

82nd year

local leader,
global partner

Annual Report 2010

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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.

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

Milli Reasürans (Milli Re) was set up by Türkiye İş Bankası (İşbank) to operate the compulsory reinsurance system on February 26, 1929 and commenced operations on July 19, 1929.

Milli Re was the world's first and only private company operating a compulsory reinsurance system. Another feature that set Milli Re apart from its peers and competitors was that compulsory cessions were made in all insurance branches.

Being a key actor in the formation and the development of the Turkish insurance industry, Milli Re made numerous contributions 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 eighty-two years, Milli Re ranked 61st among the 150 largest reinsurance companies in terms of net premiums generated in 2008, according to the ranking made by Standard & Poor's (S&P).

Enjoying a prestigious position in the international markets, Milli Re managed the Turkish Reinsurance Pool from 1963 to 1985, and the Economic Cooperation Organization (ECO) Pool from 1967 to 1995 which was originally established under the name RCD Pool. Managing the Federation of Afro-Asian Insurers and Reinsurers (FAIR) Reinsurance Pool since 1974, the Company has also taken on the management of the Turkish Catastrophe Insurance Pool (TCIP), whose formation it spearheaded, from 2000 to 2005.

In line with the new strategy adopted, Milli Re has been focusing intensively on writing business from overseas markets. Aiming to increase global expansion and geographical diversification, this strategy also seeks to achieve a more balanced portfolio. In foreign acceptances, main focus is on emerging Asian and African countries along with Middle Eastern and East European countries.

While the Company's performance is closely monitored by international rating agencies, A.M. Best has affirmed Milli Re's financial strength rating (FSR) as B++ (Good) on September 20, 2010. The outlook on the FSR remained stable. 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) affirmed its Turkish national scale rating on Milli Re as "trAA", effective from September 17, 2010. Standard & Poor's advises that the rating reflects the Company's leading competitive position in Turkey and its increasing international business.

Combining its professional experience that spans over more than eight decades with its robust financial structure and operational performance, Milli Re will continue to offer its reinsurance capacity to domestic and international markets.

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, examined the benefits of opening regional branches. Accordingly it was decided 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 write business from April 1st, 2008. The Singapore Branch plays an important role in the international portfolio of Milli Re.

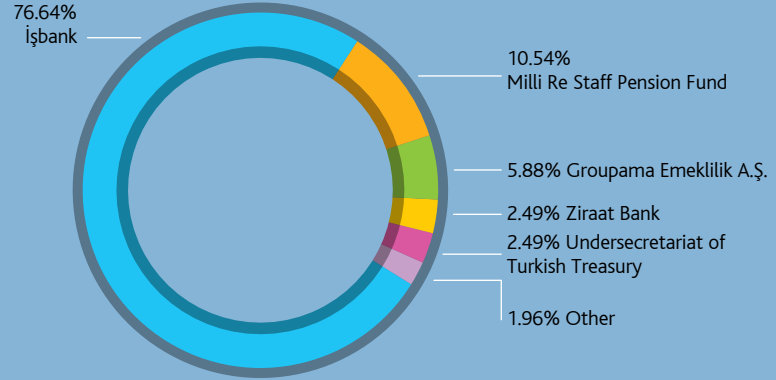


Milli Re plays a major role in the development of the Turkish insurance and reinsurance industries.



Milli Re's Singapore Branch provides service with an experienced and professional team of 10 people.

Milli Re Shareholder Structure



Shareholder	Value of Stake (TL)	Stake (%)
İşbank	402,349,599.75	76.64
Milli Re Staff Pension Fund	55,345,689.00	10.54
Groupama Emeklilik A.Ş.	30,871,506.75	5.88
Ziraat Bank	13,070,069.25	2.49
Undersecretariat of Turkish Treasury	13,070,069.25	2.49
Other	10,293,066.00	1.96
Total	525,000,000.00	100.00

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

Changes Made in the Articles of Association during 2010

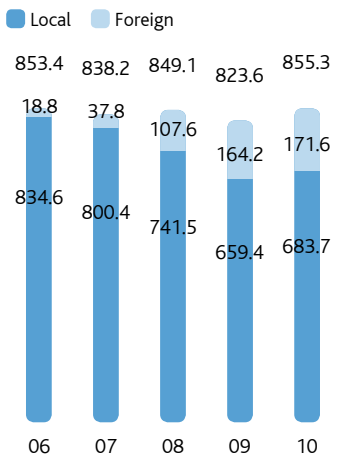
Article 6 – Capital of the Company's Articles of Association has been amended to reflect the increase of the Company's paid-up capital from TL 385,000,000 to TL 525,000,000 at the Annual General Meeting convened on March 26, 2010.

Financial Results (TL mn)	2009	2010	Change (%)
Total Assets	1,562.7	1,621.3	3.7
Shareholders' Equity	768.8	798.7	3.9
Technical Income	1,698.9	1,731.0	1.9
Technical Profit/Loss	14.6	21.6	47.9
Financial Income	131.0	84.8	(35.3)
Financial Profit/Loss	78.6	42.5	(45.9)
Profit/Loss for the Period	93.3	64.1	(31.3)

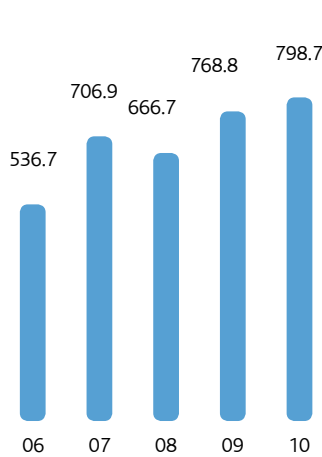
Milli Re attained 47.9% increase in its technical profit.

Ratios (%)	2009	2010
Liquid Assets/Total Assets	70	54
Gross Written Premiums/Shareholders' Equity	107	107
Profit Before Tax/Gross Written Premiums	14	9
Shareholders' Equity/Total Assets	49	49
Profit Before Tax/Average Shareholders' Equity (Excluding Profit)	18	11
Profit Before Tax/Average Total Assets	8	5
Loss Ratio (Net)	81	79

Premium Income
(TL mn)



Shareholders' Equity
(TL mn)



Milli Re registered TL 855.3 million in total premium production and TL 798.7 million in shareholders' equity in 2010.

1929

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



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.



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", was brought into the service of the sector.



1991

Milli Re began to offer reinsurance capacity on voluntary basis to the sector, by drawing up its first reinsurance agreements besides "Compulsory Cessions" 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

Milli Re moved to its head office newly constructed in Teşvikiye.



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

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

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

Risk-based Compulsory Reinsurance System was terminated.

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.

The system called Decree Pool was terminated.

2007

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



2010

Milli Re acquired an additional 35.53% stake in Anadolu Sigorta, which is a group company.

Accordingly, Milli Re, Turkey's one and only active local reinsurance company, increased its share in the capital of Anadolu Sigorta, one of the largest and established insurance companies in the sector, to 57.31%.



Maintaining its strong presence in the Turkish insurance industry for 82 years as a local company backed by national capital, Milli Re constantly developed its position ever since its establishment and became a leading reinsurer and market maker in the Turkish insurance industry.

Milli Re sustained its successful performance in 2010 and maintained its presence among the most preferred reinsurers by international groups for their portfolios in Turkey.

The insurance market will achieve permanence in real growth.

While 2010 was a year of improvement in the economy, it also saw the adoption of various measures by insurance companies in certain loss giving branches. The insurance industry was able to close 2010 registering growth exceeding the rate of inflation. It is expected that, in 2011, the Turkish economy and the local insurance market will achieve continuity in real growth, and some vital hints and developments will be unveiled, pointing at the direction of the market's future structural development.

Milli Re continued to be a reliable reinsurer.

Milli Re continues to be a preferred and reliable local reinsurer owing to its financial strength, deep-rooted history and solid infrastructure, in a market mostly populated by companies backed by foreign capital.

Maintaining a strong presence in the Turkish insurance industry for 82 years as a local company backed by national capital, Milli Re constantly developed its position ever since its establishment and became a leading reinsurer and market maker in the Turkish insurance industry.

We are enhancing the experience we have gained as a local power in global markets.

Our Company maintains its target of being a preferred reinsurer in international markets, as well as sustaining its leadership in the Turkish insurance market. Its international portfolio generating 20% of its total premium production today, Milli Re is regarded as a reliable business partner by foreign companies owing to its robust financial structure and sensitivity in prompt loss payments.

Looking at the last five-year period in the Turkish insurance market, it can be seen that the competition is getting fiercer among insurance companies most of which are now controlled by foreign capital. Foreign interest in the Turkish insurance market is expected to continue in 2011. Maintaining its market share despite the tough competition in the market, Milli Re will remain to be the leading reinsurer in the years ahead with its predetermined strategies and goals.

We have incorporated a selective underwriting strategy to achieve a profitable and productive portfolio structure.

Our Company was able to achieve limited growth in premium in 2010. There was no premium growth at the end of 2009 due to pruning measures involving withdrawal from operations particularly in loss-incurring branches, as well as the economic crisis that plagued the whole world.

The ultimate goal of Milli Re goes beyond securing growth in premium production only; but also entails achieving profitable results. In line with this strategy, it is intended to continue withdrawal from poor performing accounts in the future, if so deemed necessary, and to focus on technical profit.

We are concentrating on investments that will add to our strength.

Being Turkey's single active local reinsurance company, Milli Re increased its share in the capital of Anadolu Sigorta, one of the largest and most established insurance companies in the sector which is owned by the same investment group, to 57.31%.

In the years ahead, Milli Re will maintain its target of being a preferred insurer in international markets, as well as its leading position in the local market in line with its vision, mission, and identified strategies.

As a member of a prominent and reliable reinsurer in the local and international arena, alike, I would like to extend my gratitude to all our shareholders and particularly işbank for their strength and continuous support in bringing us to this prestigious position, to all insurance companies for their trust and faith in our Company, and our valuable employees for their committed hard work.



Cahit KOCAÖMER
Chairman of the Board of Directors

The insurance industry was able to close 2010 registering a growth level exceeding the rate of inflation.

The ultimate goal of Milli Re goes beyond securing growth in premium production only; but also entails achieving profitable results.



Over the course of more than eight decades since its incorporation, Milli Re has witnessed the evolutionary journey of the Turkish economy, and assumed and successfully fulfilled many fundamental duties in the local insurance industry since its establishment.

Milli Re has always provided the reinsurance capacity needed by the Turkish insurance industry with the best terms and conditions and contributed significantly to the satisfaction of policyholders of insurance companies with its prompt settlements.

In the wake of the global crisis, the recovery continues on a global scale and in the Turkish economy.

2010 was mainly characterized by the decoupling that became more pronounced in the growth rates of emerging versus developed economies. Weak growth and negative employment conditions in developed countries signaled that the struggle of these economies against the effects of the crisis will continue for a while. Emerging countries, despite exhibiting heterogeneity in the circumstances, endorsed their position as the drivers of the world economy in general with their solid rates of growth.

Post crisis recovery in the global economy during 2010 led to increase in inflation rate projections. However, public debt issues in certain European countries, mainly Greece and Ireland and also including Portugal and Spain, coupled with the deterioration in the economic indicators for US, caused a relative decline in inflation rate expectations as compared with the start of the year. On the other hand, expansionary monetary policies remained in force throughout the year in developed countries that featured high budget deficits and debt stocks.

Positive developments were attained in the key economic indicators of Turkey.

Turkish economy regained a sustainable growth trend in 2010. Unlike many developed and emerging economies, our country showed strong resilience to the global crisis with the sound banking system, solid real industry, and with a relatively low level borrowing on household scale.

With the strong performance through the year 2010 resulting in a growth rate of 8.9%, the Turkish economy is expected to maintain growth in 2011 with the major contribution of domestic demand. Data on industrial production and capacity utilization point out that the economic growth has also continued in the third quarter.

While industrial production grew by 10% in the third quarter of 2010, capacity utilization ratio was also up by 5.4 percentage points year on and rose to 74%. In 2010, the GDP on the basis of fixed prices was TL 105,680 million.

2010 has been a productive year for financial markets in Turkey, as well. The positive impact of strong macroeconomic indicators, combined with the post-crisis increase in lending levels and industrial production resulted in a 25% rise in the ISE 100 index.

Our industry grew in real terms during 2010.

Following the negative trend in premium production in 2008 and 2009 reflecting the impact of the global financial crisis in the recent years, our industry was able to attain real growth in 2010. Although final results are yet to be published, total premium production is estimated to reach TL 14 billion in 2010 based on available data. This amount corresponds to a year-on rise of 13.5% approximately.

During 2010, no catastrophe losses occurred in Turkey, nor were there any major risk losses. Therefore, companies operating in the insurance industry did not encounter any problems in the renewal of proportional and non-proportional reinsurance agreements for 2011. Yet, it can be stated that the local insurance industry had one of its worst years in terms of profitability, as the result of the significant decline in financial income on investment portfolios reflecting the developments in national economy coupled with the prevailing price-based competition.

With the strong performance through the year 2010 resulting in a growth rate of 8.9%, the Turkish economy is expected to keep growing in 2011.

In 2010, the GDP on the basis of fixed prices was TL 105,680 million.

Natural catastrophes that occurred during 2010 caused approximately USD 37 billion insured losses.

Our Company posted TL 64.1 million profit on its 2010 operations despite all negative developments in the industry.

New arrangements introduced by the Undersecretariat of Treasury during 2010 aiming to ensure that companies take countermeasures in matters that negatively influence their financial structures and calculation of technical provisions using actuarial methods were welcomed by industry players.

Soft market conditions persist in reinsurance markets.

Looking at the world reinsurance markets, natural catastrophes that occurred during 2010 caused approximately USD 37 billion insured losses. Particularly Chilean Earthquake, Winter Storm Xynthia, New Zealand Earthquake, and the floods in Central and Eastern Europe and Australia caused significant insured losses, while the Earthquake in Haiti and the flood losses in China and Pakistan resulted in massive death tolls.

Despite these circumstances and apart from a few exceptions, prevailing soft market conditions in reinsurance markets persisted on global scale mainly due to the globally increased supply of reinsurance capacity, with the contribution of positive results reinsurers achieved in 2009.

Milli Re achieved 3.7% growth in total assets.

Milli Re generated TL 855.3 million premium with TL 683.7 million from local and TL 171.6 million from overseas business in 2010. Our Company posted TL 64.1 million profit on its 2010 operations despite all negative developments in the industry. Total assets reached TL 1,621 million and shareholders' equity increased to TL 799 million as of year-end.

Our paid-in capital rose to TL 525 million with the capital increase of TL 140 million effected in 2010. Another highlight of 2010 was our Company's acquisition of an additional 35.53% stake in the share capital of group company Anadolu Sigorta, a key actor in the insurance market. Consequently, our Company's share in Anadolu Sigorta went up from 21.78% to 57.31%.

We maintained our leadership in the Turkish reinsurance market.

Foreign interest in insurance companies operating in our industry still continues. This trend is expected to carry on in the future through further mergers and acquisitions until the number of companies reaches the optimal level required by the market conditions.

In spite of this change in the capital structure, Milli Re maintains its market share and leadership in the Turkish reinsurance market as the single local reinsurance company. Milli Re had around 25% share in proportional and around 12% in non-proportional reinsurance agreements in 2010.

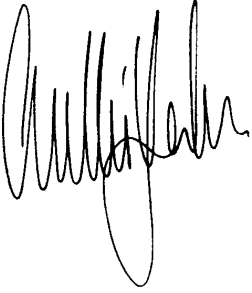
Milli Re is the only Turkish reinsurer operating in international markets.

Milli Re has set out with the confidence and respectability secured by being the only local reinsurance company in the Turkish insurance industry and been able to build an efficient and solid structure that is able to withstand international competition and market conditions in global reinsurance markets as well.

Focused on the future, our Company has the necessary capital and infrastructural and superstructural capabilities for further growth. Milli Re, maintaining its solid position in the local insurance market, conducts steady development in international business in accordance with the strategy of geographical diversification and extending capacity to overseas markets.

Having contributed to the development of the Turkish insurance industry for 82 years, Milli Re will maintain and further increase its efforts to become a constantly preferred business partner on the basis of its strong financial structure, well-deserved prestige enjoyed in many countries, reliability, and innovative approach.

I would like to take this opportunity to thank our shareholders, our Board of Directors, business partners and employees, who have played a central role in the achievements of our Company.



Hasan Hulki YALÇIN
Board Member and General Manager

Focused on the future, our Company has the necessary capital and all infrastructural and superstructural capabilities for further growth.

Stepping into a rapid growth process following the contraction in 2009, the Turkish economy grew by 8.9% in 2010 and registered a GDP of TL 105,680 million.

Turkish economy entered into a rapid recovery.

The GDP increased by 11.8% and by 10.2% in the first and second quarters of 2010 respectively, and grew by 5.5% in the third quarter despite the loss of pace in the growth rate. Thus, the contraction of 2009 was followed by a rapid growth. The expansion in GDP is driven particularly by the ultimate domestic demand.

Calendar adjusted gross domestic product in fourth quarter of 2010 increased by 9.6% compared to the same quarter of previous year while seasonal and calendar adjusted GDP increased by 3.6% compared to previous quarter.

Annual gross domestic product in 2010 increased by 16.0% and reached to TL 1,105,101 million in current prices and increased by 8.9% and reached to TL 105,680 million in fixed prices.

Although at a declining pace, industrial production went up 10% in the third quarter of 2010 and the capacity utilization rate increased by 5.4 percentage points year-to-year to 74%. The rate of growth in the first nine months of 2010 was 8.9%; on the basis of sectors, the construction industry showed the largest expansion with 18.4%. As the agricultural sector declined by 0.3%, there was 14.7% rise in the manufacturing industry and 13.6% in commerce.

Targeted inflation is almost reached.

6.53% in December 2009, the CPI stood at 6.4% in December 2010, almost spot-on with the year-end target of 6.5%.

Throughout the year, the increase in alcoholic beverages and the tobacco group has been the biggest source of the rise in inflation. When compared on year-to-year basis, the highest rise in the index took place in the alcoholic beverages and tobacco group with 24.66%. Restaurants and hotels, food and non-alcoholic beverages, and transportation are the other expenditure groups with high increases with respective ratios of 9.76%, 7.02% and 6.78%.

The PPI, on the other hand, climbed from 5.93% in December 2009 to 8.87% in December 2010.

Evaluated on the basis of the sub-sectors of the industry, the PPI results showed the highest monthly rise in the manufacture of coke and refined petroleum products sub-sector with 8.72%. Other sub-sectors that displayed the highest increase over the previous month were: basic metal industry (6.42%), metallic minerals (6.35%), textile products (3.96%), radio, TV, communication equipment and appliances (3.37%), wearing apparel (2.87%), water (2.54%), and crude petroleum and natural gas production (2.52%).

On the other hand, the greatest declines that put a downward pressure on the change in the PPI came in furniture, n.e.c. (-2.47%), paper and paper products (-0.37%), and publishing and printing (-0.03%).

The revival in economic activity was accompanied by increased current deficit.

Growth driven by domestic demand, appreciation of the Turkish lira, and the recovery in production, combined with the need for imported intermediate goods and energy boost the foreign trade deficit and current deficit.

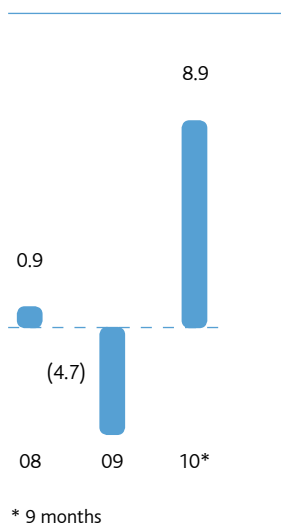
In 2010, the foreign trade deficit hiked 84.5% year-on and rose to USD 71.6 billion. In the same period, the ratio of exports to imports declined to 61.4%.

Looking at 2010 as a whole, the current deficit surged by 247.1% as compared with 2009 and shot up from USD 14 billion to USD 48.6 billion.

Investment inflows bear a positive impact upon financial markets.

The accelerated capital inflow that followed the global crisis was driven mainly by the increase in other liabilities in connection with the rise in the overseas debts of the banks, in particular. Direct investments, which contribute positively to the financing of current deficit and covers long-term capital inflow, had a gradually decreasing weight in capital inflows.

GDP Growth Rate – On the basis of Fixed Price (%)



Having amounted to USD 32.6 billion on annual basis as of September 2010, capital inflows comprised of other liabilities worth USD 14.6 billion, and portfolio investments of USD 12.9 billion, while direct investments accounted for a mere USD 5.1 billion.

Improved risk perceptions in relation to Turkey and the increased global risk appetite positively influence the stock and bond market. During 2010, stock markets continued to rise, producing price-earnings ratios that were close to the historical average. Bond prices increased similarly to the stock market. As a result, there was a parallel decline in the interests on government debt instruments.

The Turkish lira continued to gain value.

While liquidity conditions improved along with the increased capital inflows stimulated by the confidence in financial markets, the Turkish lira preserved its standing against foreign currencies also in 2010. Real exchange rates pointed at the strengthening trend of the Turkish currency; as of end-November 2010, TL was appreciated by 12.8% as compared with year-end 2009 according to the CPI-based index, and by 11.6% according to the PPI-based index.

Global liquidity, credit volume, and current deficit are the key drivers on sustainable stability.

Unless a surprise development takes place in global economic conditions, and unless a considerable change is implemented in the monetary policies in force in major countries, global liquidity will continue to flow into emerging markets, which include Turkey and present a combination of stability and high returns.

Besides global capital inflows, the expansion in the lending volume and current deficit come to the fore as major factors that will determine the sustainability of the growth and stability in the Turkish economy.

Another risk element that needs to be watched closely with respect to Turkey is the growing depth and prevalence of the issues in developed economies and primarily in the Euro area. Such a situation might affect Turkey on the international trade wing, in addition to the lending and investments wing.

Turkish economy is expected to keep growing in 2011.

Turkey's dodging the effects of the global crisis of 2008-2009 on the back of a solid economic recuperation is underpinned by the reforms that have been put into force since 2001 and that enabled implementation of determined policies during the crisis.

In 2011, private sector support driven by the strong domestic demand and lending mechanism, and the positive effect of public expenditures to be stimulated by the upcoming elections are projected to trigger economic growth.

Looking to the future, it can be seen that the government's performance was reinforced by the actions taken against global recession. Although the combination of taxes and expenditures still reveals long-term difficulties, the Medium Term Program 2011-2013 envisages a gradual improvement in the public sector balances.

The key macroeconomic risk is the possible major slowdown in growth which might be caused by a reversed course in capital inflows when the high current deficit is taken into consideration. In the long run, higher productivity, higher exports to markets of greater diversity, higher domestic savings, and higher energy productivity and diversification will all play key roles in lessening Turkey's dependence on external funding. In order to secure improvements in these areas, structural reforms will have to be introduced in labor and product markets. This will have a positive effect not only on the current account balance, but also on Turkey's growth potential.

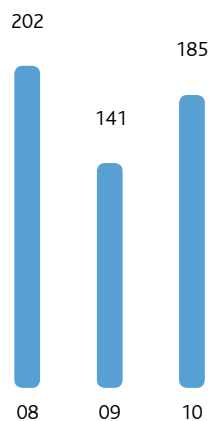
Sources: TurkStat, Deloitte Turkey, CBRT, the World Bank

In 2011, private sector support driven by the strong domestic demand and credit mechanism, and the positive contribution of public expenditures are expected to trigger economic growth.

Exports
(USD billion)



Imports
(USD billion)



An Overview of the Turkish Insurance Industry in 2010

According to figures released by the Association of Turkish Insurance and Reinsurance Companies (TSRŞB), Turkish insurance market data show real growth of 13% in life branch and about 6% in non-life branches.

As a result of the revision made in the Earthquake Tariff by the Undersecretariat of Treasury in 2010, Commercial and Industrial Risks with sums insured exceeding TL 100 million were excluded from the Earthquake Tariff implementation.

In 2010, total premiums in the Turkish insurance market rose by 13.6% year-on-year.

While the Turkish insurance market did not show real growth in terms of premium production in 2008 and 2009 due to the major impact inflicted by the global financial crisis of the past several years, it is estimated to display nearly 7% growth in real terms in 2010 according to results published by the Association of Turkish Insurance and Reinsurance Companies (TSRŞB). The real growth is estimated to materialize in the region of 13% and 6% in life and non-life branches respectively.

Life branch accounted for nearly 15% of total premiums.

In the recent years, life insurance has been exhibiting a stable growth propelled mainly by the increase in bank loans. However, since life branch accounts for nearly 15% of total premiums, the rate of real growth in this branch does not have a big influence on the total premium increase.

Looking at the real increases in the leading non-life branches with the highest premium production in 2010, it is observed that the increase in the Land Vehicles and Land Vehicles Liability insurance paralleled the real rate of increase in the overall market, and that the General Losses branch which also includes Engineering did not show a considerable rise. On the other hand, there was a significant increase of 14% in real terms, in the Health branch, while Fire and Natural Catastrophes insurance decreased by 4% in real terms.

There was real shrinkage in premiums written in Fire and Natural Catastrophes Insurance.

The key reason that led to the real shrinkage in premiums written in Fire and Natural Catastrophes Insurance is the longstanding destructive competition among insurance companies focusing solely on cutting prices. It is a well-known fact that in this branch, premiums are calculated only on earthquake rates in these policies, and fire and allied perils have no weight in the determination of premiums.

In addition to this, Commercial and Industrial Risks with insured amounts exceeding TL 100 million have been excluded from the Earthquake Tariff implementation as a result of the revisions made by the Undersecretariat of Treasury to Earthquake Tariff in 2010; previously the threshold was USD 100 million. With the introduction of a lower limit for exclusion of commercial and industrial risks from the Tariff implementation, the number of risks that fall outside the scope of the Tariff increased, meaning that more risks became susceptible to competition by way of price discounts in the market. This is another important reason that brought about the real shrinkage in the premiums on Fire and Natural Catastrophe Insurance.

There was more than 35% increase in the number of Health policies.

The significant rise in real terms in premiums generated on health insurance was the result of the price increases effected to cut back and eliminate the losses that had been posted in this branch for many years, and also of more than 35% year-on growth in the number of policies.

During 2010, total number of policies went up by 17% in non-life branches, and by 36% in the life branch. The expansion in the total number of policies was stimulated by new compulsory policies introduced in liability insurance, as well as the alleviated effects of the financial crisis, and the increased land vehicle and real property sales, which in turn led to increased bank loans, owing to the extraordinary performances of the automotive and construction industries.

Premium Income of the Market *

Branches	2009 Premium Income (TL)	Share (%)	2010 Premium Income (TL)	Share (%)	Change (%)
Casualty	540,446,289	5.09	598,383,023	5.01	10.72
Health	1,415,181,842	13.33	1,705,491,729	14.27	20.51
Land Vehicles	2,671,260,772	25.17	3,116,553,873	26.08	16.67
Railway Vehicles	152,925	0.00	680,830	0.01	345.21
Air Vehicles	57,327,385	0.54	47,397,058	0.40	(17.32)
Sea Vehicles	112,590,114	1.06	107,866,781	0.90	(4.20)
Transport	261,394,034	2.46	298,641,085	2.50	14.25
Fire and Natural Disasters	1,925,464,137	18.14	1,979,817,594	16.57	2.82
General Damages	934,627,948	8.81	993,472,682	8.31	6.30
Land Vehicles Liability	2,249,453,148	21.19	2,544,954,031	21.30	13.14
Air Vehicles Liability	47,104,205	0.44	50,256,018	0.42	6.69
Sea Vehicle Liability	374,488	0.00	544,021	0.00	45.27
Public Liability	251,945,709	2.37	327,658,844	2.74	30.05
Credit	27,711,707	0.26	31,775,341	0.27	14.66
Fidelity Guarantees	16,641,819	0.16	16,452,876	0.14	(1.14)
Financial Losses	65,386,767	0.62	84,708,056	0.71	29.55
Legal Protection	36,693,364	0.35	43,349,341	0.36	18.14
Support	-	0.00	141,059	0.00	0.00
Total Non-Life	10,613,756,655	85.35	11,948,144,242	84.56	12.57
Life	1,822,307,381	14.65	2,181,250,027	15.44	19.70
General Total	12,436,064,036	100.0	14,129,394,269	100.0	13.62

* Based on the TSRŞB chart published on March 14, 2011 titled "Direct + Indirect Premiums 01.01.2010-31.12.2010".

On the basis of 12-month results, the overall industry attained 13.62% increase in total premium production in 2010.

In 2010, highest technical losses were produced by Land Vehicles, Land Vehicles Liability (Traffic) and Health branches.

Although there was real growth in the total number of policies and premiums in 2010, the growth was not reflected on the industry as technical and balance sheet profitability, when 12-month results are taken into consideration; hence, many companies in the industry will close the year posting losses, as was the case in 2009.

As in previous years, highest technical losses were produced by Land Vehicles, Land Vehicles Liability (Traffic) and Health branches. Measures adopted to mitigate loss in health insurance started to bear their positive outcome this year, with a relatively lower technical loss in 2010 as compared with 2009.

The leading branches in terms of premium production, Land Vehicles and Land Vehicles Liability insurances produced higher level of losses as compared with the previous year. This was caused by non-technical pricing, which in turn leading to inadequate premium, base against increased loss payouts due to the implementation of Accident Reports issued by the parties involved in a traffic accident under the Land Vehicles Liability insurance. It could also be stated that the losses that were posted in the sector in 2010 were also contributed by the new regulatory arrangement in relation to provisions introduced by the Undersecretariat of Treasury in order to strengthen the financial structures of insurance companies within the frame of efforts to attain alignment with the EU, and by the reduced Financial Income.

Measures adopted to mitigate loss in health insurance started to bear their positive outcome this year, with a relatively lower technical loss in 2010 as compared with 2009.

An Overview of the Global Reinsurance Market in 2010

In 2010, the industry remained highly capitalized owing to recoveries in investment returns albeit not at the same level as a few years ago and continuing strong reserve releases.

Reinsurance supply was still in excess of demand on a global level.

Despite the intense loss activity in terms of attritional and catastrophic losses during the first half of 2010, full year results for most industry players have turned out to be much better than initially expected.

Although profits were lower compared to 2009 which was an exceptionally good year for the market, the industry remained highly capitalized owing to recoveries in investment returns albeit not at the same level as a few years ago and continuing strong reserve releases. Consequently, on a global level reinsurance supply was still in excess of demand.

The Chilean Earthquake turned out to be a larger market loss than initially predicted.

The first six months of 2010 saw significant losses from global catastrophes. The Chilean Earthquake, considered as the largest non-US natural catastrophe loss in history, turned out to be a larger market loss than initially predicted. Following early insured loss estimates of around USD 2 billion, estimates have continuously been revised upwards throughout 2010 and it is expected that the loss could reach up to USD 12 billion with around USD 8 billion cost to the industry and 90% of the loss to be paid by reinsurers due to the high insurance penetration levels in Chile's commercial and industrial segments.

The ultimate insured loss originated from New Zealand Christchurch Earthquake is estimated to be around USD 3.5-4 billion.

Winterstorm Xynthia impacting parts of Spain, France and central Europe in late February caused heavy damage to residential and commercial properties with a total figure amounting to USD 4.5 billion and insured losses reaching USD 3.4 billion.

The earthquake in Haiti was a devastating event, death toll exceeding 220,000 but only around USD 150 million insured loss due to low insurance penetration. The event triggered Haiti's earthquake coverage with the Caribbean Catastrophe Risk Insurance Facility (CCRIF), which paid out USD 7.75 million to the Haitian government, the full policy limit.

Another costly natural catastrophe in 2010 was the New Zealand Christchurch (Darfield) Earthquake in September, with a currently revised ultimate insured loss around USD 3.5-4 billion.

Hail events and recent Queensland floods in Australia, typhoon Megi (Philippines), floods in Pakistan and Central Eastern Europe as well as various severe weather events in the Midwest of the United States were among other major natural catastrophes which had influence on pricing of loss-impacted programs in these territories only.

None of these losses was a market-changing event that could reverse the prevailing soft market conditions.

Although none of these losses was a market-changing event that could reverse the prevailing soft market conditions on a global level, there were growing signs of concern by major reinsurers for their exposure and pricing for second tier catastrophe territories, such as Turkey following Chile and New Zealand earthquake losses and a tendency to allocate capacity to peak zones where they considered the pricing more adequate.

The Deepwater Horizon explosion in the Gulf of Mexico in the second quarter, with market loss estimates ranging between USD 1.5 billion to USD 3.5 billion, led to significant rate increases in energy business.

There were growing signs of concern by major reinsurers to allocate capacity to peak zones where they considered the pricing more adequate.

Losses were mostly absorbed by the excess capital without exerting any upward pressure on rates.

As the result of the heavy losses in the beginning of 2010, most reinsurers anticipated to see an end to the soft market, however high loss payouts during the year have generally been insufficient to impact prices because none of the losses were major issues for the catastrophe excess of loss market. Rates generally showed a decline as surplus capital drove down reinsurance prices and losses were mostly absorbed by the excess capital without exerting any upward pressure on rates.

Strong premium growth in emerging markets reflecting the improvement in economies as well as investments, remained insufficient to offset continuing slow-down in premium growth in primary business in the mature markets. Major developed markets like the U.S., Germany, France, and the U.K. faced market-wide premium declines. The impact of this downward pressure was combined with the increased retention levels in the reinsurance programs of most cedants who enjoyed improved financial results and/or strengthened balance sheets due to mergers & acquisitions, which in turn resulted reinsurers facing even lower demand and reduced premium income.

Rate reductions on 1 January 2011 renewals ranged between 5% to 10% on average.

In this context, rate reductions on 1 January 2011 renewals ranged between 5% to 10% on average. Although there were variations by class and territory as well as exposures and loss history with some loss impacted regional programs seeing only modest decreases and flat renewals, rates in the United States in general fell back to levels in 2008 also reflecting adjustments to catastrophe models that decreased predicted losses for earthquake and wind perils.

Apart from a few local exceptions, soft market conditions were also evident on a global level. Although markets that suffered catastrophe losses in 2010, such as Chile, New Zealand, Pakistan and Central and Eastern Europe saw prices increase in relation with the loss experience of specific programs, the underlying trend elsewhere was for rate reductions.

Rate increases around 20% attracted additional capacity.

Retrocessional market reflected the discrepancy between the expectations of the buyers and what markets were charging as there was a continuing tendency in the property catastrophe markets to allocate capacity towards combined territorial covers and peak zones with more attractive pricing. On a general scale, rate increases were around 20% attracting additional capacity which has to some extent moderated any further increases in retrocession costs.

In view of these developments many reinsurers are expected to implement more aggressive capital management strategies in the 1st quarter 2011 through share repurchases, dividend payments and other similar techniques. While merger and acquisition activity seemed to pick up significantly as compared to 2008 and 2009, the number of completed deals remained low due to low valuation of companies leading to resistance in sellers. The main driver for these deals was buyers' intention of diversifying by lines of business and distribution channels.

Strong premium growth in emerging markets reflecting the improvement in economies as well as investments, remained insufficient to offset continuing slow-down in premium growth in primary business in the mature markets.

On a general scale, rate increases were around 20% attracting additional capacity which has to some extent moderated any further increases in retrocession costs.

The growth trend in catastrophe bond market is expected to continue in 2011 as well.

Catastrophe bond market gained a considerable impetus in 2010.

Catastrophe bond market gained impetus in terms of total capacity issued and number of deals executed. 23 catastrophe bond transactions were made in 2010 with a total issuance volume of USD 4.9 billion, exceeding 18 deals and the volume of USD 3.4 billion in 2009.

As investor demand and understanding increased over time, the cost gap between catastrophe bonds and traditional reinsurance has narrowed which leads to an expectation that this trend is likely to continue in 2011 especially in terms of top layers or aggregate covers.

Integration works to Solvency II have entered the final stage.

Throughout 2010, European insurers and reinsurers have been testing the proposed capital rules by participating in the Fifth Quantitative Impact Study (QIS 5) as part of the final stage of Solvency II which is scheduled to be effective as from January 2013.

Accordingly, capital requirements obtained from the standard formula under QIS 5 should reflect a 1 in 200 year confidence level and are deemed to be equivalent with a BBB rating. For insurers that have shown technical deficiencies under the QIS 5 exercise, 2011 will be a critical period to identify possible remedies ranging from capital raising, reinsurance solutions to investment strategy.

Some reinsurers had to reassess their domicile.

On the other hand, Solvency II, tax legislation and more general regulatory changes have led some reinsurers to reassess their domicile. For years, Bermuda had been attracting start-ups and established reinsurers because it had one of the most competitive tax systems in the world, with no levy on profits, income, dividends or capital gains.

However, for the last couple of years, alternative business circles Ireland and Switzerland in particular, have implemented policies to attract operations away from Bermuda. Recently a number of industry players have established reinsurance platforms in Dublin or Zurich to benefit from relatively stable regulatory environments as well as corporate tax rates below the European average.

Another factor was the fact that larger countries offer more security and capital-raising potential than smaller offshore territories and both Ireland and Switzerland have tax treaties with major markets, including the US. Location is also crucial in companies' decision to shift their activities to these centers as it allows companies to move closer to their clients.

In view of the prevailing soft market conditions and thin investment returns, as well as the attempts to comply with some Solvency II regulations, reinsurers are more susceptible to any market-changing event either through underwriting losses or other capital events. Therefore maintaining underwriting discipline and pricing integrity is of utmost importance to reinsurers for managing the cycle successfully.

Maintaining underwriting discipline and pricing integrity is of utmost importance to reinsurers for managing the cycle successfully.

2010 saw no major changes in the reinsurance market and Milli Re preserved its market share in terms of both proportional and non-proportional reinsurance agreements in 2011 renewals. This is an important end result of the Company being accepted as a reliable and stable local reinsurance company among the local and foreign insurers operating in our market.

2011 reinsurance renewals went very smoothly due to the absence of major catastrophe risk losses in 2010. Several points that need to be addressed in relation to this year's proportional and non-proportional reinsurance renewals can be summarized as follows:

Estimated premium income for proportional reinsurance agreements went up by 5% compared to 2010.

There were no significant changes in the 2011 renewals of proportional reinsurance agreements, and insurers, who obtained coverage for risks in their portfolios on the basis of proportional reinsurance programs maintained their existing positions. Premium projection in respect of these reinsurance agreements, including the Land Vehicles branch, was up by 5% as compared with 2010. Even if the estimations are revised during the year to reflect an increase in the region of 6% - 7%, even this level of increase is insufficient under the prevailing positive economic conditions.

Although a final figure is not available regarding the amount of premiums insurers ceded to proportional reinsurance agreements in 2010, it is apparent that companies retained a greater portion of the risk and cut down on their cessions to proportional contracts, when it is considered that the sector registered 13.6% growth in premiums and will most probably achieve the same rate of growth also in 2011.

No significant difficulties arose in 2011 renewal of catastrophe excess of loss reinsurance agreements.

No significant problems arose either in 2010 and 2011 renewals of the catastrophe excess of loss reinsurance agreements companies purchase against catastrophes such as flood and earthquake, and ceding companies increased the covers they obtained against catastrophic events by 10% on an annual basis due to the increased exposures in their portfolios and the relatively stronger Turkish Lira against foreign currencies.

In 2011 the total amount of catastrophic coverage purchased by the Turkish insurance market is nearly EUR 3,5 billion with a corresponding reinsurance premium of approximately EUR 85 million. When Milli Re's and TCIP catastrophic coverage are included, total amount of catastrophic coverage purchased increased to nearly EUR 5,9 billion with a corresponding premium of nearly EUR 162 million.

Milli Re remains to be a reliable reinsurer.

Milli Re retained its existing position and share in the Turkish reinsurance market and provided 25% of the capacity in proportional and 12% in non-proportional agreements as was the case last year. Writing proportional bouquet reinsurance agreements of 23 insurers and leading 14 companies, Milli Re participates in the catastrophe excess of loss programs of 27 insurance companies.

Participating in reinsurance agreements in every branch of almost all of the companies operating in the market, Milli Re remains to be a reliable reinsurer not only for local insurers, but also for those backed by foreign capital, owing to its robust financial structure and capitalization.

In 2011 renewals, Milli Re maintained its market share in terms of both proportional and non-proportional reinsurance agreements.

Companies increased the catastrophe cover they obtained by 10% on an annual basis due to the increased exposures in their portfolios and the relatively stronger Turkish Lira against foreign currencies.

While Milli Re attained a 3.7% increase in premium income generated on business accepted from the local market in 2010, this increase was 4.5% in premium generated by overseas business.

Milli Re's premium was TL 855,302,911 in 2010, up by nearly 4% year-on-year.

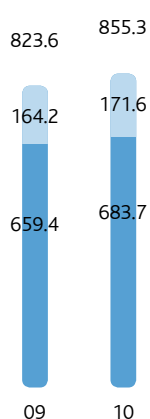
In 2009, Milli Re did not reach the level of the prior year in total premium production due to the price-based excessive competition in the local market on which approximately 80% of its total premium income is generated and the decision to withdraw from loss producing branches, as well as to the worldwide economic crisis that also affected our country. However, 3.85% premium increase attained in 2010 indicates a positive result, despite the ongoing and even further increasing competition in the local market, and the continuing strategy to gradually withdraw from loss producing branches in the local market.

Further details on Milli Re's local and foreign acceptances are presented in the relevant sections of the report. However, it should be noted that there is no significant difference between the premium growth in business accepted in both units. While the rate of increase in local premium income was 3.7%, the same in overseas premium income was 4.5%.

In the last five-year period starting in 2006, overseas premium income tends to take a constantly growing share of total premium income. Representing 2.2% of the overall portfolio in 2006, the volume of premiums from international business rose to 20% in 2010. This is the result of international expansion activities, as well as factors that reduce local premium income such as the impact of the economic crisis, the intentional withdrawal from certain branches, price-based excessive competition and the tendency of insurance companies to increase their retentions. While premium volume on international business was approximately TL 19 million in 2006, this figure rose to TL 171 million in 2010.

Premium Income (TL mn)

Local Foreign



Gross Premium Income and Breakdown of Branches (TL)

Branches	2009	Share (%)	2010	Share(%)	Change (%) *
Casualty	11,985,669	1.48	13,648,776	1.63	13.88
Health	83,743,457	10.32	104,084,845	12.43	24.29
Land Vehicles	139,977,605	17.25	140,302,173	16.75	0.23
Railway Vehicles	-	0.00	-	0.00	-
Air Vehicles	394,792	0.05	1,146,179	0.14	190.32
Sea Vehicles	26,913,477	3.32	27,156,879	3.24	0.90
Transport	27,822,112	3.43	27,925,466	3.33	0.37
Fire and Natural Disasters	289,326,046	35.64	269,727,011	32.20	(6.77)
General Damages	131,490,270	16.21	158,393,566	18.91	20.46
Land Vehicle Liability	82,782,059	10.20	63,676,611	7.60	(23.08)
Air Vehicle Liability	16,290	0.00	2,432	0.00	(85.07)
Sea Vehicle Liability	545	0.00	51,404	0.01	9,331.93
Public Liability	14,240,747	1.76	29,126,129	3.48	104.53
Credit	485,776	0.06	251,901	0.03	(48.14)
Fidelity Guarantees	40,835	0.01	649,775	0.08	1,491.22
Financial Losses	1,456,291	0.18	801,899	0.10	(44.94)
Legal Protection	732,177	0.09	549,685	0.07	(24.92)
Total Non-Life	811,408,148	100.00	837,494,731	100.00	3.21

	2009	Share (%)	2010	Share (%)	Change (%) *
Total Non-Life	811,408,148	98.52	837,494,731	97.92	3.21
Life	12,214,317	1.48	17,808,180	2.08	45.80
General Total	823,622,465	100.00	855,302,911	100.00	3.85

* Change between 2009-2010.

Gross Premium Income (TL)

Branches	2006	2007	2008	2009	2010
Casualty	12,512,519	14,611,415	13,109,950	11,985,669	13,648,776
Health	120,465,076	110,120,683	94,274,277	83,743,457	104,084,845
Land Vehicles	240,314,818	192,942,704	170,746,032	139,977,605	140,302,173
Railway Vehicles	-	-	-	-	-
Air Vehicles	71,058	359,156	193,802	394,792	1,146,179
Sea Vehicles	10,653,281	14,114,986	20,901,154	26,913,477	27,156,879
Transport	27,559,777	30,886,082	34,503,468	27,822,112	27,925,466
Fire and Natural Disasters	225,067,203	238,375,904	260,053,206	289,326,046	269,727,011
General Damages	83,465,759	117,953,980	130,493,216	131,490,270	158,393,566
Land Vehicle Liability	107,385,430	87,197,062	92,684,253	82,782,059	63,676,611
Air Vehicles Liability	11,796	13,007	10,301	16,290	2,432
Sea Vehicle Liability	-	-	-	545	51,404
Public Liability	9,245,449	11,978,208	13,144,808	14,240,747	29,126,129
Credit	42,469	110,822	174,769	485,776	251,901
Fidelity Guarantees	-	-	-	40,835	649,775
Financial Losses	277,960	1,658,920	2,959,282	1,456,291	801,899
Legal Protection	272,084	414,108	297,057	732,177	549,685
Total Non-Life	837,344,679	820,737,037	833,545,575	811,408,148	837,494,731
Life	16,084,073	17,461,553	15,516,687	12,214,317	17,808,180
General Total	853,428,752	838,198,590	849,062,262	823,622,465	855,302,911

In the last five-year period starting in 2006, foreign premium income showed a constant growth in total premium income.

Technical Profitability (TL)

Branches	2006	2007	2008	2009	2010
Casualty	2,442,826	3,391,986	4,268,487	436,633	7,466,168
Health	(11,474,397)	(20,223,726)	(1,471,318)	(30,121,133)	(19,592,434)
Land Vehicles	(17,441,566)	(4,647,819)	9,468,787	(21,959,547)	(3,624,645)
Railway Vehicles	-	-	-	-	-
Air Vehicles	49,763	54,397	(318,237)	(514,452)	1,125,881
Sea Vehicles	3,200,424	218,854	(2,125,522)	(3,227,693)	(4,799,521)
Transport	1,354,098	6,527,493	(2,289,009)	7,315,775	20,089,184
Fire and Natural Disasters	26,777,801	22,199,341	43,830,079	57,305,254	20,137,996
General Damages	(4,669,665)	(3,695,089)	8,203,124	(2,466,224)	(13,846,404)
Land Vehicle Liability	3,087,794	(1,165,178)	(21,362,742)	(788,893)	995,074
Air Vehicles Liability	971	6,434	7,841	18,167	9,861
Sea Vehicle Liability	-	-	-	25	(149,635)
Public Liability	(366,483)	1,052,872	(1,464,999)	5,067,369	11,053,886
Credit	11,119	45,338	66,786	359,660	254,483
Fidelity Guarantees	-	-	-	628	3,967
Financial Losses	(530,915)	(1,489,199)	1,790,019	687,630	1,459,981
Legal Protection	119,044	172,055	247,914	439,982	584,076
Total Non-Life	2,560,814	2,447,759	38,851,210	12,553,181	21,167,918
Life	2,155,173	3,511,180	1,062,013	2,145,045	456,342
General Total	4,715,987	5,958,939	39,913,223	14,698,226	21,624,260

Technical Profitability Ratios (%)

	2006	2007	2008	2009	2010
Loss Ratio (Gross)	74	75	80	85	74
Loss Ratio (Net)	77	78	84	81	79
Expense Ratio	23	23	14	26	24
Combined Ratio (Gross)	97	98	94	111	98

Acceptances

25 Local Acceptances

26 Fire

27 Marine

28 Engineering

29 Land Vehicles

30 Land Vehicles (Liability)

31 General Liability

32 Accident Insurances Exempting General Liability and Land Vehicles

33 Agriculture

34 Health

35 Life

36 Foreign Acceptances

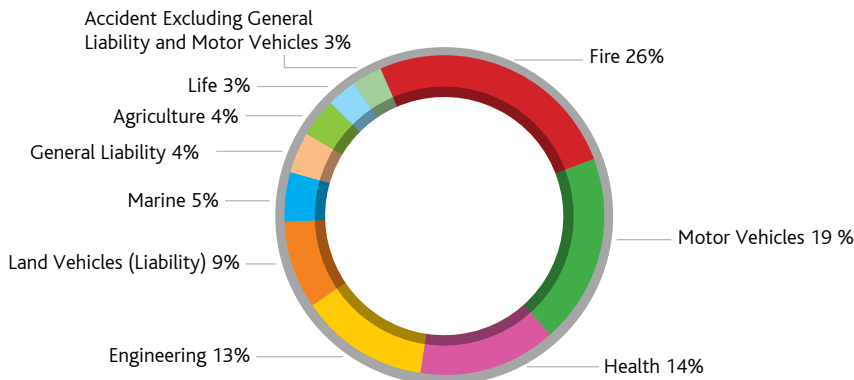
The Turkish insurance industry had increased premium production approximately by 13.6% by the end of the year.

3.7% increase Milli Re attained in its local premium income was below the rate of increase in the overall Turkish insurance industry; the key reasons include the continued withdrawal from the Land Vehicles insurances, on which nearly 50% of the sector’s non-life premiums are generated. Another important factor in this regard was the insurers’ tendency to increase their retention ratios in branches like Fire and Marine insurances, which constitute 20% share of the market’s non-life premiums.

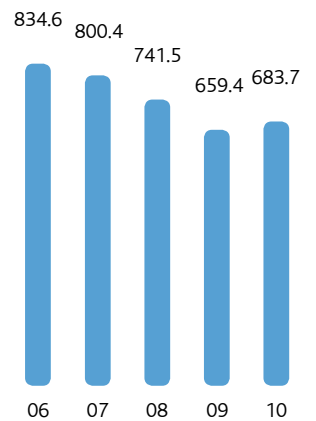
Along with the economic recovery that started from the middle of 2010, year-end results included some striking aspects like the premium increase in Engineering in connection with the growth in investments particularly in the field of energy, and the significant increase in General Liability premiums due to the “Compulsory Liability Insurance for Medical Malpractice” being enforced during the year.

Local premium income rose by nearly 3.7% as of year-end.

Breakdown of Local Premium by Branches



Local Premium Income (TL mn)



Local Acceptances	2006	2007	2008	2009	2010
Premium (TL)	834,604,758	800,373,721	741,479,994	659,431,076	683,741,546
Share in Total Premium (%)	97.79	95.49	87.33	80.06	79.94

Fire

Milli Re generated 26% of its total local non-life premium production in Fire in 2010.

While Fire insurances constituted some 16.5% share of total non-life premiums generated by the overall Turkish insurance industry, Milli Re generated 26% of its total local non-life premium production in Fire in 2010.

Milli Re's outpacing the overall industry in the rate of increase in the premium production in local Fire business was driven mainly by the low retention levels generally adopted in this branch, despite the gradually increases retentions of insurance companies. Local production maintained its level of the prior year and took 66% share of Milli Re's total Fire premium production in the same period.

Premiums from industrial and commercial risks to a substantial extent have shown a decline of nearly 6.5% year-on-year. This negative development was mainly the result of the insurers' higher retention levels in connection with the increased number of small and medium risks involved in their portfolios, as well as the price-based competition among the insurance companies that has been going on for several years now.

Profitability Ratios in the Fire Branch (%)	2009	2010
Loss Ratio (Gross)	93	51
Loss Ratio (Net)	64	60
Expense Ratio	27	28
Combined Ratio (Gross)	120	79

Premium Income
(TL mn)



Technical Profit/Loss
(TL mn)



Marine insurances premium in the Turkish insurance industry account for approximately 3.4% of the total non-life premiums. Premium written by Milli Re locally in Marine, on the other hand, corresponds to 4.7% of the total local non-life premium production. This is mainly due to the higher treaty cessions in Marine in general, and in the Hull branch, in particular.

Technical profit in Marine amounted to TL 14.8 million.

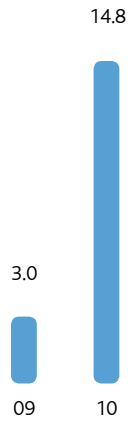
Approximately 59% of the total premium Milli Re wrote in Marine was derived from the Turkish market, marking a nearly 2% increase year-on in local premium. Although significant premium reductions had been recorded due to the direct impact the economic crisis that started by late 2008 had upon the premium production in the following two years, the improvement in the past two years in loss ratios resulted in technical profit in this branch.

Profitability Ratios in the Marine Branch (%)	2009	2010
Loss Ratio (Gross)	64	25
Loss Ratio (Net)	71	27
Expense Ratio	30	28
Combined Ratio (Gross)	94	53

Premium Income
(TL mn)



Technical Profit/Loss
(TL mn)



Engineering premiums grew by 15%.

Milli Re's premium production increase in Engineering generated from the local market was 15%. 89% of the Company's Engineering premiums is from local acceptances.

Local premium production of Milli Re in Engineering, which is directly correlated with economic investments, showed a decrease due to the economic crisis that started by late 2008; however, with the positive effect of the recovery that began in 2010, premium production in this branch adopted an upward trend.

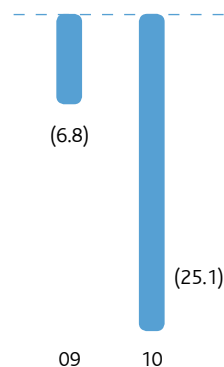
Yet, the high loss ratio in Machinery Breakdown and Electronic Equipment insurances, which constitute 65% of total Engineering premiums, tends to go up for the past two years, despite the positive results in Construction and Erection insurances; coupled with this, priced-based competition among the companies aggravates the technical results. Provisions that are required to be set aside pursuant to the IBNR Circular published by the Undersecretariat of Treasury also play a major role in Milli Re's negative results.

Profitability Ratios in the Engineering Branch (%)	2009	2010
Loss Ratio (Gross)	73	81
Loss Ratio (Net)	83	104
Expense Ratio	36	28
Combined Ratio (Gross)	109	109

Premium Income
(TL mn)



Technical Profit/Loss
(TL mn)



Land Vehicles is one of the branches in which the Turkish insurance industry sustains the highest loss ratios, despite having the highest share of total premium production for many years. In 2010, premium in this branch represented 26% of total non-life premiums.

Within the total local non-life premium production of Milli Re, Land Vehicles branch has approximately 19% share. This is a result of Milli Re's discontinuation of participation in the contracts of certain companies in the market.

In the aftermath of the Company's decision to gradually withdraw from Land Vehicles and Land Vehicles Liability insurances due to the high loss ratios, the premium production displayed a downward trend over the years; the Company intends to remain adhered to this policy in the future, depending on the results to be attained by the reinsured companies. The technical profit attained in this branch this year despite the high technical loss of the previous year is an outcome of this policy. Based on 2010 results, 90% of the premium written in this branch was generated from the local market.

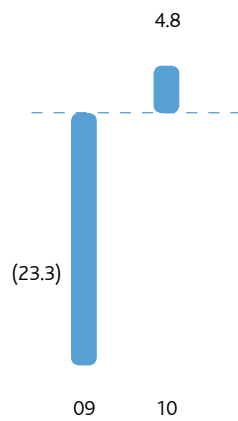
Premium production in the Land Vehicle amounted to TL 126.9 million in 2010.

Profitability Ratios in the Land Vehicles Branch (%)	2009	2010
Loss Ratio (Gross)	97	81
Loss Ratio (Net)	97	82
Expense Ratio	23	17
Combined Ratio (Gross)	120	98

Premium Income
(TL mn)



Technical Profit/Loss
(TL mn)



Land Vehicles (Liability)

The Company generates 99% of its production in Land Vehicles Insurances from the local market.

Land Vehicles Liability is a branch that has a high loss ratio like the Land Vehicles branch. While the market premium production in this branch accounted for 21% of total non-life premiums, Milli Re's premium in this branch corresponded to approximately 10% of total local non-life premiums.

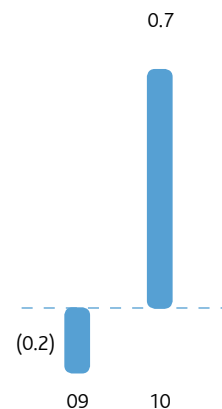
The only reason for the Company's remaining below the average growth rate of the overall sector in this branch is the policy of withdrawing from poorly performing branches implemented for the past several years, just like in the Land Vehicles insurances. Since reinsurance is accepted in combination for Land Vehicles, Motor Reinsurance Cover is given on combined basis for Land Vehicles (Own Damage) and Land Vehicles Liability under the same reinsurance agreements and Liability branches on the basis of a single reinsurance agreement, the withdrawal policy adopted for the Land Vehicles branch applies also for this branch; as a consequence, the decline in premium production seen over the years is expected to continue in the years ahead. The Company generates 99% of its production in this branch from the local market.

Profitability Ratios in the Land Vehicles (Liability) Branch (%)	2009	2010
Loss Ratio (Gross)	90	88
Loss Ratio (Net)	90	88
Expense Ratio	18	16
Combined Ratio (Gross)	108	104

Premium Income
(TL mn)



Technical Profit/Loss
(TL mn)



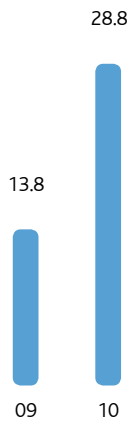
Local premiums produced under this headline covering all liability branches, apart from Land Vehicles Liability and Compulsory Personal Accident Insurance for buses, correspond to approximately 99% of Milli Re's total premium production in this branch and to nearly 4% of total local non-life premiums.

There was a significant rise in the premiums produced in General Liability Insurances as a result of the Compulsory Liability Insurance for Medical Malpractice Insurance that went into force on July 30, 2010. Milli Re serves as the only reinsurer in this recently introduced branch, and as such, attained 108% growth in General Liability branch.

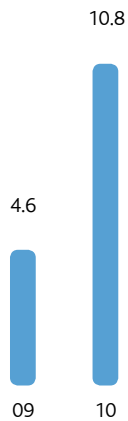
The premium increase in General Liability Insurances in 2010 is 108%.

Profitability Ratios in the General Liability Branch (%)	2009	2010
Loss Ratio (Gross)	67	47
Loss Ratio (Net)	61	50
Expense Ratio	38	22
Combined Ratio (Gross)	105	69

Premium Income
(TL mn)



Technical Profit/Loss
(TL mn)



Accident Insurances Excluding General Liability and Land Vehicles

Milli Re posted a technical profit of TL 6.8 million in this branch in 2010.

A substantial portion of premium production is derived from Theft, Plate-Glass and Personal Accident branches. The expected premium increase is not achieved due to Theft and Plate-Glass covers given by an increasing number of insurers as extension to Fire policies with very low premiums. On the other hand, some premium growth was seen in the Personal Accident branch as a result of the increasing housing and consumer loans in connection with the economic recovery that started from the middle of 2010.

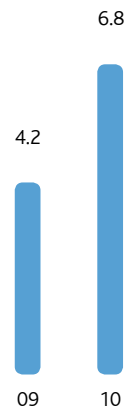
Milli Re generates 60% of its premium production, which went up by 15% year-on-year, in these branches from the local market. However, the branch accounts for 3% of total local non-life premiums.

Profitability Ratios in the Accident Branch Excluding General Liability and Land Vehicles (%)	2009	2010
Loss Ratio (Gross)	57	57
Loss Ratio (Net)	57	54
Expense Ratio	45	38
Combined Ratio (Gross)	102	95

Premium Income
(TL mn)



Technical Profit/Loss
(TL mn)



Owing to the Government Subsidized Agricultural Insurance policies managed by the Agricultural Insurance Pool (TARSİM) which began operations in 2006 upon the enforcement of the Agricultural Insurance Law, the premium production in this branch tends to increase year by year. Local premiums in this branch grew 12% in 2010.

In 2010, there was 12% increase in local premiums in this branch.

Another important contributor to the premium increase in this branch is the loan facilities offered by the state to agricultural producers, such as the loans extended to stockbreeders, as well as the positive effects the foundation of TARSİM had on the development of Agriculture insurances.

Accounting for 4% of total local non-life premium of Milli Re, the Agriculture branch is subject to a new method of setting aside provisions for unearned premiums, which was revised pursuant to the Undersecretariat of Treasury’s Sector Announcement dated December 24, 2009 concerning the Provision for Unearned Premiums Calculated for Business Received from Agricultural Insurance Pool; as such, the Agriculture branch posted a positive result in 2010.

79% of Milli Re’s premium production in Agriculture was derived from the local market.

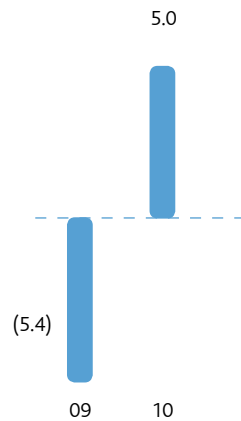
Profitability Ratios in the Agriculture Branch (%)

	2009	2010
Loss Ratio (Gross)	104	73
Loss Ratio (Net)	104	72
Expense Ratio	31	41
Combined Ratio (Gross)	135	114

Premium Income (TL mn)



Technical Profit/Loss (TL mn)



Premiums in health insurances grew nearly by 18% in 2010.

Representing a branch that has been producing loss for many years for the Turkish insurance industry, Health is the fourth largest branch with 14% share in total non-life premium production. For this reason, the branch has negative effects on the financial structures of insurance companies.

As of 2010, Milli Re's local Health book constituted nearly 14% of total local non-life premium production.

Due to the technical loss arising from the very high loss ratios over the years, Milli Re for the last couple of years adopted a policy to withdraw or cut back from loss yielding reinsurance agreements.

18% increase in premiums and the significant decline in technical loss in 2010 is the direct result of the policy to withdraw from loss-producing contracts.

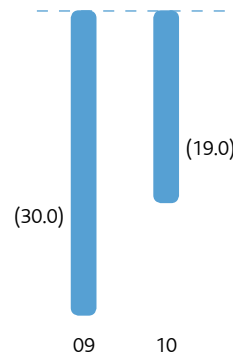
Milli Re generates 91% of its premium production in the Health branch from the local market.

Profitability Ratios in the Health Branch (%)	2009	2010
Loss Ratio (Gross)	117	114
Loss Ratio (Net)	117	114
Expense Ratio	12	6
Combined Ratio (Gross)	129	120

Premium Income
(TL mn)



Technical Profit/Loss
(TL mn)



Approximately 15% of the total premium production in the Turkish insurance industry is derived from Life insurances, in which Milli Re's premiums account for 3%. The key reason behind this is the fact that cessions made to Milli Re cover not the endowment policies, but only the risk element.

In 2010, Milli Re's premium production on the Life branch was derived from the local market in its entirety. 45% premium increase in this branch is a result of booking of premiums relating to four quarters this year, as opposed to the three-quarter booking done in the prior year.

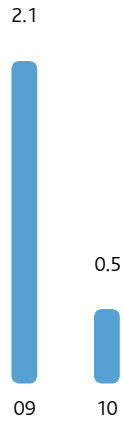
Life Insurance premiums amounted to TL 17.8 million.

Profitability Ratios in the Life Branch (%)	2009	2010
Loss Ratio (Gross)	30	64
Loss Ratio (Net)	30	55
Expense Ratio	50	36
Combined Ratio (Gross)	80	100

Premium Income
(TL mn)



Technical Profit/Loss
(TL mn)



Foreign Acceptances

Premium income from foreign acceptances amounted to TL 171.6 million at year-end 2010.

Milli Re started playing an even more active role in the international reinsurance markets, particularly since 2006, for the purpose of maintaining the existing premium volume, and of improving technical profitability by attaining diversification in its portfolio.

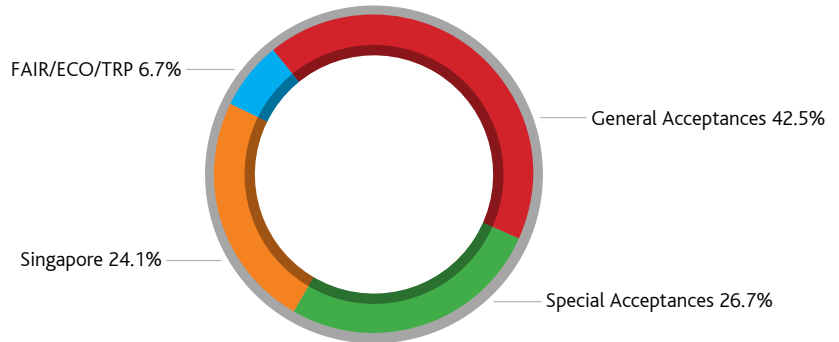
A greater portion of the developing foreign portfolio is made up of acceptances from African and Asian countries, which fall under the scope of the FAIR Reinsurance Pool that has been managed by Milli Re since its establishment in 1974.

In addition to this, by providing reinsurance capacity to select Continental European and Lloyd's market players most of which already have longstanding relationship with Milli Re through the retrocession programmes, Milli Re has further enhanced the diversification of the international portfolio. Similarly, Milli Re Singapore branch, which actively started accepting business in 2008, continues to work efficiently in the Asia-Pacific that presents significant potential.

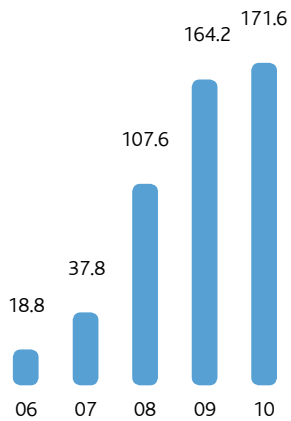
Overseas businesses underwritten by Milli Re are categorized under four main groups:

- Business from emerging markets (General Acceptances)
- Business from developed markets (Special Acceptances)
- Singapore Branch business
- FAIR/ECO/TRP business

Split of Overseas Premium by Source of Production

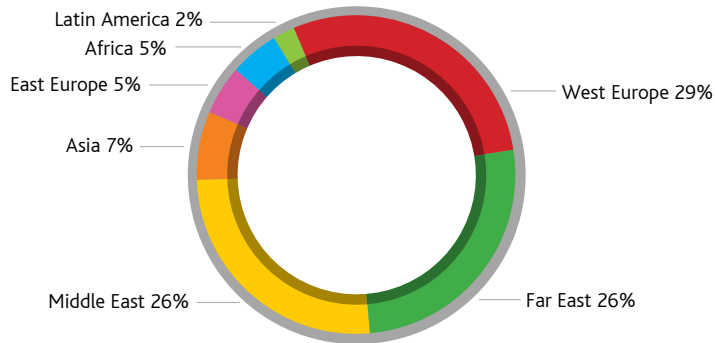


Premium Income (TL mn)

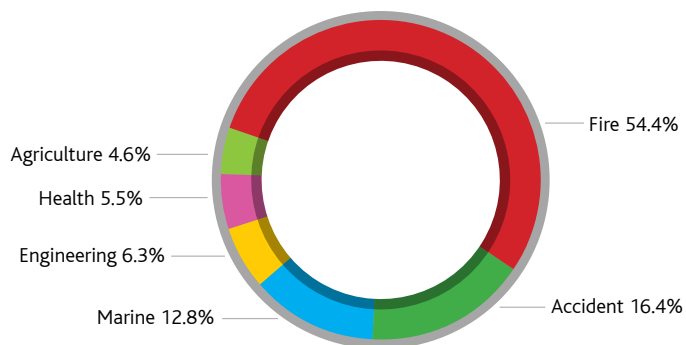


Foreign Acceptances	2006	2007	2008	2009	2010
Premium (TL)	18,823,994	37,824,869	107,582,268	164,191,389	171,561,365
Share in Total Premium (%)	2.21	4.51	12.67	19.94	20.06

Geographic Breakdown of Foreign Acceptances by Locations of Ceding Companies



Breakdown of Premiums on Foreign Acceptances by Branches



Common characteristics of emerging markets and developments in these markets

Holding an important place within Milli Re's foreign acceptances, emerging markets share some common characteristics including rapid economic growth, increasing investments in infrastructure, low insurance penetration and density ratios, significant share non-life insurances have in the portfolios of companies, and excessive competition.

Major common characteristics on the reinsurance front of the markets include the low retention ratios of insurance companies, widespread use of proportional reinsurance methods, and the constant growth in reinsurance capacity.

Emerging markets hold an important place within Milli Re's foreign acceptances.

Some characteristics and developments concerning various emerging markets in 2010 are presented below:

Middle East: Penetration of new reinsurers, combined with the tendency of existing reinsurers' to increase their shares, lead to softening in the markets, excessive competition and price reductions in the Middle East markets where Milli Re pursues activities intensely.

Not even the loss payouts that resulted from the Gonu cyclone of 2006 or the Phet cyclone of 2010 could change this trend. Therefore, many insurance companies were unable to materialize their estimated premium incomes set out in their reinsurance treaties. On the other hand, the customary opinion that the region is not exposed to natural disasters other than the earthquake peril in certain countries (Iran, Lebanon, Jordan) has been shattered to a large extent with the flood and cyclone disasters that occurred in the recent years in Saudi Arabia and Omman.

North Africa: The recent tendency in the North African markets to diversify the panel of reinsurers and to give smaller shares to a greater number of reinsurers continued in 2010. The most noteworthy development in this region was the Compulsory Cession Ratio that was increased from 10% to 50% in Algeria.

Eastern Europe / Russia: Majority of the shares in the insurance companies in Eastern European countries are acquired by Western Europe's major insurance/reinsurance groups, which results in the panels of reinsurers of those insurance companies to fall under the scope of the said groups. On the other hand, the cost of the Konkordia fire damage on June 11, 2010 to the insurance industry amounted to USD 95 million. Milli Re's responsibility in this loss was worth approximately USD 1.5 million.

Far East: China and South Korea gain weight within businesses from this region which are accepted by Milli Re's Singapore Branch.

The need for additional reinsurance capacity in China will grow in the years ahead, due to the increase of insurance penetration across the country owing to the new arrangements imposed by China Insurance Regulatory Commission (CIRC), and with the introduction of modeling techniques concerning natural disasters. A series of flood damages that occurred from May until August 2010 caused an economic loss worth approximately USD 40 billion to the country. However, a very low portion of this loss was reflected to the insurance and reinsurance companies due to the very low ratio of insured assets.

The Financial Supervisory Service (FSS) that regulates the insurance industry in South Korea refers insurance companies to reinsurers that are assigned a credit rating of A. The typhoon Kompasu that hit the country by early September 2010 caused an economic loss of approximately USD 500 million, and an insured loss of USD 125 million, but its reflection on reinsurance treaties remained restricted to the first layers of excess of loss coverage.

On the other hand, with a view to diversifying its premium portfolio, Milli Re has been participating in the contracts on quota share basis of certain Lloyd's syndicates and also in proportional/non-proportional treaties of some companies from developed European countries since 2007.

Milli Re pursues a conservative underwriting strategy in terms of Special Acceptances and tries to avoid long-tail business and to limit US exposure as far as possible. Due to growing worldwide catastrophe book of business, Milli Re sustained some losses from market impacting natural catastrophes in 2010 such as the Chilean Earthquake on 27 February, Xynthia Windstorm (26 February-1 March) New Zealand Earthquake on 4 September and floods in Central and Eastern Europe during the year. Based on loss advices and industry figures Milli Re estimates an overall liability of USD 15 million to USD 20 million from these events.

In accordance with the new Uniform Chart of Accounts for the Insurance Industry, which came into effect on January 1, 2005, a portion of the financial income and expense items for the year 2010 was transferred to the technical accounts for the related branches. Detailed information on this implementation is presented in the section entitled "Notes to the Financial Statements for 2010" of this Annual Report.

The Company's financial income in 2010 amounted to TL 158.9 million.

When the transfer mentioned above is not taken into account for the sake of a healthy evaluation of financial results, in 2010, our Company's;

- financial income declined by 24% year-to-year to TL 158.9 million. This was due to the significant decrease in interest and exchange gains which resulted from the decreased interest rates and exchange rates with the effect of positive developments that occurred particularly in domestic financial markets;
- financial expenses went down by 15.65% to TL 35.8 million, in connection with the Company's reduced tax obligations that paralleled the decline in the profit for the period;
- general expenses grew 10.02% year-to-year and reached TL 41.8 million as a result of the reasonable level of overhead costs during the reporting period.

At the bottom line, Milli Re's financial profit before transfer in 2010 dwindled by 36.47% as compared with the 2009 figure and stood at TL 81.3 million.

Financial Results (TL mn)*	2009	2010	Change (%)
Financial Income	208.44	158.93	(23.76)
Financial Expenses	42.49	35.84	(15.65)
General Expenses	37.96	41.77	10.02
Financial Profit	127.99	81.31	(36.47)

* The distribution in the regulation mentioned above is not taken into consideration.

Corporate Social Responsibility

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.



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 seventeen years, the Milli Re Art Gallery has organized more than 140 exhibitions, all of which were well received in art circles and followed with interest. The gallery has published approximately hundred 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.

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 10th, 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 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.

Since 1970, the TII opens an annual long-term insurance business program titled "Basic Insurance Training Program", which has graduated 2,651 people so far. In addition, the Foundation is instrumental in the training of nearly 1,100 people every year through its short-term training programs organized in various topics, regulatory training programs, corporate trainings and advanced insurance programs. Approximately 30% of the personnel employed in the industry have attended TII training programs.

In addition, undertaking the simultaneous execution of the "Compulsory Training for Insurance Agents Technical Personnel" at 18 provinces, the TII gave 40,000 people access to training under the program, which started in 2009 and was completed in 2010 with additional training modules.

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.

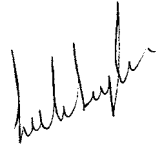
Having placed significant importance on education at all times, Milli Re has shown extensive efforts to provide material and moral support to TII's training activities, and will continue to do so in the future.



2010 Annual Report - Compliance Opinion

We hereby represent that Milli Re 2010 Annual Report issued for its 82nd 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 07 August 2007 by the Undersecretariat of Turkish Treasury.

21 February 2011



Şule Soylu
Financial Accounting
Manager



Semra Anıl
Assistant General
Manager
Legal Advisor



Hasan Hulki Yalçın
General Manager



İsmet Cahit Kocaömer
Chairman of the Board
of Directors

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(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 25 March 2009.

(2) Cahit NOMER
Vice Chairman

Cahit Nomer holds a degree in Law from İstanbul 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 21 January 1981, Cahit Nomer served in this position until 16 January 2009, at which date he is elected as Vice Chairman of the Board of Directors.

(6) Münir MADRAN
Director

After starting his career at İşbank in 1982, Münir Madran served as a manager at various branches and units of the Bank. He was appointed as the Akdeniz Corporate Branch Manager in June 2006, a position he currently holds. Münir Madran has been functioning as a member of the Board of Directors at Milli Re since 08 April 2010.

(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 18 May 2005. Besides his duty as Chairman in Anadolu Hayat Emeklilik A.Ş., Mahmut Magemizoğlu has been a member of the Board of Directors at Milli Re since 25 March 2009.

(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 in England. 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 16 January 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.



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(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 30 April 2008.

(8) Erdal AKGÜL
Statutory Auditor

Erdal Akgül got his degree in finance from Ankara University, Faculty of Political Sciences in 1995. He joined İşbank the same year as an assistant inspector on the Board of Inspectors, and was appointed as Assistant Manager to Commercial Credits Allocation Department in 2004. Promoted to Unit Manager in the same department in 2008, Erdal Akgül has been serving as a statutory auditor at Milli Re since 26 March 2010.

(5) 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 in Anadolu Sigorta, Anadolu Hayat Emeklilik, İş Yatırım Menkul Değerler A.Ş., İş Yatırım Ortaklığı, Avea İletişim Hizmetleri A.Ş., İş Girişim Sermayesi, İş Portföy Yönetimi and Yatırım Finansman Menkul Değerler A.Ş. He has been functioning as a member of the Board of Directors at Milli Re since 24 March 2008.

(9) Engin EKŞİ
Statutory Auditor

Engin Ekşi holds a degree in business management from İstanbul University. He started his career at İşbank in 2000 as an assistant inspector on the Board of Inspectors. Currently serving as an assistant unit manager in Insurance and Capital Market Participations under the Equity Participations Division at İşbank, Engin Ekşi functions as a statutory auditor for Anadolu Anonim Türk Sigorta Şirketi, Anadolu Hayat Emeklilik A.Ş., İş Yatırım Menkul Değerler A.Ş., İş Portföy Yönetimi A.Ş., İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. and İş Yatırım Ortaklığı A.Ş., and serves as a member on the boards of directors of Mipaş Mümessillik İthalat İhracat ve Pazarlama Dağıtım A.Ş. and Trakya Yatırım Holding A.Ş. He has been a statutory auditor at Milli Re since 26 March 2010.

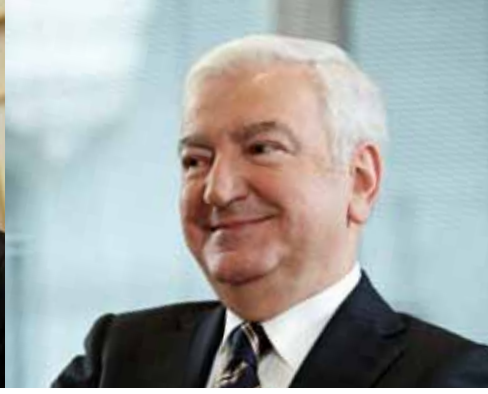
(10) Semra ANIL
Reporter

Please see Senior Management page for Mrs. Anil's CV.

Senior Management



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



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 01 September 1988.



Semra ANIL
Assistant General Manager
 Semra Anil 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 Advisor in 1993, a position that she still holds. She has been Assistant General Manager responsible for Financial Accounting, Personnel and Administrative Affairs since 1997, and presently also serves as Board of Directors' Reporter.



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 01 March 2003.

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 and Technical Accounting at Milli Re since 24 December, 2008.

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 as Technical Manager, and has worked as Group Manager responsible for Retrocession and Rating since 24 December, 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 20 times during 2010, with all members attending fourteen of these meetings, whereas one member was excused from four and two members were excused from each of other two meetings. Full participation of statutory auditors was achieved in nineteen of these meetings, whereas one statutory auditor participated in one meeting.

Internal Systems Managers

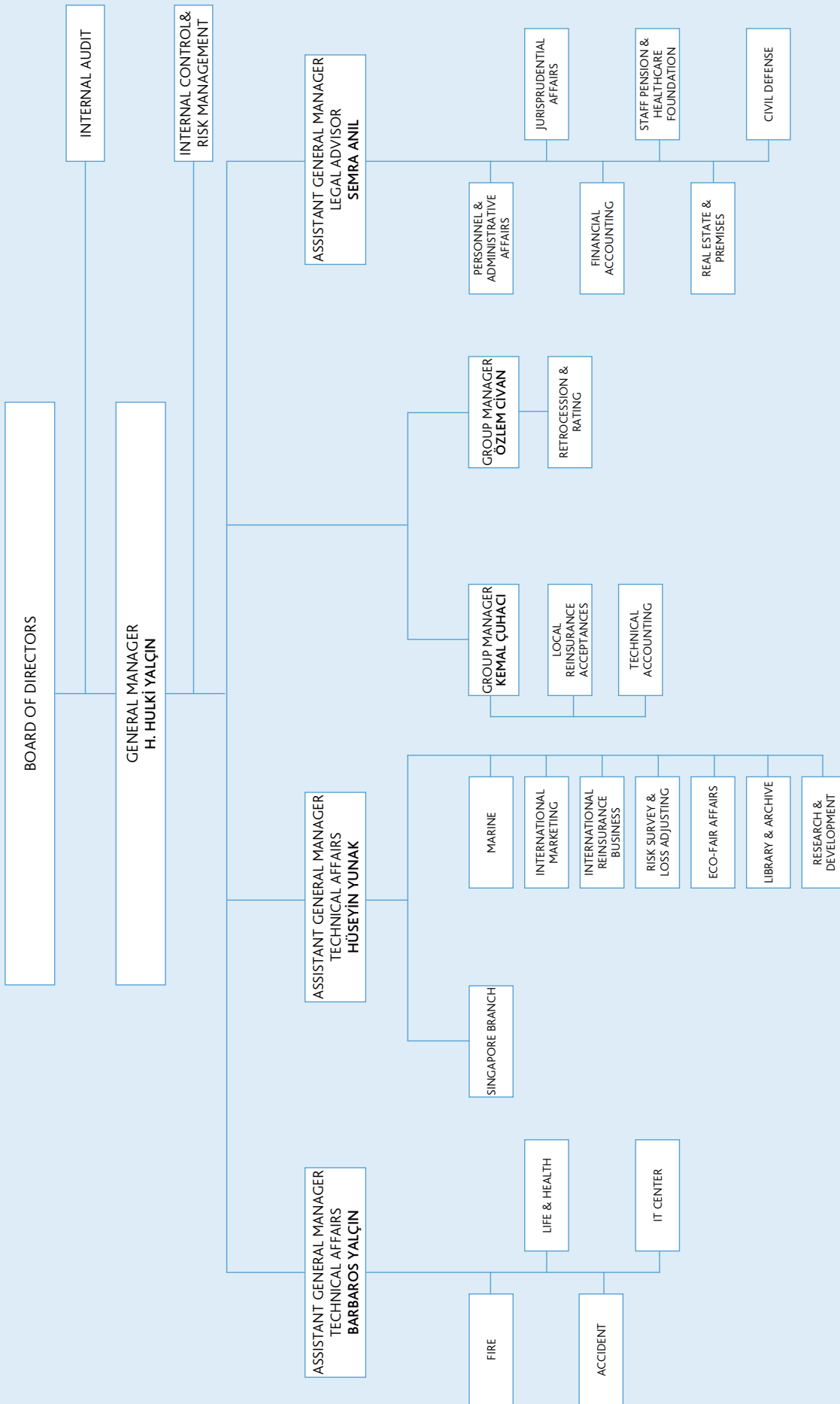
Internal Audit Manager: Adil Horasan

Term of Office	Professional Experience	Departments Previously Served	Academic Background
6 years	37 years	Turkish Reinsurance Pool, Technical Accounting Department	Bachelor's degree

Internal Control and Risk Management Assistant Manager: Hülya Bulut

Term of Office	Professional Experience	Departments Previously Served	Academic Background
1 year	13 years	Technical Accounting Department	Doctoral degree

Organization Chart



HUMAN RESOURCES

Milli Re recognizes that its people make up one of the primary strengths that helps it achieve its targets. The Company possesses a highly qualified work force that is loyal to the corporation, committed to the job, open to continuous learning and development.

As of year-end 2010, Milli Re had 209 employees on its payroll.

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.

Performance Management

Performance appraisals of employees are conducted on an annual basis in accordance with the Performance Appraisal System Guidelines in place at the Company. Based on the results of the performance appraisal, career planning is made and training needs are identified.

Then, a training program is formulated in line with the identified training requirements, and our employees are given opportunity to receive training in or out of Turkey as necessitated by their positions.

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 2010,
4. Reading, deliberation and approval of the Company's Financial Statements for 2010; 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. Approving the election made for the seat on the Board of Directors vacated during the year, pursuant to Article 315 of the TCC and Article 12 of the Company's articles of association,
7. Election to the seats on the Board of Directors,
8. Election of Auditors,
9. Determination of the remuneration to be paid to the members of the Board of Directors and Statutory Auditors,
10. Amendment of capital related article no: 6 of the Company's articles of association as attached,
11. Authorizing the Board Directors to perform the transactions set out in Articles 334 and 335 of the TCC,
12. Wishes.

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 2010 marking the Company's 82nd year of operation, which are tabulated in line with the provisions of applicable legislation and the principles and guidelines set by the Turkish Treasury.

The financial crisis, which broke out by late 2008 in the USA and affected particularly developed Western country economies, bore some negative impacts upon our country as well; the recovery that started from the middle of 2010 led to positive developments in Turkey's economic and financial indicators for 2010.

These positive economic developments were paralleled by the repercussions in the Turkish insurance industry, which was able to attain real growth by registering approximately 13% growth in premium production, despite the price-based excessive competitive conditions that negatively impact premium income. It is believed that this result was contributed by the Turkish Treasury's new regulations aimed at adoption of measures against the factors that negatively affect the financial structures of insurance companies, which were enforced during 2010. However, it can be suggested that insurance companies had a really bad year in terms of profitability due to reduced financial income derived particularly on interest-backed financial investments with the effect of the ongoing economic conditions abroad, in addition to technical profitability which suffers decline because of the price-based excessive competition.

Many natural disasters occurred across the world during 2010, leading to material damage and loss of lives. The earthquakes that struck Chile and New Zealand, Winter Storm Xynthia in Western Europe, flood disasters in Central and Eastern Europe and Australia caused significant insured loss because of the high ratio of insurance penetration in these geographies, whereas the flood disaster in Pakistan and the earthquake in Haiti resulted in very high death tolls. Despite these negativities, favorable conditions persisted in the global reinsurance market in 2010 thanks to increased reinsurance supply in connection with capital surplus, as well as the positive results attained by market-making reinsurers in 2009.

Accepting business from international markets although it is a local reinsurer, our Company's total premium production increased by nearly 4% during 2010 and reached TL 855.3 million. TL 683.7 million that corresponds to 80% of this amount had been generated on the local market, whereas TL 171.6 million that makes up 20% of the same had been derived on foreign acceptances.

Despite the adverse conditions arising from various factors including the continued rise in the number of companies backed by foreign capital operating in the Turkish insurance industry in 2010, price-based excessive competition, and the policy to withdraw from poorly performing branches such as Land Vehicles and Health, our Company closed 2010 posting TL 64.1 million in profit for the period. The Company's total assets reached TL 1,621 million and its shareholders' equity rose to TL 799 million as at year-end 2010.

The Company's existing paid-in capital was raised to TL 525 million with the 2010 capital increase worth TL 140 million. With the acquisition of 35.53% stake in the capital of Anadolu Sigorta, one of the largest companies in the Turkish insurance market and owned by the same investment group with us, our total shareholding in this company went up to 57.31%.

This activity in the Turkish insurance market that is highly dynamic in terms of capital structure is anticipated to persist in the years ahead, and the foreign capital is expected to increase its concentration in the market gradually both through acquisitions and mergers. Despite this forecast, it is targeted to maintain the customary leadership and market share of our Company, which is the only local reinsurer in our market, in the Turkish reinsurance market. In addition, the stable performance will be sustained in our foreign acceptances, which achieved a significant premium volume in as short a period of time as three years, and geographical diversification will be carried on in the underwriting portfolio, while making the Company's reinsurance capacity available to international markets.

We extend our thanks to our esteemed shareholders and our employees who were the greatest contributors in maintaining our Company's prestige and reliability earned and built on over the course of 82 years of operation and in its efforts to be a preferred business partner for its solid financial structure, as well as for the abovementioned qualities.

BOARD OF DIRECTORS

Proposal for Distribution of 2010 Profit

Out of TL 64,090,771	that constitutes the net profit reported in the 2010 balance sheet,
which is TL 75,598,257	the 2010 pretax profit
Less TL 11,507,486	to be set aside as provision for taxes provided that there is a balance after assessment of taxes, such balance will be added to optional reserves;
TL 6,029,085	Is deducted, which is the loss amount that results from setting-off the prior year profit against the prior year loss
Yielding TL 58,061,686	
Less TL 5,806,169	which is 10% of the above amount, be set aside for legal reserves as per section 27/a of the articles of association;
from the remaining amount of TL 52,255,517	
TL 5,806,169	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 TL 46,449,348	
TL 15,000,000	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 TL 31,449,348	as per section 27/d of the articles of association, TL 1,100,727 set aside for founders' shares and TL 943,480 for distribution to personnel, adding up to
TL 2,044,207; and from the remaining amount of TL 29,405,141	Is set aside;
a total of TL 28,000,000	be set aside for second dividends as per section 27/e of the articles of association,
and from the remaining amount of TL 1,405,141	
TL 960,038 the entirety of the remaining amount of TL 445,103	be set aside as statutory reserves as per Article 466 of the Turkish Commercial Code be transferred to optional reserves.

Provided that the proposal presented above is approved by your Esteemed Assembly, profit share distribution will take place on 30 March 2011.

We extend our thanks to our business partners and our employees who contributed to the positive results achieved in 2010.

BOARD OF DIRECTORS

Annual Report – Compliance Opinion

To the Shareholders of Milli Reasürans Türk Anonim Şirketi,

We have audited the accuracy and the consistency of the financial information in the annual report of Milli Reasürans Türk Anonim Şirketi ("the Company") with the audited financial statements as of 31 December 2010. The annual report is the responsibility of the Company's management. Our responsibility, as independent auditors, is to express an opinion on the annual report based on the compliance of financial information provided in the annual report with the audited financial statements and explanatory notes.

Our audit was conducted in accordance with the regulations on preparation and issuance of annual report in "Communiqué on Individual Retirement Saving and Investment System" ("Communiqué") issued on the Official Gazette dated 7 August 2007 and numbered 26606. Those regulations require that we plan and perform the audit to obtain reasonable assurance regarding whether the consistency of financial information represented in the annual report with the audited financial statements and explanatory notes is free of material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial information provided in the accompanying annual report prepared in accordance with the Communiqué is in compliance with the audited financial statements and explanatory notes of Milli Reasürans Türk Anonim Şirketi, in all material respects, as at 31 December 2010.

Istanbul,
21 February 2011

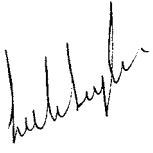
Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi



Filiz Demiröz
Partner

Milli Re Unconsolidated Financial Statements as at and for the Year Ended 31 December 2010

We confirm that the unconsolidated financial statements and related disclosures and footnotes as at 31 December 2010 which were prepared in accordance with the accounting principles and standards in force as per the regulations of T.C. Başbakanlık Hazine Müsteşarlığı are in compliance with the "Code Related to the Financial Reporting of Insurance, Reinsurance and Private Pension Companies" and the financial records of our Company.
Istanbul, 21 February 2011



Şule Soylu
Financial Accounting Manager



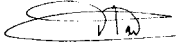
Kemal Çuhacı
Group Manager



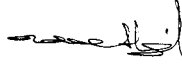
Semra Anıl
Assistant General Manager
Legal Advisor



Hasan Hulki Yalçın
General Manager



Ertan Tan
Actuary



Erdal Akgül
Statutory Auditor



Engin Ekşi
Statutory Auditor

Financial Information and Assessment on Internal Systems

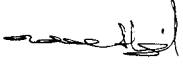
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TO:
MİLLİ REASÜRANS TÜRK ANONİM ŞİRKETİ
General Assembly of Shareholders

In the capacity of statutory auditors of the Assembly, we have reviewed the 2010 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 2010, and of the proposal for distribution of profit.



Statutory Auditor
Erdal Akgül



Statutory Auditor
Engin Ekşi

Financial Ratios

(%)	2006	2007	2008	2009	2010
1. Capital Adequacy Ratios					
Gross Written Premiums/Shareholders' Equity	159	119	127	107	107
Shareholders' Equity/Total Assets	47	58	48	49	49
Shareholders' Equity/Net Technical Provisions	96	149	101	110	106
2. Asset Quality and Liquidity Ratios					
Liquid Assets/Total Assets	68	69	71	70	54
Liquidity Ratio	158	166	142	145	112
Current Ratio	174	184	163	169	139
Premium and Reinsurance Receivables/Total Assets	7	6	10	12	12
3. Operational Ratios					
Retention Ratio	87	91	94	92	90
Paid Claims/Paid Claims+Outstanding Claims	67	70	63	60	59
4. Profitability Ratios					
Loss Ratio (Gross)	74	75	80	85	74
Loss Ratio (Net)	77	78	84	81	79
Expense Ratio	23	23	14	26	24
Combined Ratio (Gross)	97	98	94	111	98
Profit Before Tax/Gross Written Premiums	8	11	19	14	9
Gross Financial Profit/Gross Written Premiums	7	11	15	12	6
Technical Profit/Gross Written Premiums	1	1	5	2	3
Profit Before Tax /Average Total Assets	6	8	12	8	5
Profit Before Tax /Average Shareholders' Equity (Except Profit)	14	16	28	18	11
Capital Adequacy* (TL mn)					
Required Capital	189.0	177.4	197.3	197.1	233.2
Shareholders' Equity Computed	637.2	643.5	588.8	692.6	527.9
Surplus	448.2	466.1	391.5	495.5	294.7

* 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 01 March 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 shows conformity to 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 294.7 million.

(TL)	2006	2007	2008	2009	2010
Assets					
Cash and Cash Equivalents	366,211,357	311,941,658	489,476,208	583,896,839	382,316,698
Securities	406,379,771	537,759,472	496,207,492	510,592,376	495,359,682
Affiliates	129,358,929	143,230,061	87,023,241	124,962,744	0
Subsidiaries	0	0	0	746,207	387,588,848
Fixed Assets	85,441,669	83,060,997	65,234,219	49,406,849	48,174,048
Doubtful Receivables (Net)	0	0	0	0	0
Total Assets	1,132,446,702	1,222,852,211	1,389,269,172	1,562,695,861	1,621,268,850
Liabilities					
Technical Provisions	556,400,818	473,009,196	658,467,830	698,939,892	756,994,096
Shareholders' Equity*	536,666,853	706,923,352	666,717,417	768,774,070	798,689,610
Income and Expense Items					
Technical Income	1,409,813,981	1,443,738,234	1,458,553,310	1,698,923,036	1,731,029,743
Technical Expenses	1,405,097,994	1,437,779,295	1,418,640,086	1,684,224,810	1,709,405,483
Technical Profit/Loss	4,715,987	5,958,939	39,913,223	14,698,225	21,624,260
Financial Income	96,418,079	131,590,904	164,799,000	131,010,528	84,818,884
Financial Expenses	33,770,322	45,994,435	62,614,799	42,492,296	35,843,117
General Expenses	18,950,609	18,879,749	10,430,641	9,914,068	6,509,257
Financial Profit/Loss	43,697,148	66,716,721	91,753,559	78,604,165	42,466,510
Profit/Loss for the Period	48,413,135	72,675,660	131,666,783	93,302,390	64,090,771

* Including Profit for the Period

During 2010, the impacts of the global crisis that continued over the course of the previous years lessened and economic conditions showed some betterment. However, the said improvement did not reflect on the balance sheet profits of the insurance industry. In view of this challenging process the industry went through, efficient and productive conduct of the Company's activities has been vital. With this perspective, the Internal Audit Department's policy focused on providing an independent and objective assurance and training service seeking to advance the Company's activities and to contribute value to them, rather than serving as a strict auditing and error finding tool.

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 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 include the assessment of the effectiveness of risk management processes and of internal controls formulated to manage risks, and they further build on the same.

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 2010, 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. 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.

According to the Turkish Treasury's "Regulation on the Internal Systems of Insurance, Reinsurance and Pension Companies", published in the Official Gazette on 21 June 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 26 February 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

Given the risk-focused nature of the insurance business, insurance and reinsurance companies inevitably establish Risk Management Systems and Processes, and systematically and closely monitor risk exposure. Therefore, the Company has been implementing risk management techniques for many years; development of these techniques has gained even greater importance due to the recent adverse developments in the Turkish and worldwide financial markets, as well as because of the unforeseen natural disasters that occurred.

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 revised at the Board of Directors meeting dated 26 February 2009 (with meeting number, 1119).

The aim of the risk management system is to define the risks arising from the Company's activities, to determine related limits, to measure, monitor, control the risks effectively, to take necessary precautions and to do the necessary reporting to related authorities, 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, in which possible risks are classified and defined by examples and which is up-dated once in a year, and the "Risk Management Guide", which includes the organization of the Risk Management function, possible risks and their measurement methods, are updated every year in accordance with the activities of the Company and approved to the Board of Directors.

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 and total equalization reserve 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 analyzed.

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 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. On the other hand, the countries which the underwriting portfolio is concentrated in are identified and the ratings of these countries are studied.

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 are 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 İsbank 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.

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

To the Board of Directors of Milli Reasürans Türk Anonim Şirketi

Introduction

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

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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

Independent Auditors' Opinion

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

Other Matter

The unconsolidated financial statements of the Company as at and for the year ended 31 December 2009 were audited by another auditor who expressed an unqualified opinion in their report dated 2 February 2010.

Istanbul, 21 February 2011

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ



Filiz Demiröz, Certified Public Accountant

Partner

Additional paragraph for convenience translation to English:

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

Unconsolidated Balance Sheet As At 31 December 2010
(Currency: Turkish Lira (TL))

ASSETS			
	Note	Audited Current Period 31 December 2010	"Restated" ^(*) Audited Prior Period 31 December 2009
I- Current Assets			
A- Cash and Cash Equivalents	14	382,316,698	583,896,839
1- Cash	14	30,839	15,606
2- Cheques Received	14		12,488
3- Banks	14	382,285,859	583,868,745
4- Cheques Given and Payment Orders			
5- Other Cash and Cash Equivalents			
B- Financial Assets and Financial Investments with Risks on Policyholders		495,359,682	510,592,376
1- Available-for-Sale Financial Assets	11	311,451,890	241,336,226
2- Held to Maturity Investments			
3- Financial Assets Held for Trading	11	183,907,792	269,256,150
4- Loans and Receivables			
5- Provision for Loans and Receivables			
6- Financial Investments with Risks on Life Insurance Policyholders			
7- Company's Own Equity Shares			
8- Diminution in Value of Financial Investments			
C- Receivables from Main Operations	12	201,650,432	184,002,086
1- Receivables from Insurance Operations			
2- Provision for Receivables from Insurance Operations			
3- Receivables from Reinsurance Operations	12	96,816,861	78,814,247
4- Provision for Receivables from Reinsurance Operations			
5- Cash Deposited to Insurance & Reinsurance Companies	12	104,833,571	105,187,839
6- Loans to the Policyholders			
7- Provision for Loans to the Policyholders			
8- Receivables from Private Pension Operations			
9- Doubtful Receivables from Main Operations			
10- Provision for Doubtful Receivables from Main Operations			
D- Due from Related Parties	12		2,311
1- Due from Shareholders			
2- Due from Associates			
3- Due from Subsidiaries			
4- Due from Joint Ventures			
5- Due from Personnel			
6- Due from Other Related Parties	12		2,311
7- Rediscount on Receivables from Related Parties			
8- Doubtful Receivables from Related Parties			
9- Provision for Doubtful Receivables from Related Parties			
E- Other Receivables	12	1,624,792	808,443
1- Finance Lease Receivables			
2- Unearned Finance Lease Interest Income			
3- Deposits and Guarantees Given		1,598,438	801,495
4- Other Miscellaneous Receivables		26,354	6,948
5- Rediscount on Other Miscellaneous Receivables			
6- Other Doubtful Receivables	12	16,621	
7- Provision for Other Doubtful Receivables	12	(16,621)	
F- Prepaid Expenses and Income Accruals		89,454,590	88,904,432
1- Prepaid Expenses	17	79,695,531	88,842,304
2- Accrued Interest and Rent Income			
3- Income Accruals		9,759,059	62,128
4- Other Prepaid Expenses and Income Accruals			
G- Other Current Assets		5,643,063	10,801,846
1- Stocks to be Used in the Following Months		25,966	23,317
2- Prepaid Taxes and Funds	12	5,340,746	9,726,181
3- Deferred Tax Assets			
4- Job Advances	12	1,952	235,081
5- Advances Given to Personnel	12	290	587,728
6- Inventory Count Differences			
7- Other Miscellaneous Current Assets		274,109	229,539
8- Provision for Other Current Assets			
I- Total Current Assets		1,176,049,257	1,379,008,333

^(*) Refer to note 2.1.6.

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

Unconsolidated Balance Sheet As At 31 December 2010
(Currency: Turkish Lira (TL))

ASSETS			
	Note	Audited Current Period 31 December 2010	"Restated" ⁽¹⁾ Audited Prior Period 31 December 2009
II- Non-Current Assets			
A- Receivables from Main Operations			
1- Receivables from Insurance Operations			
2- Provision for Receivables from Insurance Operations			
3- Receivables from Reinsurance Operations			
4- Provision for Receivables from Reinsurance Operations			
5- Cash Deposited for Insurance and Reinsurance Companies			
6- Loans to the Policyholders			
7- Provision for Loans to the Policyholders			
8- Receivables from Individual Pension Business			
9- Doubtful Receivables from Main Operations	4,2, 12	8,374,541	8,224,472
10- Provision for Doubtful Receivables from Main Operations	4,2, 12	(8,374,541)	(8,224,472)
B- Due from Related Parties			
1- Due from Shareholders			
2- Due from Associates			
3- Due from Subsidiaries			
4- Due from Joint Ventures			
5- Due from Personnel			
6- Due from Other Related Parties			
7- Rediscount on Receivables from Related Parties			
8- Doubtful Receivables from Related Parties			
9- Provision for Doubtful Receivables from Related Parties			
C- Other Receivables			
1- Finance Lease Receivables			
2- Unearned Finance Lease Interest Income			
3- Deposits and Guarantees Given			
4- Other Miscellaneous Receivables			
5- Rediscount on Other Miscellaneous Receivables			
6- Other Doubtful Receivables			
7- Provision for Other Doubtful Receivables			
D- Financial Assets	9	387,588,848	125,708,951
1- Investments in Equity Shares			
2- Investments in Associates	9		124,962,744
3- Capital Commitments to Associates			
4- Investments in Subsidiaries	9	387,588,848	746,207
5- Capital Commitments to Subsidiaries			
6- Investments in Joint Ventures			
7- Capital Commitments to Joint Ventures			
8- Financial Assets and Financial Investments with Risks on Policyholders			
9- Other Financial Assets			
10- Impairment in Value of Financial Assets			
E- Tangible Assets	6	47,311,213	48,524,588
1- Investment Properties	6, 7	41,342,839	41,342,839
2- Impairment for Investment Properties			
3- Owner Occupied Property	6	31,392,945	31,392,945
4- Machinery and Equipments			
5- Furniture and Fixtures	6	2,504,628	2,060,044
6- Motor Vehicles	6	1,008,696	766,102
7- Other Tangible Assets (Including Leasehold Improvements)			
8- Tangible Assets Acquired Through Finance Leases			
9- Accumulated Depreciation (-)	6	(28,937,895)	(27,037,342)
10- Advances Paid for Tangible Assets (Including Construction in Progress)			
F- Intangible Assets	8	862,835	882,261
1- Rights	8	1,776,173	1,419,973
2- Goodwill			
3- Pre-operating Expenses			
4- Research and Development Costs			
5- Other Intangible Assets			
6- Accumulated Amortization	8	(913,338)	(537,712)
7- Advances Paid for Intangible Assets			
G- Prepaid Expenses and Income Accruals		118,913	103,937
1- Prepaid Expenses			103,937
2- Income Accruals			
3- Other Prepaid Expenses and Income Accruals		118,913	
H- Other Non-Current Assets	21	9,337,784	8,467,791
1- Effective Foreign Currency Accounts			
2- Foreign Currency Accounts			
3- Stocks to be Used in the Following Years			
4- Prepaid Taxes and Funds			
5- Deferred Tax Assets	21	9,337,784	8,467,791
6- Other Miscellaneous Non-Current Assets			
7- Amortization on Other Non-Current Assets			
8- Provision for Other Non-Current Assets			
II- Total Non-Current Assets		445,219,593	183,687,528
TOTAL ASSETS		1,621,268,850	1,562,695,861

⁽¹⁾ Refer to note 2.1.6.

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

Unconsolidated Balance Sheet As At 31 December 2010
(Currency: Turkish Lira (TL))

LIABILITIES			
	Note	Audited Current Period 31 December 2010	"Restated" ⁽¹⁾ Audited Prior Period 31 December 2009
III- Short-Term Liabilities			
A- Financial Liabilities			
1- Borrowings from Financial Institutions			
2- Finance Lease Payables			
3- Deferred Leasing Costs			
4- Current Portion of Long Term Debts			
5- Principal Installments and Interests on Bonds Issued			
6- Other Financial Assets Issued			
7- Valuation Differences of Other Financial Assets Issued			
8- Other Financial Liabilities			
B- Payables Arising from Main Operations	19	35,594,545	68,264,672
1- Payables Arising from Insurance Operations			
2- Payables Arising from Reinsurance Operations		34,688,733	65,401,693
3- Cash Deposited by Insurance and Reinsurance Companies		905,812	2,862,979
4- Payables Arising from Pension Operations			
5- Payables Arising from Other Operations			
6- Discount on Payables from Other Operations			
C-Due to Related Parties	19	116,511	118,847
1- Due to Shareholders		58,777	86,198
2- Due to Associates			
3- Due to Subsidiaries			
4- Due to Joint Ventures			
5- Due to Personnel			
6- Due to Other Related Parties		57,734	32,649
D- Other Payables	19	289,641	131,130
1- Deposits and Guarantees Received			
2- Other Miscellaneous Payables	19	289,641	131,130
3- Discount on Other Miscellaneous Payables			
E-Insurance Technical Provisions	17	741,152,048	686,556,655
1- Reserve for Unearned Premiums - Net	17	336,774,163	350,345,835
2- Reserve for Unexpired Risks- Net	17	10,533,898	8,263,495
3- Life Mathematical Provisions - Net	17	1,192,786	840,988
4- Provision for Outstanding Claims - Net	17	392,651,201	327,106,337
5- Provision for Bonus and Discounts - Net			
6- Provisions for Policies Investment Risks of Which Belong to Life Insurance Policyholders - Net			
7- Other Technical Provisions - Net			
F- Provisions for Taxes and Other Similar Obligations	19	562,759	599,292
1- Taxes and Funds Payable		484,143	522,093
2- Social Security Premiums Payable		78,616	77,199
3- Overdue, Deferred or By Installment Taxes and Other Liabilities			
4- Other Taxes and Similar Payables			
5- Corporate Tax Payable	19	11,507,486	22,960,420
6- Prepaid Taxes and Other Liabilities Regarding Current Year Income	19	(11,507,486)	(22,960,420)
7- Provisions for Other Taxes and Similar Liabilities			
G- Provisions for Other Risks	23	2,759,998	1,429,191
1- Provision for Employee Termination Benefits			
2- Provision for Pension Fund Deficits			
3- Provisions for Costs	23	2,759,998	1,429,191
H- Deferred Income and Expense Accruals	19	1,072,979	965,983
1- Deferred Income	10, 19	718,698	718,390
2- Expense Accruals		354,281	247,593
3- Other Deferred Income and Expense Accruals			
I- Other Short Term Liabilities			
1- Deferred Tax Liabilities			
2- Inventory Count Differences			
3- Other Various Short Term Liabilities			
III - Total Short Term Liabilities		781,548,481	758,065,770

⁽¹⁾ Refer to note 2.1.6.

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

Unconsolidated Balance Sheet As At 31 December 2010
(Currency: Turkish Lira (TL))

LIABILITIES			
	Note	Audited Current Period 31 December 2010	"Restated" ⁽¹⁾ Audited Prior Period 31 December 2009
IV- Long-Term Liabilities			
A- Financial Liabilities			
1- Borrowings from Financial Institutions			
2- Finance Lease Payables			
3- Deferred Leasing Costs			
4- Bonds Issued			
5- Other Financial Assets Issued			
6- Valuation Differences of Other Financial Assets Issued			
7- Other Financial Liabilities			
B- Payables Arising from Operating Activities			
1- Payables Arising from Insurance Operations			
2- Payables Arising from Reinsurance Operations			
3- Cash Deposited by Insurance and Reinsurance Companies			
4- Payables Arising from Pension Operations			
5- Payables Arising from Other Operations			
6- Discount on Payables from Other Operations			
C- Due to Related Parties			
1- Due to Shareholders			
2- Due to Associates			
3- Due to Subsidiaries			
4- Due to Joint Ventures			
5- Due to Personnel			
6- Due to Other Related Parties			
D- Other Payables			
1- Deposits and Guarantees Received			
2- Other Miscellaneous Payables			
3- Discount on Other Miscellaneous Payables			
E-Insurance Technical Provisions	17	15,842,048	12,383,238
1- Reserve for Unearned Premiums - Net			
2- Reserve for Unexpired Risks- Net			
3- Life Mathematical Provisions - Net			
4- Provision for Outstanding Claims - Net			
5- Provision for Bonus and Discounts – Net			
6- Provisions for Policies Investment Risks of Which Belongs to Life Insurance Policyholders – Net			
7- Other Technical Provisions – Net	17	15,842,048	12,383,238
F-Other Liabilities and Relevant Accruals			
1- Other Liabilities			
2- Overdue, Deferred or By Installment Taxes and Other Liabilities			
3- Other Liabilities and Expense Accruals			
G- Provisions for Other Risks	23	25,110,687	23,406,772
1- Provisions for Employment Termination Benefits	23	4,337,432	3,990,182
2- Provisions for Pension Fund Deficits	22, 23	20,773,255	19,416,590
H-Deferred Income and Expense Accruals	19	78,024	66,012
1- Deferred Income			
2- Expense Accruals			
3- Other Deferred Income and Expense Accruals		78,024	66,012
I- Other Long Term Liabilities			
1- Deferred Tax Liabilities			
2- Other Long Term Liabilities			
IV - Total Long Term Liabilities		41,030,759	35,856,022

⁽¹⁾ Refer to note 2.1.6.

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

Unconsolidated Balance Sheet As At 31 December 2010
(Currency: Turkish Lira (TL))

EQUITY			
V- Equity	Note	Audited Current Period 31 December 2010	"Restated" ⁽¹⁾ Audited Prior Period 31 December 2009
A- Paid in Capital		525,000,000	385,000,000
1- (Nominal) Capital	2.13, 15	525,000,000	385,000,000
2- Unpaid Capital			
3- Positive Capital Restatement Differences			
4- Negative Capital Restatement Differences			
B- Capital Reserves	15	(357,479)	2,073,977
1- Share Premiums			
2- Cancellation Profits of Equity Shares			
3- Profit on Sale Assets That Will Be Transferred to Capital			
4- Currency Translation Adjustments	15	(357,479)	
5- Other Capital Reserves	15		2,073,977
C- Profit Reserves		215,985,403	300,233,817
1- Legal Reserves	15	42,856,487	30,583,364
2- Statutory Reserves	15	114,500,000	91,000,000
3- Extraordinary Reserves	15	4,124,316	3,372,423
4- Special Funds			
5- Revaluation of Financial Assets	11, 15	54,504,600	37,622,224
6- Other Profit Reserves	15		137,655,806
D- Retained Earnings		8,270,469	2,463,439
1- Retained Earnings		8,270,469	2,463,439
E- Accumulated Losses		(14,299,554)	(14,299,554)
1- Accumulated Losses		(14,299,554)	(14,299,554)
F-Net Profit/(Loss) for the Year		64,090,771	93,302,390
1- Net Profit for the Year		64,090,771	93,302,390
2- Net Loss for the Year			
V- Total Equity		798,689,610	768,774,069
TOTAL EQUITY AND LIABILITIES		1,621,268,850	1,562,695,861

⁽¹⁾ Refer to note 2.1.6.

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

Unconsolidated Statement of Income For the Year Ended 31 December 2010
(Currency: Turkish Lira (TL))

I-TECHNICAL SECTION	Note	Audited Current Period 31 December 2010	"Restated" ⁽¹⁾ Audited Prior Period 31 December 2009
A- Non-Life Technical Income		857,743,242	850,443,211
1- Earned Premiums (Net of Reinsurer Share)		770,144,841	754,285,363
1.1- Written Premiums (Net of Reinsurer Share)	17	756,169,542	746,892,747
1.1.1- Written Premiums, gross	17	837,494,731	811,408,148
1.1.2- Written Premiums, ceded	10, 17	(81,325,189)	(64,515,401)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17, 29	16,245,702	8,213,887
1.2.1- Reserve for Unearned Premiums, gross	17	16,016,992	10,560,400
1.2.2- Reserve for Unearned Premiums, ceded	10,17	228,710	(2,346,513)
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		(2,270,403)	(821,271)
1.3.1- Reserve for Unexpired Risks, gross		(2,363,248)	(821,271)
1.3.2- Reserve for Unexpired Risks, ceded		92,845	
2- Investment Income - Transferred from Non-Technical Section		73,126,412	77,311,712
3- Other Technical Income (Net of Reinsurer Share)		14,471,989	18,846,136
3.1- Other Technical Income, gross		14,471,989	18,846,136
3.2- Other Technical Income, ceded			
B- Non-Life Technical Expense		(836,575,324)	(837,890,030)
1- Incurred Losses (Net of Reinsurer Share)		(616,197,950)	(617,777,778)
1.1- Claims Paid (Net of Reinsurer Share)	17, 29	(552,958,160)	(575,343,633)
1.1.1- Claims Paid, gross	17	(613,238,153)	(616,436,533)
1.1.2- Claims Paid, ceded	10, 17	60,279,993	41,092,900
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17, 29	(63,239,790)	(42,434,145)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(15,634,564)	(88,795,678)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10, 17	(47,605,226)	46,361,533
2- Change in Provision for Bonus and Discounts (Net of Reinsurer and Less the Amounts Carried Forward)			
2.1- Provision for Bonus and Discounts, gross			
2.2- Provision for Bonus and Discounts, ceded			
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	(3,225,803)	(5,701,495)
4- Operating Expenses	32	(217,151,571)	(214,410,757)
C- Net Technical Income-Non-Life (A – B)		21,167,918	12,553,181
D- Life Technical Income		15,323,781	12,064,548
1- Earned Premiums (Net of Reinsurer Share)		14,301,819	11,824,394
1.1- Written Premiums (Net of Reinsurer Share)	17	16,975,849	11,424,961
1.1.1- Written Premiums, gross	17	17,808,180	12,214,317
1.1.2- Written Premiums, ceded	10, 17	(832,331)	(789,356)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17, 29	(2,674,030)	399,433
1.2.1- Reserve for Unearned Premiums, gross	17	(2,863,455)	330,152
1.2.2- Reserve for Unearned Premiums, ceded	10, 17	189,425	69,281
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)			
1.3.1- Reserve for Unexpired Risks, gross			
1.3.2- Reserve for Unexpired Risks, ceded			
2- Investment Income		981,000	120,398
3- Unrealized Gains on Investments			
4- Other Technical Income (Net of Reinsurer Share)		40,962	119,756

⁽¹⁾ Refer to note 2.1.6.

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

Unconsolidated Statement of Income For the Year Ended 31 December 2010
(Currency: Turkish Lira (TL))

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

⁽¹⁾ Refer to note 2.1.6.

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

Unconsolidated Statement of Income For the Year Ended 31 December 2010
(Currency: Turkish Lira (TL))

	Note	Audited Current Period 31 December 2010	"Restated" ⁽¹⁾ Audited Prior Period 31 December 2009
II-NON-TECHNICAL SECTION			
C- Net Technical Income – Non-Life (A-B)		21,167,918	12,553,181
F- Net Technical Income – Life (D-E)		456,342	2,145,047
I - Net Technical Income – Pension Business (G-H)			
J- Total Net Technical Income (C+F+I)		21,624,260	14,698,226
K- Investment Income	4.2	155,821,239	195,938,457
1- Income from Financial Assets	4.2	83,304,288	137,336,772
2- Income from Disposal of Financial Assets	4.2	34,127,461	14,919,922
3- Valuation of Financial Assets	4.2	(10,951,266)	(8,122,095)
4- Foreign Exchange Gains	4.2	13,194,409	12,568,296
5- Income from Associates	4.2	25,229,698	30,621,195
6- Income from Subsidiaries and Joint Ventures			
7- Income from Property, Plant and Equipment	7	7,994,312	7,140,357
8- Income from Derivative Transactions	4.2	2,922,337	1,412,383
9- Other Investments			61,627
10- Income Transferred from Life Section			
L- Investment Expense		(99,332,793)	(102,800,747)
1- Investment Management Expenses (inc. interest)		(2,318,291)	(7,601,717)
2- Diminution in Value of Investments			
3- Loss from Disposal of Financial Assets	4.2	(4,560,125)	(2,308,742)
4- Investment Income Transferred to Non-Life Technical Section		(73,126,412)	(77,311,712)
5- Loss from Derivative Transactions			
6- Foreign Exchange Losses	4.2	(12,267,278)	(13,323,043)
7- Depreciation and Amortization Expenses	6, 8	(2,267,924)	(2,255,533)
8- Other Investment Expenses		(4,792,763)	
M- Income and Expenses From Other and Extraordinary Operations		(2,514,449)	8,426,875
1- Provisions	47	(1,893,897)	(1,878,948)
2- Rediscounts	47	(1,066,442)	448,105
3- Specified Insurance Accounts			
4- Monetary Gains and Losses			
5- Deferred Taxation (Deferred Tax Assets)	35	1,519,439	10,310,509
6- Deferred Taxation (Deferred Tax Liabilities)	35	(1,480,917)	(774,460)
7- Other Income		452,611	594,207
8- Other Expenses and Losses		(45,243)	(272,538)
9- Prior Year's Income			
10- Prior Year's Expenses and Losses			
N- Net Profit for the Year		64,090,771	93,302,390
1- Profit for the Year		75,598,257	116,262,810
2- Corporate Tax Provision and Other Fiscal Liabilities	35	(11,507,486)	(22,960,420)
3- Net Profit for the Year		64,090,771	93,302,390
4- Monetary Gains and Losses			

⁽¹⁾ Refer to note 2.1.6.

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

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Statement of Changes in Equity For the Year Ended 31 December 2010 (Para Birimi: Türk Lirası (TL) olarak ifade edilmiştir.)

"Restated" ⁽¹⁾ Audited Changes in Equity – 31 December 2009				
	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets
I - Balance at the end of the previous year – 31 December 2008		385,000,000		(27,074,577)
II – Correction	2.1.6			5,713,530
III – Restated balances (I+II) – 31 December 2008		385,000,000		(21,361,047)
A- Capital increase (A1+A2)				
1- In cash				
2- From reserves				
B- Purchase of own shares				
C- Gains or losses that are not included in the statement of income				58,983,271
D- Change in the value of financial assets				
E- Currency translation adjustments				
F- Other gains or losses				
G- Inflation adjustment differences				
H- Net profit for the year				
I – Other reserves and transfers from retained earnings				
J- Dividends paid				
IV - Balance at the end of the year – 31 December 2009		385,000,000		37,622,224

Audited Changes in Equity – 31 December 2010				
	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets
I - Balance at the end of the previous year – 31 December 2009		385,000,000		42,359,636
II – Correction	2.1.6			(4,737,412)
III – Restated balances (I+II) – 31 December 2009		385,000,000		37,622,224
A- Capital increase (A1+A2)		140,000,000		
1- In cash				
2- From reserves		140,000,000		
B- Purchase of own shares				
C- Gains or losses that are not included in the statement of income				16,882,376
D- Change in the value of financial assets				
E- Currency translation adjustments				
F- Other gains or losses				
G- Inflation adjustment differences				
H- Net profit for the year				
I – Other reserves and transfers from retained earnings				
J- Dividends paid				
IV - Balance at the end of the year – 31 December 2010		525,000,000		54,504,600

⁽¹⁾ Refer to note 2.1.6.

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

Unconsolidated Statement of Changes in Equity For the Year Ended 31 December 2010
(Para Birimi: Türk Lirası (TL) olarak ifade edilmiştir.)

	Inflation Adjustment	Currency Translation Adjustment	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Year	Retained Earnings	Total
			23,591,597	82,500,000	137,925,333	131,666,783	(66,891,719)	666,717,417
							(11,836,115)	(6,122,585)
			23,591,597	82,500,000	137,925,333	131,666,783	(78,727,834)	660,594,832
								58,983,271
						93,302,390		93,302,390
			6,991,767	8,500,000	5,176,873	(86,666,783)	66,891,719	893,576
						(45,000,000)		(45,000,000)
			30,583,364	91,000,000	143,102,206	93,302,390	(11,836,115)	768,774,069

	Inflation Adjustment	Currency Translation Adjustment	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Year	Retained Earnings	Total
			30,583,364	91,000,000	143,102,206	88,924,641		780,969,847
						4,377,749	(11,836,115)	(12,195,778)
			30,583,364	91,000,000	143,102,206	93,302,390	(11,836,115)	768,774,069
					(140,000,000)			
					(140,000,000)			
								16,882,376
		(357,479)						(357,479)
						64,090,771		64,090,771
			12,273,123	23,500,000	1,022,110	(41,675,000)	5,807,030	927,263
						(51,627,390)		(51,627,390)
		(357,479)	42,856,487	114,500,000	4,124,316	64,090,771	(6,029,085)	798,689,610

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Statement of Cash Flows For the Year Ended 31 December 2010 (Currency: Turkish Lira (TL))

	Note	Audited Current Period 31 December 2010	"Restated" ⁽¹⁾ Audited Prior Period 31 December 2009
A. Cash flows from operating activities			
1. Cash provided from insurance activities			
2. Cash provided from reinsurance activities		913,302,705	208,214,386
3. Cash provided from private pension business			
4. Cash used in insurance activities (-)			
5. Cash used in reinsurance activities (-)		761,169,939	199,158,475
6. Cash used in private pension business (-)			
7. Cash provided from operating activities		152,132,766	9,055,911
8. Interest paid (-)			
9. Income taxes paid (-)		7,122,050	
10. Other cash inflows		4,378,781	
11. Other cash outflows (-)		266,988,103	69,311,450
12. Net cash provided from operating activities		(117,598,606)	(60,255,539)
B. Cash flows from investing activities			
1. Proceeds from disposal of tangible assets			64,500
2. Acquisition of tangible assets (-)	6, 8	1,031,006	969,624
3. Acquisition of financial assets (-) ^(**)	9, 11	740,425,313	10,794,299
4. Proceeds from disposal of financial assets		579,914,368	43,787,404
5. Interests received		81,270,335	153,638,639
6. Dividends received		7,577,830	12,381,687
7. Other cash inflows		66,750,961	9,810,840
8. Other cash outflows (-)		23,936,146	10,249,644
9. Net cash provided by / (used in) investing activities		(29,878,971)	197,669,503
C. Cash flows from financing activities			
1. Equity shares issued			
2. Cash provided from loans and borrowings			
3. Finance lease payments (-)			
4. Dividends paid (-)		51,627,390	45,000,000
5. Other cash inflows			
6. Other cash outflows (-)			
7. Net cash provided by financing activities		(51,627,390)	(45,000,000)
D. Effect of exchange rate fluctuations on cash and cash equivalents		569,651	(876,373)
E. Net increase / (decrease) in cash and cash equivalents		(198,535,316)	91,537,591
F. Cash and cash equivalents at the beginning of the year	14	578,795,061	487,257,470
G. Cash and cash equivalents at the end of the year	14	380,259,745	578,795,061

⁽¹⁾ Refer to note 2.1.6.

^(**) Acquisition of financial assets amounting to TL 740,425,313 includes acquisition of financial assets amounting to TL 491,715,159 (Note 11) and acquisition of subsidiaries amounting to TL 248,710,154 (Note 9).

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

Unconsolidated Statement of Profit Distribution For the Year Ended 31 December 2010
(Currency: Turkish Lira (TL))

	Note	Current Period 31 December 2010 (*)	Prior Period 31 December 2009 (**)
I. DISTRIBUTION OF THE PERIOD PROFIT			
1.1. PERIOD PROFIT (*)	35	75,598,257	111,885,061
1.2. TAXES AND DUTIES PAYABLE	35	11,507,486	22,960,420
1.2.1. Corporate Tax (Income Tax)		11,507,486	22,960,420
1.2.2. Income Tax Deductions			
1.2.3. Other Taxes and Legal Duties			
A. CURRENT PERIOD PROFIT (1.1 – 1.2)		64,090,771	88,924,641
1.3. ACCUMULATED LOSSES (-)		(6,029,085)	
1.4. FIRST LEGAL RESERVES (-)		(5,806,169)	(8,892,464)
1.5. OTHER STATUTORY RESERVES (-)			
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A - (1.3 + 1.4 + 1.5)]		52,255,517	80,032,177
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)			(8,892,464)
1.6.1. To owners of ordinary shares			(8,892,464)
1.6.2. To owners of privileged shares			
1.6.3. To owners of redeemed shares			
1.6.4. To holders profit sharing bonds			
1.6.5. To holders of profit and loss sharing certificates			
1.7. DIVIDENDS TO PERSONNEL (-)			(1,429,190)
1.8. DIVIDENDS TO FOUNDERS (-)			(1,667,390)
1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)			
1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)			(41,067,536)
1.10.1. To owners of ordinary shares			(41,067,536)
1.10.2. To owners of privileged shares			
1.10.3. To owners of redeemed shares			
1.10.4. To holders profit sharing bonds			
1.10.5. To holders of profit and loss sharing certificates			
1.11. LEGAL RESERVES (-)			(3,380,659)
1.12. STATUTORY RESERVES(-)			(23,500,000)
1.13. EXTRAORDINARY RESERVES			
1.14 OTHER RESERVES			94,937
1.15 SPECIAL FUNDS			
II. DISTRIBUTION OF RESERVES			
2.1. APPROPRIATED RESERVES			
2.2. SECOND LEGAL RESERVES (-)			
2.3. DIVIDENDS TO SHAREHOLDERS (-)			
2.3.1. To owners of ordinary shares			
2.3.2. To owners of privileged shares			
2.3.3. To owners of redeemed shares			
2.3.4. To holders of profit sharing bonds			
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		64,090,771	88,924,641
3.2. TO OWNERS OF ORDINARY SHARES (%)		12.2078	23.0973
3.3. TO OWNERS OF PRIVILEGED SHARES			
3.4. TO OWNERS OF PRIVILEGED SHARES (%)			
IV. DIVIDEND PER SHARE			
4.1. TO OWNERS OF ORDINARY SHARES			49,960,000
4.2. TO OWNERS OF ORDINARY SHARES (%)			12.9766
4.3. TO OWNERS OF PRIVILEGED SHARES			
4.4. TO OWNERS OF PRIVILEGED SHARES (%)			

(*) Since the Board of Directors has not made any decision regarding profit distribution for the year 2010, only distributable net profit is presented in the profit distribution table above.

(**) Refer to note 2.1.6.

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

1 General information

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

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

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

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

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

1.3 Business of the Company

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

1.4 Description of the main operations of the Company

The Company conducts its operations in accordance with the Insurance Law No.5684 (the "Insurance Law") issued in 14 June 2007 dated and 26552 numbered Official Gazette and the communiqués and other regulations in force issued by the Turkish Treasury based on the Insurance Law.

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

- providing life and non-life reinsurance and other related products and services in all insurance branches and sub-branches to Turkish and foreign insurance companies;
- managing and participating in reinsurance operations of Pools,
- purchasing, selling, constructing and renting real estates,
- purchasing debt instruments and shares issued by all sorts of commercial, industrial and financial institutions and government agencies as well as providing capital or participating in the establishment of such institutions to provide a consistent, secure and adequate financial income,
- providing loans by obtaining real estates as collateral,

In addition to these, carrying out other operations upon recommendation by the Board of Directors and resolution of the General Meeting which are deemed to be beneficial and material for the Company and are not prohibited by the law.

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

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

	31 December 2010	31 December 2009
Senior managers	6	6
Managers	24	24
Officers	115	117
Contracted personnel	12	12
Other personnel	52	51
Total	209	210

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2010
(Currency: Turkish Lira (TL))

1.6 Wages and similar benefits provided to the senior management

For the year ended 31 December 2010, wages and similar benefits provided to the senior management including chairman, members of the board of the directors, general manager, general coordinator, and deputy general managers is amounting to TL 3,684,876 (31 December 2009: TL 3,412,734).

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

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

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

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

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

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

The accompanying financial statements comprise only the unconsolidated financial information of the Company. As further discussed in note 2.2 - *Consolidation*, the Company has prepared consolidated financial statements as at 31 December 2010 separately.

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

Trade name of the Company	: Millî Reasürans Türk Anonim Şirketi
Registered address of the head office	: Maçka Cad. No:35 34367 Şişli/İstanbul
The web page of the Company	: www.millire.com

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

1.10 Subsequent events

There has been no change in the Company's operations, documentation and records or policies after the reporting date.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

The Company maintains its books of account and prepares its financial statements in accordance with the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS"), and other accounting and financial reporting principles, statements and guidance (collectively "the Reporting Standards") in accordance with the "Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies" as promulgated by the Turkish Treasury based on Article 18 of the Insurance Law and Article 11 of the Individual Pension Law.

Notes to the Unconsolidated Financial Statements As at 31 December 2010
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In Article 4 of the related communiqué; it is stated that procedures and principles related to accounting of insurance contracts, subsidiaries, associates and joint ventures and presentation of unconsolidated and consolidated financial statements together with their explanatory notes which will be announced to the public will be determined by the further communiqués of the Turkish Treasury.

Although the 4th standard of the Turkish Accounting Standards Board ("TASB") for the '*Insurance contracts*' became effective on 25 March 2006 for the accounting periods that begin on or after 31 December 2005, it is stated that TFRS 4 will not be implemented at this stage since the second phase of the International Accounting Standards Board project about the insurance contracts has not been completed yet. In this context, "Communiqué on Technical Reserves for Insurance, Reinsurance and Individual Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") is published in the Official Gazette dated 7 August 2007, numbered 26606 and became effective on 1 January 2008. Subsequent to the publication of the Communiqué on Technical Reserves, some other circulars and sector announcements which contain explanations and regulations related to application of the Communiqué on Technical Reserves are published. Accounting policies applied for the insurance contracts based on these communiqué, circulars and other sector announcements are summarized on their own captions in the following sections.

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

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

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

Additional paragraph for convenience translation to English

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

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

Accounting in hyperinflationary countries

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

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

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Other accounting policies

The Company recorded premiums, commissions and claims accruals based on the notifications sent by the insurance and reinsurance companies after the closing of their balances. Premiums, commissions and claims accruals are recorded in the accompanying financial statements with the three-month delay. Therefore, related income statement balances include last quarter results for the year ended 31 December 2009 and nine-month results as at and for the period ended 30 September 2010 and accordingly related balance sheet balances as at 31 December 2010 do not reflect the actual position. According to the letter dated 31 August 2010 and numbered B.02.1.HZN.O.10.03.01/42139 sent by the Turkish Treasury to the Company, it is stated that account statements sent by the ceding companies are subject to possible delays and the Turkish Treasury is considered special situations of the reinsurance companies in their regulations.

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

2.1.3 Functional and presentation currency

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

2.1.4 Rounding scale of the amounts presented in the financial statements

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

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

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

2.1.6 Accounting policies, changes in accounting estimates and errors

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

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

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

Notes to the Unconsolidated Financial Statements As at 31 December 2010
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The effects of the corrections over the net profit for the year, revaluation of financial assets and prior year losses are as follows as at 31 December 2009:

	31 December 2009			
	Net profit for the year	Revaluation of financial assets	Prior year losses	Total equity effect
As previously reported:	88,924,641	42,359,636	-	780,969,847
TAS 29 – Calculation of accumulated depreciation for tangible assets according to inflation accounting	-	-	(14,299,554)	(14,299,554)
TAS 39 – Correction of valuation of financial assets	2,047,565	(3,470,494)	1,967,496	544,567
TAS 12 – Correction of deferred corporate tax on financial assets	3,759,375	(1,266,918)	495,943	2,988,400
TAS 19 – Employee benefits	(1,429,191)	-	-	(1,429,191)
Total effects of the corrections	4,377,749	(4,737,412)	(11,836,115)	(12,195,778)
As restated	93,302,390	37,622,224	(11,836,115)	768,774,069

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

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

2.2 Consolidation

"Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance and Individual Pension Companies" issued by the Turkish Treasury in the Official Gazette dated 31 December 2008 and numbered 21097 ("the Circular for Consolidation") requires that insurance, reinsurance and individual pension companies issue consolidated financial statements starting from 31 March 2009.

In this context, Company's associate; Anadolu Anonim Türk Sigorta Şirketi ("Anadolu Sigorta") has been consolidated in the consolidated financial statements that are prepared separately.

In this context, financial statements of Anadolu Anonim Türk Sigorta Şirketi ("Anadolu Sigorta") that is the Company's subsidiary, consolidated by the equity method, furthermore, the consolidated financial statements are prepared.

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

In the 12 August 2008 dated and 2008/36 numbered "Sector Announcement Related to the Accounting of Subsidiaries, Associates and Joint Ventures in the Stand Alone Financial Statements of Insurance, Reinsurance and Individual Pension Companies" of the Turkish Treasury, it is stated that although insurance, reinsurance and individual pension companies are exempted from TAS 27 – *Consolidated and Separate Financial Statements*, subsidiaries, associates and joint-ventures could be accounted in accordance with TAS 39 – *Financial Instruments: Recognition and Measurement* or at cost in accordance with the 37th paragraph of TAS 27 – *Consolidated and Separate Financial Statements*. Parallel to the related sector announcements mentioned above, as at the reporting date the Company has accounted for its associate at fair value based on quoted market price.

2.3 Segment reporting

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

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2.4 Foreign currency transactions

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

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

2.5 Tangible assets

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

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

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

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

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

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

Tangible assets	Estimated useful lives (years)	Depreciation rates (%)
Buildings	50	2.0
Machinery and equipment	3 – 15	6.7 – 33.1
Vehicles	5	20.0
Other tangible assets (includes leasehold improvements)	5	20.0

2.6 Investment property

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

Investment properties are measured initially at cost including transaction costs.

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

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

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

2.7 Intangible assets

The Company's intangible assets consist of computer software.

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

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

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

2.8 Financial assets

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

Securities are recognized and derecognized at the date of settlement.

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

Financial assets at fair value through profit or loss are presented as financial assets held for trading in the accompanying financial statements and trading securities and derivatives are included in this category. Financial assets at fair value through profit or loss measured at their fair values and gain/loss arising due to changes in the fair values of related financial assets are recorded in the statement of income. Interest income earned on trading purpose financial assets and the difference between their fair values and acquisition costs are recorded as interest income in the statement of income. In case of disposal of such financial assets before their maturities, the gains/losses on such disposal are recorded under trading income/losses. Accounting policies of derivatives are detailed in note 2.10 – *Derivative financial instruments*.

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

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

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

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

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

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Subsidiaries are the entities that the Company has the power to govern the financial and operating policies of those so as to obtain benefits from its activities. Subsidiaries, traded in an active market or whose fair value can be reliably measured, are recorded at their fair values. Subsidiaries that are not traded in an active market and whose fair value cannot be reliably set are reflected in financial statements at their costs after deducting impairment losses, if any.

2.9 Impairment on asset

Impairment on financial assets

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

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

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

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

Impairment on tangible and intangible assets

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

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

2.10 Derivative Financial Instruments

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

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

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

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

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2.11 Offsetting of financial assets

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

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

2.12 Cash and cash equivalents

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

2.13 Capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group by having 76.64% of the outstanding shares of the Company.

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

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

Sources of the capital increases during the year

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

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

There is no capital increase in the previous year.

Privileges on common shares representing share capital

There are no privileges on common shares representing share capital.

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

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Registered capital system in the Company

None.

Repurchased own shares by the Company

None.

2.14 Insurance and investment contracts - classification

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

Investment contracts are those contracts which transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided, that it is not specific to a party to the contract, in the case of a non-financial variable.

The 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.

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

2.15 Insurance contracts and investment contracts with discretionary participation feature

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

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

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

2.16 Investment contracts with DPF

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

2.17 Liabilities

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

2.18 Income taxes

Corporate tax

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

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

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods. As at 31 December 2010 and 2009, the Company does not have any deductible tax losses.

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

Deferred tax

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

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

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

Transfer pricing

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

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

2.19 Employee benefits

Pension and other post-retirement obligations

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

Employees of the Company are the members of "Millî Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı ("Millî Reasürans Pension Fund") which is established in accordance with the temporary Article 20 of the Social Security Act No: 506.

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

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

Employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2010 is TL 2,517 (31 December 2009: TL 2,365).

The Company accounted for employee severance indemnities using actuarial method in compliance with the TAS 19 – *Employee Benefits*. The major actuarial assumptions used in the calculation of the total liability as at 31 December 2010 and 2009 are as follows:

	31 December 2010	31 December 2009
Discount rate	4.66%	5.92%
Expected rate of salary/limit increase	5.10%	4.80%
Estimated employee turnover rate	1.90%	0.99%

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

Other benefits

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

2.20 Provisions

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

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

2.21 Revenue recognition

Written premiums

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

Claims paid

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

Commission income and expenses

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

Interest income and expenses

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

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

Trading income/expense

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

Dividends

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

2.22 Leasing transaction

As at the reporting date, there is no financial lease contract of the Company.

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

2.23 Dividend distribution

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

2.24 Reserve for unearned premiums

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

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

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

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

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

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

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

2.25 Provision for outstanding claims

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

In accordance with the "Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") which was issued in 27655 numbered and 28 July 2010 dated Official Gazette according to the Communiqué on Technical Reserves, all expenses related to the claim files including calculated or expected expertise, consultant, lawsuit and communication expenses in the calculation of provision for outstanding claims. In these calculations salvage and subrogation income are not considered.

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

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

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Actuarial chain ladder method ("ACML") calculation is announced by the Turkish Treasury by "Circular on Actuarial Chain Ladder Method (2010/12)" dated 20 September 2010. There are five methods in the actuarial chain ladder: Standard Chain Ladder, Claim/Premium, Cape Cod, Frequency/Volume and Munich Chain Method. The methods selected for each branch is provided in the following section. The Company has not performed ig claim elimination by Box Plox method.

Branches	31 December 2010
Fire and natural disasters	Standard Chain Ladder (Except 2009 Marmara Flood)
General losses	Munich Chain Ladder
General liability	Standard Chain Ladder
Third party liability for motor vehicles (MTPL)	Standard Chain Ladder
Transportation	Standard Chain Ladder
Water vehicles	Standard Chain Ladder
Transportation vehicles (land)	Standard Chain Ladder
Accident	Standard Chain Ladder
Health	Standard Chain Ladder
Transportation vehicles (rail)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2010)
Air crafts	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2010)
Third party liability (water)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2010)
Third party liability (air)	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2010)
Breach of trust	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2010)
Financial losses	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2010)
Legal protection	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2010)
Credit	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2010)
Life	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2010)

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

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

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

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

In accordance with the temporary articles of the Communiqué on Technical Reserves, companies may use at least 80% and 90% of the result of the IBNR calculated by ACML method or test IBNR for 2010 and 2011, respectively. 100% should be accounted in the financial statements as at 2012 although early implementation of 100% is permitted. As at the reporting date, as a result of actuarial chain ladder method; the Company recorded 80% of additional provision amounting to TL 10,490,219 (31 December 2009: TL 14,122,044) as provision for outstanding claims.

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2.26 Mathematical provisions

In accordance with the Communiqué on Technical Reserves, companies operating in life and non-life insurance branches are obliged to allocate adequate mathematical reserves based on actuarial basis to meet liabilities against policyholders and beneficiaries for long-term life, health and personal accident insurance contracts. Actuarial mathematical provisions, according to formulas and basis in approved technical basis of tariffs for over one year-length life insurance, are calculated by determining the difference between present value of liabilities that the Company meets in future and current value of premiums paid by policyholder in future (prospective method).

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

2.27 Reserve for unexpired risk

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

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

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

As at the reporting date, the Company has provided net reserve for unexpired risk amounting to TL 10,533,898 in the accompanying unconsolidated financial statements (31 December 2009: TL 8,263,495).

2.28 Equalization provision

In accordance with the Communiqué on Technical Reserves put into effect starting from 1 January 2008, the companies should provide equalization provision in credit insurance and earthquake branches to equalize the fluctuations in future possible claims and for catastrophic risks. Equalization provision, started to be provided in 2008, is calculated as 12% of net premiums written in credit insurance and earthquake branches. In the calculation of net premiums, fees paid for non-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms. The companies should provide equalization provision up to reaching 150% of the highest premium amount written in a year within the last five years. In case where claims incurred, the amounts below exemption limits as stated in the contracts and the share of the reinsurance firms cannot be deducted from equalization provisions. Claims payments are deducted from first year's equalization provisions by first in first out method.

With the Communiqué released on 28 July 2010 and numbered 27655 "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves", ceded premiums of earthquake and credit for non-proportional reinsurance contracts covered multiple branches should be calculated according to percentage of premiums of those branches within the total premiums unless the Company is determined any other methods. Share of earthquake and credit premium of written premiums for non-proportional reinsurance contracts is based on share of earthquake and credit premiums of proportional reinsurance contracts. In accordance with the Communiqué on Technical Reserves, the Company considers 11% of net death premium (including damage payments) as earthquake premium and 12% of that amount is calculated as equalization provision since the Company not having sufficient data for calculation. After five financial years, in case that provision amount is less than previous year amount depending on written premiums, the difference is recognized in other profit reserves under equity. This amount recorded in equity can either be kept under reserves or can also be used in capital increase or paying claims.

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

2.29 Related parties

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

2.30 Earning per share

Earnings per share presented in the income statement is calculated by dividing the net profit into the weighted average number of the outstanding shares throughout the financial year. Companies in Turkey can increase their capital by distributing "bonus shares" to shareholders from the prior years' profit. Such "bonus share" distributions are considered as issued shares in the earnings per share calculations.

2.31 Subsequent events

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

2.32 New standards and interpretations not yet adopted

There are a number of new standards, updates related to the existing standards and interpretations which are not adopted in the preparation of the accompanying financial statements and have not yet entered into force for the accounting period 31 December 2010. These new standards are not expected to have any impact on the financial statements of the Company, with the exception of IFRS 9 – *Financial instruments*, which is published by the Turkish Accounting Standards Board on Official Gazette dated 27 April 2010 and numbered 27564.

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

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

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

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

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

3 Critical accounting estimates and judgments in applying accounting policies

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

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

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

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

Note 2.24 – Reserve for unearned premiums

Note 2.25 – Provision for outstanding claims

Note 2.26 – Mathematical provisions

Note 2.27 – Reserve for unexpired risks

Note 2.28 – Equalization provision

Note 4.1 – Management of insurance risk

Note 4.2 – Financial risk management

Note 6 – Tangible assets

Note 7 – Investment properties

Note 8 – Intangible assets

Note 9 – Investments in subsidiaries

Note 10 – Reinsurance assets/liabilities

Note 11 – Financial assets

Note 12 – Loans and receivables

Note 14 – Cash and cash equivalents

Note 17 – Insurance liabilities and reinsurance assets

Note 17 – Deferred acquisition costs

Note 19 – Trade and other payables, deferred income

Note 21 – Deferred income taxes

Note 23 – Provisions for other liabilities and charges

4 Management of insurance and financial risk

4.1 Management of insurance risk

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

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

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

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

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

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

Sensitivity to insurance risk

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

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

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Insurance risk concentrations

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

Branches	31 December 2010		
	Gross total claims liability (*)	Reinsurance share of total claims liability	Net total claims liability
Fire and natural disasters	163,076,127	(55,445,604)	107,630,523
Motor vehicles	132,673,114	(6,135)	132,666,979
Health	127,002,922	(2,180)	127,000,742
General losses	81,656,841	(2,219,900)	79,436,941
Motor vehicles liability (MTPL)	64,236,364	(100,272)	64,136,092
Water vehicles	20,635,832	(1,173,208)	19,462,624
Transportation	11,369,446	(645,740)	10,723,706
Life	7,247,252	(1,740,931)	5,506,321
General responsibility	6,065,338	(454,687)	5,610,651
Accident	5,332,773	(62,511)	5,270,262
Financial losses	622,435	(169,332)	453,103
Air crafts	277,605	-	277,605
Breach of trust	157,872	(48)	157,824
Credit	121,830	-	121,830
Legal protection	7,826	(375)	7,451
Water vehicles liability	1,828	-	1,828
Total	620,485,405	(62,020,923)	558,464,482

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

(*) Total claims liability includes outstanding claims reserve (paid).

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

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

4.2 Management of financial risk

Introduction and overview

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

- credit risk
- liquidity risk
- market risk

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

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

Credit Risk

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

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

Doubtful receivables are monitored quarterly.

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

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

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

	31 December 2010	31 December 2009
Cash and cash equivalents (Note 14)	382,285,859	583,881,233
Financial assets and financial investments with risks on policyholders (Note 11)	407,237,821	462,960,607
Receivables from main operations (Note 12)	201,650,432	184,002,086
Reinsurer share in provision for outstanding claims (Note 10), (Note 17)	33,260,864	80,867,401
Prepaid taxes and funds (Note 12)	5,340,746	9,726,181
Other receivables (Note 12)	1,624,792	808,443
Income accruals	9,759,059	62,128
Other current asset (Note 12)	2,242	822,809
Due from related parties (Note 12)	-	2,311
Total	1,041,161,815	1,323,133,199

(*) Equity shares amounting to TL 88,121,861 are not included (31 December 2009: TL 47,631,769).

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

	31 December 2010		31 December 2009	
	Gross amount	Provision	Gross amount	Provision
Not past due	80,153,485	-	2,372,245	-
Past due 0-30 days	97,575,123	-	175,718,671	-
Past due 31-60 days	3,706,115	-	2,018,797	-
Past due 61-90 days	2,811,224	-	-	-
More than 90 days	25,779,026	(8,374,541)	12,116,845	(8,224,472)
Total	210,024,973	(8,374,541)	192,226,558	(8,224,472)

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

	31 December 2010	31 December 2009
Provision for receivables from insurance operations at the beginning of the year	8,224,472	9,423,967
Collections during the period	(23,292)	(344,058)
Impairment losses provided during the period (Note 47)	173,361	(855,437)
Provision for receivables from insurance operations at the end of the year	8,374,541	8,224,472

Liquidity risk

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

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

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

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

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

Management of the liquidity risk

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

Maturity distribution of monetary assets and liabilities:

31 December 2010	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Cash and cash equivalents	382,316,698	335,359,291	26,748,732	10,478,298	9,730,377	-
Financial assets (*)	407,237,821	14,669,731	-	7,889,161	30,725,798	353,953,131
Receivables from main operations	201,650,432	156,283,485	3,032,545	3,164,993	39,169,409	-
Due from related parties	-	-	-	-	-	-
Other receivables and current assets	6,967,780	5,340,746	2,242	-	1,624,792	-
Total monetary assets	998,172,731	511,653,253	29,783,519	21,532,452	81,250,376	353,953,131
Payables arising from main operations	35,594,545	35,536,469	58,075	-	-	-
Due to related parties	116,511	116,511	-	-	-	-
Other liabilities	289,641	289,641	-	-	-	-
Insurance technical provisions (**)	392,651,201	392,651,201	-	-	-	-
Provisions for other risks and expense accruals	27,870,685	-	698,317	2,061,681	-	25,110,687
Total monetary liabilities	456,522,583	428,593,822	756,392	2,061,681	-	25,110,687

(*) Equity shares amounting to TL 88,121,861 are not included.

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

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

(*) Equity shares amounting to TL 47,631,769 are not included.

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

Market risk

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

Foreign currency risk

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

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

Notes to the Unconsolidated Financial Statements As at 31 December 2010
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The Company's exposure to foreign currency risk is as follows:

31 December 2010	US Dollar	Euro	Other currencies	Total
<i>Assets:</i>				
Cash and cash equivalents	48,158,088	24,140,565	8,192,211	80,490,864
Financial assets and financial investments with risks on policyholders	25,266,911	14,122,462	-	39,389,373
Receivables from main operations	47,636,127	53,320,662	78,180,401	179,137,190
Total foreign currency assets	121,061,126	91,583,689	86,372,612	299,017,427
<i>Liabilities:</i>				
Payables arising from main operations	(4,457,040)	(5,432,606)	(310)	(9,889,956)
Insurance technical provisions	(54,975,645)	(62,359,340)	(20,508,482)	(137,843,467)
Total foreign currency liabilities	(59,432,685)	(67,791,946)	(20,508,792)	(147,733,423)
Net on-balance sheet position	61,628,441	23,791,743	65,863,820	151,284,004
<hr/>				
31 December 2009	US Dollar	Euro	Other currencies	Total
<i>Assets:</i>				
Cash and cash equivalents	34,968,666	25,987,765	12,787,377	73,743,808
Financial assets and financial investments with risks on policyholders	19,527,359	5,051,107	-	24,578,466
Receivables from main operations	50,381,626	51,511,752	79,205,174	181,098,552
Total foreign currency assets	104,877,651	82,550,624	91,992,551	279,420,826
<i>Liabilities:</i>				
Payables arising from main operations	(8,235,171)	(10,983,319)	(72,940)	(19,291,430)
Insurance technical provisions	(35,103,711)	(54,556,863)	(10,816,505)	(100,477,079)
Total foreign currency liabilities	(43,338,882)	(65,540,182)	(10,889,445)	(119,768,509)
Net on-balance sheet position	61,538,769	17,010,442	81,103,106	159,652,317

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

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

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Foreign currency rates used for the translation of foreign currency denominated monetary assets and liabilities as at reporting dates are as follows:

	At the end of the period		Average	
	US Dollar	Euro	US Dollar	Euro
31 December 2010	1.5460	2.0491	1.5001	1.9987
31 December 2009	1.5057	2.1603	1.5540	2.1508

Exposure to foreign currency risk

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

	31 December 2010		31 December 2009	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	3,665,383	6,162,844	4,201,141	6,153,877
Euro	996,998	2,379,174	1,195,934	1,701,044
Others	6,597,059	6,586,382	8,110,311	8,110,311
Total, net	11,259,440	15,128,400	13,507,386	15,965,232

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

Exposure to interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands.

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

	31 December 2010	31 December 2009
<i>Financial assets with fixed interest rates:</i>	671,062,097	884,919,918
Cash at banks (Note 14)	378,635,000	581,148,015
Available for sale financial assets – Government bonds – TL (Note 11)	192,182,585	142,360,122
Financial assets held for trading – Government bonds– TL (Note 11)	70,481,015	136,833,315
Financial assets held for trading – Eurobonds (Note 11)	21,874,336	16,665,711
Financial assets held for trading – Government bonds – FC (Note 11)	7,889,161	7,912,755
<i>Financial assets with variable interest rate:</i>	104,637,579	138,019,594
Financial assets held for trading – Government bonds– TL (Note 11)	35,857,204	72,309,928
Available for sale financial assets – Government bonds – TL (Note 11)	61,873,242	65,709,666
Financial assets held for trading – Private sector bonds – TL (Not 11)	6,907,133	-
<i>Financial liabilities:</i>	None.	None.

Interest rate sensitivity of the financial instruments

Interest rate sensitivity of the statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the net interest income as at and for 31 December 2010 and 2009 of the floating rate non-trading financial assets and financial liabilities held at 31 December 2010 and 2009. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

31 December 2010	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets held for trading	(1,030,147)	1,061,371	(1,030,147)	1,061,371
Available for sale financial assets	-	-	(6,720,312)	7,041,522
Total, net	(1,030,147)	1,061,371	(7,750,459)	8,102,893

31 December 2009	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets held for trading	(4,321,270)	4,522,359	(4,321,270)	4,522,359
Available for sale financial assets	-	-	(1,226,620)	1,251,781
Total, net	(4,321,270)	4,522,359	(5,547,890)	5,774,140

Fair value information

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

The Company has classified its financial assets as whether held for trading purpose or available for sale. As at the reporting date, available for sale financial assets and financial assets held for trading are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying unconsolidated financial statements.

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

Classification relevant to fair value information

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

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

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

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

Classification requires the utilization of observable market data, if available.

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

	31 December 2010			Total
	Level 1	Level 2	Level 3	
<i>Financial assets:</i>				
Financial assets held for trading (Note 11)	183,907,792	-	-	183,907,792
Available for sale financial assets ^(*) (Note 11)	306,985,725	-	-	306,985,724
Subsidiaries (Note 9) ^(**)	386,842,641	-	-	386,842,641
Total financial assets	877,736,158	-	-	877,736,157

(*) As at 31 December 2010, securities that are not publicly traded amounting to TL 4,466,166 have been measured at cost.

(**) As at 31 December 2010, subsidiaries that are not publicly traded amounting to TL 746,207 have been measured at cost.

	31 December 2009			Total
	Level 1	Level 2	Level 3	
<i>Financial assets:</i>				
Financial assets held for trading (Note 11)	269,256,150	-	-	269,256,150
Available for sale financial assets ^(*) (Note 11)	236,699,995	-	-	236,699,995
Subsidiaries (Note 9)	124,962,744	-	-	124,962,744
Total financial assets	630,918,889	-	-	630,918,889

(*) As at 31 December 2010, securities that are not publicly traded amounting to TL 4,436,231 have been measured at cost.

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Gain and losses from financial assets

<i>Gains and losses recognized in the statement of income:</i>	31 December 2010	31 December 2009
Income from subsidiaries	25,229,698	30,621,195
Interest income from bank deposits	44,245,050	50,943,015
Interest income from debt securities classified as available-for-sale financial assets	38,709,017	15,594,554
Interest income from debt securities classified as held for trading financial assets	14,700,096	35,167,524
Foreign exchange gains	13,194,409	12,568,296
Income from equity shares	6,171,276	12,982,334
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (<i>Note 15</i>)	6,494,858	3,406,413
Gain from investment funds	2,348,405	1,374,452
Interest income from repos	306,639	14,917,914
Income from derivative transactions	2,922,337	1,412,383
Investment income	154,321,785	178,988,080
Foreign exchange losses	(12,267,278)	(13,323,043)
Loss from disposal of financial assets	(4,560,125)	(2,308,742)
Investment expenses	(16,827,403)	(15,631,785)
Investment income, net	137,494,382	163,356,295
<i>Gains and losses recognized in the statement of equity, net:</i>	31 December 2010	31 December 2009
Fair value changes in available for sale financial assets (<i>Note 15</i>)	23,186,347	68,952,119
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (<i>Note 15</i>)	(6,494,858)	(3,406,413)
Total	16,691,489	65,545,706

Capital management

The Company's capital management policies include the following:

- To comply with the insurance capital requirements required by the Turkish Treasury
- To safeguard the Company's ability to continue as a going concern

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

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5 Segment reporting

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

Business segment

The Company operates in life and non-life branches and detailed information for business segments has been presented in the accompanying unconsolidated statement of income.

Geographical segment

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

6 Tangible assets

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

	1 January 2010	Additions	Foreign currency translation effect ^(*)	Disposals	31 December 2010
Cost:					
Investment properties (Note 7)	41,342,839	-	-	-	41,342,839
Owner occupied properties	31,392,945	-	-	-	31,392,945
Furniture and fixtures	2,060,044	460,090	4,697	(20,203)	2,504,628
Motor vehicles	766,102	239,176	3,418	-	1,008,696
	75,561,930	699,266	8,115	(20,203)	76,249,108
Accumulated depreciation:					
Investment properties (Note 7)	15,404,423	826,854	-	-	16,231,277
Owner occupied properties	10,054,341	627,861	-	-	10,682,202
Furniture and fixtures	1,425,425	297,333	4,502	(20,203)	1,707,057
Motor vehicles	153,153	162,173	2,033	-	317,359
	27,037,342	1,914,221	6,535	(20,203)	28,937,895
Carrying amounts	48,524,588				47,311,213

^(*) Foreign currency translation effect resulted from Singapore Branch.

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

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

^(*) Foreign currency translation effect resulted from Singapore Branch.

Notes to the Unconsolidated Financial Statements As at 31 December 2010
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There is not any change in depreciation method in the current period.

There is not any revaluation on tangible assets.

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

7 Investment properties

As at 31 December 2010, inflation adjusted cost and carrying amounts of the Company's investment properties are amounting to TL 41,342,839 (31 December 2009: TL 41,342,839) and TL 25,111,562 (31 December 2009: TL 25,938,416), respectively.

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

	31 December 2010 Carrying amount	31 December 2009 Carrying amount	Date of expertise report	Value of expertise report
Villa Office Block	815,333	852,323	31 December 2010	12,708,120
Suadiye Fitness Center	4,355,487	4,530,899	31 December 2010	10,327,280
Tunaman Garage	1,894,248	1,961,503	31 December 2010	40,898,742
Operating Center Rental Offices	18,046,494	18,593,691	31 December 2010	54,321,071
Carrying amounts	25,111,562	25,938,416		118,255,213

For the year ended 31 December 2010, the Company has rental income from investment properties amounting to TL 7,994,312 (31 December 2009: TL 7,140,357)

8 Intangible assets

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

	1 January 2009	Additions	Foreign currency translation effects (*)	Disposal	31 December 2009
Cost:					
Other intangible assets	1,419,973	331,740	24,460	-	1,776,173
	1,419,973	331,740	24,460	-	1,776,173
Accumulated amortization:					
Other intangible assets	537,712	353,703	21,923	-	913,338
	537,712	353,703	21,923	-	913,338
Carrying amounts	882,261				862,835

(*) Foreign currency translation effect resulted from Singapore Branch.

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

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

(*) Foreign currency translation effect resulted from Singapore Branch.

9 Investments in associates

	31 December 2010		31 December 2009	
	Carrying value	Participation rate %	Carrying value	Participation rate %
Anadolu Sigorta	-	-	124,962,744	21.78
Associates, net	-		124,962,744	
Anadolu Sigorta	386,842,641	57.31	-	-
Miltaş Turizm İnşaat Ticaret Anonim Şirketi	746,207	77.00	746,207	77.00
Subsidiaries, net	387,588,848		746,207	
Financial asset total	387,588,848		125,708,951	

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the year	Audited	Period
Subsidiaries:						
Miltaş Turizm İnşaat Ticaret AŞ	3,783,115	3,503,806	1,896	6,108	No	31 December 2010
Anadolu Sigorta (*)	1,664,298,863	634,407,000	6,874,276	6,605,535	No	30 September 2010

(*) As at 30 September 2010, consolidated financial information of Anadolu Sigorta has been presented.

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

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As per the resolution of General Assembly held on 9 March 2010, nominal statutory share capital of Anadolu Sigorta increased from TL 425,000,000 to TL 500,000,000 by TL 75,000,000 through TL 8,281,202 as transfer from statutory reserves, TL 51,846,111 from other reserves and TL 14,872,687 from previous year profit. The registration of the increase in paid-in capital was completed on 23 June 2010. The Company obtained bonus shares amounting to TL 16,334,999 per its share of 21.78%.

10 Reinsurance asset and liabilities

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

Reinsurance assets	31 December 2010	31 December 2009
Cash deposited to reinsurance companies	51,116,491	68,612,412
Provision for outstanding claims, ceded (Note 4.2), (Note 17)	33,260,864	80,867,401
Receivables from reinsurance companies (Note 12)	14,597,773	18,539,696
Reserve for unearned premiums, ceded (Note 17)	3,434,329	3,016,194
Total	102,409,457	171,035,703

There are no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	31 December 2010	31 December 2009
Deferred commission income (Note 19)	718,698	718,390
Total	718,698	718,390

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

	31 December 2010	31 December 2009
Premiums ceded during the period (Note 17)	(82,157,520)	(65,304,757)
Reserve for unearned premiums, ceded at the beginning of the period (Note 17)	(3,016,194)	(5,293,426)
Reserve for unearned premiums, ceded at the end of the period (Note 17)	3,434,329	3,016,194
Premiums earned, ceded (Note 17)	(81,739,385)	(67,581,989)
Claims paid, ceded during the period (Note 17)	62,020,923	41,223,130
Provision for outstanding claims, ceded at the beginning of the period (Note 17)	(80,867,401)	(34,404,320)
Provision for outstanding claims, ceded at the end of the period (Note 17)	33,260,864	80,867,401
Claims incurred, ceded (Note 17)	14,414,386	87,686,211
Commission income accrued from reinsurers during the period (Note 32)	1,741,160	1,761,109
Deferred commission income at the beginning of the period (Note 19)	718,390	802,814
Deferred commission income at the end of the period (Note 19)	(718,698)	(718,390)
Commission income earned from reinsurers (Note 32)	1,740,852	1,845,533
Total, net	(65,584,147)	21,949,755

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11 Financial assets

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

	31 December 2010	31 December 2009
Financial assets held for trading	183,907,792	269,256,150
Available for sale financial assets	311,451,890	241,336,226
Total	495,359,682	510,592,376

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

	31 December 2010			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds – TL	110,707,726	103,355,705	106,338,219	106,338,219
Government bonds – FC	5,000,000	5,926,077	7,889,161	7,889,161
Private sector bonds - TL	6,594,588	6,646,173	6,907,133	6,907,133
Eurobonds issued by Turkish Government	12,050,000	19,572,107	21,874,336	21,874,336
	134,352,314	135,500,062	143,008,849	143,008,849
<i>Non-fixed income financial assets:</i>				
Equity shares		31,334,638	30,725,798	30,725,798
Investment funds and TurkDEX-ISE 30 Index future contracts		8,305,389	10,173,145	10,173,145
		39,640,027	40,898,943	40,898,943
Total financial assets held for trading		175,140,089	183,907,792	183,907,792
	31 December 2009			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds – TL	209,347,600	194,301,077	209,143,243	209,143,243
Government bonds – FC	7,528,500	5,926,077	7,912,755	7,912,755
Eurobonds issued by Turkish Government	13,661,963	15,025,456	16,665,711	16,665,711
	230,538,063	215,252,610	233,721,709	233,721,709
<i>Non-fixed income financial assets:</i>				
Equity shares		11,381,166	14,365,331	14,365,331
Investment funds and TurkDEX-ISE 30 Index future contracts		19,542,710	21,169,110	21,169,110
		30,923,876	35,534,441	35,534,441
Total financial assets held for trading		246,176,486	269,256,150	269,256,150

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

	31 December 2010			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds – TL	205,092,254	215,289,270	254,055,827	254,055,827
	205,092,254	215,289,270	254,055,827	254,055,827
<i>Non-fixed income financial assets:</i>				
Equity shares	23,961,351	30,711,786	57,396,063	57,396,063
	23,961,351	30,711,786	57,396,063	57,396,063
Total available-for-sale financial assets	229,053,605	246,001,056	311,451,890	311,451,890
	31 December 2009			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds – TL	178,788,768	186,646,122	208,069,788	208,069,788
	178,788,768	186,646,122	208,069,788	208,069,788
<i>Non-fixed income financial assets:</i>				
Equity shares	16,781,763	19,765,506	33,266,438	33,266,438
	16,781,763	19,765,506	33,266,438	33,266,438
Total available-for-sale financial assets	195,570,531	206,411,628	241,336,226	241,336,226

All debt instruments presented above are traded in the capital markets. As at 31 December 2010, equity shares classified as available for sale financial assets with a carrying amount of TL 4,466,166 are not publicly traded (31 December 2009: TL 4,436,231).

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

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

Value increases in financial assets including equity shares classified as available for sale financial assets and subsidiaries for the last 3 years (including tax effects):

Year	Change in value increase / (decrease)	Total increase / (decrease) in value
2010	16,882,376	54,504,600
2009	58,983,271	37,622,224
2008	(68,843,068)	(21,361,047)

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Details of the financial assets issued by related parties of the Company's are as follows:

		31 December 2010		
	Company	Number	Cost	Carrying value
Financial assets held for trading – Investment fund	Turkifund SICAV	90,131	7,743,600	9,625,876
Financial assets held for trading – Investment fund	İş Bankası - B Type Affiliate Fund	5,042	561,789	561,789
Total			8,305,389	10,187,665
		31 December 2009		
	Company	Number	Cost	Carrying value
Financial assets held for trading – Investment fund	İş Bankası - B Type 100% Capital Protected 6th Sub-category Umbrella Fund	199,997,000	1,999,970	2,009,770
Financial assets held for trading – Investment fund	İş Bankası - B Type 100% Capital Guaranteed 1st Sub-category Umbrella Fund	305,878,000	3,058,780	3,069,486
Financial assets held for trading – Investment fund	İş Bankası - B Type Affiliate Fund	248,335	4,999,967	5,441,654
Financial assets held for trading – Investment fund	İş Yatırım Floating Arbitrage Investment Fund	600,000,000	7,227,440	7,546,200
Financial assets held for trading – Investment fund	İş Yatırım iBoxx Turkey Index Investment Fund	220,000	2,256,553	3,102,000
Total			19,542,710	21,169,110

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

		31 December 2010		
		Trading	Available-for-Sale	Total
Balance at the beginning of the period		269,256,150	241,336,226	510,592,376
Unrealized exchange differences on financial assets		3,138,465	-	3,138,465
Acquisitions during the period		395,747,032	95,968,127	491,715,159
Disposals (sale and redemption)		(466,347,340)	(56,553,751)	(522,901,091)
Change in the fair value of financial assets		(17,993,133)	13,104,789	(4,888,344)
Change in amortized cost of the financial assets		-	16,386,248	16,386,248
Bonus shares acquired		106,618	1,210,251	1,316,869
Balance at the beginning of the period		183,907,792	311,451,890	495,359,682

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12 Loans and receivables

	31 December 2010	31 December 2009
Receivables from main operations (Note 4.2)	201,650,432	184,002,086
Prepaid taxes and funds (Note 4.2), (Note 19)	5,340,746	9,726,181
Other receivables (Note 4.2)	1,624,792	808,443
Due from related parties (Note 4.2)	-	2,311
Other current asset	2,242	822,809
Total	208,618,212	195,361,830
Short-term receivables	208,618,212	195,361,830
Medium and long-term receivables	-	-
Total	208,618,212	195,361,830

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

	31 December 2010	31 December 2009
Receivables from agencies, brokers and intermediaries	50,862,064	48,771,319
Receivables from insurance companies	31,357,024	11,503,232
Receivables from reinsurance companies	14,597,773	18,539,696
Total receivables from insurance operations, net	96,816,861	78,814,247
Cash deposited to insurance and reinsurance companies	104,833,571	105,187,839
Doubtful receivables from main operations	8,374,541	8,224,472
Provision for doubtful receivables from main operations (-)	(8,374,541)	(8,224,472)
Receivables from main operations	201,650,432	184,002,086

As at 31 December 2010 and 2009, mortgages and collaterals obtained for receivables are disclosed as follows:

	31 December 2010	31 December 2009
Letters of guarantees	2,230,138	2,012,000
Mortgage notes	2,041	2,041
Other guarantees	2,000	2,000
Total	2,234,179	2,016,041

Provisions for overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TL 8,374,541 for main operations (31 December 2009: TL 8,224,472) and TL 16,621 (31 December 2009: None) for other receivables.

b) Provision for premium receivables (due): None (31 December 2009: None)

The Company's receivables from and payables to shareholders, associates and subsidiaries are detailed in note 45 – *Related party transactions*.

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

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13 Derivative financial assets

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

14 Cash and cash equivalents

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

	31 December 2010		31 December 2009	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	30,839	15,606	15,606	13,542
Bank deposits	382,285,859	583,868,745	583,868,745	489,456,111
Cheques received	-	12,488	12,488	6,555
Cash and cash equivalents in the balance sheet	382,316,698	583,896,839	583,896,839	489,476,208
Bank deposits – blocked	23,000	23,000	23,000	500
Interest accruals on bank deposits	2,033,953	5,078,778	5,078,778	2,218,238
Cash and cash equivalents presented in the statement of cash flows	380,259,745	578,795,061	578,795,061	487,257,470

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

	31 December 2010	31 December 2009
Foreign currency denominated bank deposits		
- time deposits	76,839,562	71,020,658
- demand deposits	3,646,781	2,718,756
Bank deposits in Turkish Lira		
- time deposits	301,795,438	510,127,357
- demand deposits	4,078	1,974
Cash at banks	382,285,859	583,868,745

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15 Equity

Paid in Capital

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

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

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

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

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

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

Legal reserves

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

The movements of legal reserves are as follows:

	31 December 2010	31 December 2009
Legal reserves at the beginning of the period	30,583,364	23,591,597
Transfer from 2009/2008 profit	12,273,123	6,991,767
Legal reserves at the end of the period	42,856,487	30,583,364

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As at 31 December 2010 and 2009; the details of "Other Reserves and Retained Earnings" are as follows:

	31 December 2010	31 December 2009
Extraordinary reserves	4,124,316	3,372,423
Other capital reserves	-	2,073,977
Other profit reserves	-	137,655,806
Total	4,124,316	143,102,206

Extraordinary Reserves

The movement of extraordinary reserves is as follows:

	31 December 2010	31 December 2009
Extraordinary reserves at the beginning of the period	3,372,423	-
Transfer to share capital in 2009	(270,217)	-
Transfer from 2009/2008 profit	94,938	3,372,423
Other	927,172	-
Extraordinary reserves at the end of the period	4,124,316	3,372,423

Other profit reserves

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

Accordingly, the Company initially transferred total provisions amounting to TL 137,655,806, including earthquake provisions reserved as at 31 December 2006 and related gains obtained from investment of this amount, to the reserve accounts under equity. Full amount is used for capital increase in 2010 (Note 2.13).

Other capital reserves

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

Statutory Reserves

After the allocation of first legal reserves and first dividend to shareholders, reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly. As at 31 December 2010, total amount of statutory reserves allocated as mentioned method is TL 91,000,000 and the Company allocated TL 23,500,000 (31 December 2008: TL 8,500,000) to natural disasters and catastrophe reserve from the profit of 2009 (Note 38).

Foreign currency translation differences

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

Valuation of financial assets

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

	31 December 2010	31 December 2009
Fair value reserves at the beginning of the period	37,622,224	(21,361,047)
Change in the fair value during the period	23,186,347	68,952,119
Deferred tax effect	(1,108,084)	(7,243,718)
Net gains transferred to the statement of income	(6,494,858)	(3,406,413)
Deferred tax effect	1,298,971	681,283
Fair value reserves at the end of the period	54,504,600	37,622,224

16 Other Reserves and equity component of DPF

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

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

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17 Insurance contract liabilities and reinsurance assets

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

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

	31 December 2010	31 December 2009
Reserve for unearned premiums, gross	340,208,492	353,362,029
Reserve for unearned premiums, ceded (Note 10)	(3,434,329)	(3,016,194)
Reserves for unearned premiums, net	336,774,163	350,345,835
Provision for outstanding claims, gross	425,912,065	407,973,738
Provision for outstanding claims, ceded (Note 10)	(33,260,864)	(80,867,401)
Provision for outstanding claims, net	392,651,201	327,106,337
Reserve for unexpired risks, net	10,533,898	8,263,495
Equalization provision, net	15,842,048	12,383,238
Life mathematical provisions	1,192,786	840,988
Total technical provisions, net	756,994,096	698,939,893
Short-term	741,152,048	686,556,655
Medium and long-term	15,842,048	12,383,238
Total technical provisions, net	756,994,096	698,939,893

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

Reserve for unearned premiums	31 December 2010		
	Gross	Ceded	Net
Reserve for unearned premiums at the beginning of the period	353,362,029	(3,016,194)	350,345,835
Premiums written during the period	855,302,911	(82,157,520)	773,145,391
Premiums earned during the period	(868,456,448)	81,739,385	(786,717,063)
Reserve for unearned premiums at the end of the period	340,208,492	(3,434,329)	336,774,163

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

Provision for outstanding claims	31 December 2010		
	Gross	Ceded	Net
Provision for outstanding claims at the beginning of the period	407,973,738	(80,867,401)	327,106,337
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	638,423,732	(14,414,386)	624,009,346
Claims paid during the period	(620,485,405)	62,020,923	(558,464,482)
Provision for outstanding claims at the end of the period	425,912,065	(33,260,864)	392,651,201

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

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

The Company, being a reinsurance company, has no obligation of providing guarantees.

Total amount of insurance risk on a branch basis

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

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

None.

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

None.

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

None.

Pension investment funds established by the Company and their unit prices

None.

Number and amount of participation certificates in portfolio and circulation

None.

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

None.

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

None.

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

None.

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

None.

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

None.

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

None.

Profit share distribution rate of life insurances

None.

Deferred commission expenses

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

	31 December 2010	31 December 2009
Deferred commission expenses at the beginning of the period	88,842,304	93,017,473
Commissions accrued during the period (Note 32)	165,496,797	180,402,824
Commissions expensed during the period (Note 32)	(174,643,570)	(184,577,993)
Deferred commission expenses at the end of the period	79,695,531	88,842,304

18 Investment contract liabilities

None.

19 Trade and other payables and deferred income

	31 December 2010	31 December 2009
Payables arising from reinsurance operations	35,594,545	68,264,672
Short/long term deferred income and expense accruals	1,151,003	1,031,995
Taxes and other liabilities and similar obligations	562,759	599,292
Other payables	289,641	131,130
Due to related parties	116,511	118,847
Total	37,714,459	70,145,936
Short-term liabilities	37,636,435	70,079,924
Long-term liabilities	78,024	66,012
Total	37,714,459	70,145,936

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As at 31 December 2010 and 2009, other payables consist of outsourced benefits and services.

Short/long term deferred income and expense accruals include deferred commission income (Note 10) amounting to TL 718,698 (31 December 2009: TL 718,390).

Corporate tax liabilities and prepaid taxes are disclosed below:

	31 December 2010	31 December 2009
Corporate tax liabilities	11,507,486	22,960,420
Taxes paid during the year	(16,848,232)	(32,686,601)
Corporate tax liabilities / (assets), net (Note 12)	(5,340,746)	(9,726,181)

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

None.

20 Financial liabilities

None (31 December 2009: None).

21 Deferred Taxes

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

	31 December 2010	31 December 2009
	Deferred tax assets / (liabilities)	Deferred tax assets / (liabilities)
Provision for the pension fund deficits	4,154,651	3,636,520
Valuation differences in subsidiaries	(435,447)	(1,266,918)
Additional provisions for outstanding claims through actuarial chain ladder method	2,098,044	2,824,409
Reserve for unexpired risks	2,106,780	1,652,699
Equalization provision	2,529,295	1,343,418
Provisions for employee termination benefits and unused vacations	867,486	798,036
Commission accrual	(1,951,812)	-
Difference in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(186,498)	(175,353)
Valuation differences in financial assets	155,285	(308,518)
Performance fee	-	(36,502)
Deferred tax assets, net	9,337,784	8,467,791

22 Retirement benefit obligations

Employees of the Company are the members of "Millî Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı ("Millî Reasürans Pension Fund") which is established in accordance with the temporary Article 20 of the Social Security Act No: 506.

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

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

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

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

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

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

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

23 Provision for other liabilities and charges

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

	31 December 2010	31 December 2009
Provision for employee bonus	698,317	-
Provision for dividends paid to employees	2,061,681	1,429,191
Provision for costs	2,759,998	1,429,191
Provision for pension fund deficits (Note 22)	20,773,255	19,416,590
Provision for employee termination benefits	4,337,432	3,990,182
Total provision for other risks	27,870,685	24,835,963

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

	31 December 2010	31 December 2009
Provision at the beginning of the period	3,990,182	3,469,366
Interest cost (Note 47)	683,943	217,248
Service cost (Note 47)	234,885	707,152
Payments during the period (Note 47)	(545,182)	(403,584)
Actuarial differences (Note 47)	(26,396)	-
Provision at the end of the period	4,337,432	3,990,182

24 Net insurance premium

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

25 Fee revenue

None.

26 Investment income

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

27 Net income accrual on financial assets

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

28 Asset held at fair value through profit or loss

Presented in "Note 4.2 – Financial Risk Management".

29 Insurance rights and claims

	31 December 2010		31 December 2009	
	Life	Non-Life	Life	Non-Life
Claims paid, net off reinsurers' share	(5,506,322)	(552,958,160)	(3,491,548)	(575,343,633)
Changes in provision for outstanding claims, net off reinsurers' share	(2,305,074)	(63,239,790)	3,228	(42,434,145)
Changes in reserve for unearned premium, net off reinsurers' share	(2,674,030)	16,245,702	399,433	8,213,887
Change in equalization provision	(233,007)	(3,225,803)	(164,223)	(5,701,495)
Change in life mathematical provisions, net off reinsurers' share	(351,797)	-	32,524	-
Total	(11,070,230)	(603,178,051)	(3,220,586)	(615,265,386)

30 Investment contract benefits

None.

31 Other expenses

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

32 Operating expenses

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

	31 December 2010	31 December 2009
Commission expenses (Note 17)	174,643,570	184,577,993
<i>Commissions to the intermediaries accrued during the period (Note 17)</i>	<i>165,496,797</i>	<i>180,402,824</i>
<i>Changes in deferred commission expenses (Note 17)</i>	<i>9,146,773</i>	<i>4,175,169</i>
Employee benefit expenses (Note 33)	27,508,792	21,963,625
Administration expenses	6,422,184	4,653,703
Commission income from reinsurers (Note 10)	(1,740,852)	(1,845,533)
<i>Commission income from reinsurers accrued during the period (Note 10)</i>	<i>(1,741,160)</i>	<i>(1,761,109)</i>
<i>Change in deferred commission income (Note 10)</i>	<i>308</i>	<i>(84,424)</i>
Foreign exchange gains and losses	12,504,024	4,643,566
Outsourced benefits and services	304,846	484,475
Other	3,980,246	6,232,412
Total	223,622,810	220,710,241

33 Employee benefit expenses

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

	31 December 2010	31 December 2009
Wages and salaries	20,974,260	16,029,465
Employer's share in social security premiums	3,760,452	3,511,252
Pension fund benefits	2,774,080	2,422,908
Total (Note 32)	27,508,792	21,963,625

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34 Financial costs

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

35 Income tax expense

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

	31 December 2010	31 December 2009
Corporate tax expense:		
Corporate tax provision	(11,507,486)	(22,960,420)
Deferred taxes:		
Origination and reversal of temporary differences	38,522	9,536,049
Total income tax expense	(11,468,964)	(13,424,371)

A reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the year ended 31 December 2010 and 2009 is as follows:

	31 December 2010		31 December 2009	
	75,559,735	Tax rate (%)	106,726,761	Tax rate (%)
Profit before taxes				
Taxes on income per statutory tax rate	15,111,947	20.00	21,345,352	20.00
Tax exempt income	(5,038,489)	(6.67)	(9,651,842)	(9.04)
Non-deductible expenses	1,395,506	1.85	1,730,861	1.62
Total tax expense recognized in profit or loss	11,468,964	15.18	13,424,371	12.58

36 Net foreign exchange gains

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

37 Earnings per share

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

	31 December 2010	31 December 2009
Net profit for the period	64,090,771	93,302,390
Weighted average number of shares (*)	47,833,333,333	47,833,333,333
Earnings per share (TL)	0.00133988	0.00195057

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

38 Dividends per share

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

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

- 10% of legal reserve,
- 10% of first dividend to shareholders,
- Reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly,

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- After the allocation of first legal reserves, first dividend to shareholders and statutory reserves, 3.5% of the remaining amount is distributed to the Founder Shares and up to 3% of the remaining amount not exceeding three-wages is distributed to personnel, based on the suggestion of the Board of Directors and decision of the General Assembly.

- After the allocation of above mentioned reserves and dividends, second dividend to shareholders might be allocated, based on the suggestion of the Board of Directors and decision of the General Assembly.

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

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

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

39 Cash generated from operations

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

40 Convertible bonds

None.

41 Redeemable preference shares

None.

42 Risks

As at 31 December 2010, total amount of ongoing suits filed against to the Company are TL 151,000 (31 December 2009: TL 55,399).

43 Commitments

In the normal course of its operations, the Company provides guarantee to ceding companies in the non-life branch as a reinsurance company and transfers insurance risks through treaties, facultative reinsurance contracts and coinsurance agreements to reinsurance and coinsurance companies.

The future aggregate minimum lease payments under operating leases for properties rented for use are as follows:

TL commitments	31 December 2010	31 December 2009
Within one year	175,094	400,367
Between two to five years	160,503	-
More than 5 years	-	-
Total of minimum rent payments	335,597	400,367

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44 Business combinations

None.

45 Related party transactions

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

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

	31 December 2010	31 December 2009
Axa Sigorta AŞ	4,515,213	70,460
Ergo Sigorta AŞ	2,667,904	18,101
Anadolu Sigorta	1,016,961	77,955
Allianz Sigorta AŞ	354,821	1,838,905
Anadolu Hayat Emeklilik AŞ	109,042	36,181
İstanbul Umum Sigorta AŞ	62,101	65,876
AvivaSa Emeklilik AŞ	-	71,914
Receivables from main operations	8,726,042	2,179,392
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	1,230,022	8,668,984
Groupama Sigorta AŞ	617,450	-
AvivaSa Emeklilik AŞ	121,275	-
Axa Sigorta AŞ	54,410	65,463
İstanbul Umum Sigorta AŞ	43,874	51,219
Allianz Sigorta AŞ	42,118	-
Ergo Sigorta AŞ	-	4,931,042
Groupama Sigorta AŞ	-	1,761,635
Anadolu Sigorta	-	2,744,002
Payables from main operations	2,109,149	18,222,345

No guarantees have been taken against receivables from related parties.

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

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

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

	31 December 2010	31 December 2009
Anadolu Sigorta	79,355,427	74,351,826
Ergo Sigorta AŞ	45,056,043	40,272,580
Allianz Sigorta AŞ	26,491,982	53,773,843
Axa Sigorta AŞ	15,582,588	16,890,675
Groupama Sigorta AŞ	6,328,165	9,700,709
Anadolu Hayat Emeklilik AŞ	621,888	456,976
AvivaSa Emeklilik AŞ	467,232	580,592
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	112,663	9,234,124
Premiums received	174,015,988	205,261,325
Anadolu Sigorta	100,587	369,585
Ergo Sigorta AŞ	61,885	274,186
Groupama Sigorta AŞ	27,165	63,548
Axa Sigorta AŞ	15,014	33,657
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	5,050	11,571
İstanbul Umum Sigorta AŞ	5	26
Allianz Sigorta AŞ	(4)	27
Premiums ceded	209,702	752,600
Anadolu Sigorta	59,170	39,502
Groupama Sigorta AŞ	24,779	750
Ergo Sigorta AŞ	18,758	35,760
Axa Sigorta AŞ	10,858	802
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	4,570	(198)
Allianz Sigorta A.Ş.	(1)	(1)
İstanbul Umum Sigorta A.Ş.	-	(2)
Commissions received	118,134	76,613
Anadolu Sigorta	16,098,066	15,656,481
Ergo Sigorta AŞ	7,914,157	6,190,583
Allianz Sigorta AŞ	6,340,757	13,590,078
Axa Sigorta AŞ	4,978,843	3,220,403
Groupama Sigorta AŞ	1,700,148	525,659
Anadolu Hayat Emeklilik AŞ	135,917	133,200
AvivaSa Emeklilik AŞ	39,543	880,653
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	17,941	1,867,411
Commissions given	37,225,372	42,064,468

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	31 December 2010	31 December 2009
Anadolu Sigorta	49,481,003	53,967,052
Allianz Sigorta AŞ	30,188,363	33,217,811
Ergo Sigorta AŞ	37,179,390	41,116,867
Groupama Sigorta AŞ	6,599,074	15,182,213
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	3,439,890	17,056,761
Axa Sigorta AŞ	5,668,168	9,883,924
Anadolu Hayat Emeklilik AŞ	1,711,429	-
AvivaSa Emeklilik AŞ	556,196	79,365
Claims paid	134,823,513	170,503,993
Anadolu Sigorta	735,454	891,065
Ergo Sigorta AŞ	320,626	404,715
Groupama Sigorta AŞ	317,883	360,937
Axa Sigorta AŞ	200,940	186,474
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	90,435	81,820
İstanbul Umum Sigorta AŞ	11,577	8,862
Allianz Sigorta AŞ	9,648	7,037
Reinsurance's share of claims paid	1,686,563	1,940,910

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	31 December 2010	31 December 2009
Ergo Sigorta AŞ	479,476	88,403
Allianz Sigorta AŞ	151,837	271,745
Anadolu Sigorta	141,065	(145,765)
Axa Sigorta AŞ	57,287	66,987
Groupama Sigorta AŞ	10,347	61,814
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	8,305	51,717
İstanbul Umum Sigorta AŞ	2,769	1,576
AvivaSa Emeklilik AŞ	623	989
Anadolu Hayat Emeklilik AŞ	(90)	22,657
Other income	851,619	420,123
Anadolu Sigorta	237,419	119,071
Ergo Sigorta AŞ	224,382	88,490
Allianz Sigorta AŞ	174,173	273,868
Groupama Sigorta AŞ	133,696	139,960
Axa Sigorta AŞ	44,708	28,604
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	3,125	9,436
AvivaSa Emeklilik AŞ	768	2,009
Anadolu Hayat Emeklilik AŞ	698	18,103
İstanbul Umum Sigorta AŞ	570	3,695
Other expenses	819,539	683,236

46 Subsequent events

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

47 Other

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

They are presented in the related notes above.

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

None.

Subrogation recorded in "Off-Balance Sheet Accounts"

None.

Real rights on immovable and their values

None.

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

None

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

	31 December 2010	31 December 2009
Provision for pension fund deficits	(1,356,665)	(1,233,990)
Provision expenses for doubtful receivables (*)	(189,982)	25,750
Provision for employee termination benefits	(347,250)	(670,708)
Provision for dividend paid to employees	-	-
Provision expenses	(1,893,897)	(1,878,948)

(*) Provision expense stems from provision expense on doubtful receivables from main operations amounting to TL 173,361 and provision expense on doubtful receivables from other receivables amounting to TL 16,621.

	31 December 2010	31 December 2009
Rediscount income / (expense) from insurance receivables	(723,671)	423,395
Rediscount income / (expense) due to reinsurance payables	(342,771)	24,710
Total of rediscounts	(1,066,442)	448,105

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