KPMG

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

Millî Reasürans Türk Anonim Şirketi

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

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

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik Anonim Şirketi

21 February 2011

This report includes 2 pages of independent auditors' report and 70 pages of financial information together with their explanatory notes.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
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Convenience Translation of the Independent Auditors' Report Originally Prepared and Issued in Turkish (See *Note 2.1.1*)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Milli Reasürans Türk Anonim 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.

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MİLLÎ REASÜRANS TÜRK ANONİM ŞİRKETİ
UNCONSALIDATED 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.

İstanbul, 21 February 2011

Şule SOYLU	Kemal ÇUHACI	Semra ANIL	Hasan Hulki YALÇIN
Accounting Manager	Group Manager	Assistant General Manager	General Manager

Ertan TAN	Erdal AKGÜL	Engin EKŞİ
Actuary	Statutory Auditor	Statutory Auditor

(Currency: Turkish Lira (TL))

ASSETS			
I- Current Assets	**Note**	**Audited Current Period 31 December 2010**	**"Restated"(*) Audited Prior Period 31 December 2009**
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	**11**	**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		16,621	-
7- Provision for Other Doubtful Receivables		(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.

(Currency: Turkish Lira (TL))

ASSETS			
II- Non-Current Assets	**Note**	**Audited Current Period 31 December 2010**	**"Restated"(*) Audited Prior Period 31 December 2009**
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		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortization	8	(913,338)	(537,712)
8- 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**

(*) Refer to note 2.1.6.

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

(Currency: Turkish Lira (TL))

LIABILITIES			
III- Short-Term Liabilities	**Note**	**Audited Current Period 31 December 2010**	**"Restated"(*) Audited Prior Period 31 December 2009**
A- Financial Liabilities		**-**	**-**
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables		-	-
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**

(*) Refer to note 2.1.6.

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

(Currency: Turkish Lira (TL))

LIABILITIES			
IV- Long-Term Liabilities	**Note**	**Audited Current Period 31 December 2010**	**"Restated"(*) Audited Prior Period 31 December 2009**
A- Financial Liabilities		**-**	**-**
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Leasing Costs		-	-
4- Bonds Issued		-	-
5- Other Financial Assets Issued		-	-
6- Valuation Differences of Other Financial Assets Issued		-	-
7- Other Financial Liabilities		-	-
B- Payables Arising from Operating Activities		**-**	**-**
1- Payables Arising from Insurance Operations		-	-
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Pension Operations		-	-
5- Payables Arising from Other Operations		-	-
6- Discount on Payables from Other Operations		-	-
C- Due to Related Parties		**-**	**-**
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
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**

(*) Refer to note 2.1.6.

(Currency: Turkish Lira (TL))

EQUITY			
V- Equity	**Note**	**Audited Current Period 31 December 2010**	**"Restated"(*) Audited Prior Period 31 December 2009**
A- Paid in Capital		**525,000,000**	**385,000,000**
1- (Nominal) Capital	2.13, 15	525,000,000	385,000,000
2- Unpaid Capital		-	-
3- Positive Capital Restatement Differences		-	-
4- Negative Capital Restatement Differences		-	-
B- Capital Reserves	**15**	**(357,479)**	**2,073,977**
1- Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale Assets That Will Be Transferred to Capital		-	-
4- Currency Translation Adjustments	15	(357,479)	-
5- Other Capital Reserves	15	-	2,073,977
C- Profit Reserves		**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**

(*) Refer to note 2.1.6.

(Currency: Turkish Lira (TL))

I-TECHNICAL SECTION	**Note**	**Audited Current Period 31 December 2010**	**"Restated"(*) 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

(*) Refer to note 2.1.6.

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

(Currency: Turkish Lira (TL))

I-TECHNICAL SECTION	Note	Audited Current Period 31 December 2010	"Restated"(*) Audited Prior Period 31 December 2009
E- Life Technical Expense		**(14,867,439)**	**(9,919,503)**
1- Incurred Losses (Net of Reinsurer Share)		(7,811,396)	(3,488,320)
1.1- Claims Paid (Net of Reinsurer Share)	17, 29	(5,506,322)	(3,491,548)
1.1.1- Claims Paid, gross	17	(7,247,252)	(3,621,778)
1.1.2- Claims Paid, ceded	10, 17	1,740,930	130,230
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17, 29	(2,305,074)	3,228
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(2,303,763)	(98,320)
1.2.2- Change in Provisions for Outstanding Claims, ceded	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)		**-**	**-**

(*) Refer to note 2.1.6.

(Currency: Turkish Lira (TL))

II-NON-TECHNICAL SECTION	Note	Audited Current Period 31 December 2010	"Restated"(*) Audited Prior Period 31 December 2009
C- Net Technical Income – Non-Life (A-B)		**21,167,918**	**12,553,181**
F- Net Technical Income – Life (D-E)		**456,342**	**2,145,045**
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		**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		-	-

(*) Refer to note 2.1.6.

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

(Currency: Turkish Lira (TL))

	Note	Audited Current Period 31 December 2010	"Restated"(*) 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**

(*) 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.

Millî Reasürans Türk Anonim Şirketi
Unconsolidated Statement of Changes in Equity
For the Year Ended 31 December 2010
(Currency: Turkish Lira (TL))

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

"Restated"(*) Audited Changes in Equity – 31 December 2009

	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustment	Currency Translation Adjustment	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Year	Retained Earnings	Total
I - Balance at the end of the previous year – 31 December 2008		**385,000,000**	**-**	**(27,074,577)**	**-**	**-**	**23,591,597**	**82,500,000**	**137,925,333**	**131,666,783**	**(66,891,719)**	**666,717,417**
II – Correction	2.1.6	-	-	5,713,530	-	-	-	-	-	-	(11,836,115)	(6,122,585)
III – Restated balances (I+II) – 31 December 2008		**385,000,000**	**-**	**(21,361,047)**	**-**	**-**	**23,591,597**	**82,500,000**	**137,925,333**	**131,666,783**	**(78,727,834)**	**660,594,832**
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	-	-	-	-	-	-	-	**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		-	-	-	-	-	-	-	-	93,302,390	-	**93,302,390**
I – Other reserves and transfers from retained earnings		-	-	-	-	-	6,991,767	8,500,000	5,176,873	(86,666,783)	66,891,719	**893,576**
J- Dividends paid		-	-	-	-	-	-	-	-	(45,000,000)	-	**(45,000,000)**
IV - Balance at the end of the year – 31 December 2009		**385,000,000**	**-**	**37,622,224**	**-**	**-**	**30,583,364**	**91,000,000**	**143,102,206**	**93,302,390**	**(11,836,115)**	**768,774,069**

Audited Changes in Equity – 31 December 2010

	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustment	Currency Translation Adjustment	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Year	Retained Earnings	Total
I - Balance at the end of the previous year – 31 December 2009		**385,000,000**	**-**	**42,359,636**	**-**	**-**	**30,583,364**	**91,000,000**	**143,102,206**	**88,924,641**	**-**	**780,969,847**
II – Correction	2.1.6	-	-	(4,737,412)	-	-	-	-	-	4,377,749	(11,836,115)	(12,195,778)
III – Restated balances (I+II) – 31 December 2009		**385,000,000**	**-**	**37,622,224**	**-**	**-**	**30,583,364**	**91,000,000**	**143,102,206**	**93,302,390**	**(11,836,115)**	**768,774,069**
A- Capital increase (A1+A2)		140,000,000	-	-	-	-	-	-	(140,000,000)		-	-
1- In cash		-	-	-	-	-	-	-	-		-	-
2- From reserves		140,000,000	-	-	-	-	-	-	(140,000,000)		-	-
B- Purchase of own shares			-	-	-	-	-	-	-		-	-
C- Gains or losses that are not included in the statement of income		-	-	16,882,376	-	-	-	-	-		-	**16,882,376**
D- Change in the value of financial assets		-	-	-	-	-	-	-	-		-	-
E- Currency translation adjustments		-	-	-	-	(357,479)	-	-	-		-	**(357,479)**
F- Other gains or losses		-	-	-	-	-	-	-	-		-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-		-	-
H- Net profit for the year		-	-	-	-	-	-	-	-	64,090,771	-	**64,090,771**
I – Other reserves and transfers from retained earnings		-	-	-	-	-	12,273,123	23,500,000	1,022,110	(41,675,000)	5,807,030	**927,263**
J- Dividends paid		-	-	-	-	-	-	-	-	(51,627,390)	-	**(51,627,390)**
IV - Balance at the end of the year – 31 December 2010		**525,000,000**	**-**	**54,504,600**	**-**	**(357,479)**	**42,856,487**	**114,500,000**	**4,124,316**	**64,090,771**	**(6,029,085)**	**798,689,610**

(*) Refer to note 2.1.6.

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

(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 (*)		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)	35	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 (%)		0.122078	0.230973
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 (%)		-	0.129766
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

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements
As at 31 December 2010

(Currency: Turkish Lira (TL))

1 General information

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

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

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

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.

(Currency: Turkish Lira (TL))

1 General information *(continued)*

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**

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 General information *(continued)*

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

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

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

1.10 Subsequent events

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.

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.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

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

Additional paragraph for convenience translation to English

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

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

Accounting in hyperinflationary countries

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

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

Other accounting policies

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

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

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

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)**

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies *(continued)*

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

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

	31 December 2009			
	Net profit for the year	**Revaluation of financial assets**	**Prior year losses**	**Total equity effect**
As previously reported:	**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.

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

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.

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.

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies *(continued)*

2.5 Tangible assets

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 Summary of significant accounting policies *(continued)*

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.

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 Summary of significant accounting policies *(continued)*

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.

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies *(continued)*

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:

	31 December 2010		31 December 2009	
Name	**Shareholding amount (TL)**	**Shareholding rate (%)**	**Shareholding amount (TL)**	**Shareholding rate (%)**
Türkiye İş Bankası AŞ	402,349,600	76.64	295,056,373	76.64
Millî Reasürans TAŞ Mensupları Yardımlaşma Sandığı Vakfı	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.

2 Summary of significant accounting policies *(continued)*

2.13 Capital *(continued)*

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.

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 Summary of significant accounting policies *(continued)*

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.

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies *(continued)*

2.18 Income taxes *(continued)*

Deferred tax *(continued)*

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

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%

2 Summary of significant accounting policies *(continued)*

2.19 Employee benefits *(continued)*

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.

2 Summary of significant accounting policies *(continued)*

2.21 Revenue recognition *(continued)*

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.

2 Summary of significant accounting policies *(continued)*

2.24 Reserve for unearned premiums *(continued)*

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

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

Since the Communiqué on Technical Reserves was effective from 1 January 2008, the Turkish Treasury issued 4 July 2007 dated and 2007/3 numbered "Circular to Assure the Compliance of the Technical Reserves of Insurance, Reinsurance and Pension Companies With the Insurance Law No.5684" ("Compliance Circular") to regulate the technical provisions between the issuance date and enactment date of the Communiqué on Technical Reserves. In accordance with the Compliance Circular, it is stated that companies should consider earthquake premiums written after 14 June 2007 in the calculation of the reserve for unearned premiums while earthquake premiums were deducted in the calculation of the reserve for unearned premiums before. Accordingly, the 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.

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies *(continued)*

2.25 Provision for outstanding claims *(continued)*

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.

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 big 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.

2 Summary of significant accounting policies *(continued)*

2.25 Provision for outstanding claims *(continued)*

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.

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.

2 Summary of significant accounting policies *(continued)*

2.27 Reserve for unexpired risk *(continued)*

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 Summary of significant accounting policies *(continued)*

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.

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.

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk *(continued)*

4.1 Management of insurance risk *(continued)*

Insurance risk concentrations

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

	31 December 2010		
Branches	**Gross total claims liability (*)**	**Reinsurance share of total claims liability**	**Net total claims liability**
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**

	31 December 2009		
Branches	**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 responsibility	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 Management of insurance and financial risk *(continued)*

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.

(Currency: Turkish Lira (TL))

4 Management insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Credit risk *(continued)*

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

	31 December 2010	31 December 2009
Cash and cash equivalents *(Note 14)*	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.

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:

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Liquidity risk *(continued)*

- 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.

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Liquidity risk *(continued)*

31 December 2009	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
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.

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

31 December 2010	US Dollar	Euro	Other currencies	Total
Assets:				
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**
Liabilities:				
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**

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Market risk *(continued)*

Foreign currency risk (continued)

31 December 2009	US Dollar	Euro	Other currencies	Total
Assets:				
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**
Liabilities:				
Payables arising from main operations	(8,235,171)	(10,983,319)	(72,940)	(19,291,430)
Insurance technical provisions	(35,103,711)	(54,556,863)	(10,816,505)	(100,477,079)
Total foreign currency liabilities	**(43,338,882)**	**(65,540,182)**	**(10,889,445)**	**(119,768,509)**
Net on-balance sheet position	**61,538,769**	**17,010,442**	**81,103,106**	**159,652,317**

(*) 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.

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.

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Market risk *(continued)*

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
Financial assets with fixed interest rates:	***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
Financial assets with variable interest rate:	***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	-
Financial liabilities:	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.

	Profit or loss		**Equity**	
31 December 2010	**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**

	Profit or loss		**Equity**	
31 December 2009	**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**

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Market risk *(continued)*

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

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

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

	31 December 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
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.

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Market risk *(continued)*

	31 December 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
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.

Gain and losses from financial assets

Gains and losses recognized in the statement of income:	**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 (*Note 15)*	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**

Gains and losses recognized in the statement of equity, net:	**31 December 2010**	**31 December 2009**
Fair value changes in available for sale financial assets *(Note 15)*	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 (*Note 15)*	(6,494,858)	(3,406,413)
Total	**16,691,489**	**65,545,706**

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Capital management

The Company's capital management policies include the following:

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

In accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Individual Pension Companies" issued by Turkish Treasury on 19 January 2008 dated and 26761 numbered; the Company measured its minimum capital requirement as TL 233,239,523. As at 31 December 2010 and 2009, the capital amount of the Company presented in the 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.

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.

(Currency: Turkish Lira (TL))

6 Tangible asset *(continued)*

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

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

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

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

There is not any revaluation on tangible assets.

As at 31 December 2010, carrying amount and fair value of the 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)

(Currency: Turkish Lira (TL))

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.

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.

(Currency: Turkish Lira (TL))

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 Inşaat 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.

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%.

(Currency: Turkish Lira (TL))

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**

(Currency: Turkish Lira (TL))

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**
Debt instruments:				
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**
Non-fixed income financial assets:				
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**
Debt instruments:				
Government bonds – TL	209,347,600	194,301,077	209,143,243	209,143,243
Government bonds – FC	7,528,500	5,926,077	7,912,755	7,912,755
Eurobonds issued by Turkish Government	13,661,963	15,025,456	16,665,711	16,665,711
	230,538,063	**215,252,610**	**233,721,709**	**233,721,709**
Non-fixed income financial assets:				
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**

(Currency: Turkish Lira (TL))

11 Financial assets *(continued)*

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**
Debt instruments:				
Government bonds – TL	205,092,254	215,289,270	254,055,827	254,055,827
	205,092,254	**215,289,270**	**254,055,827**	**254,055,827**
Non-fixed income financial assets:				
Equity shares	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**
Debt instruments:				
Government bonds – TL	178,788,768	186,646,122	208,069,788	208,069,788
	178,788,768	**186,646,122**	**208,069,788**	**208,069,788**
Non-fixed income financial assets:				
Equity shares	16,781,763	19,765,506	33,266,438	33,266,438
	16,781,763	**19,765,506**	**33,266,438**	**33,266,438**
Total available-for-sale financial assets	**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)

(Currency: Turkish Lira (TL))

11 Financial assets *(continued)*

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	Turkisfund 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**

(Currency: Turkish Lira (TL))

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.*

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**

(Currency: Turkish Lira (TL))

15 Equity

Paid in Capital

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

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

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

The Company has 1,000 registered and bonus founder shares. The only right of Founder Shares is getting dividend. Founder Shares might be purchased back by the Company according to the decision of the General Assembly after the 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**

(Currency: Turkish Lira (TL))

15 Equity *(continued)*

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).

(Currency: Turkish Lira (TL))

15 Equity *(continued)*

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.

(Currency: Turkish Lira (TL))

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**

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**

(Currency: Turkish Lira (TL))

17 Insurance liabilities and reinsurance assets *(continued)*

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.

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.

(Currency: Turkish Lira (TL))

17 Insurance liabilities and reinsurance assets *(continued)*

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.

(Currency: Turkish Lira (TL))

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**

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

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

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

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

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

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.

(Currency: Turkish Lira (TL))

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".

(Currency: Turkish Lira (TL))

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
Commissions to the intermediaries accrued during the period (Note 17)	*165,496,797*	*180,402,824*
Changes in deferred commission expenses (Note 17)	*9,146,773*	*4,175,169*
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)
Commission income from reinsurers accrued during the period (Note 10)	*(1,741,160)*	*(1,761,109)*
Change in deferred commission income (Note 10)	*308*	*(84,424)*
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**

(Currency: Turkish Lira (TL))

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 December2009	
Profit before taxes	**75,559,735**	**Tax rate (%)**	**106,726,761**	**Tax rate (%)**
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.

(Currency: Turkish Lira (TL))

38 Dividends per share

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

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

- 10% of legal reserve,

- 10% of first dividend to shareholders,

- Reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly,

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

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

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

	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.

(Currency: Turkish Lira (TL))

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**

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**

(Currency: Turkish Lira (TL))

45 Related party transactions *(continued)*

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.

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
Allıanz 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
Allıanz 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
Allıanz 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**

(Currency: Turkish Lira (TL))

45 Related party transactions *(continued)*

	31 December 2010	31 December 2009
Anadolu Sigorta	49,481,003	53,967,052
Allıanz 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 Anonim Türk Sigorta Şirketi	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
Allıanz Sigorta AŞ	9,648	7,037
Reinsurance's share of claims paid	**1,686,563**	**1,940,910**
Ergo Sigorta AŞ	479,476	88,403
Allıanz 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
Allıanz 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*.

(Currency: Turkish Lira (TL))

47 Other

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

They are presented in the related notes above.

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

None.

Subrogation recorded in "Off-Balance Sheet Accounts"

None.

Real rights on immovable and their values

None.

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

None

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

	31 December 2010	31 December 2009
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**