators for the impairment of a financial asset or group of financial assets are:

a) Significant financial problems experienced by the issuer or warrantor,
b) Violation of the contract,
c) Specific concessions given to the borrower by the lender, due to the economical or legal reasons related to financial distress experienced by the borrower,
d) Probability of bankruptcy or any other type of financial restructuring of borrower,
e) Disappearance of the active market related to financial assets, due to financial difficulties

For loans and receivables, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

With the exception of commercial receivables in provisions account, impairment in all financial assets is calculated at the registered value of the related financial asset. In cases where the commercial receivable is not received the amount in question will be deducted and removed from the provisional account. The changes in the provision account are registered in the financial statements.

In relation with ceding companies (insurance companies) the Company establishes a reserve for doubtful receivables for those amounts that are in administrative and legal surveillance and the unpaid amounts for which payment is deemed to be improbable.

Note 12 discloses the doubtful receivable amounts for due and undue receivables.

### 2.10 Derivatives

As of 31 December 2009, the Company has no derivatives. (31 December 2008: None)

### 2.11 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet provided that there is a legally enforceable right to offset and there is an intention to settle on a net basis, or there is a situation where the asset and the liability are realized simultaneously.

### 2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at hand demand deposits and other short-term liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to a known amount of cash, being subject to an insignificant risk of changes in value.

Cash and cash equivalents which form basis of the interim cash flow table of the previous six month period ending in 31 December 2009 is given in Note 14.

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

### 2.13 Capital

**2.13.1** As of 31 December 2009, the Company's nominal capital is TL 385.000.000 represented by 38.500.000.000 equity shares each having a nominal amount of TL 0,01. The distribution of the capital per shareholder is:

| | 31 December 2009 | | 31 December 2008 | |
|---|---|---|---|---|
| | **Share Value TL** | **Share Ratio %** | **Share ValueTL** | **Share Ratio %** |
| T. İş Bankası A.Ş. | 295,056,373 | 76.64 | 295,056,373 | 76.64 |
| Milli Reasürans T.A.Ş. Mensupları Yardımlaşma Sandığı Vakfı (Foundation for the Company Employees) | 40,586,839 | 10.54 | 40,586,839 | 10.54 |
| Other | 49,356,788 | 12.82 | 49,356,788 | 12.82 |
| | **385,000,000** | **100** | **385,000,000** | **100** |

**2.13.2** There is no preferred stock representing the shares.

**2.13.3** There has been no capital increase within 2009. (No capital increase within 2008)

### 2.14 Insurance and Investment Contracts – Classification

**Insurance Contracts:**
Insurance risk is a risk, where the policyholder transfers the risk (excluding financial risks) to the insurer. Insurance contracts are contracts which transfer a significant insurance risk where one part (the insurer) accepts a significant insurance risk from the other part (the insured) and pays an indemnity when a predetermined but unexpected loss occurrence adversely affects the insured. Reinsurance contracts made by the Company are included in the category of insurance contracts.

The Company 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.

Reinsurance assets involve the amounts to be paid by the reinsurance companies. The decrease in the value of the reinsurance assets has been evaluated as of the date of the report. Value decrease is booked within the profit-loss statements.

Reinsurance contracts do not waiver the liabilities of the Company resulting from the reinsurance contracts and do not transfer the insurance risk existing in the financial statements.

Reinsurance assets and liabilities are removed from the financial statements upon the termination of the contracts.

**Investment Contracts:**
Investment contracts are those that transfer financial risks, excluding significant insurance risks. The Company has no investment contracts.

### 2.15 Insurance and Investment Contracts With Discretionary Participation Properties
The Company has no insurance and investment contracts with discretionary participation feature. (31 December 2008: None.)

### 2.16 Investment Contracts Without Discretionary Participation Properties
The Company has no investment contracts. (31 December 2008: None.)

### 2.17 Borrowings
The Company has no short-term or long-term borrowings. (31 December 2008: None.)

### 2.18 Deferred Income Tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all temporary differences in tax exemptions given that it is possible that taxable profits will be available for those temporary differences in tax exemptions. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than mergers) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

All deferred income tax for the relating accounting period, excluding the current and deferred tax related to the items credited or debited directly in equity (in which case the tax is also recognised directly into equity), or initial accounting of those in respect of mergers, are recognised as an expense or income in profit or loss in the income statement.

Figures for deferred tax are given in Note 35.

### 2.19 Employee Benefits

#### Defined benefit plan

Under the Turkish law and the trade union agreement, employment termination benefit payments are made to employees retiring or involuntarily leaving the Company after minimum 1 year of service. Such payments are considered as being part of defined retirement benefit plan in accordance with the updated “TAS 19 – Standards for Employee Benefits”.

Employment termination benefits in the balance sheet represent the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses under “TAS-19 Standards for Employee Benefits”.

#### Retirement obligations and defined benefit plan

The Company’s employees are members of Milli Reasürans T.A.Ş Pension and Health Service Fund, established according to Social Security Law No: 506 Provisional Article 20. Technical financial statements of the Fund are audited, by an authorised actuary, according to the related articles of the “Decree on Actuaries” under the Insurance Law.

### 2.20 Provisions

Provisions are recognised when the Company has a present liability as a result of a past event, and it is probable that the Company will be required to fulfill that liability, and a reliable estimate can be made of the amount of the liability.

The amount determined as a provision is the estimated amount to fulfill present liability at the balance sheet date, taking into account the risks and uncertainties surrounding the liability.

When a provision is measured using the cash flow estimated to fulfill the present liability, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is certain that the payment will be received and the amount of the receivable can be measured reliably.

### 2.21 Accounting of Income

#### Premium and Commission Income
Premium income represents premiums on policies from insurance and reinsurance companies written during that year. Unearned premiums are calculated as explained in Note 2.1.1. Premium income and losses are booked upon the receipt of quarterly statements of accounts from ceding companies in treaties whereas facultative accounts are registered upon the receipt of monthly bordereaux.

The interests of deposits retained by insurance companies (ceding) are booked as income quarterly and the interests of deposits of reinsurance companies are booked as expense.

Commissions received in the current period but related to subsequent financial periods in return for the premiums ceded to reinsurance companies are accounted as deferred commission income.

#### Interest income and expense
Interest income and expense are accounted in the income statement of the related period on an accrual basis. Interest income includes income gains from the coupons of the fixed return investment instruments and valuation of discounted government bonds based on internal rate of return method.

The interests of deposits of insurance companies (ceding) are booked as income quarterly and the interests of deposits of reinsurance companies are booked as expense.

#### Dividend income
Dividend income from the equity share investments are recognised when the shareholders have the right to receive dividends.

### 2.22 Leasing
None. (31 December 2009: None.)

### 2.23 Profit Share Distribution
The Company has announced cash profit share distribution amounting to 45,000,000.00 TL, from its 2008 profit.

## 3. Significant Accounting Estimates and Requirements
The company has no significant accounting estimates or requirements.

## 4. Insurance and Financial Risk Management

### 4.1 Insurance (Reinsurance) Risk

#### 4.1.1 Principles of managing risks arising from insurance (reinsurance) contracts and policies used to minimise such risks
Reinsurance risk is defined as the inability of the company to conduct inadequate and effective techniques in underwriting and transferring some or all of the liabilities ceded by insurance companies by way of retrocession into a commercial profit.

Potential risks that the Company may be exposed in transactions are managed on the basis of the requirements set out in the Company's "Risk Management Policies" issued by the approval of the Board of Directors. The main objective of risk management policies is to determine the risk measurement, assessment, and control procedures and maintain consistency between the Company's asset quality and limitations allowed by the insurance standards together with the Company's risk tolerance of the assumed liability for a specific return. In this respect, a number of instruments that are related to risk transfer, such as; selective underwriting, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by effective control of portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations.

# Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2009

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

Reinsurance Risk of the Company is calculated with numerical method and the Reinsurance Acceptance Limits and Maximum Conservation Limits are updated at least once a year and presented to the Board of Directors for approval, in order to keep the risk under control.

### 4.1.2 Information about Insurance Risk

#### 4.1.2.1 Sensitivity to insurance risk

Insurance risks do not generally generate losses that would have a destructive impact on capital base of the company in the course of ordinary transactions, except for risks associated with earthquake and other catastrophes risks. Consequently, there is a high sensitivity to earthquake and catastrophic risks.

The main risk identified by the Company is the claims arising from earthquake and other catastrophes exceed the retrocession coverage taken and the responsibility that remains with the Company exceed the risk tolarence identified, and this risk is undertaken by a prudent approach. The guarantee for loss excess agreements is defined by taking the worst case scenario via international accepted earthquake modeling.

#### 4.1.2.2 Insurance risk concentrations

The Company's gross and net insurance risk concentrations (after reinsurance) in terms of lines of business are summarised below:

| | 31 December 2009 | | | 31 December 2008 | | |
|---|---|---|---|---|---|---|
| **Total Losses(*)** | **Gross Total Losses** | **Reinsurer's Share of Total Losses** | **Net Total Losses** | **Gross Total Losses** | **Reinsurer's Share of Total Losses** | **Net Total Losses** |
| Accident | 6,473,278.59 | -89,907.85 | 6,383,370.74 | 4,172,071.74 | -138,404.49 | 4,033,667.25 |
| Health | 108,582,438.88 | -3,179.73 | 108,579,259.15 | 97,264,047.28 | -717,626.73 | 96,546,420.55 |
| Motor Vehicles | 136,219,886.15 | -63,554.48 | 136,156,331.67 | 144,641,285.78 | -893,562,09 | 143,747,723.69 |
| Air Crafts | 372,014.10 | -93.00 | 371,921.10 | 30,181.28 | -116.86 | 30,064.42 |
| Water Crafts | 18,800,491.03 | -1,861,806.07 | 16,938,684.96 | 13,153,338.53 | -1,442,190.57 | 11,711,147.96 |
| Marine | 14,183,964.46 | -891,743.31 | 13,292,221.15 | 18,932,650.85 | -3,030,389.07 | 15,902,261.78 |
| Fire and Natural Disasters | 170,853,735.54 | -35,693,303.01 | 135,160,432.53 | 106,090,981.88 | -8,190,387.81 | 97,900,594.07 |
| General Losses | 76,674,778.18 | -1,880,339.18 | 74,794,439.00 | 62,290,538.40 | -4,413,010.11 | 57,877,528.29 |
| Motor Vehicles Liability | 78,818,832.59 | -135,640.49 | 78,683,192.10 | 78,286,518.91 | -557,678.27 | 77,728,840.64 |
| General Liability | 5,011,939.09 | -421,193.87 | 4,590,745.22 | 4,299,574.27 | -686,798.24 | 3,612,776.03 |
| Credit | 22,944.85 | 0.00 | 22,944.85 | 5,121.30 | 0.00 | 5,121.30 |
| Fidelity Guarantee | 14,551.01 | 0.00 | 14,551.01 | 0.00 | 0.00 | 0.00 |
| Financial Losses | 403,315.48 | -51,905.22 | 351,410.26 | 534,514.84 | -80,489.04 | 454,025.80 |
| Legal Protection | 4,363.08 | -233.68 | 4,129.40 | 1,423.40 | -168.91 | 1,254.49 |
| Life | 3,621,778.11 | -130,230.48 | 3,491,547.63 | 6,867,373.34 | -21,016.00 | 6,846,357.34 |
| **Total** | **620,058,311.14** | **-41,223,130.37** | **578,835,180.77** | **536,569,621.80** | **-20,171,838.19** | **516,397,783.61** |

(*) Total Losses are comprised of paid claims.

#### 4.1.2.3 Comparison of losses incurred with past estimations (claims development)

Loss development table for net losses incurred and net outstanding losses reserves for the last five years is as follows:

| | **Net Incurred Claims** | **Net Outstanding Claims** |
|---|---|---|
| 2009 | 578,835,180.77 | 327,106,336.61 |
| 2008 | 516,397,783.61 | 284,675,419.82 |
| 2007 | 582,926,367.09 | 224,359,622.30 |
| 2006 | 516,194,873.55 | 215,567,523.77 |
| 2005 | 435,208,708.22 | 171,782,802.79 |

**4.1.2.4 Effects of the changes in the assumptions used in the calculation of insurance assets and liabilities showing the effect of each change on financial statements separately**
Changes have been made in the calculation of some of the technical reserves with effective from 1 January 2008 in accordance with the Decree on "Technical Provisions of Insurance, Reinsurance and Pension Companies and investments for Such Provisions" issued on 7 August 2007.

Effect of these changes as of 30 June 2009 is given below:

**• Unearned Premiums**
Accordingly, the above-mentioned Decree requires the calculation of unearned Premium reserves that were previously based on net premiums written, to be based on gross amounts on pro-rata temporis without deducting any commissions or other related allowances as of 1 January 2008. (in accordance with 1/8 method, as the company is a reinsurance company). In addition, brokerage paid to the intermediaries, commissions received from the reinsurers, acquisition expenses and the premiums paid for non-proportional reinsurance treaties pertaining to future periods are accounted under deferred expense/income and other related accounts. The effect of this change on the financial statements has led to an increase in the unearned premiums reserve to TL 82,464,075.47 (31 December 2008: TL 92,148,674.78) and the corresponding portion of commissions pertaining to future periods amounting to TL 83,182,465.75 (31 December 2008: TL 92,951,489.25) is reflected as deferred commission expense, and the corresponding portion of the commissions to be received in the future periods amounting to TL 718,390.28 (31 December 2008: TL 802,814.47) is reflected as deferred commission income to the financial statements.

**• Unexpired Risk Reserves**
In accordance with the Decree mentioned above with effect from 1 January 2008, unexpired risk reserves ought to be calculated for insurance branches when the amount of liability assumed over the insurance period is inconsistent with the distribution of premiums earned over time. At the balance sheet date, the effect of unexpired risk reserve recognised as expense in the financial statements amounts to net TL 8,263,494.82. (31 december 2008: TL 7,442,223.72)

**• Actuarial Chain Ladder Method**
In addition to this as of 1 January 2008, an additional reserve shall be provided for each respective insurance branch when the outstanding claims reserve in the current period is below the amount calculated by the actuarial chain method designated by the Undersecretariat of Treasury. Ceding companies are not able to provide information in the format and content required for calculation on the basis of actuarial Chain Ladder Method. However, according to Article 4 (7) of the Decree on "Technical Provisions of Insurance, Reinsurance and Pension Companies, and Assets Held for Such Provisions" published in the Official Gazette No: 26606 on 07.08.2007, giving the priority to outstanding claims reserve, in cases where reinsurance companies are not able to receive information by insurance companies, they can utilize the available information as the basis of their calculation. The Company, thus, calculated additional outstanding claims reserve amounting to TL 14,122,044.00 by Actuarial Chain Ladder Method using the data provided by the insurance companies. (31 December 2008: TL 8,413,622)

**• Equalisation Reserves**
With effect from 01 January 2008, the Company is required to provide equalisation reserves for earthquake and credit insurances in order to equalise the possible fluctuations in loss payments and to cover the catastrophe risks in subsequent periods. Accordingly, TL 5,865,717.89 of equalisation reserve is retained as of balance sheet date. (31 December 2008: 6,517,519.78 TL) Total Equalisation Reserves as of 31.12.2009 amounts to TL 12,383,237.67 in the balance sheet.

**4.1.2.5 Determination of the assumptions with the most effect on the measurement of recognised amounts in note 2.15.4**
None.

**4.1.2.6 Credit risk, liquidity risk, market risk of insurance contracts under TFRS 7**
No contracts within the content of TFRS 7.

# Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2009

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

## 4.2 Financial Risk

### 4.2.1 Information of Company goals, policies and methodology applied in terms of capital management

The aim of the Company is to maintain consistency in capital management while optimizing the balance of technical reserves and shareholders equity in order to increase earnings.

The Company manages its capital in compliance with the capital adequacy requirements of the Undersecretariat of Treasury. Capital adequacy information is given in Note 4.2.2.

### 4.2.2 Capital requirement

In accordance with the Decree "Calculation and Assessment of Capital Adequacy of Insurance, Reinsurance and Pension Companies" published in the Official Gazette No: 26761 on 19 January 2008, the insurance, reinsurance and pension companies should provide adequate equity for their current liabilities and possible losses that may arise from their potential risks. Based on the above mentioned Decree the Company prepares capital adequacy tables within the format and content requirements of the Undersecretariat of Treasury's twice a year as of end of June and December. The capital adequacy table prepared for the period ending 31 December 2009 is summarized below. The shareholders' equity of the Company calculated for the period as of 31 December 2009 is approximately TL 495,460,554.53 in excess of the capital requirement.

Summary of Company's capital adequacy table as of 31 December 2009 is as follows:

| | 31 December 2009 | 31 December 2008 |
|---|---|---|
| 1. Premium Based Calculation | 122,385,850.87 | 127,235,276.13 |
| 2. Loss Based Calculation | 136,332,778.89 | 132,268,327.23 |
| I. REQUIRED CAPITAL FOR NON-LIFE BRANCHES | 136,332,778.89 | 132,268,327.23 |
| 1. Liability Result | 160,754.52 | 178,046.60 |
| 2. Risk Result | 5,540,391.46 | 8,068,407.66 |
| II. REQUIRED CAPITAL FOR LIFE BRANCH | 5,701,145.99 | 8,246,454.26 |
| III. REQUIRED CAPITAL FOR PENSION FUND | 0 | 0 |
| REQUIRED CAPITAL BASED ON THE FIRST METHOD | 142,033,924.88 | 140,514,781.49 |
| 1. ASSET RISK | 68,845,256.88 | 58,772,717.25 |
| 2. REINSURANCE RISK | 2,722,453.95 | 616,610.10 |
| 3. EXCESSIVE PREMIUM INCREASE RISK | 0 | 0 |
| 4. OUTSTANDING LOSSES RISK | 20,418,565.56 | 18,103,760.36 |
| 5. UNDERWRITING RISK | 104,133,927.65 | 109,515,593.45 |
| 6. EXCHANGE RATE RISK | 993,398.15 | 5,490,270.04 |
| REQUIRED CAPITAL BASED ON THE SECOND METHOD | 197,113,602.19 | 192,498,951.20 |
| REQUIRED CAPITAL AMOUNT FOR THE COMPANY | 197,113,602.19 | 192,498,951.20 |
| SHAREHOLDERS' EQUITY | 793,353,084.65 | 673,234,938.00 |
| AMOUNT OF AFFILIATES DEDUCTED FROM CAPITAL | 100,778,927.93 | 84,449,439.00 |
| CAPITAL ADEQUACY RESULT | 495,460,554.53 | 396,286,547.80 |

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

According to the Decree, the Company's required capital calculated in terms of the risk types is TL 197,113,602.19 (31 December 2008: 192,498,951.20 TL). According to the Decree again, the amount after the equalisation reserve, in technical reserve, is added and less the multiplication of total paid capital of the companies (insurance, retirement and reinsurance companies) of the affiliates, subsidiaries, securities for investment and joint ventures by the Company's share ratios in these companies is the equity. The equity, then, will be calculated as:

| | 31 December 2009 | 31 December 2008 |
|---|---|---|
| Shareholders' equity as at 31.12.2009 | 780,969,847.14 | 666,717,417.00 |
| Equalisation reserve | 12,383,237.67 | 6,517,520.00 |
| Shares in Affiliates | -100,778,927.93 | -84,449,439.00 |
| Shareholders' Equity acc.to Decree | 692,574,156.88 | 588,785,499.00 |

Based on this calculation, capital is adequate and there is an excess amount of TL 495,460,554.53. (31 December 2008: TL 396,286,547.80)

### 4.2.3 Financial Risk Factors

The Company is exposed to Reinsurance Risk, market risk (Exchange rate risk, interest rate risk and equity shares price risk), credit risk, and liquidity risk due to its assets and liabilities at a given time. These risks are managed, as part of the risk management procedures by considering the quality of the Company's receivables by providing detailed information about the debtors and their operations, using risk mitigating factors such as demanding collaterals, measuring periodically market risks arising from the Company's marketable security portfolio, reliability testing of measurement results, assessing and monitoring carefully all risk factors inherent to the Company, and assessing and reporting different scenarios. The Company's risk exposure is periodically reported to the Board of Directors and to the related units of Türkiye İş Bankası A.Ş. by Risk Committee, through the independent review of Risk Management and Internal Control Unit.

### Credit risk

Credit risk represents losses sustained as a result of partial or total default of the counter parties (issuers of security, insurance companies and other debtors) by not fulfilling their contractual obligations. The Company manages its credit risk by assessing the credibility of its counter parties.

The basis of the Company's transactions with insurance and reinsurance companies is the provision and receipt of reinsurance coverage. In this context, while determining the companies to provide or receive reinsurance coverage their financial structures, ratings assigned by international rating agencies and their previous payment habits are taken into consideration. In addition, the risk of negative developments in the credibility of the invested assets or default risks are considered within Credit Risk. Therefore, the Company's investment portfolio breakdown in terms of counterparties is also analyzed under this section.

The average rating of the most of the retrocessionaire of the Company is “A” and the Company believes there will not be any financial problem with those companies.

TL 8,224,472.41 of the receivables as of 31 December 2009 was calculated as doubtful receivables. TL 1,035,275.70 of the doubtful receivables are related to retrocessionaire under coverage in prior years, and remaining TL 7,189,196.71 is related with ceding companies with whom the Company worked in the past.Since there is no guarantee received for the amount in question, the doubtful receivable was calculated in accordance with the prudency principles. Details of the doubtful receivables are given in Note 12.

### Market risk

Market risk is defined as the risk due to fluctuations in financial markets and changes in interest rates, Exchange rates, price changes in bills-bonds and equity shares that would impact the Company's financial position.

Generally accepted international Value at Risk Method (VAR) is used in the calculation of market risk. VAR is a statistical method that correlates risk level with fluctuations in risk factors (currency, interest rate, share price). As the daily calculations include estimates for the following days, the fairness of these estimates are monitored by comparing with the market values realized the next day.

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

Stress tests and scenario analysis are used in order to support VAR, which is used to measure possible decrease in market value of the investment portfolio of the Company under normal market conditions. The results are reported to the Board of Directors, regularly.

Further, as part of Risk Management Policies VAR limits are reviewed on a daily basis and revised in line with market conditions.

The Company portfolio contains TL/FC Demand and Time Deposits, Repo, Treasury Bills, Government Bonds, Eurobond, Invesment Fund and Stocks. Time and demand deposits are not taken into consideration in VAR analysis and portfolio evaluation.The Company's Value at Risk amount calculated with 99% confidence level and as of 30.06.2009 is TL 3,046,551, portfolio value is TL 461,976,665. The highest VAR amount and portfolio value is observed in "TL Securities" position of TL transactions. The ratio of VAR to the portfolio value, on which VAR is based, is 0.66%, to the Company's shareholders' equity is 0.39%, and to total assets is 0.19%, as of 31.12.2009.

### Interest rate risk

Interest rate risk represents the risk of potential losses in the value of interest sensitive assets or liabilities arising from changes in interest rates. Interest rate risk is managed through the diversification of marketable security portfolio as marketable securities with fixed and variable interest rates.

### Sensitivity to Interest Rate

If the interests of the financial assets in TL in the Company's balance sheet increase by +1,+2, +3 and +6 points and other variables remain constant, the negative changes that would occur in the market value of the financial assets of the Company that are interest rate sensitive are as follows:

| Change in Interest Rates | Change in Portfolio Value TL |
|---|---|
| + 1 points | -7,180,273 |
| + 2 points | -14,076,920 |
| + 3 points | -20,704,451 |
| + 6 points | -39,104,491 |

If the interests of the Government bonds, denominated in foreign currency and classified as held-for-trading financial assets in the Company's balance sheet, increase by +0,5,+1, +2 and +3 points with all other variables remain constant, the negative changes that would occur in the market value of the financial assets of the Company that are interest rate sensitive are as follows:

| Change in Interest Rates | Change in Portfolio Value TL |
|---|---|
| + 0,5 points | -218,454 |
| + 1 points | -433,037 |
| + 2 points | -851,788 |
| + 3 points | -1,257,569 |

### Exchange Rate risk

Exchange rate risk is defined as the risk of potential loss due to changes in exchange rates based on the differences between the Company's foreign currency denominated assets and liabilities. On the other hand, value changes in different currencies compared to each other is another aspect of an exchange rate risk. Exchange rate risk is managed by establishing a net foreign currency position without any deficits.

The details of foreign currency denominated assets and liabilities as of 31 December 2009 are as follows:

| | 31 December 2009 TL | 31 December 2008 TL |
|---|---|---|
| A. Foreign currency denominated assets | 277,948,072.04 | 192,935,382.72 |
| B. Foreign currency denominated liabilities | 19,291,429.31 | 7,525,728.37 |
| **Net foreign currency position (A-B)** | **258,656,642.73** | **185,409,654.35** |

Payables and receivables in foreign currency positions of different currencies, with no currency guarantee are detailed in Note 12.4.

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

### Sensitivity to exchange rate risk

If all exchange rates decrease by 1%, 5%, 10%, 20% and 50% market value decreases due to the foreign currency denominated deposits and negative changes in profit and loss are presented below:

| Change in Currencies | Change in Market Value TL |
|---|---|
| -1% | -32,353 |
| -5% | -161,765 |
| -10% | -323,530 |
| -20% | -647,060 |
| -50% | -1,617,651 |

### Equity Share Price Risk

Price risks also involve price fluctuations in the Company's equity shares positions. Equity Share price risk is managed by diversifying the equity share portfolio and keep it within predetermined limits.

### Sensitivity to equity share price

If equity shares held by the Company decrease by 1%, 5%, 10% and 20% when all other variables remain constant, negative changes that would occur in the market values of such equity shares and profit and loss are presented below:

| Change in Prices of Equity Shares | Change in Market Value TL |
|---|---|
| -1% | -230,454 |
| -5% | -1,152,269 |
| -10% | -2,304,537 |
| -20% | -4,609,075 |

### Liquidity risk

Liquidity risk is the Company's inability to fulfill its due liabilities. Liquidity risk includes risks such as; failure in converting the Company's assets at an appropriate price at short notice because of some difficulties and volatilities in markets, volatilities in cash inflows and outflows and failure to perform its funding liability at reasonable cost and potential due to inconsistencies in maturities of cash flows.

Liquidity risk assessments are performed on the basis of deferrals in collectibles or possible inconsistencies in due dates of payments to the cedants and the receipt of reinsurers payments for these losses taking into consideration the types and maturities of assets and liabilities, and/or any insurance risks associated with economical crisis, earthquake or other catastrophic events. Since insurance agreements cover prospective liabilities, there is an uncertainty about the time and amount of such liabilities. Therefore, the Company's ability to pay claims is strongly related to the liquidity of the financial assets held. Liquidity risk is managed by arranging the maturity structure of cash and marketable security portfolio in accordance with current and possible liabilities and creating the portfolio with highly liquid public sector borrowing securities.

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

The distribution of the Company's assets and liabilities with in terms of their maturities as at 31 December 2009 is as follows:

| **31 December 2009:** TL | Up to 1 month | 1-3 months | 3 - 6 months | 6 - 12 months | 1 year and over | Undistributable Items | Total |
|---|---|---|---|---|---|---|---|
| Total Assets | 718,344,209 | 200,246,732 | 46,872,203 | 97,924,691 | 275,758,300 | 233,426,040 | 1,572,572,175 |
| Total Liabilities | 66,735,043 | 139,896,289 | 106,029,426 | 101,910,962 | 28,436,550 | 1,129,563,905 | 1,572,572,175 |
| **Net liquidity surplus/(deficit)** | **651,609,166** | **60,350,443** | **-59,157,223** | **-3,986,271** | **247,321,750** | **-** | **-** |

| **31 December 2008:** TL | Up to 1 month | 1-3 months | 3 - 6 months | 6 - 12 months | 1 year and over | Undistributable Items | Total |
|---|---|---|---|---|---|---|---|
| Total Assets | 485,462,284 | 239,331,186 | 109,121,849 | 200,261,200 | 198,874,707 | 156,217,946 | 1,389,269,171 |
| Total Liabilities | 2,352,143 | 183,229,022 | 121,075,810 | 94,884,030 | 21,502,073 | 966,226,092 | 1,389,269,171 |
| **Net liquidity surplus/(deficit)** | **483,110,141** | **56,102,164** | **-11,953,961** | **105,377,170** | **177,372,634** | **-** | **-** |

## Financial Instruments Categories:

| | 31 December 2009 | | 31 December 2008 | |
|---|---|---|---|---|
| | Book value | Fair value (*) | Book value | Fair value (*) |
| Current financial Assets | | | | |
| - Financial Assets Available-for-sale | 208,069,788.09 | 208,069,788.09 | 56,041,916.98 | 56,041,916.98 |
| - Financial Assets Held-to-maturity | - | - | 115,445,787.51 | 117,733,839.24 |
| - Held-for-Trading Financial Assets | 267,805,246.59 | 267,805,246.59 | 324,719,787.41 | 324,719,787.41 |
| **Total** | **475,875,034.68** | **475,875,034.68** | **496,207,491.90** | **498,495,543.63** |
| | | | | |
| Non Current Financial Assets | | | | |
| - Affiliates | 158,229,181.64 | 158,229,181.64 | 86,277,033.86 | 86,277,033.86 |
| - Subsidiaries | 746,206.67 | 746,206.67 | 746,206.67 | 746,206.67 |
| **Total** | **158,975,388.31** | **158,975,388.31** | **87,023,240.53** | **87,023,240.53** |

(*) Available-for-sale financial assets with market value are carried at their market value, available-for-sale financial assets with no market value are carried at restated cost adjusted for inflation till 31 December 2004.

### Fair value of financial instruments
Fair value is the amount for which an asset could be exchanged or a liability met between knowledgeable and willing parties as a result of transactions that take place under prevailing market conditions.

The Company determines the estimated fair value of its financial instruments by using the current market information and appropriate valuation methods.

The following methods and assumptions are used in fair value estimations for financial instruments the fair value of which can be practically measured:

### Financial assets
It is anticipated that fair value of monetary liabilities, cash and cash equivalents and other financial assets will approximate to their book value based on their short term nature.

Fair value of government bonds and equity shares is based on their market value.

### Financial liabilities
It is assumed that fair value of monetary liabilities will approximate to their book value based on their short term nature.

### Subsequent events
There are no material events after the balance sheet date.

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

**5. Segment Information**
No field of activity and geographical region requiring different segment reporting.

**6. Tangible Fix Assets**

**6.1** Total amount of depreciation and amortisation expenses for the period is TL 2,255,532.76 (31 December 2008: TL 2,021,917.09)

**6.1.1** Depreciation expenses: 2,255,532.76 (31 December 2008: TL 2,021,917.09)

**6.1.1.1** Normal depreciation expenses: 2,255,532.76 (31 December 2008: TL 2,021,917.09)

**6.1.2** There is no amortisation expense. (31 December 2008: None)

**6.2** Tangible fixed assets excluding land and construction in progress are amortised with normal depreciation method based on their useful lives under Tax Procedure Code.

Amortisation periods for property, plant and equipments are as follows:

| | **Useful life** |
|---|---|
| Buildings | 50 years |
| Vehicles | 5 years |
| Furniture and office equipments | 3 - 15 years |

**6.3 Movements of tangible fixed assets in current period**

**6.3.1** Cost of acquired and constructed tangible fixed assets: 751,149.79 TL (31 December 2008: 768,540.81)

**6.3.2** Cost of tangible assets disposed of or become scrap: 81,080.66 TL. (31 December 2008: 19,971,925.23 TL)

**6.3.3** Revaluation in the current period: None. (31 December 2008: None)

**6.3.3.1** In the cost (+): None. (31 December 2008: None)

**6.3.3.2** In the accumulated depreciation (-): None. (31 December 2008: None)

**6.3.4** There is no construction in process. (31 December 2008: None)

**31 December 2009:**

| | Land | Buildings | Furniture and fixtures | Vehicles | Total |
|---|---|---|---|---|---|
| **Purchase Value** | | | | | |
| Opening balance as of 1 January 2009 | 107.73 | 72,735,676.21 | 1,837,466.83 | 319,949.23 | 74,893,200.00 |
| Additions | - | - | 223,356.58 | 527,793.21 | 751,149.79 |
| Singapore Branch exchange rate difference* | - | - | -779.06 | -559.80 | -1,338.86 |
| Disposals | - | - | - | -81,080.66 | -81,080.66 |
| **Closing balance as of 31 December 2009** | **107.73** | **72,735,676.21** | **2,060,044.35** | **766,101.98** | **75,561,930.27** |
| **Accumulated Depreciation** | | | | | |
| Opening balance as of 1 January 2009 | - | 9,704,497.93 | 1,082,485.35 | 125,245.11 | 10,912,228.39 |
| Depreciation for the period | - | 1,454,713.52 | 343,162.71 | 106,207.71 | 1,904,083.29 |
| Disposals | - | - | - | -78,207.49 | -78,207.49 |
| Singapore Branch exchange rate difference * | | | -223.18 | -92.66 | -315.84 |
| **Closing balance as of 31 December 2009** | **-** | **11,159,211.45** | **1,425,424.88** | **153,152.67** | **12,737,788.35** |
| **Net book value as of 31 December 2009** | **107.73** | **61,576,464.76** | **634,619.47** | **612,949.31** | **62,824,141.92** |

* Singapore Branch exchange rate difference arise from conversion of balance sheet items of the Company denominated in USD at period end rate, during the consolidation of balance sheets of the Company and Singapore Branch, although no additions to the tangible fixed assets during the period.

Tangible fixed assets are not subject to revaluation.

**31 December 2008:**

| | Land | Buildings | Furniture and fixtures | Vehicles | Total |
|---|---|---|---|---|---|
| **Purchase Value** | | | | | |
| Opening balance as of 1 January 2008 | 107.73 | 92,400,834.92 | 1,270,167.72 | 425,474.05 | 94,096,584.42 |
| Additions | - | - | 567,299.11 | 201,241.70 | 768,540.81 |
| Disposals | - | -19,665,158.71 | - | -306,766.52 | -19,971,925.23 |
| **Closing balance as of 31 December 2008** | **107.73** | **72,735,676.21** | **1,837,466.83** | **319,949.23** | **74,893,200.00** |
| **Accumulated Depreciation** | | | | | |
| Opening balance as of 1 January 2008 | - | 9,923,575.78 | 795,950.26 | 372,297.39 | 11,091,823.43 |
| Depreciation for the period | - | 1,454,713.51 | 286,535.09 | 59,714.24 | 1,800,962.84 |
| Disposals | - | -1,673,791.30 | - | -306,766.52 | -1,980,557.82 |
| **Closing balance as of 31 December 2008** | **-** | **9,704,497.99** | **1,082,485.35** | **125,245.11** | **10,912,228.39** |
| **Net book value as of 31 December 2008** | **107.73** | **63,031,178.22** | **754,981.48** | **194,704.12** | **63,980,971.61** |

**6.4** Tangible fixed assets given as guarantees for liabilities and mortgages and or pledges on tangible fixed assets
None. (30 June 2008: None)

### 6.5 Operational lease payments in the current period
Lease amount for Singapore Branch is TL 271,497.39 (31 December 2008: TL 321,931.80)

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

## 7. Real Estate held for Investment

The Company prefers to choose the cost method under TAS 40 for Investment Purposes.

**31 December 2009:**

| | Land | Buildings | Total |
|---|---|---|---|
| **Purchase Value** | | | |
| Opening balance as of 1 January 2009 | 107.73 | 41,342,731.24 | 41,342,838.97 |
| Additions | - | - | - |
| Disposals | - | - | - |
| **Closing balance as of 31 December 2009** | **107.73** | **41,342,731.24** | **41,342,838.97** |
| | | | |
| **Accumulated Amortizations** | | | |
| Opening balance as of 1 January 2009 | - | 5,695,322.00 | 5,695,322.00 |
| Depreciation expense for the period | - | 826,854.62 | 826,854.62 |
| Disposals | - | - | - |
| **Closing balance as of 31 December 2009** | **-** | **6,522,176.62** | **6,522,176.62** |
| **Closing balance as of 31 December 2009** | **107.73** | **34,820,554.62** | **34,820,662.35** |

**31 December 2008:**

| | Land | Buildings | Total |
|---|---|---|---|
| **Purchase Value** | | | |
| Opening balance as of 1 January 2008 | 107.73 | 61,007,889.95 | 61,007,997.68 |
| Additions | - | - | - |
| Disposals | - | -19,665,158.71 | -19,665,158.71 |
| **Closing balance as of 31 December 2008** | **107.73** | **41,342,731.24** | **41,342,838.97** |
| | | | |
| **Accumulated Amortizations** | | | |
| Opening balance as of 1 January 2008 | | 6,542,258.75 | 6,542,258.75 |
| Depreciation expense for the period | | 826,854.61 | 826,854.61 |
| Disposals | | -1,673,791.30 | -1,673,791.30 |
| **Closing balance as of 31 December 2008** | **-** | **5,695,322.06** | **5,695,322.06** |
| **Closing balance as of 31 December 2008** | **107.73** | **35,647,409.18** | **35,647,516.91** |

The Company registered investment properties on the basis of accounting method, yet, as of 31.12.2009, as a result of the market value determination made by an authorised valuation company the market value of the properties in question is amounting to TL 99,602,478.10. (31 December 2008: TL 95,878,165.54)

The Company's rental income from real estate leased under operational lease amounts to TL 7,140,357.37. Direct operational expenses associated with real estate for the current period amounts to TL 613,889.90. (31 December 2008: The Company's rental income from real estate leased under operational lease amounts to TL 5,676,532.95. Direct operational expenses associated with real estate for the current period amounts to TL 729,674.80.)

There is no the sales of investment property in the current period. (31 December 2008: Profit from the sales of investment property is TL 2,405,933.19.)

## 8. Intangible Assets

**31 December 2009:**

| **Purchase Value** | **Intangibles** |
|---|---|
| Opening balance as of 1 January 2009 | 1,487,645.49 |
| Additions | 220,174.41 |
| Singapore Branch exchange differences* | -5,209.25 |
| Disposals | -282,637.35 |
| **Closing balance as of 31 December 2009** | **1,419,973.30** |
| | |
| Accumulated Amortizations | |
| Opening balance as of 1 January 2009 | 234,397.98 |
| Depreciation expense for the period | 351,453.37 |
| Singapore Branch exchange differences* | -774.96 |
| Disposals | -47,363.94 |
| **Closing balance as of 31 December 2009** | **537,712.45** |
| **Net book value as of 31 December 2009** | **882,260.85** |

* Singapore Branch exchange rate difference arise from conversion of balance sheet items of the Company denominated in USD at period end rate, during the consolidation of balance sheets of the Company and Singapore Branch, although no additions to the tangible fixed assets during the period.

The Company has no impairment recognised for the intangible assets in the current period.

**31 December 2008:**

| **Purchase Value** | **Intangibles** | **Other** | **Total** |
|---|---|---|---|
| Opening balance as of 1 January 2008 | 69,679.34 | 53,011,813.56 | 53,081,492.90 |
| Additions | 1,417,966.15 | - | 1,417,966.15 |
| Disposals | - | -53,011,813.56 | -53,011,813.56 |
| **Closing balance as of 31 December 2008** | **1,487,645.49** | **-** | **1,487,645.49** |
| | | | |
| Accumulated Amortizations | | | |
| Opening balance as of 1 January 2008 | 13,443.73 | - | 13,443.73 |
| Depreciation expense for the period | 220,954.25 | - | 220,954.25 |
| Disposals | - | - | - |
| **Closing balance as of 31 December 2008** | **234,397.98** | **-** | **234,397.98** |
| **Net book value as of 31 December 2008** | **1,253,247.51** | **-** | **1,253,247.51** |

The Company has no impairment recognised for the intangible assets in the current period.

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

## 9. Investments in Affiliates

Breakdown of affiliated companies are as follows:

| | 31 December 2009 | | 31 December 2008 | |
|---|---|---|---|---|
| **AFFILIATES** | **Share %** | **Book Value** | **Share %** | **Book Value** |
| Anadolu Anonim Türk Sigorta Şirketi | 21.78 | 124,962,743.19 | 21.78 | 70,893,896.81 |
| Axa Sigorta A.Ş. | 0.00 | 37,738.87 | 0.00 | 37,738.87 |
| Camiş Menkul Değerler A.Ş | 0.05 | 2,456.55 | 0.05 | 2,456.55 |
| T.Şişe ve Cam Fabrikaları A.Ş. | - | - | 0.00 | 7,830.00 |
| Çayırova Cam Sanayi A.Ş. | 0.02 | 3,878.50 | 0.02 | 3,878.50 |
| Groupama Sigorta A.Ş. (Güven Sigorta T.A.Ş.) | 0.00 | 67,601.62 | 0.05 | 98,548.17 |
| İş Merkezleri Yönetim A.Ş. | 0.69 | 23,890.29 | 0.69 | 23,890.29 |
| İş Net Elektronik Bilgi Üretim | 1.00 | 288,698.96 | 1.00 | 278,907.79 |
| Allianz Sigorta A.Ş. | 2.85 | 4,078,253.71 | 2.85 | 4,078,253.71 |
| In Liquidation Miltaş Sigorta Aracılığı A.Ş. | - | - | 6.00 | 16,663.27 |
| Paşabahçe Cam Sanayi A.Ş. | 0.02 | 133,713.30 | 0.02 | 133,713.30 |
| Anadolu Hayat Emeklilik A.Ş | 1.00 | 12,349,999.05 | 1.00 | 3,599,999.73 |
| İş Girişim Sermayesi Yat. Ortaklığı A.Ş | 4.44 | 3,203,199.77 | 4.44 | 1,622,400.00 |
| T.Sınai Kalkınma Bankası A.Ş | 1.20 | 13,077,007.83 | 1.20 | 5,478,856.87 |
| **TOTAL BOOK VALUE** | | **158,229,181.64** | | **86,277,033.86** |
| | | | | |
| **SUBSIDIARIES** | | | | |
| Miltaş Turizm İnşaat Ticaret A.Ş. | 77.00 | 746,206.67 | 77.00 | 746,206.67 |
| **TOTAL BOOK VALUE** | | **746,206.67** | | **746,206.67** |
| **TOTAL** | | **158,975,388.31** | | **87,023,240.53** |

The Company has no impairment in the investment in affiliates as of 31 December 2009. (December 2008: None)

## 10. Reinsurance Assets

Amount accounted in profit or loss as a result of various reinsurance agreements are disclosed in Note 17.16. The Company's income and losses due to its purchased reinsurance agreements are not deferred and depreciated in the financial statements.

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

## 11. Financial Assets

### 11.1 Sub-categories of Financial Assets

**31 December 2009:**

| | Purchase Value TL | Market Value TL | Book Value TL |
|---|---|---|---|
| **FINANCIAL ASSETS AVAILABLE-FOR-SALE** | | | |
| Government Bonds | 186,646,122.29 | 208,069,788.09 | 208,069,788.09 |
| **TOTAL** | **186,646,122.29** | **208,069,788.09** | **208,069,788.09** |
| **HELD-FOR-TRADING FINANCIAL ASSETS** | | | |
| Government Bonds | 194,301,077.04 | 209,143,242.62 | 209,143,242.62 |
| Eurobond* | 21,528,245.31 | - | 23,127,563.11 |
| Equity Shares | 11,381,166.42 | 14,365,330.93 | 14,365,330.93 |
| Investment Fund* | 19,542,709.58 | - | 21,169,109.93 |
| **TOTAL** | **246,753,198.35** | **223,508,573.55** | **267,805,246.59** |
| **GRAND TOTAL** | **433,399,320.64** | **431,578,361.64** | **475,875,034.68** |

(*) The financial assets (eurobond and investment fund) that are not traded in the Stock Exchange are not included under this section as there is no stock market price.

**31 December 2008:**

| | Purchase Value TL | Market Value TL | Book Value TL |
|---|---|---|---|
| **FINANCIAL ASSETS AVAILABLE-FOR-SALE** | | | |
| Government Bonds | 53,160,833.98 | 56,041,916.98 | 56,041,916.98 |
| **TOTAL** | **53,160,833.98** | **56,041,916.98** | **56,041,916.98** |
| **FINANCIAL ASSETS HELD-TO-MATURITY** | | | |
| Treasury Bill | 40,008,248.00 | 41,405,748.00 | 40,739,318.01 |
| Government Bonds | 73,759,766.44 | 76,328,091.24 | 74,706,469.50 |
| **TOTAL** | **113,768,014.44** | **117,733,839.24** | **115,445,787.51** |
| **HELD-FOR-TRADING FINANCIAL ASSETS** | | | |
| Government Bonds | 268,061,068.43 | 294,356,099.35 | 294,356,099.35 |
| Eurobond* | 13,633,348.40 | - | 16,457,072.68 |
| Equity Shares | 10,620,069.81 | 11,304,879.24 | 11,304,879.24 |
| Investment Fund* | 2,348,410.35 | - | 2,601,736.14 |
| **TOTAL** | **294,662,896.99** | **305,660,978.59** | **324,719,787.41** |
| **FINAL TOTAL** | **461,591,745.41** | **479,436,734.81** | **496,207,491.90** |

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

### 11.2 Securities issued other than equity in the current period
None. (31 December 2008: None)

### 11.3 Securities issued representing the amortised borrowing in the current period
None. (31 December 2008: None)

### 11.4 Fair value of securities and long-term financial assets that are carried at purchase value in the balance sheet and cost of securities and long-term financial assets that are carried at fair value in the balance sheet
Purchase, market value and book value of marketable securities are presented in Note 11.1 above

Purchase, market value and book value of long-term financial assets are presented below:

**31 December 2009:**

**AFFILIATES**

| **Listed** | **Cost TL** | **Market Value TL** | **Book Value TL** |
|---|---|---|---|
| Anadolu Anonim Türk Sigorta Şirketi | 107,620,855.12 | 124,962,743.19 | 124,962,743.19 |
| Anadolu Hayat Emeklilik A.Ş. | 3,246,824.89 | 12,349,999.05 | 12,349,999.05 |
| İş Girişim Yatırım Ortaklığı A.Ş. | 3,459,220.82 | 3,203,199.77 | 3,203,199.77 |
| T. Sınai Kalkınma Bankası A.Ş. | 21,934,526.84 | 13,077,007.83 | 13,077,007.83 |
| **TOTAL** | **136,261,427.67** | **153,592,949.84** | **153,592,949.84** |

**AFFILIATES**

| **Non-listed** | **Cost TL** | **Market Value TL** | **Book Value TL** |
|---|---|---|---|
| Axa Sigorta A.Ş. | 37,738.87 | - | 37,738.87 |
| Camiş Menkul Değerler A.Ş. | 2,456.55 | - | 2,456.55 |
| Çayırova Cam Sanayi A.Ş. | 3,878.50 | - | 3,878.50 |
| Groupama Sigorta A.Ş.* | 67,601.62 | - | 67,601.62 |
| İş Merkezleri Yönetim A.Ş. | 23,890.29 | - | 23,890.29 |
| İşnet Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş. | 288,698.96 | - | 288,698.96 |
| Allianz Sigorta A.Ş. | 4,078,253.71 | - | 4,078,253.71 |
| Paşabahçe Cam Sanayi A.Ş. | 133,713.30 | - | 133,713.30 |
| **TOTAL** | **4,636,231.80** | **-** | **4,636,231.80** |

**SUBSIDIARIES**

| **Non-listed** | **Cost TL** | **Market Value TL** | **Book Value TL** |
|---|---|---|---|
| Miltaş Turizm İnşaat Ticaret A.Ş. | 746,206.67 | - | 746,206.67 |
| **TOTAL** | **746,206.67** | **-** | **746,206.67** |

*The Affiliates of the Company, Güven Sigorta T.A.Ş. and Groupama Sigorta A.Ş. are merged under the name "Groupama Sigorta A.Ş."

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

**31 December 2008:**

**AFFILIATES**

| **Listed** | **Cost TL** | **Market Value TL** | **Book Value TL** |
|---|---|---|---|
| Anadolu Anonim Türk Sigorta Şirketi | 91,285,856.73 | 70,893,896.81 | 70,893,896.81 |
| T. Şişe ve Cam Sanayi A.Ş. | 25,888.58 | 7,830.00 | 7,830.00 |
| Anadolu Hayat Emeklilik A.Ş. | 3,246,824.89 | 3,599,999.73 | 3,599,999.73 |
| İş Girişim Yatırım Ortaklığı A.Ş. | 3,379,220.90 | 1,622,400.00 | 1,622,400.00 |
| T. Sınai Kalkınma Bankası A.Ş. | 20,730,382.47 | 5,478,856.87 | 5,478,856.87 |
| **TOTAL** | **118,668,173.57** | **81,602,983.41** | **81,602,983.41** |

**AFFILIATES**

| **Non-listed** | **Cost TL** | **Market Value TL** | **Book Value TL** |
|---|---|---|---|
| Axa Sigorta A.Ş. | 37,738.87 | - | 37,738.87 |
| Camiş Menkul Değerler A.Ş. | 2,456.55 | - | 2,456.55 |
| Çayırova Cam Sanayi A.Ş. | 3,878.50 | - | 3,878.50 |
| Güven Sigorta A.Ş. | 98,548.17 | - | 98,548.17 |
| İş Merkezleri Yönetim A.Ş. | 23,890.29 | - | 23,890.29 |
| İşnet Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş. | 278,907.79 | - | 278,907.79 |
| Allianz Sigorta A.Ş. | 4,078,253.71 | - | 4,078,253.71 |
| In liquidation Miltaş Sigorta Aracılık A.Ş. | 16,663.27 | - | 16,663.27 |
| Paşabahçe Cam Sanayi A.Ş. | 133,713.30 | - | 133,713.30 |
| **TOTAL** | **4,674,050.45** | **-** | **4,674,050.45** |

**SUBSIDIARIES**

| **Non-listed** | **Cost TL** | **Market Value TL** | **Book Value TL** |
|---|---|---|---|
| Miltaş Turizm İnşaat Ticaret A.Ş. | 746,206.67 | - | 746,206.67 |
| **TOTAL** | **746,206.67** | **-** | **746,206.67** |

### 11.5 Marketable securities issued by the shareholders, affiliates and subsidiaries of the company classified under marketable securities and associates and their issuers

None. (31 December 2008: None.)

### 11.6 Value increases of financial assets in the last three periods

| **Type of Financial Asset** | **31 December 2009 TL** | **31 December 2008 TL** | **31 December 2007 TL** |
|---|---|---|---|
| Financial Assets Available-for-Sale | 21,423,665.80 | 2,881,083.98 | - |
| Financial Assets Held-to-Maturity | - | 1,677,773.07 | - |
| Held-for-Trading Financial Assets | 19,452,730.44 | 30,056,890.42 | 36,607,075.81 |
| **Total** | **40,876,396.24** | **34,615,747.47** | **36,607,075.81** |

Value increases reflect the difference between the carrying value and cost of the financial assets.

### 11.7

i) Information that enables the financial statement users to evaluate the financial position and performance of the Company is disclosed in Note 11.1.
ii) Information on the book values of the financial assets are disclosed Note 11.1.
iii) Comparison of the market value and book values of financial assets is disclosed in Note 1.1
iv) There are no financial assets overdue or impaired.

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

**11.8** The Company does not apply any hedge accounting.

**11.9** Exchange rate differences arising from the payments of monetary items or different exchange rates used in the current period or at initial recognition are reflected in profit or loss.

## 12. Receivables and Payables

### 12.1 Details of the Company's Receivables

| | 31 December 2009 TL | 31 December 2008 TL |
|---|---|---|
| Receivables from reinsurance operations (Deposits included) | 181,822,692.44 | 128,332,174.67 |
| Receivables due from reinsurance operations with related parties (Deposits included) | 2,179,393.21 | 15,310,035.88 |
| Total receivables from reinsurance operations | 184,002,085.65 | 143,642,210.55 |
| Doubtful receivables from operating and insurance operations | 8,224,472.41 | 9,423,967.33 |
| Provisions for doubtful receivables from operating and insurance operations (-) | -8,224,472.41 | -9,423,967.33 |
| Other receivables due from related parties | 2,310.77 | 17,647.03 |
| Other receivables | 808,443.47 | 618,856.25 |
| Prepaid expenses for future months and income accruals | 89,810,768.47 | 93,492,123.67 |
| Other current assets | 4,881,796.68 | 9,518,417.55 |
| Prepaid expenses for future years and ıncome accruals | 103,936.71 | 80,721.90 |
| Other non-current assets | 10,509,168.65 | 3,958,035.01 |
| | **290,118,510.40** | **251,328,011.96** |

Aging of overdue but not impaired receivables from reinsurance activities is as follows:

| | 31 December 2009 TL | 31 December 2008 TL |
|---|---|---|
| 0-30 days | 175,718,671.25 | 104,332,189.67 |
| 31-60 days | 2,018,796.71 | 7,296,455.89 |
| 61-90 days | 999,133.13 | - |
| Over 90 days | 2,893,239.60 | 2,251,780.66 |
| Not due receivables | 2,372,244.96 | 29,761,784.33 |
| | **184,002,085.65** | **143,642,210.55** |

| **Movements of provision for doubtful receivables** | 1 January-31 December 2009 | 1 January-31 December 2008 |
|---|---|---|
| Opening Balance | 9,423,967.33 | 7,685,547.69 |
| Expense for the period | - | - |
| Collections | -344,058.11 | -56,450.19 |
| Written off during the period* | -829,686.45 | - |
| Exchange gains | -25,750.36 | 1,794,869.83 |
| **Closing Balance** | **8,224,472.41** | **9,423,967.33** |

* The receivable from New Cap Re., amounting to 776.132,09 USD is sold to RFML at 227.506,52 USD, and is written off from doubtful receivables list.

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

Aging of overdue and doubtful receivables from insurance activities is as follows:

| | 31 December 2009 TL | 31 December 2008 TL |
|---|---|---|
| 0-30 days | - | - |
| 31-60 days | - | - |
| 61-90 days | - | - |
| Over 90 days | 8,224,472.41 | 9,423,967.33 |
| | **8,224,472.41** | **9,423,967.33** |

### 12.2 Receivable-payable relationship with shareholders, affiliates and subsidiaries of the Company

**31 December 2009:**

| | Receivables | | Payables | |
|---|---|---|---|---|
| | **Trade** | **Other** | **Trade** | **Other** |
| Shareholders | 2,065,257.28 | - | 15,478,341.57 | 86,197.94* |
| Subsidiaries | - | - | - | - |
| Affiliates | 114,135.93 | - | 2,744,002.48 | - |

* Dividends payable to shareholders.

**31 December 2008:**

| | Receivables | | Payables | |
|---|---|---|---|---|
| | **Trade** | **Other** | **Trade** | **Other** |
| Shareholders | 9,776,404.62 | - | 1,725,328.62 | 22,604.69 * |
| Subsidiaries | 7,301.90 | - | - | - |
| Affiliates | 5,533,631.26 | - | - | - |

* Dividends payable to shareholders.

**12.3** Although there is no pledges and guarantees received for receivables, the Company rented block of offices under its investment property, and received 2,000,000 TL guarantee letter, in return. (30 June 2008: None.)

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

### 12.4 Details of the Company's foreign currency denominated receivables without exchange rate guarantees are as follows

**31 December 2009:**

| Foreign Currency | Amount | Exchange Rate (Central Bank of Turkey, buying rate) | Amount TL |
|---|---|---|---|
| Cash | | | |
| USD | 356.13 | 1.5057 | 536.22 |
| USD | 808.00 | 1.5046 | 1,215.72 |
| EURO | 355.00 | 2.1588 | 766.37 |
| GBP | 525.00 | 2.3875 | 1,253.44 |
| CHF | 430.00 | 1.4470 | 622.21 |
| **TOTAL** | | | **4,393.96** |
| | | | |
| Banks (FC Deposit) | | | |
| USD | 28,910,377.81 | 1.5057 | 43,530,355.87 |
| CHF | 1,321.93 | 1.4492 | 1,915.74 |
| EURO | 12,023,263.56 | 2.1603 | 25,973,856.27 |
| GBP | 1,762,697.25 | 2.3892 | 4,211,436.27 |
| **TOTAL** | | | **73,717,564.15** |
| | | | |
| **Receivables Foreign Currency Reinsurance operations** | | | |
| USD | 33,460,600.09 | 1.5057 | 50,381,625.55 |
| CHF | 1,032.41 | 1.4492 | 1,496.17 |
| EURO | 23,844,721.43 | 2.1603 | 51,511,751.70 |
| GBP | 33,146,548.91 | 2.3892 | 79,193,734.66 |
| JPY | 609,909.00 | 0.016302 | 9,942.74 |
| **TOTAL** | | | **181,098,550.82** |
| | | | |
| **Payables Foreign Currency Reinsurance operations** | | | |
| USD | 5,469,330.32 | 1.5057 | 8,235,170.66 |
| CHF | 3,811.06 | 1.4492 | 5,522.99 |
| EURO | 5,084,163.76 | 2.1603 | 10,983,318.97 |
| GBP | 28,189.44 | 2.3892 | 67,350.21 |
| JPY | 4,078.00 | 0.016302 | 66.48 |
| **TOTAL** | | | **19,291,429.31** |

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

**31 December 2008:**

| Foreign Currency | Amount | Exchange Rate (Central Bank of Turkey, buying rate) | Amount TL |
|---|---|---|---|
| Banks (FC Deposit) | | | |
| USD | 18,760,295.52 | 1.5123 | 28,371,194.92 |
| CHF | 1,506.89 | 1.4300 | 2,154.85 |
| EURO | 22,471,709.48 | 2.1408 | 48,107,435.65 |
| GBP | 787,747.02 | 2.1924 | 1,727,056.57 |
| **TOTAL** | | | **78,207,841.99** |

| Receivables Foreign Currency Reinsurance operations | | | |
|---|---|---|---|
| USD | 25,828,201.75 | 1.5123 | 39,059,989.51 |
| CHF | 17,382.06 | 1.4300 | 24,856.35 |
| EURO | 19,925,438.50 | 2.1408 | 42,656,378.74 |
| GBP | 15,036,124.54 | 2.1924 | 32,965,199.44 |
| JPY | 1,262,054.02 | 0.016732 | 21,116.69 |
| **TOTAL** | | | **114,727,540.73** |

| Receivables Foreign Currency Reinsurance operations | | | |
|---|---|---|---|
| USD | 4,481,782.53 | 1.5123 | 6,777,799.70 |
| CHF | 1,188.57 | 1.4300 | 1,699.66 |
| EURO | 339,786.04 | 2.1408 | 727,413.95 |
| GBP | 5,260.33 | 2.1924 | 11,532.75 |
| JPY | 435,232.78 | 0.016732 | 7,282.31 |
| **TOTAL** | | | **7,525,728.37** |

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

### 13. Derivatives

None. (31 December 2008: None)

### 14. Cash and Cash Equivalents

| | 31 December 2009<br>TL | 31 December 2008<br>TL |
|---|---|---|
| Cash | 15,605.84 | 13,542.12 |
| Cash at banks | 583,868,744.90 | 489,456,111.20 |
| Demand deposits | 2,720,730.51 | 2,761,798.91 |
| Time deposits | 581,076,335.36 | 485,121,587.68 |
| Repo | 71,679.03 | 1,572,724.61 |
| Investment Fund * | 21 ,169,109.93 | 2,601,736.14 |
| Cheques | 12,488.00 | 6,555.00 |
| **Total** | **605,065,948.67** | **492,077,944.46** |
| Time and blocked deposits over 90 Days (-) | -23,000.00 | -500.00 |
| Incurred interest income over cash and cash equivalent balances (-) | -5,078,777.90 | -2,218,238.31 |
| **Total for cash flow** | **599,964,170.77** | **489,859,206.15** |

* Investment Funds are recogniseed under Financial Assets.

### 15. Capital

#### 15.1 Transactions between the Company and its shareholders, showing its distribution made to the shareholders separately

The details of the transactions between the Company and its shareholders and the related balances as of the end of the period are presented in the Note on “Related Parties”.

# Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2009

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

### 15.2 Reconciliation of carrying values of each capital account and each reserve as of the beginning and end of the period showing each change separately

| | Capital | Equity Shares of the Company | Revaluation of Financial Assets | Inflation Adjustment Difference of Capital |
|---|---|---|---|---|
| **PRIOR PERIOD** | | | | |
| **I- Closing Balance of Prior Period (31.12.2007)** | **385,000,000** | **-** | **47,482,021.12** | **-** |
| **II- Effects of changes in accounting policy** | **-** | **-** | **-** | **-** |
| **III- As Restated (I + II) (01/01/2008)** | **385,000,000** | **-** | **47,482,021.12** | **-** |
| **A- Capital increase (A1 + A2)** | **-** | **-** | **-** | **-** |
| 1- Cash | - | - | - | - |
| 2- Internal Sources | - | - | - | - |
| **B- Equity shares purchased by the Company** | **-** | **-** | **-** | **-** |
| **C- Earnings and Losses not shown in income statement** | **-** | **-** | **-** | **-** |
| **D- Revaluation of the Assets** | **-** | **-** | **-74,556,598.48** | **-** |
| **E- Foreign Currency Translation Difference** | **-** | **-** | **-** | **-** |
| **F- Other earnings and losses** | **-** | **-** | **-** | **-** |
| **G- Inflation Adjustment Difference** | **-** | **-** | **-** | **-** |
| **H- Net Profit for the period (Loss)** | **-** | **-** | **-** | **-** |
| **I- Dividends distributed** | **-** | **-** | **-** | **-** |
| **J- Transfer** | **-** | **-** | **-** | **-** |
| **IV- Closing Balance (31.12.2008) (III+A+B+C+D+E+F+G+H+I+J)** | **385,000,000** | **-** | **-27,074,577.36** | **-** |
| **CURRENT PERIOD** | | | | |
| **I- Closing Balance of Prior Period (31.12.2008)** | **385,000,000** | **-** | **-27,074,577.36** | **-** |
| **II- Effects of changes in accounting policy** | **-** | **-** | **-** | **-** |
| **III- As Restated (I + II) (01/01/2009)** | **385,000,000** | **-** | **-27,074,577.36** | **-** |
| **A- Capital increase (A1 + A2)** | **-** | **-** | **-** | **-** |
| 1- Cash | - | - | - | - |
| 2- Internal Sources | - | - | - | - |
| **B- Equity shares purchased by the Company** | **-** | **-** | **-** | **-** |
| **C- Earnings and Losses not shown in income statement** | **-** | **-** | **-** | **-** |
| **D- Revaluation of the Assets** | **-** | **-** | **69,434,213.42** | **-** |
| **E- Foreign Currency Translation Difference** | **-** | **-** | **-** | **-** |
| **F- Other earnings and losses** | **-** | **-** | **-** | **-** |
| **G- Inflation Adjustment Difference** | **-** | **-** | **-** | **-** |
| **H- Net Profit for the period (Loss)** | **-** | **-** | **-** | **-** |
| **I- Dividends distributed** | **-** | **-** | **-** | **-** |
| **J- Transfer** | **-** | **-** | **-** | **-** |
| **IV- Closing Balance (31.12.2009) (III+A+B+C+D+E+F+G+H+I+J)** | **385,000,000** | **-** | **42,359,636.06** | **-** |

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

| Foreign Currency Translation Difference | Legal Reserves | Status Reserves | Other Reserves and Retained Earnings | Net Profit/(Loss) for the Period | Previous Years' Profits/Losses (-) | Total |
|---|---|---|---|---|---|---|
| - | 15,340,337.56 | 48,500,000 | 137,925,333.11 | 72,675,659.89 | - | 706,923,351.68 |
| - | - | - | - | - | -13,879,905.80 | -13,879,905.80 |
| - | 15,340,337.56 | 48,500,000 | 137,925,333.11 | 72,675,659.89 | -13,879,905.80 | 693,043,445.88 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | -74,556,598.48 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | 131,666,782.78 | - | 131,666,782.78 |
| - | - | - | - | -30,569,134.32 | - | -30,569,134.32 |
| - | 8,251,259.87 | 34,000,000 | - | -42,106,525.57 | -53,011,813.56 | -52,867,079.26 |
| - | 23,591,597.43 | 82,500,000 | 137,925,333.11 | 131,666,782.78 | -66,891,719.36 | 666,717,416.60 |
| | | | | | | |
| - | 23,591,597.43 | 82,500,000 | 137,925,333.11 | 131,666,782.78 | -66,891,719.36 | 666,717,416.60 |
| - | -1,880,294.47 | - | 1,880,294.47 | - | - | - |
| - | 21,711,302.96 | 82,500,000 | 139,805,627.58 | 131,666,782.78 | -66,891,719.36 | 666,717,416.60 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | 69,434,213.42 |
| - | - | - | - | - | - | - |
| - | - | - | 893,576.01 | - | - | 893,576.01 |
| - | - | - | - | - | - | - |
| - | - | - | - | 88,924,641.11 | - | 88,924,641.11 |
| - | - | - | - | -45,000,000.00 | - | -45,000,000.00 |
| - | 8,872,061.35 | 8,500,000 | 2,403,002.07 | -86,666,782.78 | 66,891,719.36 | - |
| - | 30,583,364.31 | 91,000,000 | 143,102,205.66 | 88,924,641.11 | 0 | 780,969,847.14 |

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

### 15.3 For each class of capital;

#### 15.3.1 Number of capital shares
Capital of the Company as at the end of December 2009 is composed of 38,500,000,000 shares.

#### 15.3.2 Number of issued and fully paid shares and issued but not fully paid shares
None. (31 December 2008: None)

#### 15.3.3 Nominal value of an equity share or equity shares without having nominal value
Nominal value of equity shares is TL 0.01 per share.

#### 15.3.4 Reconciliation of the number of the equity shares at the beginning and ending of the period

| | Number of Equity shares |
|---|---|
| Beginning of the period, 1 January 2009 | 38,500,000,000 |
| Issued in the current period | - |
| **End of the period, 31 December 2009** | **38,500,000,000** |

#### 15.3.5 Rights, privileges and limitations on dividend payments and repayment of capital
None.

#### 15.3.6 Equity shares held by the Company, its associates or its subsidiaries
There is no equity shares held by the Company.

Details of equity shares held by the Company's associates or subsidiaries are as follows:

| | 31 December 2009 | | 31 December 2008 | |
|---|---|---|---|---|
| | **Nominal Value** | **%** | **Nominal Value** | **%** |
| Groupama Sigorta A.Ş. | 22,639,104.95 | 5.88 | - | - |
| Güven Sigorta Türk A.Ş.** | - | - | 13,054,387.50 | 3.39 |
| Allianz Sigorta A.Ş. | 517,574.75 | 0.13 | 517,574.75 | 0.13 |
| Axa Sigorta A.Ş. | 351,951.60 | 0.09 | 351,951.60 | 0.09 |
| T.Şişe Cam Fabrikaları A.Ş* | - | - | 265,511.40 | 0.07 |
| Çayırova Cam Sanayi A.Ş. | 54,558.35 | 0.01 | 54,558.35 | 0.01 |

* The Company sold its shares in T. Şişe Cam Fabrikaları A.Ş. during May 2009.
** Groupama Sigorta A.Ş. and Güven Sigorta A.Ş. have merged during 2009.

#### 15.3.7 Details for equity shares held for future sale for forward transactions and contracts, their terms and amounts
The Company has no sales or shares in relation to forward transactions and contracts. (31 December 2008: None.)

### 15.4 Share Based Payments
None.

### 15.5 Subsequent Events
The Company has no share transactions following to the balance sheet date. (31 December 2008: None)

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

## 16 Other Provisions and Capital Component of Discretionary Participation

### 16.1 Each income and expense item and their total amounts accrued under shareholders' equity in the current period in accordance with other standards and interpretations

| | 31 December 2009 TL | 31 December 2008 TL |
|---|---|---|
| Valuation Difference for Affiliates | 25,338,363.97 | -76,540,369.48 |
| Valuation Difference for Financial Assets Available-for-sale | 17,021,272.09 | 1,983,771.00 |
| | **42,359,636.06** | **-74,556,598.48** |

### 16.2 Currency Translation Differences

The Company has no currency translation classified separately as an equity item. (31 December 2008: None)

### 16.3 Hedging for forecasted transactions and net investment hedging

None. (31 December 2008: None)

### 16.4 Hedging Transactions

None. (31 December 2008: None)

### 16.5 Income and loss related to the affiliates recognised directly in equity in the current period

The income and loss due to valuation with market value of the shares of the Company affiliates quoted in ISE, has been observed in the shareholders equity. Movements regarding Valuation of Financial Assets account are as follows:

| **Revaluation of Financial Assets** | 31 December 2009 TL | 31 December 2008 TL |
|---|---|---|
| 01 January opening balance | -27,074,577.36 | 47,482,021.12 |
| Opening balance cancellation | -2,277,269.88 | - |
| Affiliate valuation difference | 54,378,001.25 | -74,556,598.48 |
| Due to sale of affiliate | 18,711.08 | - |
| Adjustment of Available- for- Sale Financial Assets | 293,498.88 | - |
| Available-for-sale assets valuation difference | 21,276,590.11 | - |
| Available-for-sale assets deferred tax | -4,255,318.02 | - |
| **31 December closing balance** | **42,359,636.06** | **-27,074,577.36** |

### 16.6 Revaluation increases in tangible fixed assets

As of 30 June 2009 ve 30 June 2008, the Company carries its tangible fixed assets at cost.

### 16.7 Current and Deferred tax related to payables or receivables accounted in the shareholders' equity

Deferred tax of TL 4,255,318.02 is accounted directly under shareholders' equity. (30 December 2008: TL 2,998,777.86)

## 17. Insurance Liabilities and Reinsurance Assets

### 17.1 Coverage to be provided for life and non-life insurances and Coverage provided for life and non-life insurances based on asset.

The Company, being a reinsurance company, has no obligation of providing guarantees. (31 December 2008: None)

### 17.2 Number of life insurance policies, additions, disposals in the current period, and current life insurees and their mathematical reserves.

None. (31 December 2008: None)

**17.3 Branch wise Breakdown of total Insurance coverage provided to non-life insurances.**
Branch wise breakdown of total insurance coverage to non-life insurances are not registered.

**17.4 Pension investment funds established by the Company and their unit prices.**
None. (31 December 2008: None)

**17.5 Number and amount of participation certificates in portfolio and circulation**
None. (31 December 2008: None)

**17.6 Numbers and portfolio composition of additions, disposals, reversals and current individual and group pension participants.**
None. (31 December 2008: None)

**17.7 Valuation methods used in profit share calculation for life insurances with profit shares.**
None. (31 December 2008: None)

**17.8 Number of additions from individual pension participants and their group or individual gross and net share participations in the current period**
None. (31 December 2008: None)

**17.9 Number of transfers to individual pension portfolio from the other companies and their group or individual gross and net share participations**
None. (31 December 2008: None)

**17.10 Number of transfers from the Company's life portfolio to individual pension portfolio and their group or individual gross and net share participations**
None. (31 December 2008: None)

**17.11 Number of transfers from the Company's individual pension portfolio to the other company or not, and together their personal and corporate allocation and gross and net share participations**
None. (31 December 2008: None)

**17.12 Number of additions of life insurances and their group or individual allocation and gross and net premiums**
None. (31 December 2008: None)

**17.13 Number of disposals of life insurances and their group or individual allocation and gross net premiums and net mathematical reserves**
None. (31 December 2008: None)

**17.14 Profit share distribution rate of life insurances in the current period**
None. (31 December 2008: None)

**17.15 Explanation about amounts from insurance contracts in the financial statements**
None. (31 December 2008: None)

**17.16 Assets, liabilities, income and expense from insurance contracts recognized in the financial statements**
Reinsurance receivables and reinsurance payables are presented in Note 12.1 and Note 19.1, respectively.
Details of the amounts recognised in profit or loss due to the various reinsurance agreements purchased (to avoid claims risk) are presented in the table below.

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

### Income and Expenses from Reinsurance Agreements

| | 31 December 2009 | 31 December 2008 |
|---|---|---|
| Ceded Premiums to Reinsurer (-) | -65,304,757.13 | -53,553,512.87 |
| Reinsurance Commissions Received | 1,845,532.85 | 1,096,279.23 |
| Reinsurance Share of Unearned Premiums Reserve | 3,016,193.69 | 5,293,425.32 |
| Reinsurance Share of Unearned Premiums Reserve Carried Forward (-) | -5,293,425.32 | -6,903,714.94 |
| Reinsurance Share of Claims Paid | 41,223,130.37 | 20,171,838.19 |
| Reinsurance Share of Outstanding Claims Reserve | 80,867,401.36 | 34,404,320.26 |
| Reinsurance Share of Outstanding Claims Reserve Carried Forward (-) | -34,404,320.26 | -43,093,652.11 |
| **Total** | **21,949,755.56** | **-42,585,016.92** |

The Company, as a ceding company, does not defer or depreciate any of its income or losses due to the purchased reinsurance agreements.

### 17.17 Comparison of the incurred claims with past estimates (claim development)
Disclosed in Note 4.1.2.3.

### 17.18 Effects of changes in the assumptions used in the measurement of insurance assets and liabilities, showing the effects of each change that has significant effect on the financial statements separately
Disclosed in Note 4.1.2.4.

### 17.19 Reconciliation of insurance payables, reinsurance assets and changes in deferred acquisition costs, if any

**31 December 2009:**

| | Reinsurance Receivables | Reinsurance Payables |
|---|---|---|
| Beginning of the period 1 January 2009 | 143,642,210.55 | 28,507,185.86 |
| Change in the current period | 40,359,875.10 | 39,757,485.85 |
| **Ending of the period, 31 December 2009** | **184,002,085.65** | **68,264,671.71** |

**31 December 2008:**

| | Reinsurance Receivables | Reinsurance Payables |
|---|---|---|
| Beginning of the period 1 January 2008 | 76,467,411.63 | 28,941,014.17 |
| Change in the current period | 67,174,798.92 | -433,828.31 |
| **Ending of the period, 31 December 2008** | **143,642,210.55** | **28,507,185.86** |

The Company has no deferred acquisition costs. (31 December 2008: None.)

### 18. Investment Contract Liabilities
The Company has no investment contracts. (30 June 2008: None.)

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

## 19. Trade and Other Payables, Deferred Income

### 19.1 Sub-classifications of presented items in line with the Company's operations

| | 31 December 2009 TL | 31 December 2008 TL |
|---|---|---|
| Payables from reinsurance operations (including deposits) | 50,042,327.66 | 26,781,857.24 |
| Payables to other related parties from reinsurance operations (including deposits) | 18,222,344.05 | 1,725,328.62 |
| Total payables from reinsurance operations | 68,264,671.71 | 28,507,185.86 |
| Due to shareholders | 86,197.94 | 22,604.69 |
| Payables to other related parties | 32,649.01 | 56,145.36 |
| Other payables | 131,129.86 | 237,963.84 |
| Tax and other liabilities | -5,320,758.19 | 10,365,326.10 |
| Income and expense accruals for the coming months | 965,983.52 | 3,353,449.65 |
| Income and expense accruals for the coming years | 66,011.57 | 39,175.87 |
| **TOTAL** | **64,225,885.42** | **42,581,851.37** |

### 19.2 Related Parties

Transactions and closing balances between the Company and its related parties are presented in Note 45 on "Related Parties".

## 20. Payables

The Company's payables are disclosed in Note 19.

## 21. Deferred Income Tax

Disclosed in Note 35.

## 22. Retirement Benefits

On the other hand, the Act No: 5754 "Amendments in Social Securities and General Health Insurance Acts Specific Laws and Related Requirements" published in the Official Gazette No: 26870 on 8 May 2008, requires the transfer of participants or beneficiaries of pension funds to Social Security Institution ("SSI") as of the Act within three years and determines the extension period of the transfer as maximum of two years upon the order of Council of Ministers. The Act states that, as of the transfer date, present value of fund liabilities should be measured by considering the fund income and expense based on the insurance branches presented in the related act using 9.8% of technical interest rate in the actuarial calculation. The Act also specifies that the uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by institutions that made the fund transfers.

As a result of the actuarial calculations made in relation to the pension funds of Milli Reasürans T.A.Ş. Foundation for the Company Employees established in accordance with Provisional Article 20 of the Social Securities Act No: 506, the Company has TL 19,416,590.02 and the same amount is recognized as provision. (31 December 2008: TL 18,182,599.46)

### Provision for Employment Termination Benefits

Under the Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who was qualified for such payment. Besides this, employees are entitled to provision for employment termination benefits subsequent to the completion of their retirement period by gaining a right to receive termination benefit payments in accordance with the amended Article 60 of the applicable Social Insurance Law No: 506 and the related Decrees No: 2422 and 4447 issued on 6 March 1981 and 25 August 1999, respectively.

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

The amount payable as of 31 December 2009 is TL 2,365.16, as ceiling of monthly salary.

Employment Termination Benefits liability is not subject to any provision requirement according to current legal regulations. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2009, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming the annual inflation rate of 4,8% and a discount rate 11%, resulting in a real discount rate of approximately 5,92%. The estimated rate for the employees leaving the Company upon their will and therefore not being subject to retirement pay is also taken into account. As the maximum liability is updated semi annually, the maximum amount of TL 2.427,04 effective from 1 January 2010 has been taken into calculation of provision from employment termination benefits.

Changes in provision for employment termination benefits are as follows:

| | **1 January-31 December 2009** | **1 January-31 December 2008** |
|---|---:|---:|
| Provision at 1 January | 3,319,474.00 | 4,388,533.14 |
| **Adjustment for 1 January 2008 opening** | **-** | **-1,391,029.14** |
| Beginning of period after adjustment | 3,319,474.00 | 2,997,504.00 |
| Employment Termination Benefits paid during the period | 403,584.06 | 52,557.12 |
| Additional provision at 31 December | 670,708.00 | 321,970.00 |
| **Total provision at 31 December** | **3,990,182.00** | **3,319,474.00** |

## 23. Other Liabilities and Expense Accruals

### 23.1 Provisions related to employee benefits and others

| **Liabilities for Personnel Social Security** | **31 December 2009** | **31 December 2008** |
|---|---:|---:|
| Social security premiums payable | 77,199.15 | 70,050.11 |
| | | |
| **Other Provisions and Liabilities** | | |
| Provision for Employment Termination Benefits | 3,990,182.00 | 3,319,474.00 |
| Asset Deficits of Social Services Fund | 19,416,590.02 | 18,182,599.46 |
| Taxes and funds payable | 522,093.01 | 854,337.92 |
| | **24,006,064.18** | **22,426,461.49** |

### 23.2 Off-balance sheet commitments

| **Type of commitment** | **31 December 2009** | **31 December 2008** |
|---|---:|---:|
| Letters of Credit, Given | 15,080,057.30 | 15,123,457.29 |

### 23.3 Provisions, Contingent Assets and Liabilities

As of the balance sheet date, the total amount of litigations filed against the Company amounts to TL 1,000.00. The Company's total amount of litigations filed against third parties is TL 759,788.04. (31 December 2008: The total amount of litigations filed against the Company amounts to TL 1,000.00. The Company's total amount of litigations filed against third parties is TL 824,496.98)

As of the balance sheet date, the Company has no contingent assets. (31 December 2008: None)

# Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2009

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

### 23.4 Impairment in Assets

None. (31 December 2008: None)

## 24. Net Insurance Premium Revenue

| | 1 January-31 December 2009 | 1 January-31 December 2008 |
|---|---:|---:|
| ACCIDENT | 11,942,078.12 | 13,097,386.25 |
| ILLNESS/HEALTH | 83,744,465.55 | 94,294,759.16 |
| MOTOR VEHICLES | 139,978,173.23 | 170,728,253.51 |
| RAIL VEHICLES | 0.00 | 0 |
| AIR CRAFTS | 394,791.91 | 193,943.83 |
| WATER CRAFTS | 25,143,601.58 | 19,508,092.17 |
| MARINE | 24,378,164.07 | 30,480,613.11 |
| FIRE AND NATURAL PERILS | 245,985,643.38 | 229,025,819.27 |
| GENERAL ACCIDENT | 115,972,221.60 | 114,931,973.34 |
| MOTOR VEHICLES LIABILITY | 82,527,586.61 | 92,464,365.93 |
| AIR CRAFTS LIABILITY | 16,290.22 | 10,284.26 |
| WATER CRAFTS LIABILITY | 545.32 | 0 |
| GENERAL LIABILITY | 14,125,547.26 | 13,137,028.08 |
| CREDIT | 485,775.91 | 178,314.23 |
| FIDELITY GUARANTEE | 40,835.58 | 0 |
| FINANCIAL LOSSES | 1,424,850.60 | 2,319,351.12 |
| LEGAL PROTECTION | 732,176.54 | 297,128.77 |
| LIFE | 11,424,960.81 | 14,861,436.05 |
| **TOTAL** | **758,317,708.29** | **795,528,749.08** |

Net premium income is calculated gross premiums less reinsurers' share in premium.

## 25. Fee Income

| **Service Income/(Expenses)** | 1 January-31 December 2009 | 1 January-31 December 2008 |
|---|---:|---:|
| Commissions received | 1,845,532.85 | 1,096,279.23 |
| Commissions paid (-) | -184,577,992.49 | -96,579,396.14 |
| **Total** | **-182,732,459.64** | **-95,483,116.91** |

## 26. Investment Income

| **Income from Financial Investments** | 1 January-31 December 2009 | 1 January-31 December 2008 |
|---|---:|---:|
| Interest Income | 126,653,793.66 | 111,640,215.88 |
| Income from Sales of Shares | 10,682,978.53 | 632,874.86 |
| Profit from Cashing of Financial Investment | 14,919,922.06 | 14,349,038.04 |
| Valuation of Financial Investments | -10,169,659.91 | 17,721,805.99 |
| Currency Translation Gains | 12,568,294.98 | 40,156,604.74 |
| Income from Affiliates and Subsidiaries | | |
| Dividend Income | 30,621,194.94 | 25,532,391.98 |
| Real Estate held for investment purposes | | |
| Rent Income | 7,140,357.37 | 8,082,466.14 |
| Income from Derivatives | 1,412,383.08 | 24,000.00 |
| Other Investments | 61,626.83 | 112,250.00 |
| | **193,890,891.54** | **218,251,647.63** |

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

### 27. Net Income Accrued on Financial Assets
Income from financial assets available-for-sale accounted directly in the shareholders equity is TL 17,021,272.09. (31 December 2008: 1,983,771) There is no financial asset available-for-sale in the shareholders equity to be accounted in the income statement of the period. (31 December 2008: None.)

### 28. Assets classified at fair value through profit or loss
Net gain of financial assets and financial liabilities classified at fair value through profit or loss reflected to the income statement as of the balance sheet date is TL 22,189,887.15. (31 December 2008: TL 29,531,682.71)

Real estates classified as investment property in the accompanying financial statements are valued by using the cost method.

### 29. Insurance Rights and Demands
Disclosed in Note 17.

### 30. Investment Agreement Rights
The Company has no investment allowances to be used in current and subsequent periods. (31 December 2008: None)

### 31. Other Expenses
Disclosed in Note 32.

### 32. Expense Types

#### 32.1

| | 1 January - 31 December 2009 | | 1 January - 31 December 2008 | |
|---|---|---|---|---|
| **Operational Expenses** | **Non-life** | **Life** | **Non-life** | **Life** |
| Acquisition Expenses | 178,815,631.56 | 5,762,360.93 | 91,657,144.78 | 4,922,251.36 |
| Personnel Wages and Expenses | 21,397,893.74 | 565,730.87 | 18,714,284.59 | 590,590.92 |
| Administration Expenses | 4,653,394.72 | 307.60 | 4,994,530.73 | 309.00 |
| Outsourced Services | 484,474.85 | - | 134,150.75 | - |
| Reinsurance Commissions (Commissions Taken) | -1,656,058.78 | -189,474,07 | -1,071,300.31 | -24,978.92 |
| Other Operational Expenses | 10,715,420.97 | 160,559.10 | 9,166,328.06 | 191,785.56 |
| **Total** | **214,410,757.06** | **6,299,484.43** | **123,595,138.60** | **5,679,957.92** |
| | | | | |
| **Investment Management Expenses** | | | | |
| Real Estate Expenses | 613,889.90 | - | 729,674.80 | - |
| Commitment and Subscription | - | - | 2,213,175.14 | - |
| Tax and Other Liabilities | 3,722,476.24 | - | 3,645,385.16 | - |
| Stocks Trading Expenses | - | - | 43,333.73 | - |
| Singapore Branch Operating Expenses | 1,836,159.52 | - | 2,184,860.34 | - |
| **Total** | **6,172,525.66** | **-** | **8,816,429.17** | **-** |

#### 32.2 Leasing Transactions
There is no financial leasing transaction. (31 December 2008: None)

#### 32.3 Research and development expenses accounted in the current period as expense
None. (31 December 2008: None)

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

## 33. Employee Benefit Expenses

| | 1 January-31 December 2009 | 1 January-31 December 2008 |
|---|---|---|
| Retirement benefit provision | 670,708.00 | 321,970.00 |
| Retirement benefits paid | 403,584.06 | 52,557.12 |
| Personnel wages | 17,133,508.53 | 15,204,219.87 |
| Social service paid to the personnel | 5,530,575.93 | 5,288,456.45 |
| | **23,738,376.52** | **20,867,203.44** |

The Company has no share-based payments in the current period. (31 December 2008: None)

## 34. Finance Costs

### 34.1 Total financial expenses of the current period
None. (31 December 2008: None)

### 34.2 Financial expenses of the current period on shareholders, affiliates and subsidiaries
None. (31 December 2008: None)

### 34.3 Sales and purchases with shareholders, affiliates and subsidiaries
Details of transactions and closing balances of the Company with related parties are disclosed in Note 45 on "Related Parties".

### 34.4 Interest, rent and the like paid by and to shareholders, affiliates and subsidiaries

| **Rents Received** | 1 January-31 December 2009 | 1 January-31 December 2008 |
|---|---|---|
| Miltaş Turizm İnşaat A.Ş. | 60,137.22 | 1,045,055.35 |
| İş Bankası Nişantaşı Şb. | 480,604.00 | 165,400.00 |
| İş Bankası Teşvikiye Şb. | 471,923.00 | 326,220.00 |
| | **1,012,664.22** | **1,536,675.35** |

Commissions received and paid for reinsurance transactions are disclosed in Note 45.2.

## 35. Income (Corporate) Tax

| | 31 December 2009 | 31 December 2008 |
|---|---|---|
| **Current tax provision** | | |
| Corporate tax liability provision | 22,960,420.08 | 33,590,534.96 |
| Prepaid taxes and other liabilities | -28,880,470.43 | -32,255,212.92 |
| | **-5,920,050.35** | **1,335,322.04** |

| **Tax expense/(income) in the income statement** | 1 January-31 December 2009 | 1 January-31 December 2008 |
|---|---|---|
| Current tax expense/(income) | 22,960,420.08 | 33,590,534.96 |
| Deferred tax expense/income related to the occurrence and disappearance of the temporary differences | -5,776,673.73 | -959,257.15 |
| **Total tax expense/(income)** | **17,183,746.35** | **32,631,277.81** |

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

| **Deferred tax accounted directly in shareholders' equity** | **1 January-31 December 2009** | **1 January-31 December 2008** |
|---|---|---|
| - Previous provision for employment termination benefits | - | 599,500.80 |
| - Actuarial income or expense for pension fund deficit | - | 2,399,277.06 |
| - Valuation of Available-for-Sales financial assets | 4,255,318.02 | - |
| **Total deferred tax accounted directly in shareholders' equity** | **4,255,318.02** | **2,998,777.86** |

### Corporate Tax

The Company is subject to Turkish corporate taxes. Provisions are established in the enclosed financial statements for the estimated tax charge based on the Company's results for the current accounting period.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-exempt expenses, and by deducting tax exempt income and other deductions (losses from the previous year and investment incentives, if any) The effective tax rate used in 2009 is 20%.
(2008: 20%)

In Turkey, advance tax returns are filled on a quarterly basis. The advance corporate income tax rate used in 2008 and 2009 is 20%. Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. Tax carry back is not allowed.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records may revise assessments within five years.

### Withholding Tax

In addition to corporate taxes, companies should also calculate withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of withholding tax is 15%. (2008: 15%) Undistributed profit shares and profit added paid-up capital are not subject to withholding tax.

### Inflation Adjusted Legal Tax Calculation

Law No: 5024 requires the application of inflation accounting in Turkey in 2004 and future years for tax purposes, if the actual rate of inflation meets certain thresholds, using principles which do not differ substantially from the principles in TAS 29. Since the inflation rate in 2004 exceeded certain thresholds the Company adjusted inflation balances in accordance with Law No: 5024 which was used as opening balance as of 1 January 2005. However, as inflation did not meet the required thresholds in 2005- 2008, no further inflation adjustment was made to the Company's statutory financial statements in 2005 -2009.

### Deferred Tax

The Company recognises deferred tax assets and liabilities based upon temporary differences arising between its financial statements prepared in accordance with Turkish Accounting Standards ("TAS") and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TAS and tax purposes which are given below.

Tax rate is applied as 20% for the calculation of deferred tax asset and liabilities. (2008: 20%)

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

Items that are subject to deferred tax and corporate tax are summarised as follows:

| | 1 January-31 December 2009 | 1 January-31 December 2008 |
|---|---|---|
| Social Service Fund Asset Deficit Provision | 3,883,318.01 | 2,399,277.06 |
| Previous provision for employment termination benefits | - | 599,500.80 |
| Current Period provision for employment termination benefits | 798,036.40 | 64,394.00 |
| Differences in Useful Life of Fixed Assets | -175,353.60 | 1,819.04 |
| Valuation Differences of Financial Assets | -4,842,680.54 | 893,044.11 |
| Differences in Insurance Technical Reserves | 5,816,070.45 | |
| **Deferred tax assets/(liabilities)** | **5,479,390.72** | **3,958,035.01** |

| **Movement of deferred tax asset/(liability):** | **2009** | **2008** |
|---|---|---|
| Opening balance at 1 January * | 3,958,035.01 | 2,998,777.86 |
| Deferred tax expense recognised in the income statement | 6,551,133.64 | 959,257.15 |
| Deferred tax expense recognised in the expenses statement | -774,459.91 | |
| Deferred Tax Expense accounted for under Equity | -4,255,318.02 | |
| **Closing balance at 31 December** | **5,479,390.72** | **3,958,035.01** |

* Although there is no opening balance carried forward as of 31.12.2007, a total of TL 2,998,777.86 is accounted in previous balance sheet under calculated deferred tax as TL 2,720,117.48 on 31.03.2008 and TL 278,660.38 on 29.09.2008; details are given in Note 2.1.1.b.

Reconciliation of period tax with net income for the period is as follows:

| **Reconciliation of Tax Provision:** | **31 December 2009** | **31 December 2008** |
|---|---|---|
| Income before Tax | 111,885,061.19 | 167,925,815.39 |
| Tax calculated: 20% | -22,377,012.24 | -33,585,163.08 |
| Effect of additions | -10,148,043.34 | -5,435,396.75 |
| Effect of allowances | 9,564,635.50 | 5,430,024.87 |
| Corporate tax liability Provision on Profit for the Period (-) | -22,960,420.08 | -33,590,534.96 |
| Deferred Tax Income | 6,551,133.64 | 959,257.15 |
| Deferred Tax Expenses | -774,459.91 | - |

## 36 Net Income from Currency Translations

Currency translations accounted for the period, excluding the ones due to fair price adjustment of financial instruments accounted in the income statement are as follows:

| | **1 January – 31 December 2009** | | **1 January - 31 December 2008** | |
|---|---|---|---|---|
| | **Total Less Currency Translations Due to the Adjustment of Financial Instruments** | **Total Currency Translation Difference** | **Total Less Currency Translations Due to the Adjustment of Financial Instruments** | **Total Currency Translation Difference** |
| Currency Translation Gain | 12,488,499.68 | 12,568,294.97 | 30,197,337.65 | 40,156,604.74 |
| Currency Translation Loss | -12,492,116.34 | -13,323,042.70 | -13,210,687.66 | -14,392,745.40 |
| **Total** | **-3,616.66** | **-754,747.73** | **16,986,649.99** | **25,763,859.34** |

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

### 37. Earnings per Share

Earnings per share is calculated by dividing the net profit for the period to weighted average number of shares during the period. The calculation is presented below:

| | 01 January-31 December 2009 | 01 January-31 December 2008 |
|---|---|---|
| Number of ordinary shares outstanding as of 01 January | 38.500.000.000 | 38.500.000.000 |
| Number of shares issued for cash | - | - |
| Number of ordinary shares outstanding as of 31 December | 38.500.000.000 | 38.500.000.000 |
| Weighted average number of outstanding shares with nominal value at 1 kr. | 38.500.000.000 | 38.500.000.000 |
| Net Profit/(Loss) for the period (TL) | 88.924.641,11 | 131.666.782,78 |
| Earnings/(Loss) per share (Kr.) | 0,23097 | 0,34199 |

### 38. Dividends per Share
The Company has decided to distribute dividend of 42,278,028.09 TL to the shareholders, 1,465,677.18 TL to the founders, 1,256,294.73 TL to the personnel in cash, from profit relating to 2008, in General Assembly held on 25 March 2009. Dividend per share amounts to 0.10981 Kr.

### 39. Cash generated from the operations
Cash flow statement is presented in the financial statements. Net cash flow from main operations is TL -60,255,539.76, net cash flow from investment operations is TL 190,344,249.53 and net cash flow from financial operations is TL -37,674,733.24. (31 December 2008: Net cash flow from main operations is TL 32,192,033.95, net cash flow from investment operations is TL 215,623,516.90 ve net cash flow from financial operations is TL -17,136,962.22.)

### 40. Equity Share Convertible Bonds
None. (31 December 2008: None.)

### 41. Cash Convertible Privileged Equity Shares
None. (31 December 2008: None.)

### 42. Risks
Details for the reserves in the financial statements are disclosed in Note 2.1.1.

### 43. Commitments

| Type of Commitment | 31 December 2009 | 31 December 2008 |
|---|---|---|
| Letters of Guarantee, Given | 15,080,057.30 | 15,123,457.29 |

There is no tangible asset and intangible asset that the Company made commitment to purchase. (31 December 2008: None.)

### 44. Business Combinations
None as for the financial statement for the period. (31 December 2008: None.)

### 45. Related Parties

#### 45.1 Name of parent company and ultimate owner (Group)
The Company is under Türkiye İş Bankası A.Ş. group.

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

### 45.2 Sub-categories of the Company's operations

Details of payables and receivables to/from the Company's shareholders, associates and subsidiaries are as follows.

| **RECEIVABLES** | **31 December 2009** | **31 December 2008** |
|---|---|---|
| **Shareholders** | | |
| Ergoisviçre Sigorta A.Ş. | 18,101.24 | 17,870.69 |
| Axa Sigorta A.Ş.* | 70,459.94 | 2,929,219.53 |
| Güven Sigorta T.A.Ş.* | - | 1,594,239.29 |
| İstanbul Umum Sigorta A.Ş. | 65,876.31 | 56,221.35 |
| Avivasa Emeklilik ve Hayat A.Ş. | 71,914.48 | - |
| Allianz Sigorta A.Ş.* | 1,838,905.31 | 4,782,711.53 |
| Groupama Sigorta A.Ş. | - | 396,142.23 |
| | **2,065,257.28** | **9,776,404.62** |
| **Affiliates** | | |
| Anadolu Hayat Emeklilik A.Ş. | 77,955.09 | 97,834.63 |
| Anadolu Türk Anonim Sigorta Şirketi | 36,180.84 | 5,435,796.63 |
| | **114,135.93** | **5,533,631.26** |
| **Subsidiaries** | | |
| Miltaş Turizm İnşaat A.Ş. | - | 7,301.90 |

| **RECEIVABLES** | | |
|---|---|---|
| **Shareholders** | | |
| Axa Sigorta A.Ş. | 65,462.81 | 59,462.17 |
| AvivaSa Emeklilik A.Ş. | - | 42,215.55 |
| Başak Groupama Sigorta A.Ş. | 1,761,634.72 | 76,738.97 |
| Ergoisviçre | 4,931,041.62 | 1,356,996.63 |
| Güven Sigorta T.A.Ş. * | 8,668,983.68 | 141,637.66 |
| İstanbul Umum Sigorta A.Ş. | 51,218.74 | 48,277.64 |
| Dividend Payables to Shareholders | 43,860.21 | 22,604.69 |
| Dividend Payables to Founder Shareholders | 42,337.73 | 17,421.22 |
| | **15,564,539.51** | **1,765,354.53** |
| **Affiliates** | | |
| Anadolu Türk Anonim Sigorta Şirketi | 2,744,002.48 | - |
| | **2,744,002.48** | **-** |

(*) Since these companies are both shareholder and associates their Payables/Receivables are given in the list under Shareholders.

Details of the Company's (reinsurance) transactions with shareholders, associates and subsidiaries are as follows:

**31 December 2009:**

| | **Anadolu Anonim Türk Sigorta Şirketi** | **Anadolu Hayat Emeklilik A.Ş.** | **Güven Sigorta T.A.Ş.** | **Axa Sigorta A.Ş.** | **Groupama Sigorta A.Ş.** | **Allianz Sigorta A.Ş.** | **Ergoisviçre Sigorta A.Ş.** | **AvivaSa Emeklilik A.Ş.** | **İstanbul Umum Sigorta A.Ş.** |
|---|---|---|---|---|---|---|---|---|---|
| Premiums Received | 74,351,825.70 | 456,975.51 | 9,234,123.72 | 16,890,674.58 | 9,700,708.66 | 53,773,842.75 | 40,272,580.27 | 580,591.90 | - |
| Premiums Ceded | 369,585.10 | - | 11,570.89 | 33,657.33 | 63,548.45 | 27.29 | 274,185.84 | - | 25.98 |
| Commissions Received | 39,502.06 | - | -197.70 | 801.62 | 750.47 | -0.64 | 35,760.26 | - | -2.49 |
| Commissions Paid | 15,656,480.79 | 133,199.80 | 1,867,410.61 | 3,220,402.54 | 525,659.34 | 13,590,078.09 | 6,190,583.05 | 880,652.98 | - |
| Claims Received | 891,065.05 | - | 81,820.20 | 186,474.46 | 360,936.90 | 7,037.47 | 404,715.00 | - | 8,862.15 |
| Claims Paid | 53,967,052.33 | - | 17,056,760.97 | 9,883,924.34 | 15,182,212.86 | 33,217,811.33 | 41,116,866.71 | 79,365.00 | - |
| Other Incomes | -145,765.36 | 22,657.15 | 51,716.57 | 66,986.88 | 61,813.82 | 271,745.06 | 88,403.33 | 988.61 | 1,575.63 |
| Other Expenses | 119,071.46 | 18,102.87 | 9,435.65 | 28,603.58 | 139,960.15 | 273,867.93 | 88,490.10 | 2,009.47 | 3,695.45 |
| Other Services Received | 297,963.47 | 186,966.36 | - | - | - | - | - | - | - |

Purchase of services from İşnet Elektronik Bilgi Üretim Dağıtım Tic. ve İletişim Hiz. A.Ş, an affiliate of the Company, not disclosed in the above statement since it is not an insurance company, amounts to TL 14,031.62.

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

**31 December 2008:**

| | Anadolu Anonim Türk Sigorta Şirketi | Anadolu Hayat Emeklilik A.Ş. | Güven Sigorta T.A.Ş. | Axa Sigorta A.Ş. | Başak Groupama Sigorta A.Ş. | Allianz Sigorta A.Ş. | Ergoisviçre Sigorta A.Ş. | AvivaSa Emeklilik A.Ş. | İstanbul Umum Sigorta A.Ş. |
|---|---|---|---|---|---|---|---|---|---|
| Premiums Received | 71,006,826.73 | 599,976.22 | 17,809,368.16 | 23,453,067.69 | 18,914,247.91 | 53,057,605.71 | 52,740,984.02 | 1,463,488.74 | - |
| Premiums Ceded | 1,257,257.83 | - | 18,577.36 | 47,528.58 | 108,691.67 | -3.27 | 1,106,020.61 | - | -12.64 |
| Commissions Received | 24,830.23 | - | -12,453.61 | -38,561.14 | -94,663.13 | -0.66 | 179,498.61 | - | -1.19 |
| Commissions Paid | 16,251,260.83 | 135,271.20 | 3,637,362.22 | 4,004,082.41 | 1,750,800.67 | 12,997,003.04 | 12,506,754.08 | 490,369.16 | - |
| Claims Received | 3,709,251.60 | - | 429,118.21 | 982,321.29 | 1,880,797.83 | 54,235.59 | 1,015,279.56 | - | 79,300.40 |
| Claims Paid | 49,817,247.12 | 238,686.68 | 9,821,961.08 | 14,560,506.45 | 17,228,706.28 | 26,472,694.22 | 44,510,898.84 | 314,224.00 | - |
| Other Incomes | 64,150.95 | - | -6.52 | 561.52 | -18.81 | 137,208.22 | 62,427.82 | - | - |
| Other Expenses | 16,782.96 | - | 35,259.77 | 33,681.25 | 25,496.72 | 64,894.86 | - | - | 11,709.17 |
| Other Services Received | 239,507.68 | 145,322.51 | - | - | - | - | - | - | - |

Purchase of services from İşnet Elektronik Bilgi Üretim Dağıtım Tic. ve İletişim Hiz. A.Ş, an affiliate of the Company, not disclosed in the above statement since it is not an insurance company, amounts to TL 11,288.93.

**45.3** Provision for doubtful receivables and their debts due from shareholders, associates and subsidiaries
None. (31 December 2008: None.)

**45.4** Details of associates and subsidiaries in direct or indirect ownership, the names and participations of associates and subsidiaries, their profit/loss as of the latest financial statements available, the period for the financial statements in question and whether or not audited under SPK standards, the opinion on the audit report

**31 December 2009:**

| | | 31 December 2009 | According to the latest financial statements available | | | | | |
|---|---|---|---|---|---|---|---|---|
| Commercial Title of Associates and Securities for Investments | Participation Ratio (%) | Participation Amount (Nominal Value) (TL) | Earning/Loss Before Income Tax (TL) | Net profit/ loss TL | Period | Standard Applied | Audited or not | Auditor's Opinion |
| **ASSOCIATES** | | | | | | | | |
| Anadolu Anonim Türk Sigorta Şirketi* | 21.78 | 92,564,995 | 58,036,007 | 47,089,530 | 30.09.2009 | SPK | No | - |
| Groupama (Güven) Sigorta T.A.Ş.** | 0.00 | 12,027 | 20,109,757 | 21,071,313 | 30.09.2009 | TTK | No | - |
| Allianz Sigorta A.Ş.** | 2.85 | 5,694,000 | 27,429,739 | 20,130,127 | 30.09.2009 | TTK | No | - |
| Axa Sigorta A.Ş.** | 0.00 | 7,907 | 35,323,538 | 26,504,285 | 31.03.2009 | TTK | No | - |
| Anadolu Hayat Emeklilik A.Ş.* | 1 | 2,499,999 | 77,684,855 | 62,274,855 | 30.09.2009 | SPK | No | - |
| T. Sınai Kalkınma Bankası A.Ş.*. | 1.20 | 7,224,866 | 160,755,000 | 132,877,000 | 30.09.2009 | BDDK | Yes (Limited) | - |
| İş Girişim Sermayesi Yatırım Ort. A.Ş.* | 4.44 | 1,120,000 | 8,249,959 | 8,249,959 | 30.09.2009 | SPK | No | - |
| Çayırova Cam Sanayi A.Ş. | 0.02 | 1,987 | 2,140,422 | 2,140,422 | 30.06.2009 | TTK | No | - |
| İş Net Bilgi Üretim Dağ. Tic. ve İlet. A.Ş. | 1 | 170,000 | 1,262,153 | 1,262,153 | 30.06.2009 | TTK | No | - |
| Paşabahçe Cam San. ve Tic. A.Ş. | 0.02 | 39,565 | 434,162 | 434,162 | 30.06.2009 | TTK | No | - |
| Camiş Menkul Değerler A.Ş. | 0.05 | 1,000 | -424,910 | -424,910 | 30.09.2009 | TTK | No | - |
| İş Merkezleri Yönetim ve İşletim A.Ş. | 0.69 | 10,412 | 5,876,224 | 4,659,378 | 30.06.2009 | TTK | No | - |
| **SUBSIDIARIES** | | | | | | | | |
| Miltaş Turizm İnşaat Tic. A.Ş. | 77 | 38,500 | 968,566 | 947,113 | 31.12.2009 | TTK | No | - |
| **TOTAL** | | **109,385,258** | | | | | | |

- The information of İş Girişim Sermayesi Yatırım Ort. A.Ş. is related with consolidated financial statements.

SPK: Capital Markets Board
TTK: Turkish Commercial Code
BDDK: Banking Regulation and Supervision Board

(*) Taken from the financial statements of ISE (İstanbul Stock Exchange).
(**) Taken from the financial statements of the related companies announced in their web site.

# Millî Reasürans T.A.Ş.

## Notes to the Financial Statements as of 31 December 2009

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

**31 December 2008:**

| | 31 December 2008 | | According to the latest financial statements available | | | | | |
|---|---|---|---|---|---|---|---|---|
| Commercial Title of Associates and Securities for Investments | Participation Ratio (%) | Participation Amount (Nominal Value) (TL) | Earning/Loss Before Income Tax (TL) | Net profit/ loss TL | Period | Standard Applied | Audited or not | Auditor's Opinion |
| **ASSOCIATES** | | | | | | | | |
| Anadolu Sigorta* | 21.78 | 76,229,997 | 77,764,581 | 65,537,232 | 30.06.2008 | SPK | Yes | - |
| Güven Sigorta T.A.Ş. | 0.05 | 17,532 | 5,225,406 | 3,786,391 | 30.06.2008 | TTK | (**) | (**) |
| Allianz Sigorta A.Ş. | 2.85 | 5,694,000 | 61,758,658 | 51,387,872 | 30.06.2008 | TTK | Yes | - |
| Axa Sigorta A.Ş. | 0.00 | 7,907 | 77,923,049 | 50,271,405. | 31.12.2007 | TTK | Yes | Unqualified |
| Çayırova Cam Sanayi A.Ş. | 0.02 | 1,987 | 5,244,713 | 4,954,214 | 31.12.2007 | TTK | No | - |
| T. Şişe ve Cam Fab. A.Ş. | 0.00 | 7,250 | 50,803,056 | 50,803,056 | 30.06.2008 | SPK | Yes | - |
| Miltaş Sigorta Aracılığı A.Ş. | 6 | 3,000 | 125,073 | 125,073 | 30.06.2008 | TTK | No | - |
| İş Net Bilgi Üretim Dağ. Tic. ve İlet. A.Ş. | 1 | 120,000 | 1,209,351 | 908,200 | 31.12.2007 | TTK | No | - |
| Paşabahçe Cam San. ve Tic. A.Ş. | 0.02 | 39,565 | -1,600,672 | -1,600,672 | 30.06.2008 | TTK | No | - |
| Camiş Menkul Değerler A.Ş. | 0.05 | 1,000 | 236,330 | 236,330 | 30.06.2008 | TTK | No | - |
| İş Merkezleri Yönetim ve İşletim A.Ş. | 0.69 | 10,412 | 5,876,224 | 4,401,967 | 31.12.2007 | TTK | No | - |
| **SUBSIDIARIES** | | | | | | | | |
| Miltaş Turizm İnşaat Tic. A.Ş. | 77 | 38,500 | 254,827 | 254,827 | 30.06.2008 | TTK | No | - |
| **LONG TERM SECURITIES** | | | | | | | | |
| Anadolu Hayat Emeklilik A.Ş.* | 1 | 2,499,999 | 20,466,719 | 16,668,519 | 30.06.2008 | SPK | Yes | - |
| T. Sınai Kalkınma Bankası A.Ş.*. | 1.20 | 6,020,722 | 50,774,000 | 44,806,000 | 30.06.2008 | BDDK | Yes | - |
| İş Girişim Sermayesi Yatırım Ort. A.Ş. | 4.44 | 1,040,000 | - | -6,036 | 31.12.2007 | SPK | Yes | Unqualified |
| **TOTAL** | | **91,731,871** | | | | | | |

SPK: Capital Markets Board
TTK: Turkish Commercial Code
BDDK: Banking Regulation and Supervision Board

(*) Taken from the financial statements of ISE (İstanbul Stock Exchange).
(**) No information available.

### 45.5 Bonus Share obtained due to capital increase from internal sources

| | 2009 | 2008 |
|---|---|---|
| Axa Sigorta A.Ş. | - | 2,235.68 |
| Allianz Sigorta A.Ş. | - | 3,985,800.00 |
| T.Sınai Kalkınma Bankası A.Ş. | 1,204,144.37 | 1,204,144.37 |
| Anadolu Anonim Türk Sigorta Şirketi | 16,334,998.39 | 16,334,994.25 |
| Anadolu Hayat Emeklilik A.Ş. | - | 749,999.91 |
| İş Girişim Sermayesi Yat. Ort. A.Ş. | 79,999.92 | - |
| İş Net Elektronik Bil. Ür.Dağ.Tic.A.Ş. | 9,791.17 | - |
| | **17,628,933.85** | **22,277,174.21** |

### 45.6 Real rights on real estates and their values

None as of balance sheet date. (31 December 2008: None.)

### 45.7 Amounts of guarantees, commitments, advances, turnover given on behalf of shareholders, associates and subsidiaries

None. (31 December 2008: None.)

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

### 45.8 Related Parties

Benefits provided to top management in the financial year are disclosed in Note 1.6, relations with shareholder, associates and subsidiaries and current account balances are disclosed in Note 45.2.

### 45.9 Provisions, Contingent Liabilities and Contingent Assets

None. (31 December 2008: None.)

## 46. Subsequent events

None. (31 December 2008: None.)

## 47. Other

### 47.1 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

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

| | 31 December 2009 (TL) | | 31 December 2008 (TL) | |
|---|---|---|---|---|
| **Other Receivables from Related Parties** | | **2,310.77** | | **17,647.03** |
| Loans | 2,310.77 | | 8,348.61 | |
| Miltaş Turizm İnşaat Ticaret A.Ş. | - | | 7,301.90 | |
| T. İş Bankası A.Ş. | - | | 1,735.00 | |
| Other Receivables | - | | 261.52 | |
| | | | | |
| **Other Receivables** | | **808,443.47** | | **618,856.25** |
| Deposits and guarantees given | 801,495.06 | | 608,264.46 | |
| Other Receivables | 6,948.41 | | 10,591.79 | |

| | 31 December 2009 (TL) | | | 31 December 2008 (TL) | | |
|---|---|---|---|---|---|---|
| **Other Current Assets** | | | **4,881,796.68** | | | **9,518,417.55** |
| Stocks for Future Months | | 23,317.26 | | | 45,095.05 | |
| Prepaid taxes and funds | | 3,806,131.48 | | | 8,118,109.76 | |
| Job advances | | 235,081.22 | | | 2,451.70 | |
| Advances given to personnel | | 587,727.54 | | | - | |
| Other Current Assets | | 229,539.18 | | | 1,352,761.04 | |
| - PTT advances | 4,180.04 | | | 20.59 | | |
| - Advances for Various Expenses | 2,100.00 | | | 2,100.00 | | |
| - Personnel Wages | 37.03 | | | 946,530.45 | | |
| - Expenses to be collected from Real Estates | 7,970.22 | | | 57,789.48 | | |
| - Credit Card Account | -4,032.69 | | | - | | |
| - Treasury 5% Premium Refund | 126,288.39 | | | - | | |
| - Golf Membership | 55,041.36 | | | 45,809.35 | | |
| - Advances (Singapore Branch) | 37,954.83 | | | | | |
| - Deferred Consumption Expense (Singapore Br.) | - | | | 300,511.17 | | |

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

| | 31 December 2009 (TL) | | 31 December 2008 (TL) | |
|---|---|---|---|---|
| **Other Non-Current Liabilities** | | **10,509,168.65** | | **3,958,035.01** |
| Deferred Tax Assets | 10,509,168.65 | | 3,958,035.01 | |
| **Payables to Other Related Parties** | | **32,649.01** | | **56,145.36** |
| **Other Payables** | | **131,129.86** | | **237,963.84** |
| Trade Payables | 131,129.86 | | 237,963.84 | |
| **Other Technical Reserves (Net)** | | **12,383,237.67** | | **6,517,519.78** |
| Equalisation Reserve | 12,383,237.67 | | 6,517,519.78 | |
| **Reserves for Other Risks** | | **23,406,772.02** | | **21,502,073.46** |
| Provision for Employment Termination Benefits | 3,990,182.00 | | 3,319,474.00 | |
| Provisions for Employee Pension Fund Assets Deficits | 19,416,590.02 | | 18,182,599.46 | |
| **Other Non-Current Assest** | | **5,029,777.93** | | |
| Deferred Tax Liabilities | 5,029,777.93 | | | |
| **Other Profit Reserves** | | **137,655,805.62** | | **137,655,805.62** |
| Earthquake Claim Reserves | 40,465,269.95 | | 40,465,269.95 | |
| Earthquake Loss Reserve, transferred to equity (from Destek Reasürans A.Ş) | 97,190,535.67 | | 97,190,535.67 | |

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

| | | 31 December 2009 (TL) | | | 31 December 2008 (TL) | |
|---|---|---|---|---|---|---|
| Income/Profit and Expense/Loss from other operations and extraordinary operations | | | 4,667,499.34 | | | -7,452,060.67 |
| Provision Account | | -1,878,948.20 | | | -8,246,603.79 | |
| - Provision for Employment Termination Benefits | -670,708.00 | | | -321,970.00 | | |
| - Doubtful Receivable Provision | 25,750.36 | | | -1,738,419.64 | | |
| - Pension Fund Deficit | -1,233,990.56 | | | -6,186,214.15 | | |
| Rediscount Account | | 448,104.70 | | | -219,601.83- | |
| - Rediscounted Payable Income | -12.50 | | | 152,802.94 | | |
| - Receivable Rediscounted Expense | 448,117.20 | | | -372,404.77 | | |
| Deferred Tax Assets Income | | 6,551,133.64 | | | 959,257.15 | |
| Deferred Tax Liabilities Expenses | | -774,459.91 | | | | |
| Other Income and Profits | | 594,207.14 | | | 102,180.53 | |
| Other expenses/losses (non deductible expenses) | | -272,538.03 | | | -47,292.73 | |

# Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2009

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

### 47.2 Total amount of each due to/from personnel items classified under "Other receivables" and "Other Short or Long Term Payables" exceeding one percent of total assets in the balance sheet

None. (31 December 2008: None.)

### 47.3 Recovery receivables followed under the off-balance sheet accounts

None. (31 December 2008: None.)

### 47.4 Descriptive disclosure in relation to amounts and resources of income, expenses and losses for the prior periods

| **Accumulated Profit** | **31 December 2009 (TL)** | **31 December 2008 (TL)** |
|---|---|---|
| Deferred Tax for Provisions for Employee Pension Fund Assets Deficits | - | 2,120,616.68 |
| Adjustment of Provision for Employment Termination Benefits acc. to TAS-19 | - | 1,391,029.14 |
| Adjustment of Employment Termination Benefits and Discount Deferred Tax | - | 599,500.80 |
| Pension Fund Liability Accrual | - | 278,660.38 |
| **Total** | **-** | **4,389,807.00** |

| **Accumulated Loss** | | |
|---|---|---|
| Provisions for Employee Pension Fund Assets Deficits | - | 10,603,083.38 |
| Provision for Unexpired Risks as of 31.12.2007 | - | 6,273,327.49 |
| Employee Pension Fund Assets Deficits Difference (9,8% technical interest) | - | 1,393,301.93 |
| Adjustment of Merger Premium according to TAS | - | 53,011,813.56 |
| **Total** | **-** | **71,281,526.36** |

# Contact Information

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